**NEW ISSUE–BOOK-ENTRY ONLY** **RATING: S&P: A**
**See "RATING" herein**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, except that no opinion is expressed as to the status of interest on any Series 2009A Bond for any period that such Series 2009A Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2009A Bonds or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series 2009A Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2009A Bonds and the Taxable Series 2009B Bonds is exempt from State of California personal income taxes. Interest on the Taxable Series 2009B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of the interest on, the Series 2009 Bonds. See "TAX MATTERS."*

**$26,830,000** 09-0384
**RICHMOND JOINT POWERS FINANCING AUTHORITY**
**POINT POTRERO**
**LEASE REVENUE BONDS, SERIES 2009A**

**$20,280,000** 09-0385
**RICHMOND JOINT POWERS FINANCING AUTHORITY**
**POINT POTRERO**
**TAXABLE LEASE REVENUE BONDS, SERIES 2009B**

**Dated: Date of Delivery** **Due: July 1, as shown on the inside cover page**

The Richmond Joint Powers Financing Authority (the "Authority") is issuing $26,830,000 aggregate principal amount of Richmond Joint Powers Financing Authority Point Potrero Lease Revenue Bonds, Series 2009A (the "Series 2009A Bonds") and $20,280,000 aggregate principal amount of Richmond Joint Powers Financing Authority Point Potrero Taxable Lease Revenue Bonds, Series 2009B (the "Taxable Series 2009B Bonds" and, together with the Series 2009A Bonds, the "Series 2009 Bonds") pursuant to a Trust Agreement, dated as of July 1, 2009 (the "Trust Agreement") by and between the Authority and Union Bank, N.A., as trustee (the "Trustee") and will be secured as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS." The Series 2009 Bonds are being issued to: (i) provide funds for the construction of an automobile warehousing and distribution facility, including certain rail improvements to be located at the Point Potrero terminal at the Port of Richmond (the "Port") and the nearby private property of BNSF Railway Company (collectively, the "2009 Project"), (ii) fund deposits into the Reserve Fund established for Series 2009 Bonds as additional security for the Series 2009 Bonds; (iii) fund seven months of capitalized interest on the Series 2009A Bonds and two years of capitalized interest on the Taxable Series 2009B Bonds; and (iv) pay certain costs associated with the issuance of the Series 2009 Bonds.

The Series 2009 Bonds are special limited obligations of the Authority payable solely from Revenues of the Authority consisting principally of Base Rental Payments to be received by the Authority from the City of Richmond (the "City") as rental for the 2009 Project, pursuant to a Facilities Lease dated as of July 1, 2009 (the "Facilities Lease"), by and between the City and the Authority. The amount of the Base Rental Payments is calculated to be sufficient to pay principal of and interest on the Series 2009 Bonds when due. As additional security for its Base Rental Payment obligation, the City pledges Net Port Revenues to the payment of the Base Rental Payments, *provided, however*, that if Net Port Revenues are insufficient to make any Base Rental Payment, such Base Rental Payment will be made from lawfully available funds in the General Fund of the City. Following completion of the 2009 Project, Net Port Revenues are expected to consist primarily of amounts received from American Honda Motor Co., Inc. ("American Honda") pursuant to a Minimum Annual Guaranty Agreement, by and among the City, American Honda and Auto Warehousing Co. ("AWC") and other revenues received from the operations of the 2009 Project and the Port. AWC is responsible for constructing and operating the 2009 Project. Net Port Revenues also includes revenues from other activities at the Port. See "PLAN OF FINANCE," "THE 2009 PROJECT" and "THE PORT OF RICHMOND."

The City covenants in the Facilities Lease to make all Base Rental Payments provided for therein to the Authority, subject to complete or partial abatement of such Base Rental Payments to the extent of substantial interference with use and occupancy by the City of all or any portion of the 2009 Project caused by material damage or destruction of the 2009 Project or condemnation thereof; provided, that no abatement shall occur to the extent that Net Port Revenues are available to pay Base Rental Payments. The City covenants in the Facilities Lease to take such action as may be necessary to include such Base Rental Payments in its annual budgets and to make the necessary annual appropriations thereof. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS."

The Series 2009 Bonds will be issued in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Ownership interests in the Series 2009 Bonds will be in denominations of $5,000 or any integral multiple thereof. Beneficial Owners of the Series 2009 Bonds will not receive physical certificates representing the Series 2009 Bonds purchased, but will receive a credit balance on the books of DTC Participants. Interest on the Series 2009 Bonds is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2010 (each, an "Interest Payment Date"). Principal of, premium, if any, and interest on the Series 2009 Bonds will be paid by the Trustee to DTC, which in turn will remit such principal, premium, if any, and interest to its participants for subsequent disbursement to Beneficial Owners of the Series 2009 Bonds as described herein. See APPENDIX G–"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

**The Series 2009 Bonds are subject to redemption prior to maturity as described herein. The Taxable Series 2009B Bond are not subject to optional redemption.**

THE SERIES 2009 BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT DESCRIBED HEREIN), AND NONE OF THE CITY, THE STATE, OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT DESCRIBED HEREIN) IS LIABLE THEREFOR. IN NO EVENT SHALL THE SERIES 2009 BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY OR THE CITY AS SET FORTH IN THE TRUST AGREEMENT. THE AUTHORITY HAS NO TAXING POWER. THE SERIES 2009 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

**This cover page contains certain information for general reference only. It is *not* a summary of this issue. Potential investors are advised to read this entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Series 2009 Bonds. See also "RISK FACTORS."**

*The Series 2009 Bonds are being offered by the Underwriter, as, when and if issued by the Authority and accepted by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Certain legal matters will be passed upon for the Authority and the City by the City Attorney and for the City, the Authority and the Underwriter by Lofton & Jennings, San Francisco, California, Disclosure Counsel. It is expected that the Series 2009 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about July 22, 2009.*

## RBC CAPITAL MARKETS

Dated: July 13, 2009

## MATURITY SCHEDULE

### Series 2009A Bonds

$26,830,000 6.25% Term Bonds Due July 1, 2024–Yield: 6.25%–Price: 100%–CUSIP No.[†] 764440GB3

### Taxable Series 2009B Bonds

$4,855,000 Serial Bonds

| Maturity Date (July 1) | Principal Amount | Interest | Price or Yield | CUSIP No.[†] |
|---|---|---|---|---|
| 2013 | $2,405,000 | 6.30% | 6.90% | 764440GC1 |
| 2014 | 2,450,000 | 6.50 | 7.00 | 764440GD9 |

$8,855,000 8.50% Term Bonds Due July 1, 2019–Yield: 8.50%–Price: 100%–CUSIP No.[†] 764440GE7
$6,570,000 8.25% Term Bonds Due July 1, 2019–Yield: 8.50%–Price: 98.335%–CUSIP No.[†] 764440GF4

† Copyright 2009, American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. None of the Authority, the City or the Underwriter takes any responsibility for the accuracy of such CUSIP numbers.

No dealer, broker, salesperson or other person has been authorized by the Authority, the City or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2009 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2009 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The information and expressions of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City or the Port since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

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

The issuance and sale of the Series 2009 Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, and the Trust Agreement has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions provided thereunder.

All descriptions and summaries of documents and statutes hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document and statute for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and statute. Certain capitalized terms used but not defined herein are defined in APPENDIX D–"SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–Definitions."

Certain references are made herein to the City's website for further information. No assurance can be made about the ongoing accuracy, completeness or timeliness of information posted on the City's website, and such information is not incorporated herein by such references.

## CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements contained in this Official Statement reflect not historical facts but forecasts and "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," expect," "intend," "believe," "plan," "budget," and similar expressions are intended to identify forward-looking statements. Projections, forecasts, assumptions, expressions of opinions, estimates and other forward statements are not to be construed as representations of fact and are qualified in their entirety by the cautionary statements set forth in this Official Statement.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that 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 Authority and the City do 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 or do not occur.

**RICHMOND JOINT POWERS FINANCING AUTHORITY**
**AND**
**CITY OF RICHMOND**

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**GOVERNING BOARD AND CITY COUNCIL**

Gayle McLaughlin, *President/Mayor*
Nathaniel Bates, *Board Member/Councilmember*
Tom Butt, *Board Member/Councilmember*
Ludmyrna Lopez, *Board Member/Councilmember*
Jim Rogers, *Board Member/Councilmember*
Jeff Ritterman, *Board Member/Councilmember*
Maria Viramontes, *Board Member/Councilmember*

**AUTHORITY AND CITY ADMINISTRATION**

William A. Lindsay, *Executive Director of the Authority and City Manager*
James C. Goins, *Treasurer/Auditor of the Authority and City Finance Director and Treasurer*
Steve Duran, *Community & Economic Development Director of the City*
Randy Riddle, *City Attorney*

**PORT OF RICHMOND**

James Matzorkis, *Port Director*
Norman K. Chan, *Port Administrator*
Tom Wilson, *Port Maintenance Manager*

**PROFESSIONAL SERVICES**

**Bond Counsel**
Orrick, Herrington & Sutcliffe LLP

**Disclosure Counsel**
Lofton & Jennings
San Francisco, California

**Financial Advisor**
Tamalpais Advisors, Inc.
Sausalito, California

**Trustee**
Union Bank, N.A.
San Francisco, California

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| **POINT POTRERO** | **POINT POTRERO** |
| **LEASE REVENUE BONDS, SERIES 2009A** | **TAXABLE LEASE REVENUE BONDS, SERIES 2009B** |

## INTRODUCTION

*This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the Series 2009 Bonds to potential investors is made only by means of the entire Official Statement. All statements contained in this Introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. Capitalized terms used in this Official Statement and not defined elsewhere herein have the meanings given such terms under the Trust Agreement or the Facilities Lease (both as defined herein). See APPENDIX D– "SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–DEFINITIONS."*

### General; Authorization

The purpose of this Official Statement, which includes the cover, through the appendices hereto, is to provide information in connection with the issuance and sale by the Richmond Joint Powers Financing Authority (the "Authority") of $26,830,000 aggregate principal amount of Richmond Joint Powers Financing Authority Point Potrero Lease Revenue Bonds, Series 2009A (the "Series 2009A Bonds") and $20,080,000 aggregate principal amount of Richmond Joint Powers Financing Authority Point Potrero Taxable Lease Revenue Bonds, Series 2009B (the "Taxable Series 2009B Bonds" and together with the Series 2009A Bonds, the "Series 2009 Bonds"). The Series 2009 Bonds are being issued to: (i) provide funds for the construction of an automobile warehousing and distribution facility, including certain rail improvements to be located at the Point Potrero Marine Terminal at the Port of Richmond (the "Port") and the nearby private property of BNSF Railway Company (collectively, the "2009 Project"); (ii) fund deposits into the Reserve Fund established for the Series 2009 Bonds as additional security for the Series 2009 Bonds; (iii) fund seven months of capitalized interest on the Series 2009A Bonds and two years of capitalized interest on the Taxable 2009 Series B Bonds; and (iv) pay certain costs associated with the issuance of the Series 2009 Bonds. The Series 2009 Bonds are payable solely from Revenues of the Authority, consisting principally of Base Rental Payments paid to the Authority by the City of Richmond (the "City") for use and occupancy of certain real property (the "Demised Premises") and the buildings and other facilities located on the Demised Premises and the portions of the 2009 Project located on the Demised Premises and, collectively, referred to as, the "Facilities," pursuant to a Facilities Lease, dated as of July 1, 2009 (the "Facilities Lease"), by and between the City and the Authority. The amount of the Base Rental Payments is calculated to be sufficient to pay principal of and interest on the Series 2009 Bonds when due. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS."

The Series 2009 Bonds are special limited obligations of the Authority, issued pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California and a Trust Agreement, dated as of July 1, 2009 (the "Trust Agreement"), by and between the Authority and Union Bank, N.A., as trustee (the "Trustee").

**Security and Sources of Payment for the Series 2009 Bonds**

The Authority will enter into site leases, each dated as of July 1, 2009 (collectively, the "Site Lease"), pursuant to which the Authority will lease different portions of the Demised Premises from the the City and the Richmond Surplus Property Authority. Simultaneously with the delivery of the Site Lease, the Authority will enter into the Facilities Lease with the City, pursuant to which the City will lease the Demised Premises and the Facilities from the Authority and covenants to make Base Rental Payments to the Authority for use and occupancy of the Demised Premises and the Facilities. Base Rental Payments are payable from Net Port Revenues of the City's Port Enterprise, as defined in Ordinance No. 27-08 N.S., adopted by the City Council on November 25, 2008, amending and restating Ordinance No. 1-99 N.S., adopted by the City Council on January 12, 1999 (the "Ordinance") and to the extent Net Port Revenues are insufficient to pay Base Rental Payments, from amounts available in the General Fund of the City. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS." Net Port Revenues are expected to consist primarily of revenues derived from the 2009 Project, which include amounts received from American Honda Motor Co., Inc. ("American Honda"), a subsidiary of Honda Motor Co., Ltd. pursuant to a Minimum Annual Guaranty Agreement to become effective on the date of delivery of the Series 2009 Bonds (the "MAG Agreement"), among the City, American Honda and Auto Warehousing Co. ("AWC"). AWC is responsible for constructing and operating the 2009 Project pursuant to the terms of a Second Amended and Restated Lease Agreement to become effective on the date of delivery of the Series 2009 Bonds between the City and AWC (the "Operating Lease"). Net Port Revenues also include revenues from other activities at the Port. See "THE 2009 PROJECT" and "THE MAG AGREEMENT" and "THE PORT OF RICHMOND."

The City covenants in the Facilities Lease to make all Base Rental Payments provided for therein to the Authority, subject to complete or partial abatement of such Base Rental Payments in the event of substantial interference with use and occupancy by the City of all or a portion of the Demised Premises caused by material damage or destruction of the Demised Premises or condemnation thereof; provided, that abatement shall not occur to the extent that Net Port Revenues are available to pay Base Rental Payments. The City also covenants in the Facilities Lease to take such action as may be necessary to include such Base Rental Payments in its annual budgets and to make the necessary annual appropriations therefor. See "SECURITY AND SOURCES OF PAYMENTS FOR THE SERIES 2009 BONDS–Facilities Lease–*Abatement*."

THE SERIES 2009 BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT DESCRIBED HEREIN), AND NONE OF THE CITY, THE STATE, OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT DESCRIBED HEREIN) IS LIABLE THEREFOR. IN NO EVENT SHALL THE SERIES 2009 BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY OR THE CITY AS SET FORTH IN THE TRUST AGREEMENT. THE AUTHORITY HAS NO TAXING POWER. THE SERIES 2009 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

***Reserve Fund.*** The Trust Agreement establishes a Reserve Fund for the Series 2009 Bonds in an amount equal to the Reserve Requirement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS–Reserve Fund."

**Risks to Bondowners**

An investment in the Series 2009 Bonds involves risk. Investors are advised to read the entire Official Statement to obtain information essential to making an informed decision to invest in the Series 2009 Bonds. For a discussion of certain investment considerations and risk factors that should be considered by prospective purchasers of the Series 2009 Bonds, in addition to the other matters presented in this Official Statement, see "RISK FACTORS."

**Continuing Disclosure**

The City has covenanted to provide, or cause to be provided, in accordance with Securities Exchange Commission Rule 15c2-12(b)(5), certain annual financial information and operating data and, in a timely manner, notice of certain material events. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5). See "CONTINUING DISCLOSURE."

**References to Documents**

This Official Statement contains brief descriptions of, among other things, the Series 2009 Bonds, the Ordinance, the Facilities, the 2009 Project, the Authority, the City, the Site Lease, the Facilities Lease, the Trust Agreement, the Continuing Disclosure Agreement, dated the date of delivery of the Series 2009 Bonds (the "Continuing Disclosure Agreement") between the City and the Trustee, the MAG Agreement and the Operating Lease (each as defined herein). Such 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 Series 2009 Bonds are qualified in their entirety by reference to the forms of the Series 2009 Bonds included in the Trust Agreement. Copies of the Trust Agreement, the Site Lease, the Facilities Lease, the Continuing Disclosure Agreement, the MAG Agreement, the Operating Lease and other documents described in this Official Statement may be obtained from the Trustee, 350 California Street, 11th Floor, San Francisco, California 94104.

Capitalized terms used herein and not otherwise defined shall have the meaning given in the Trust Agreement and the Facilities Lease. For a summary of the Trust Agreement and the Facilities Lease, see APPENDIX D–"SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

For information concerning the City and the Port, including selected financial and operating information and information incorporated by reference, see APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND" and APPENDIX C–"THE PORT OF RICHMOND."

## PLAN OF FINANCE

**Application of Series 2009 Bond Proceeds**

The proceeds of the Series 2009 Bonds (other than amounts allocated for reserve funds, costs of issuance and capitalized interest) will be deposited by the Authority into the Project Account established under the Trust Agreement. Such amounts will be applied primarily to the construction of improvements at the Port and the nearby private property owned by BNSF. Such improvements include construction of an automobile warehousing and distribution facility designed to serve American Honda and related rail improvements. All such improvements are collectively referred to as the "2009 Project."

The terminal improvements comprising a portion of the 2009 Project (the "Terminal Project") will be subleased by the City to AWC, pursuant to the Operating Lease. AWC will be responsible for construction of the Terminal Project and its subsequent operation. The Terminal Project and the adjacent City rail yard is the subject of the Site Lease and the Facilities Lease, the Base Rental Payment by the City with respect to which will be applied to pay debt service on the Series 2009 Bonds.

AWC will also be responsible for the construction of certain rail improvements (the "Rail Improvements") necessary for operation of the 2009 Project. Proceeds of the Taxable Series 2009B Bonds are being applied primarily to finance the necessary improvements to certain rail facilities owned by BNSF. A portion of the Series 2009A Bond proceeds will be applied to construct improvements to certain City-owned rail facilities that will serve the 2009 Project. The Rail Improvements and the related real property are ***not*** part of the property subject to the Site Lease and the Facilities Lease.

See also "THE 2009 PROJECT" for a more detailed description.

### Revenues from the Series 2009 Project; the MAG Agreement

Revenues from the 2009 Project consist primarily of wharfage and storage charges, as established by the Port and rentals for the Terminal Project paid by AWC under the Operating Lease. In addition, American Honda has entered into a Minimum Annual Guarantee Agreement (the "MAG Agreement") with AWC and the City under which it agrees to transport a minimum of 145,000 vehicles per year through the 2009 Project. The MAG Agreement establishes a MAG Commencement Date which is the date of substantial completion of the 2009 Project and provides that the minimum annual guarantee of 145,000 vehicles, subject to certain carryover credits in the event more vehicles are delivered in a given year, is effective for 15 years thereafter. The MAG Commencement Date is expected to be February 2010. The Series 2009 Bonds have a final maturity of 2024.

See "THE MAG AGREEMENT" for a summary of project revenues thereunder and for a detailed summary of certain provisions thereof. See "THE 2009 PROJECT" for description of American Honda, AWC, BNSF and brief reference to other private business entities which will provide services in connection with the Series 2009 Project.

### Certain Risk Factors with Respect to the MAG Agreement

Certain provisions of the MAG Agreement can operate to temporarily excuse performance by American Honda thereunder or could result in reduced revenues therefrom or an early termination of the MAG obligation. See "RISK FACTORS–Certain Risk Factors with Respect to the MAG Agreement."

## THE SERIES 2009 BONDS

### General

The Series 2009A Bonds will be issued in the aggregate principal amount of $26,830,000 and the Taxable Series 2009B Bonds will be issued in the aggregate principal amount of $20,280,000. The Series 2009 Bonds will be issued in denominations of $5,000 or any integral multiple thereof, and will be dated the date of delivery thereof and will mature on July 1 of the years and in the amounts set forth on the inside cover page hereof. Interest on the Series 2009 Bonds is payable from their dated date, at the rates set forth on the inside cover page hereof, on July 1 and January 1 of each year, commencing January 1, 2010.

The Series 2009 Bonds will be dated the date of delivery thereof and will mature on the dates and in the amounts set forth on the inside cover page hereof. Interest on the Series 2009 Bonds is payable from their dated date. The Series 2009 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC," and, together with any successor securities depository, the "Securities Depository"). DTC will act as Securities Depository for the Series 2009 Bonds so purchased. Individual purchases will be made only in book-entry form. Purchasers will not receive physical certificates representing their beneficial ownership interest in the Series 2009 Bonds. So long as the Series 2009 Bonds are registered in the name of Cede & Co., payment of the principal of, premium, if any, and interest on the Series 2009 Bonds will be payable to DTC or its nominee. DTC in turn will remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX G—"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

THE SERIES 2009 BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT DESCRIBED HEREIN), AND NONE OF THE CITY, THE STATE, OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT DESCRIBED HEREIN) IS LIABLE THEREFOR. IN NO EVENT SHALL THE SERIES 2009 BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY OR THE CITY AS SET FORTH IN THE TRUST AGREEMENT. THE AUTHORITY HAS NO TAXING POWER. THE SERIES 2009 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

**Redemption Provisions**

***Optional Redemption of the Series 2009A Bonds.*** The Series 2009A Bonds are subject to optional redemption at the direction of the Authority prior to the respective maturity dates from moneys deposited by the Authority or the City from any source of available funds, in whole, on any date, or in part (in such maturities as are designated by the Authority at the direction of the City, or if the Authority fails to designate such maturities, in the order of maturity selected by the Authority and by lot within a maturity) on any date on or after July 1, 2019, at a redemption price equal to 100% of the principal amount of Series 2009A Bonds called for redemption together with accrued interest thereon to the date fixed for redemption, without premium.

***No Optional Redemption of the Taxable Series 2009B Bonds.*** The Taxable Series 2009B Bonds are not subject to redemption prior to their respective stated maturities.

***Mandatory Sinking Fund Redemption of the Series 2009A Bonds.*** The Series 2009A Bonds maturing on July 1, 2024 are also subject to redemption prior to their respective stated maturities, on any July 1 on or after July 1, 2020, in part by lot, from mandatory sinking account payments at a redemption price equal to the principal amount thereof and interest accrued thereon to the date fixed for redemption date, without premium, as set forth below:

Mandatory Sinking Fund Redemption Schedule
Series 2009A Term Bonds

| Sinking Fund Redemption Date (July 1) | Principal Amount |
|---|---|
| 2020 | $3,905,000 |
| 2021 | 4,150,000 |
| 2022 | 4,405,000 |
| 2023 | 4,685,000 |
| 2024† | 9,685,000 |

† Final Maturity.

***Mandatory Sinking Fund Redemption for Taxable Series 2009B Bonds***. The Taxable Series 2009B Bonds maturing on July 1, 2019 are subject to redemption prior to their respective stated maturities, on any July 1 on or after July 1, 2015, in part by lot, from mandatory sinking account payments at a redemption price equal to the principal amount thereof and interest accrued thereon to the date fixed for redemption date, without premium, as set forth below:

Mandatory Sinking Fund Redemption Schedule
Taxable Series 2009B Term Bonds

| 8.50% Term Bonds – CUSIP No.† 764440GE7 | | 8.25% Term Bonds – CUSIP No.† 764440GF4 | |
|---|---|---|---|
| Sinking Fund Redemption Date (July 1) | Principal Amount | Sinking Fund Redemption Date (July 1) | Principal Amount |
| 2015 | $1,505,000 | 2015 | $1,105,000 |
| 2016 | 1,630,000 | 2016 | 1,200,000 |
| 2017 | 1,770,000 | 2017 | 1,295,000 |
| 2018 | 1,925,000 | 2018 | 1,395,000 |
| 2019†† | 2,025,000 | 2019†† | 1,575,000 |



†† Final Maturity.

***Extraordinary Redemption***. The Series 2009 Bonds are subject to extraordinary redemption as a whole or in part in integral multiples of $5,000 on any date prior to their respective stated maturities, from prepayments made by the City's obligations under the Facilities Lease from the proceeds of insurance or condemnation awards as provided in the Facilities Lease, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption. If less than all of Outstanding Bonds of a series and a maturity are to be redeemed on any one date, the Trustee is required to select the Series 2009 Bonds of such series and maturity to be redeemed in part from the Outstanding Series 2009 Bonds of such series and maturity so that the aggregate annual principal amount of Series 2009 Bonds which is payable after such redemption date will be as nearly proportional as practicable to the aggregate annual principal amount of Outstanding Series 2009 Bonds prior to such redemption date.

***Partial Redemption of the Series 2009 Bonds.*** If less than all outstanding Series 2009 Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee is required to select the Series 2009 Bonds of such series and maturity date to be redeemed in any manner that it deems appropriate and fair and promptly notify the Authority in writing of the numbers of the Series 2009 Bonds so selected for redemption. For purposes of such selection, Series 2009 Bonds will be deemed to be composed of $5,000 multiples and any such multiple may be separately redeemed.

***Notice of Redemption.*** Notice of redemption is required to be mailed by first-class mail by the Trustee, not less than 30 nor more than 60 days prior to the redemption date to (i) the respective Owners of the Series 2009 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) one or more Information Services. Notice of redemption to the Securities Depositories and the Information Services is required to be given by registered mail or overnight delivery or facsimile transmission. Each notice of redemption is required to state the date of such notice, the Series being redeemed, the redemption price, if any (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Series 2009 Bonds of such maturity, to be redeemed and, in the case of Series 2009 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice is also required to state that on said date there will become due and payable on each of said Series 2009 Bonds to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue, and require that the Series 2009 Bonds be then surrendered at the address of the Trustee specified in the redemption notice.

So long as the Series 2009 Bonds are held in book-entry only form, notice of redemption will be mailed by the Trustee only to DTC and not to the Beneficial Owners of Bonds under the DTC book-entry only system. Neither the Authority nor the Trustee is responsible for notifying the Beneficial Owners, who are to be notified in accordance with the procedures in effect for the DTC book-entry system. See APPENDIX G–"DTC AND THE BOOK-ENTRY-ONLY SYSTEM."

Neither the failure to receive any such notice of redemption nor any defect therein will affect the validity of the proceedings for the redemption of such Series 2009 Bonds or the cessation of interest on the redemption date. Neither the Authority nor the Trustee shall have any responsibility for any defect in CUSIP numbers which appears on any Series 2009 Bond or in any redemption notice with respect thereto.

***Right to Rescind Redemption.*** The Authority (at the direction of the City) has the right to rescind any redemption by written notice of rescission. Any notice of redemption will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Series 2009 Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Trust Agreement. The Trustee will mail notice of rescission of such redemption in the same manner as the original notice of redemption was sent.

***Effect of Redemption.*** If notice of redemption is given as provided in the Trust Agreement and money for the payment of the redemption price of the Series 2009 Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice the Series 2009 Bonds so called for redemption will become due and payable, and from and after such redemption date interest on such Series 2009 Bonds will cease to accrue, and the Holders of such Series 2009 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS

### General

The Series 2009 Bonds are special limited obligations of the Authority payable solely from and secured by the Revenues pledged therefor in the Trust Agreement, together with other amounts (including proceeds of the sale of the Series 2009 Bonds) held in the funds and accounts held by the Trustee (other than the Rebate Fund). Revenues consist primarily of Base Rental Payments made by the City to the Authority for the use and occupancy of the Demised Premises and the Facilities, which Base Rental Payments will be paid from Net Port Revenues, and, if such amounts are insufficient, from amounts available in the City's General Fund. See also "–Pledge of Net Port Revenues" and "RISK FACTORS–Limited Recourse to the City's General Fund."

### Pledge of Revenues

"Revenues" are defined in the Trust Agreement to mean all Base Rental Payments and other payments paid by the City and received by the Authority pursuant to the Facilities Lease and all interest or other income from any investment, pursuant to the Trust Agreement, of any money in any fund or account established pursuant to the Trust Agreement or the Facilities Lease (other than the Rebate Fund).

All Revenues and any other amounts (including proceeds of the sale of the Series 2009 Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund) are irrevocably pledged to the payment of the interest and premium, if any, on and principal of the Series 2009 Bonds as provided in the Trust Agreement, and the Revenues are not permitted to be used for any other purpose while any of the Series 2009 Bonds remain Outstanding. The pledge of Revenues under the Trust Agreement constitutes a first pledge of and charge and lien upon the Revenues and all other moneys on deposit in the funds and accounts established under the Trust Agreement (other than amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the Series 2009 Bonds in accordance with the terms of the Trust Agreement.

### Facilities Lease

***General.*** Pursuant to the Facilities Lease, the City leases from the Authority the Demised Premises and the Facilities.

Pursuant to the Trust Agreement, the Authority assigns certain of its rights under the Facilities Lease to the Trustee for the benefit of the Owners of the Series 2009 Bonds, including its rights to receive Base Rental Payments and the net proceeds of title insurance or condemnation award thereunder, and its rights to exercise all the rights and remedies conferred on the Authority under the Facilities Lease. The obligation of the City to make Base Rental Payments is payable from annual appropriations of the City from funds lawfully available therefor.

THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE FACILITIES LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, OR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED TO MAKE BASE RENTAL PAYMENTS UNDER THE FACILITIES LEASE.

***Annual Appropriations.*** In the Facilities Lease, the City covenants to take such action each year as may be necessary to include all Base Rental Payments and Additional Payments in its annual budgets and to make annual appropriations therefor. Because the Base Rental Payments constitute the rent for all of the Demised Premises and the Facilities, one annual appropriation will be made for all the Demised Premises and the Facilities. As provided in the Facilities Lease, the covenants of the City thereunder shall be deemed by the City to be and shall be duties imposed by law. It is the duty of each and every public official of the City to take such action and to do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Facilities Lease to be carried out and performed by the City.

***Base Rental Payments***. As rental for the use and occupancy of the Demised Premises and the Facilities, the City covenants under the Facilities Lease to pay the Authority semi-annual rental payments, all in accordance with the Base Rental Payments Schedule attached as an Exhibit to the Facilities Lease. Base Rental Payments will be paid in semi-annual installments and will be payable on the fifteenth day of the month immediately preceding each Interest Payment Date. Each Base Rental Payment shall be for the use of the Demised Premises and the Facilities for the 12 month period commencing on June 15 of the period in which such installments are payable.

Base Rental Payments made by the City are payable from Net Port Revenues and, to the extent such amounts are insufficient therefor, from the City's General Fund. For information as to Net Port Revenues, see "–Pledge of Net Port Revenues" and APPENDIX C–"THE PORT OF RICHMOND." For certain financial information relating to the City, see APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND." For the audited financial statements of the City, APPENDIX B–"AUDITED FINANCIAL STATEMENTS OF THE CITY OF RICHMOND, FISCAL YEAR 2007-08." See also "RISK FACTORS" for a discussion of certain risks inherent in the Facilities Lease.

***Abatement***. Base Rental Payments and Additional Payments due with respect to the Demised Premises and the Facilities shall be abated during any period in which, by reason of any material damage or destruction (other than by condemnation which is otherwise addressed) there is substantial interference with the use and occupancy of the Demised Premises and the Facilities or any portion thereof by the City in the proportion in which the cost of that portion of the Demised Premises and the Facilities rendered unusable bears to the cost of the whole of the Demised Premises and the Facilities. Such abatement shall continue from the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Facilities Lease shall continue in full force and effect and the City waives the benefits of the California Civil Code Section 1932(2) and 1933(4) and of Title 11 of the United States Code, Section 365(h) and any and all other rights to terminate the Facilities Lease by virtue of any such damage, destruction or interference. Notwithstanding the foregoing, to the extent that moneys are available for the payment of Base Rental Payments from Net Port Revenues (including payments made by American Honda or by AWC) or in any of the funds and accounts established under the Trust Agreement (except the Reserve Fund), Base Rental Payments will not be abated as described above but, rather, will be payable by the City as a special obligation payable solely from said funds and accounts.

***Insurance***. Except as otherwise provided in the Facilities Lease, the City is required to procure and maintain or cause to be procured and maintained at all times throughout the term of the Facilities Lease coverage on the Demised Premises and the Facilities as described below:

> Fire and Extended Coverage and Earthquake Insurance. Subject to the terms of the Operating Agreement and the MAG Agreement, insurance against loss or damage to any structures constituting any part of the Demised Premises and the Facilities by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance and sprinkler system leakage insurance, flood insurance, but only with respect to such portions of the Demised Premises and the Facilities that are situated in any zone designated by the U.S. Government as a flood zone, and earthquake insurance, if available on the open market from reputable insurance companies at a reasonable cost, as determined by the City. Said extended coverage insurance is

required, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Demised Premises and the Facilities, excluding the cost of excavations, of grading and filling, and of the land (except that such insurance may be subject to deductible clauses for any one loss of not to exceed \$500,000 or a comparable amount adjusted for inflation or more in the case of earthquake insurance), or, in the alternative, shall be in an amount and in a form sufficient (together with moneys held in the Trust Agreement), in the event of total or partial loss, to enable all outstanding Series 2009 Bonds to be redeemed. See also APPENDIX D–"SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–FACILITIES LEASE–Insurance."

As an alternative to providing the fire and extended coverage and earthquake insurance, or any portion thereof, the City may provide a self insurance method or plan of protection if and to the extent such self insurance method or plan of protection is required to afford reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City. So long as such method or plan is being provided to satisfy the requirements of this Facilities Lease, the City is required to file annually with the Trustee a statement of an Insurance Consultant or other qualified person (which may not be an officer or employee of the City), stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the Facilities Lease and, when effective, would afford reasonable coverage for the risks required to be insured against. The City is also required to file a certificate setting forth the details of such substitute method or plan. In the event of loss covered by any such self insurance method, the liability of the City thereunder will be limited to the amounts in the self insurance reserve fund or funds created under such method.

Comprehensive General Liability Insurance. Subject to the Operating Lease and MAG Agreement and except as provided in the Facilities Lease, a standard comprehensive general liability insurance policy or policies in protection of the Authority and its members, directors, officers, agents and employees and the Trustee, indemnifying said parties against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the operation of the Demised Premises and the Facilities, with minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$200,000 for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the City.

As an alternative to providing standard comprehensive general liability, or any portion thereof, the City may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection affords reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City. So long as such method or plan is being provided to satisfy the requirements of the Facilities Lease, the City is required to file annually with the Trustee a certificate of an Insurance Consultant or other qualified person (which *may not* be an officer or employee of the City), stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the Facilities Lease and, when effective, would afford reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee against loss and damage from the hazards and risks covered thereby, and the City is also required to file a certificate with the Trustee setting forth the details of such substitute method or plan.

Rental Interruption or Use and Occupancy Insurance. The City is required to maintain or cause to be maintained rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of each of the Demised Premises and the Facilities as a result of any of those certain hazards covered by the hazard insurance described in the Facilities Lease, (provided with respect to earthquake insurance, only if available on the open market from reputable insurance companies at a reasonable cost, as determined by the City, and provided further that such rental interruption insurance coverage may not be provided by a plan of self insurance), in an amount sufficient to pay the portion of the total rent thereunder attributable to the portion of the Facilities rendered unusable (determined by reference to the proportion that the cost of such portion bears to cost of the Facilities) for a period of at least two years except that such insurance may be subject to a deductive clause not to exceed $250,000 or a comparable amount adjusted for inflation (or more in the case of earthquake coverage). Any proceeds of such insurance will be used by the Trustee to reimburse to the City any rental theretofore paid by the City under the Facilities Lease attributable to such structure for a period of time during which the payment of rental under the Facilities Lease is abated, and any proceeds of such insurance not so used will be applied as provided in the Facilities Lease to the extent required for the payment of Base Rental Payments and to the extent required for the payment of Additional Payments and any remainder will be treated as Revenue under the Trust Agreement.

If damage or destruction with respect to any of the Demised Premises and the Facilities results in abatement of the Base Rental Payments and if such abated Base Rental Payments, if any, together with moneys from rental interruption insurance (in the event of any insured loss due to damage or destruction), eminent domain proceeds, if any, Net Port Revenues, and moneys available in the funds and accounts established under the Trust Agreement are insufficient to make that portion of the payments of principal and interest on the Series 2009 Bonds anticipated to be derived from the Facilities Lease during the period that such Demised Premises and the Facilities are being replaced, repaired or reconstructed, then a portion of such payments of principal and interest may not be made. **Under the Facilities Lease and the Trust Agreement, no acceleration of Base Rental Payments is available to the Owners of the Series 2009 Bonds for nonpayment under such circumstances.**

Workers' Compensation Insurance. The City is required to maintain worker's compensation insurance issued by a responsible carrier authorized under the laws of the State to insure its employees against liability for compensation under the Worker's Compensation Insurance and Safety Act now in force in California, or any act hereafter enacted as an amendment or supplement thereto. As an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the City in the form of self-insurance.

Title Insurance. The City is required to obtain, for the benefit of the Authority and the Trustee, upon the execution and delivery of this Facilities Lease, title insurance on the Demised Premises in an amount equal to the aggregate principal amount of the Bonds less the Reserve Requirement, issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances. Such policy shall be endorsed so as to be payable to the Trustee. All proceeds received by the Trustee under said policy shall be applied and disbursed by the Trustee in the same order and priority and for the same purposes as provided in the Trust Agreement.

Form of Policies. The fire and extended coverage and earthquake insurance and the liability insurance policies are required to name the City, the Authority and the Trustee as insured and contain a lender's loss payable endorsement in favor of the Trustee substantially in accordance with the form approved by the Insurance Services Office and the California Bankers Association; and provide that the Trustee be given 30 days' notice of each expiration thereof or any intended cancellation thereof or reduction of the coverage provided thereby.

Any insurance policies provided by a commercial insurer for fire and extended coverage and earthquake insurance, comprehensive liability insurance and rental interruption or use and occupancy insurance is required to be provided by a commercial insurer rated A or better by A.M. Best or in one of the two highest rating categories by S&P and Moody's.

***Eminent Domain Proceeds***. So long as any of the Series 2009 Bonds shall be Outstanding, any award made in eminent domain proceedings for taking the Demised Premises and the Facilities or any portion thereof shall be paid to the Trustee and applied to the prepayment of the Base Rental Payments as provided in the Facilities Lease and to the redemption of Bonds. Any such award made after all of the Base Rental Payments and Additional Payments have been fully paid, or provision therefor made, shall be paid to the City. See APPENDIX D–"SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–THE FACILITIES LEASE–Eminent Domain; Prepayment."

***Defaults and Remedies***. In the event that the City fails to pay any Base Rental Payment, the Authority is entitled to exercise certain rights and remedies. See APPENDIX D–"SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–THE FACILITIES LEASE–Defaults and Remedies."

**Substitution**

The City may substitute real property as part of the Demised Premises and the Facilities for purposes of the Site Lease and the Facilities Lease, but only after the City file filed with the Authority and the Trustee all of the following:

(i) Executed copies of the respective Site Lease and the Facilities Lease or amendments thereto containing the amended description of the Demised Premises and the Facilities, including the legal description of the Demised Premises and the Facilities as modified if necessary.

(ii) A Certificate of the City with copies of the respective Site Lease and the Facilities Lease, if needed, or amendments thereto containing the amended description of the Demised Premises and the Facilities stating that such documents have been duly recorded in the official records of the County Recorder of Contra Costa County.

(iii) A Certificate of the City, accompanied by a written appraisal, from a qualified appraiser, who may but need not be an employee of the City, evidencing that the annual fair rental value of the Demised Premises and the Facilities which will constitute the Demised Premises and the Facilities after such substitution will be at least equal to 100% of the maximum annual amount of Base Rental Payments becoming due for the remaining term of the Facilities Lease.

(iv) A CLTA leasehold owner's policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing policy or policies resulting in title insurance with respect to the Demised Premises and the Facilities after such substitution in an amount at least equal to the amount of such insurance provided with respect to the Demised Premises and the Facilities prior to such substitution; each such insurance instrument, when issued, shall name the Trustee as the insured, and shall insure the leasehold estate of the Issuer in such substituted property subject only to such exceptions as do not substantially interfere with the City's right to use and occupy such substituted property and as will not result in an abatement of Base Rental Payments payable by the City under the Facilities Lease, as evidenced by a Certificate of the City.

(v) A Certificate of the City stating (A) that the City has beneficial use and occupancy of the Demised Premises and the Facilities, (B) that the essentiality to the City of the Demised Premises and the Facilities after such substitution is comparable to its essentiality before the substitution, (C) the remaining useful life of the Demised Premises and the Facilities, and (D) the remaining term of the Series 2009 Bonds.

(vi) An Opinion of Counsel (as such term is defined in the Trust Agreement) stating that such amendment or modification (A) is authorized or permitted by laws of the State and this Facilities Lease; (B) complies with the terms of this Facilities Lease; (C) will, upon the execution and delivery thereof, be valid and binding upon the Authority and the City in accordance with its terms; and (B) will not cause the interest on the Series 2009A Bonds to be included in gross income for federal income tax purposes.

In addition, the Authority is required to provide written notification of any substitution to any rating agency then rating the Series 2009 Bonds. See APPENDIX D–"SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–THE FACILITIES LEASE–Substitution."

**Pledge of Net Port Revenues**

Ordinance No. 27-08 N.S., adopted by the City Council on November 25, 2008, amending and restating Ordinance No. 1-99 N.S., adopted by the City Council on January 12, 1999 (the "Ordinance") creates a special fund and pledges and assigns Net Port Revenues thereof as security for Base Rental Payments under the Facilities Lease. The Ordinance also creates a senior lien on all Net Revenues of the City's Port Enterprise (the "Port Enterprise") for the tolls, rates, rentals and other charges and all other income and receipts derived by the City from the operation of the Port minus expenses consisting of all costs of management, operation, maintenance and repair of the Port. Pursuant to the Facilities Lease, the City has pledged Net Port Revenues to the payment of rental payments thereunder.

To the extent that Net Port Revenues are available there shall be no abatement of Base Rental Payments. However, in the event that Net Port Revenues are unavailable or insufficient and the Facilities cannot be used by the City due to temporary or permanent damage, abatement shall occur as outlined above. See "–Facilities Lease–*Abatement*." For a description of the Port, its finances and historical Net Port Revenues. See APPENDIX C–"THE PORT OF RICHMOND."

"Net Port Revenues" is defined as Net Revenues (defined below) excluding Special Facility Revenues. There are currently no Special Facility Revenues. See "–Special Facility Revenues" below.

"Net Revenues" is defined in the Ordinance as all fees, tolls, rates, rentals and other charges received for and all other income and receipts derived by the City from the operation of or arising from the Enterprise, including the proceeds of sale of property (collectively, "Port Revenues") *less* all costs of management, operation, maintenance and repair of the entire port and harbor property, facilities and equipment of the City, including the Port Terminal Facilities and all additions, extensions and improvements which may thereto, but excluding any Special Facilities (collectively, the "Enterprise"), including all incidental fees and expenses properly chargeable thereto and including obligations payable from Revenues under contracts entered into prior to the effective date of the Ordinance (collectively, "Expenses").

Amounts received from American Honda under the MAG Agreement and other automobile warehousing activities with respect to importation of Hyundai/Kia automobiles, all as part of the 2009 Project, will comprise a significant portion of current Net Port Revenues. See "THE 2009 PROJECT" and "THE MAG AGREEMENT." Net Port Revenues also include revenues from other activities at the Port.

In order to facilitate the transfer of Net Port Revenues to the Trustee, the City will arrange for all AWC payments and payments made by American Honda under the MAG Agreement to be paid directly to the Trustee for deposit in the Port Revenue Fund established under the Trust Agreement. See "–Pledge of Net Port Revenues," "–Port Revenue Fund" and "THE MAG AGREEMENT."

THE SERIES 2009 BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT DESCRIBED HEREIN), AND NEITHER THE CITY NOR THE STATE, NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT DESCRIBED HEREIN) IS LIABLE THEREFOR. IN NO EVENT SHALL THE SERIES 2009 BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY OR THE CITY AS SET FORTH IN THE TRUST AGREEMENT. THE AUTHORITY HAS NO TAXING POWER. THE SERIES 2009 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

**Deposit of Revenues; Funds and Accounts**

Under the Trust Agreement, the Authority assigns to the Trustee for the benefit of the Holders of the Series 2009 Bonds all Revenues held in any fund or account established under the Trust Agreement for deposit in the Revenue Fund. All money in the Revenue Fund is required to be disbursed, allocated, and applied by the Trustee solely for the uses and purposes set forth in the Trust Agreement.

***Allocation of Revenues.*** The Trustee is required under the Trust Agreement to set aside the moneys in the Revenue Fund in the following respective accounts or funds in the following order of priority:

| | |
|---|---|
| First: | Interest Account |
| Second: | Principal Account |
| Third: | Reserve Fund |

***Interest Account.*** On or before each Interest Payment Date, commencing January 1, 2010, the Trustee is required to set aside from the Revenue Fund and deposit in the Interest Account that amount of money that is equal to the amount of interest coming due and payable on all Outstanding Series 2009 Bonds on such Interest Payment Date.

There are established within the Interest Account the Series A Capitalized Interest Subaccount and the Series B Capitalized Interest Subaccount. Amounts on deposit in the Series A Capitalized Interest Subaccount shall be applied to the payment of the interest on the Series A Bonds until exhausted and amounts in the Series B Capitalized Interest Subaccount shall be applied to the payment of interest on the Taxable Series 2009B Bonds until exhausted.

No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Series 2009 Bonds on such interest payment date.

All money in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Series 2009 Bonds as it becomes due and payable (including accrued interest on any Series 2009 Bonds purchased or redeemed prior to maturity).

***Principal Account***. On each July 1, the Trustee is required to set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the principal amount of all Outstanding Serial Bonds maturing or becoming subject to mandatory sinking account redemption on such July 1 (which amount includes the amount available from the respective Reserve Account to pay principal upon maturity or redemption).

No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing or becoming subject to mandatory sinking account redemption by their terms on such July 1.

All money in the Principal Account is required to be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Series 2009 Bonds as it becomes due and payable, whether at maturity or redemption.

***Reserve Fund***. After making the transfers from the Revenue Fund to the Interest Account and the Principal Account, funds remaining in the Revenue Fund are required to be deposited to the Reserve Fund the amount, if any, by which the amount then on deposit in the Reserve Fund is less than the Reserve Fund Requirement. See also "–Reserve Fund" and APPENDIX D–"SUMMARIES OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–TRUST AGREEMENT–Establishment and Maintenance of Accounts for Use of Money in the Reserve Fund–Reserve Fund."

**Reserve Fund**

Upon issuance of the Series 2009 Bonds, the Trustee shall deposit in the Reserve Fund established pursuant to the Trust Agreement an amount sufficient to satisfy the respective Reserve Requirement. The term "Reserve Requirement" means, as of any date of calculation by the Authority, an amount equal to the lesser of: (i) 10% of the initial principal amount of the respective series of Series 2009 Bonds; (ii) 125% of the Average Annual Debt Service on all Outstanding Series 2009 Bonds of such series; or (iii) Maximum Annual Debt Service on all Outstanding Series 2009 Bonds of such series. The initial Reserve Requirement is $4,711,000, which is 10% of the initial aggregate principal amount of the Series 2009 Bonds.

All money in the Reserve Fund will be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account or the Principal Account, in that order, in the event of any deficiency at any time in either of such accounts, but solely for the purpose of paying the interest on or principal of, or redemption premiums, if any, on the Series 2009 Bonds or for the retirement of all the Series 2009 Bonds then Outstanding, except that so long as the Authority is not in default under the Trust Agreement, any cash amounts in the Reserve Fund in excess of the Reserve Requirement will be withdrawn from the Series 2009A Reserve Account and deposited in the Revenue Fund, on each January 1 and July 1. See APPENDIX D–"SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–TRUST AGREEMENT–Establishment and Maintenance of Accounts for Use of Money in the Reserve Fund–Reserve Fund."

**Port Revenue Fund**

Pursuant to the Trust Agreement, the Trustee is required to establish and maintain a Port Revenue Fund for the purpose of receiving and applying AWC Payments and payments made by American Honda under the MAG Agreement in accordance with the Facilities Lease. Amounts in the Port Revenue Fund shall be applied in the following order of priority:

(i) Upon request of the City, the Trustee will withdraw amounts from the Port Revenue Fund to pay Expenses of the Enterprise (as defined in the Ordinance); provided that the City certifies that other Revenues (as defined in the Ordinance) are not sufficient therefor and provided that the City certifies that the Expenses of the Enterprise are defined in the Ordinance.

(ii) On each January 1 and July 1, commencing on January 1, 2010, the Trustee will withdraw an amount from the Port Revenue Fund equal to the lesser of (A) the amount on deposit therein or (B) the amount of interest and principal, if any, on the Series 2009 Bonds payable on such date and transfer such amount to the Revenue Fund. Notwithstanding the foregoing, in the event that additional Port Obligations (as defined in the Ordinance) are issued on a parity with the Facilities Lease, the Trustee will only apply amounts pursuant to this subsection (ii) to the extent that the City or any fiduciary for such parity Port Obligations has not notified the Trustee that they are not otherwise payable to satisfy such parity Port Obligations.

(iii) On each July 2, commencing July 2, 2010, the Trustee will transfer any amounts remaining in the Port Revenue Fund to the City for its use pursuant to the Ordinance.

**Optional Prepayment**

Pursuant to the Facilities Lease, the City may, prepay, from any source of available funds, all or any portion of Base Rental Payments to retire or redeem the Series 2009 Bonds in accordance with the Trust Agreement. See "THE SERIES 2009 BONDS–Redemption Provisions–*Optional Redemption*."

The Facilities Lease requires that the City prepay on any date from insurance and eminent domain proceeds, provided, however, that in the event of partial damage to or destruction of the Facilities caused by perils covered by insurance, if in the judgment of the Authority the insurance proceeds are sufficient to repair, reconstruct or replace the damaged or destroyed portion of the Facilities, such proceeds will be held by the Trustee and applied as set forth in the Trust Agreement, all or any part (in an integral multiple of $5,000 principal component) of Base Rental Payments then unpaid so that the aggregate annual amounts of Base Rental Payments which will be payable after such prepayment date and which is required to be as nearly proportional as practicable to the aggregate annual amounts of Base Rental Payments unpaid prior to the prepayment date, at a prepayment amount equal to 100% of the principal of and interest on the Series 2009 Bonds to the date of redemption of the Series 2009 Bonds.

Before making any prepayment of Base Rental Payments pursuant to the Facilities Lease, the City is required, within five days following the event creating such right or obligation to prepay, give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be made, which date will be not less than 45 days from the date such notice is given.

**Issuance of Additional Obligations Payable from Net Port Revenues**

Pursuant to the Facilities Lease, the City may enter into additional Port Obligations (as defined in the Ordinance) on a parity with the Net Port Revenues pledged to make Base Rental Payments, so long as the City certifies that either (i) at the time the additional Port Obligation are entered into the Net Port Revenues are equal to at least 125% of the maximum annual debt service related to the additional Port Obligations Series 2009 Bonds; or (ii) at the time of entering into such additional Port Obligations, the projected Net Port Revenues for each of the first three Fiscal Years immediately following the completion date of the project being financed with the proceeds of such additional Port Obligations will be at least 125% of the maximum annual debt service related to the Port Obligations then Outstanding for each such Fiscal Year, taking into account the issuance of the additional Port Obligations then proposed to be issued.

For purposes of subsection (ii) described above, in estimating Net Port Revenues, the City may take into account: (A) reasonable Net Port Revenues from facilities reasonably expected to become available during the period for which the estimates are provided; (B) any increase in fees, rates, charges, rentals or other sources of Net Port Revenues which have been approved by the City and will be in effect during the period for which the estimates are provided; and (C) any other increases in Net Port Revenues which the City believes to be a reasonable assumption for such period. The City will include in a certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Port Revenues and will also set forth the calculations of the maximum annual debt service related to the Port Obligations.

For purposes of preparing the certificate described above, the City may rely upon financial statements prepared by the City which have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that the City Manager, any Assistant City Manager or the Director of Finance of the City or any such official's duly authorized designee, or by any other officer or employee of the City duly authorized by the City for that purpose will certify as to the accuracy of such financial statements and that such financial statements were prepared substantially in accordance with generally accepted accounting principles, subject to year-end adjustments.

**Subordinate Obligations**

Pursuant to the Facilities Lease, the City may grant a lien on and security interest in the Net Port Revenues subordinate to the lien and security interest granted thereunder.

**Special Facility Revenues**

Pursuant to the Facilities Lease, the City may (i) designate an existing or planned facility, structure, equipment or other property, real or personal, which is located within the Enterprise or part of any facility or structure at the Enterprise as a "Special Facility," (ii) provide that revenues earned by the City from or with respect to such Special Facility will constitute "Special Facility Revenue" and will not be included as Net Port Revenues, and (iii) issue Port Obligations secured in whole or in part by Special Facility Revenues primarily for the purpose of acquiring, constructing, renovating or improving, or providing financing to a third party to acquire, construct, renovate or improve, such Special Facility as provided in the Ordinance.

Currently, there are no Special Facilities and the City does not currently anticipate designating any facilities as Special Facilities in the future.

## Net Port Revenues and Series 2009 Bonds Debt Service Coverage

Set forth below is a table showing Net Port Revenues and debt service coverage.

### DEBT SERVICE COVERAGE FROM NET PORT REVENUES

| | Fiscal Year 2008-09 | Fiscal Year 2009-10 | Fiscal Year 2010-11 | Fiscal Year 2011-12 | Fiscal Year 2012-13 | Fiscal Year 2013-14 | Fiscal Year 2014-15 |
|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | |
| Rental | | | | | | | |
| Marina berth rentals | $157,500 | $165,375 | $173,644 | $182,326 | $191,442 | $201,014 | $211,065 |
| Service charges | 3,882,967 | 2,503,156 | 2,574,924 | 2,693,089 | 2,818,948 | 2,953,633 | 3,250,955 |
| Lease income | 1,559,700 | 500,000 | 0 | 0 | 0 | 0 | 0 |
| Other – Honda Project[1] | 0 | 1,181,660 | 5,329,355 | 5,340,556 | 5,352,094 | 5,363,977 | 5,375,778 |
| Other – New Revenue[2] | 0 | 0 | 375,000 | 1,511,250 | 1,556,588 | 1,603,285 | 1,651,384 |
| Interest Income[3] | 0 | 0 | 0 | 94,220 | 188,440 | 188,440 | 188,440 |
| TOTAL OPERATING REVENUES | 5,600,167 | 4,350,191 | 8,452,923 | 9,821,441 | 10,107,512 | 10,310,349 | 10,677,621 |
| **Expenses** | | | | | | | |
| Salaries and benefits | 1,072,626 | 1,179,889 | 1,238,883 | 1,300,828 | 1,365,869 | 1,434,162 | 1,434,162 |
| General and administrative | 1,842,883 | 2,033,671 | 2,135,355 | 2,242,122 | 2,354,228 | 2,471,940 | 2,471,940 |
| Maintenance | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Depreciation | 919,326 | 919,326 | 1,685,993 | 1,685,993 | 1,685,993 | 1,685,993 | 1,685,993 |
| TOTAL OPERATING EXPENSES | 3,934,835 | 4,232,886 | 5,160,231 | 5,328,943 | 5,506,090 | 5,692,095 | 5,692,095 |
| **Operating Income (Loss)** | 1,665,332 | 117,305 | 3,292,692 | 4,492,498 | 4,601,422 | 4,618,254 | 4,985,526 |
| **Net Revenues (Excluding Depreciation)** | 2,584,658 | 1,036,631 | 4,978,685 | 6,178,491 | 6,287,415 | 6,304,247 | 6,671,519 |
| ***Debt Service on 2009 Bonds*** | | | | | | | |
| Series 2009A Tax-Exempt Debt Service | | 740,620 | 1,676,875 | 1,676,875 | 1,676,875 | 1,676,875 | 1,676,875 |
| Less: Capitalized Interest | | 740,620 | 838,438 | 0 | 0 | 0 | 0 |
| **Series 2009A Tax-Exempt Debt Service** | | 0 | 838,438 | 1,676,875 | 1,676,875 | 1,676,875 | 1,676,875 |
| Series 2009B Taxable Debt Service | | 709,080 | 1,605,465 | 1,605,465 | 1,605,465 | 3,934,708 | 3,824,325 |
| Less: Capitalized Interest | | 709.080 | 1,605,465 | 802,733 | 0 | 0 | 0 |
| **Taxable Series 2009B Debt Service** | | 0 | 0 | 802,733 | 1,605,465 | 3,934,708 | 3,824,325 |
| **TOTAL 2009 BONDS DEBT SERVICE[4]** | | 0 | 838,438 | 2,479,608 | 3,282,340 | 5,611,583 | 5,501,200 |
| **Annual Coverage** | | | 5.94x | 2.49x | 1.92x | 1.12x | 1.21x |

(1) Revenues based upon 145,000 vehicles delivered in each year and includes Wharfage and Surcharge payable under the MAG Agreement and related service and facility fees. The actual revenues under the MAG Agreement may be substantially different due to certain carryover provisions in the event more vehicles are delivered in any given year. See "THE MAG AGREEMENT." See also "RISK FACTORS-Certain Risk Factors with Respect to the MAG Agreement.

(2) See "THE 2009 PROJECT-Recent Developments.

(3) Projected earnings on the Reserve Fund at a rate of 4% per annum.

(4) Net of capitalized interests.

## THE MAG AGREEMENT

The following table sets forth the payments due from American Honda under the MAG Agreement. See also "THE 2009 PROJECT–2009 Project Revenues."

### Rates of Wharfage and Surcharge

**RATES OF WHARFAGE AND SURCHARGE**
**(per Unit)**

| Year | Wharfage | Surcharge | Total Amount Per Unit | Expected Revenue (145,000 MAG) |
|---|---|---|---|---|
| 1 | $25.50 | $7.20 | $32.70 | $4,741,500 |
| 2 | 25.50 | 7.20 | 32.70 | 4,741,500 |
| 3 | 25.50 | 7.20 | 32.70 | 4,741,500 |
| 4 | 25.50 | 7.20 | 32.70 | 4,741,500 |
| 5 | 25.50 | 7.20 | 32.70 | 4,741,500 |
| 6 | 26.26 | 7.42 | 33.68 | 4,883,600 |
| 7 | 27.03 | 7.64 | 34.67 | 5,027,150 |
| 8 | 27.86 | 7.87 | 35.73 | 5,180,850 |
| 9 | 28.70 | 8.10 | 36.80 | 5,220,000 |
| 10 | 29.56 | 8.35 | 37.91 | 5,496,950 |
| 11 | 30.15 | 8.51 | 38.66 | 5,605,700 |
| 12 | 30.76 | 8.68 | 39.44 | 5,718,800 |
| 13 | 31.37 | 8.86 | 40.23 | 5,833,350 |
| 14 | 32.00 | 9.04 | 41.04 | 5,950,800 |
| 15 | 32.64 | 9.22 | 41.88 | 6,072,600 |

The following is a brief summary of certain provisions of the MAG Agreement. This summary is not intended to be definitive and reference is made to the complete MAG Agreement, a copy of which may be obtained from the Trustee.

### Term

The term of the MAG Agreement shall commence on the Effective Date and expire on the 15th anniversary of the MAG Commencement Date.

### *Minimum Annual Guarantee*

(i) Subject to the provisions of the MAG Agreement, American Honda irrevocably and unconditionally guarantees to the City that American Honda will transport at least 145,000 Units to or from the Port of Richmond by vessel each Year during the term of the MAG Agreement (the "MAG"). Any Units transported to or from the Port of Richmond prior to the MAG Commencement Date will be credited toward American Honda's MAG obligation for the first Year after the MAG Commencement Date.

(ii) If American Honda transports more than 145,000 Units in a given Year, American Honda may carry forward, on a cumulative basis, the excess Units to meet its MAG obligations under paragraphs (a) and (c)(i) in future Years. The cumulative total of excess Units from time to time is referred to in the MAG Agreement as the "Bucket." The Bucket will be reduced (but not below zero) by any Units applied from the Bucket to meet American Honda's MAG commitment. No credit for the Bucket shall be given except in accordance with the MAG Agreement.

(iii) If American Honda transports less than 145,000 Units in a given Year, American Honda will pay to the City in accordance with Section 4(f) a sum calculated as follows:

(A) The amount of Wharfage (at the then prevailing rate set forth in the MAG Agreement which would have been generated on the deficiency, after credit for any Units in the Bucket carried forward from prior Years, plus

(B) The amount of Surcharge (at the then prevailing rate set forth in the MAG Agreement) which would have been generated on the deficiency, without credit for any Units in the Bucket carried forward from prior Years.

(C) For purposes of illustration only, suppose that American Honda transports 100,000 Units in Year 7 and that there are 35,000 Units in the Bucket carried over from prior Years. In that event, after applying 35,000 Units from the Bucket, there would be a deficiency of 10,000 Units. American Honda would pay to the City the amount of Wharfage (at the Year 7 rate of $27.03 per Unit) that would have been generated on 10,000 Units, being the sum of $270,030, plus the amount of Surcharge (at the Year 7 rate of $7.64 per Unit) that would have been generated on 45,000 Units, being the additional sum of $343,800. The new Bucket balance would be zero.

(iv) If American Honda incurs Wharfage on more than 145,000 Units in a given Year, then until American Honda has incurred Wharfage and Surcharge on 2,175,000 Units under the MAG Agreement, the City will rebate to American Honda in accordance with the MAG Agreement 10% of the Wharfage (at the then prevailing rate set forth in the MAG Agreement) generated on the surplus Units during such Year. This rebate will also reduce the number of surplus Units credited to the Bucket for such Year by 10%.

(A) For purposes of illustration only, suppose that American Honda incurs Wharfage on 155,000 Units in Year 8 and that American Honda has not yet incurred Wharfage and Surcharge on 2,175,000 Units under the MAG Agreement. In that event, the City would rebate to American Honda 10% of the Wharfage (at the Year 8 rate of $27.86 per Unit) generated on the 10,000 surplus Units during such Year. The rebate equals $27,860 (10,000 surplus Units x 10% x 27.86). The number of surplus Units credited to the Bucket in Year 8 would be 9,000.

(v) If AWC contracts with an additional customer or customers other than American Honda or GLOVIS auto processing services at the Port, the City will credit American Honda against its MAG obligations as described in the MAG Agreement.

**Prepayment**

American Honda may elect in its sole discretion at any time after the 10th anniversary of the MAG Commencement Date to prepay its remaining MAG obligations under the MAG Agreement with respect to Wharfage. The amount of the prepayment shall equal the applicable Wharfage rate set forth in the MAG Agreement for the Year in which prepayment is made, multiplied by the number of Units remaining to complete American Honda's 15-year MAG, *i.e.*, 145,000 Units multiplied by the number of Years remaining in the 15-year Term of the MAG Agreement (including the current Year), less the number of Units in the Bucket, less the number of Units for the current Year for which Wharfage has been paid prior to the date of such prepayment. Upon such prepayment, the MAG Agreement shall be deemed amended to delete the following provisions of the MAG Agreement in their entirety: paragraphs (i), (ii), (iii)(A), (iv) and (v) under this section (the "Minimum Annual Guarantee"). Prepayment shall not affect American Honda's MAG obligation with respect to Surcharge under paragraph (c)(ii) under the section "Minimum Annual Guarantee" above.

**Force Majeure**

(i) During any period of Force Majeure, the parties will cooperate and take such measures as are reasonably necessary to continue business operations at the Facility as nearly as normal as possible under the circumstances.

(ii) During any period of Force Majeure, the City may make available substitute facilities for the importation of vehicles, at the City's sole cost and expense. Use of such substitute facilities will be subject to American Honda's commercially reasonable approval. If approval is granted, American Honda agrees to utilize such substitute facilities and pay the same rates and charges provided for herein for the Facility.

(iii) During any period of Force Majeure, there will be a fair and equitable reduction of American Honda's MAG commitment under the MAG Agreement, reasonably approved by all parties, taking into account the extent to which American Honda's ability to fulfill such MAG may thereby be affected; and if it is impracticable, in the reasonable exercise of American Honda's business judgment, for American Honda to conduct any business at the Facility or any substitute facility provided by the City as a result of Force Majeure and American Honda elects to suspend shipments of vehicles to and from the Facility until the period of Force Majeure has ended, then there will be a full abatement of the MAG commitment until the period of Force Majeure has ended. Such reduction or abatement shall not suspend the obligation of American Honda to pay Wharfage and Surcharge with respect to any Units transported to or from the Port of Richmond during any period of Force Majeure.

(iv) In the event of any Capital Loss or Emergency Capital Requirement, then, unless the City elects not to Cure in accordance with the MAG Agreement and except to the extent, if any, that AWC is obligated to satisfy such requirement under terms of the Lease, the City will promptly Cure such Capital Loss or Emergency Capital Requirement, as applicable. If the City reasonably determines that the cost of such Cure exceeds the insurance proceeds available under any insurance actually maintained or required by the MAG Agreement plus $2,000,000 per occurrence (subject to adjustment in accordance with the MAG Agreement), or that such Cure cannot be completed to the extent necessary for the period of Force Majeure to end within 24 months of the Date of Loss or Date of Demand, as applicable, then, in either such event, the parties shall proceed as follows:

(A) The City may elect either (1) to promptly Cure the Casualty Loss or Emergency Capital Requirement, as applicable, or (2) not to Cure. The City will notify AWC and American Honda of its election and the estimated date for completion of the repairs or satisfaction of the requirement within a reasonable time not exceeding 60 days after the Date of Loss or Date of Demand, as applicable.

(B) If the City notifies AWC and American Honda of its election not to Cure under the MAG Agreement, or if the City reasonably estimates that such Cure will not be completed to the extent necessary for the period of Force Majeure to end within 24 months of the Date of Loss or Date of Demand, as applicable, American Honda may elect either (i) to continue operations under the MAG Agreement and to Cure to the extent American Honda may choose in its sole discretion or (ii) terminate the MAG Agreement. American Honda shall notify the City and AWC of its decision within 60 days after the receipt of the notice from the City under the MAG Agreement. If American Honda elects to terminate the MAG Agreement, the parties shall be relieved of all further obligations under the MAG Agreement.

(v) If American Honda elects to continue operations under the MAG Agreement and to Cure, in whole or in part, (1) such Cure shall be done by American Honda in accordance with plans and specifications that have first been approved by the City, whose approval may not be unreasonably withheld or delayed, and (2) any reduction or abatement of American Honda's MAG commitment under the MAG Agreement shall cease upon the earlier of the following dates: (x) the date the period of Force Majeure ends; (y) the estimated date for completion of a complete Cure as reasonably determined by City;

or (z) 24 months after the Date of Loss or Date of Demand, as applicable. The proceeds of any property insurance maintained by the City will be applied toward the cost of any complete or partial Cure undertaken by American Honda, and the City will pay up to but not exceeding the sum of $2,000,000 per occurrence (subject to adjustment in accordance with the MAG Agreement) to the extent insurance proceeds are not available to pay such costs, but only from available revenues and fund balances of the Port of Richmond. The City's general funds are not obligated to make any payments under the MAG Agreement. Except as provided in the MAG Agreement, American Honda shall pay any remaining cost of any Cure, whether complete or partial, which American Honda has elected to make pursuant to the MAG Agreement.

(vi) The amount that the City is obligated to pay in excess of insurance proceeds pursuant to this section, which as of the Effective Date is $2,000,000 per occurrence, is subject to adjustment based on the change in the Consumer Price Index for All Urban Consumers, All Cities, for All Items, 1982-84 Equals Base" published by the Bureau of Labor Statistics of the United States Department of Labor ("CPI"). The adjusted amount will be calculated on the Date of Loss or Date of Demand, as applicable. If the CPI is discontinued, the parties will follow any official consumer price index, whether so named or designated or not, issued by any authorized agency of the United States which supplants the CPI; otherwise, the parties shall use any comparable general wholesale or retail price index for the United States jointly selected by the City, AWC and American Honda.

**Post-MAG Wharfage Rate Discount**

Once American Honda has paid Wharfage and Surcharge on 2,175,000 Units under the MAG Agreement, the Wharfage rate for all Units thereafter will equal 90% of the Wharfage rates set forth in the MAG Agreement. This rate discount does not apply to the Surcharge.

**Termination of Lease**

If AWC should ever be in default-under the Operating Lease beyond applicable notice and cure periods, if any, and the Operating Lease is in jeopardy due to the failure of AWC to timely cure such default, and provided AWC is not diligently contesting such default in good faith, then City will not terminate the Operating Lease without first providing American Honda the same notice and opportunity to cure such default on behalf of AWC, in American Honda's sole discretion and at AWC's cost and account to the extent not caused by any breach by American Honda of its obligations set forth in the MAG Agreement. If the Operating Lease terminates for any reason or be rejected or disaffirmed pursuant to bankruptcy law or other law affecting creditors' rights, American Honda shall have the right, exercisable by notice to City, within 20 days after the effective date of such termination, to enter into a new lease of the Facility from City.

The term of said new lease will begin on the effective date of the termination of the Operating Lease and shall continue for the remainder of the term of the MAG Agreement. In the event American Honda elects to enter into such a new lease with City, American Honda shall provide assurances, reasonably satisfactory to the City, that American Honda will continue the business then being conducted by AWC at the Facility, including but not limited to the processing of vehicles supplied by American Honda and AWC's other customers. Such new lease shall otherwise contain the same terms and conditions as those set forth in the Lease, except for requirements which are no longer applicable or have already been performed or other changes mutually agreed by American Honda and the City. American Honda or City may reasonably request changes which do not significantly affect the rights and obligations of either party under the Lease. In the event that American Honda does not elect to enter into such a new lease with City, American Honda shall have the right to make recommendations to the City concerning the selection of a replacement processor.

**Definitions**

***"Bucket"*** has the meaning described under the heading –Minimum Annual Guarantee" below.

***"Casualty Loss"*** means any loss, damage to, or destruction of any building, structure, Wharf or other improvement in the Facility due to terrorism or fire, earthquake, flood or other casualty.

***"Cure"*** means the prompt repair or restoration of any Casualty Loss to substantially the same condition as it was in immediately before the Date of Loss, or the prompt satisfaction of any Emergency Capital Requirement in compliance with all applicable laws.

***"Date of Demand"*** means the date of lawful demand of any lawful governmental authority to satisfy an Emergency Capital Requirement.

***"Date of Loss"*** means the date on which any Casualty Loss occurs.

***"Emergency Capital Requirement"*** means any lawful demand(s) of any lawful governmental authority which may require the making of any alterations, repairs, installations or improvement to the Wharves (including fire systems) and other portions of the Premises, or the investigation or remediation of hazardous substances (as defined in California Health and Safety Code Section 25316), petroleum or petroleum products, pollutants, contaminants or waste, in order to conform to applicable statues, codes, ordinances, or regulations having the force of law.

***"Facility"*** means the premises leased by AWC from the City at the Port of Richmond, the adjacent Port Rail Facility to be constructed on City property, and the Wharves.

***"Force Majeure"*** means one or more of the following events or circumstances, so long as such event or circumstance adversely affects the ability of American Honda to fulfill its MAG commitment to the City described under the heading –Minimum Annual Guarantee" below despite measures taken to cure such adverse effect: (i) any Casualty Loss; (ii) any Emergency Capital Requirement; (iii) any strike, lockout, or other labor disturbance at the Facility; or (iv) inability of the City to obtain permits necessary for City to maintain the berthing space alongside the Wharves dredged to thirty-two feet mean low water or to such other depth as the parties may agree in writing.

***"MAG"*** refers to the irrevocable and unconditional commitment by American Honda to transport at least 145,000 units to or from the Port by vessel in each year.

***"MAG Commencement Date"*** means the date, being the first day of a calendar month, which first occurs on or after the earlier of (i) fifteen (15) days after the Substantial Completion Date, or (ii) the earliest date after the Substantial Completion Date that any Unit is transported by American Honda to or from the Port of Richmond.

***"Substantial Completion Date"*** means the date the rail infrastructure improvements in the Port Rail Facility, Rail Corridor and Rail Support Yard are substantially complete and available for operation, as certified by the Building Official of the City of Richmond Planning and Building Services Department.

***"Unit"*** means a vehicle transported by vessel to or from the Port of Richmond by or on behalf of American Honda.

***"Wharfage"*** means wharfage payable by American Honda to the City under the MAG Agreement.

## RISK FACTORS

*This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Series 2009 Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Series 2009 Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Series 2009 Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Series 2009 Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.*

### Certain Risk Factors with respect to the MAG Agreement

***Force Majeure.*** American Honda's obligations under the MAG Agreement are subject to certain *Force Majeure* events. Occurrence of such events would excuse American Honda's performance under the MAG Agreement with no remedy for loss of the related revenue loss.

***Excess Deliveries.*** In any year, American Honda may deliver more vehicles through the 2009 Project than the 145,000 minimum annual guarantee in which case revenue from the Series 2009 Project could substantially exceed amount required for debt service of the Series 2009 Bonds. There are no provisions in the financing documents to apply any additional revenue to redeem Series 2009A Bonds or to otherwise apply such excess revenues to future debt service.

The City expects that American Honda will deliver more vehicles than the number required under the MAG Agreement. In such event, the MAG Agreement would terminate prior to the 15-year term thereof. See "–Early Termination" below.

***Early Termination.*** American Honda's MAG Agreement commitment is capped at 2,175,000 vehicles (145,000 x 15 years). This amount of vehicles could be reached prior to the date 15 years following the MAG Commitment Date. In such event, no MAG revenues would be available thereafter for payment of Base Rental Payments.

### Limited Recourse to the City's General Fund

The Facilities Lease provides that if Net Port Revenues are insufficient to make any payment of rental thereunder, the rental will be paid out of the General Funds of the City, however, there is limited recourse to the City's General Fund for the payment of Base Rental Payments. The Base Rental Payments are not secured by any pledge of or lien on taxes or other revenues of the City except for the Net Port Revenues. While the City has covenanted in the Facilities Lease to budget for, appropriate and make the Base Rental Payments in each year it has possession and use of the Demised Premises and the Facilities to the extent Net Port Revenues are insufficient, recourse to the General Fund of the City is limited to the extent that the City has the capacity to enter into other obligations which may constitute additional charges against its General Funds. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other obligations before making Base Rental Payments. The same result could occur if, because of State constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. Except to the extent that abatement occurs and Net Port Revenues are insufficient to make Base Rental Payments, failure to pay Base Rental by the City will constitute an Event of Default. See "–Limited Recourse on Default."

**The obligation of the City to pay the Base Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Base Rental Payments and Additional Payments does not constitute a debt of the City, or the State or any of its political subdivisions, and does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.**

### Limited Recourse on Default

In the event of default, there is no remedy of acceleration of any Base Rental Payments, which have not come due and payable in accordance with the Facilities Lease. The City will continue to be liable for Base Rental Payments as they become due and payable in accordance with the Facilities Lease if the Trustee does not terminate the Facilities Lease, and the Trustee is required to seek a separate judgment each year for that year's defaulted Base Rental Payments.

Except to the extent that Net Port Revenues are available, the amount of Base Rental Payments due under the Facilities Lease will be adjusted or abated during any period in which by reason of damage, destruction, eminent domain, or otherwise there is substantial interference with the possession and use of the Demised Premises and the Facilities such that the resulting Base Rental Payments for the remaining portions of the Demised Premises and the Facilities represent fair consideration therefor. Such adjustments or abatement will end with the substantial replacement, repair or reconstruction of the Demised Premises and the Facilities. If Net Port Revenues and proceeds of rental interruption insurance are insufficient to pay all principal and interest represented by the Series 2009 Bonds during the period of repair or reconstruction, or during eminent domain proceedings, the City will have no obligation to make Base Rental Payments to cover such deficiency and no remedy for nonpayment will be available to the Trustee or the Owners of the Series 2009 Bonds against the City under the Facilities Lease or Trust Agreement. See APPENDIX D–"SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS." Under the Facilities Lease, the City is required to maintain rental interruption or use and occupancy insurance in an amount sufficient to pay the total rental under the Facilities Lease for a period of at least two years. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS–Facilities Lease–Abatement." See also APPENDIX D–"SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–THE FACILITIES LEASE–Insurance."

### Limited Recovery Upon Re-Letting of Demised Premises

In the event of a default by the City under the Facilities Lease, the Authority has the right to re-enter and relet the Demised Premises and the Facilities. See APPENDIX D–"SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–THE FACILITIES LEASE–Events of Default." However, the Demised Premises are improved with Facilities applicable to its use for a marine terminal which may not be the highest and best use of the Facilities at the time of re-letting.

In addition, there are limitations upon the ability of the Authority to re-let the Demised Premises for use as other than a marine terminal. Among those limitations are costs required for any necessary remediation, the removal of the existing improvements and the subsequent construction and acquisition of any improvements required for re-letting. Neither the Authority nor the City is required to incur any of such costs and it is not likely either the Authority or the City would elect to pay such costs. In addition, because the Authority does not have general funds of its own, it is not likely that it could pay such costs.

**Hazardous Substances**

In general, the owners and operators of real property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but State laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) of the property is obligated to remedy a hazardous substance condition whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the finances of the City.

Further, it is possible that liabilities may arise in the future resulting from the existence, currently, on City owned property of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it.

Although the City handles, uses and stores and will handle, use and store certain hazardous substances, including but not limited to, chemicals related to the treatment of wastewater, solvents, paints, and other substances, the City knows of no existing hazardous substances which require remedial action on or near the 2009 Project. However, it is possible that such substances do currently or potentially exist and that the City is not aware of them.

**Port Enterprise**

Net Port Revenues are generated from the Port Enterprise, which is a proprietary activity of the City. The Port Enterprise is subject to several factors which limit the ability of the City to increase rates and tariffs to general revenues for the Port. The amount of Net Port Revenues generated by the Port Enterprise may be adversely affected by factors such as competition from other ports (both in San Francisco Bay area and other parts of the Pacific coast), general economic conditions affecting the volume and character of imports and exports, environmental and hazardous material risks which could limit or curtail development or maintenance (such as the inability to dredge or expand the harbor), strikes, labor disputes and other factor beyond the control of the City. Although the City is not aware of any specific factors which are expected to materially adversely affect the level of Net Port Revenues, no assurance can be given that such risks will not materialize in the future.

**Earthquake Risk**

There are several geological faults in the greater San Francisco Bay Area that have the potential to cause serious earthquakes which could result in damage to buildings, roads, bridges, and property within the City, including the Facilities. In addition to the San Andreas Fault, faults that could affect the City include the Hayward Fault and the Calaveras Fault in the central and eastern portions of Alameda County. Unless earthquake insurance is available on the open market from reputable companies at a reasonable cost, the City need not carry earthquake insurance with respect to the Facilities. As of the date of this Official Statement, the City has determined that earthquake insurance is not available in reasonable amounts at reasonable costs on the open market from reputable insurance companies.

## THE 2009 PROJECT

The City expects that the significant source of Net Port Revenues available for payment of Base Rental Payments, and therefore debt service on the Series 2009 Bonds, will be revenues derived from operation of the Series 2009 Project. Set forth below are discussions of the Series 2009 Project, including its construction and anticipated revenues, the various agreements relating to construction, operation and maintenance of the 2009 Project and the private sector participants in the 2009 Project. See also, APPENDIX C–"THE PORT OF RICHMOND."

### Background

The Point Potrero Marine Terminal comprises Terminals 5, 6 and 7 of the Port. This terminal is comprised of approximately 130 acres located at 1301 Canal Boulevard and has docking facilities for vessels up to 500 feet at Terminal 5 400 feet at Terminal 6 and 1,000 feet at Terminal 7 with berthing depths varying from 20 to 35 feet below mean lower low water. The Point Potrero facility consists of two 2,300 foot by 135 foot concrete wharves, two 550 foot by 50 foot concrete piers, one 750 foot by 100 foot and four 575 foot by 100 foot graving docks and two warehouses with a total of approximately 140,000 square feet for import, storage and distribution of autos, break bulk and dry bulk. This Terminal also includes a rail connection to the BNSF Railway Company ("BNSF") railway line with 11 rail car spots.

In 2003, the Port, AWC and TransDevelopment promoted Point Potrero Marine Terminal as an automotive port of entry for Northern California. AWC is a leading operator of automotive distribution facilities throughout North America, and TransDevelopment Group is a developer of specialized transportation facilities. Customers of AWC include many of the largest auto manufacturers, railroads, ports and other transportation carriers.

In early 2004, GLOVIS America, a logistics company and member of the Hyundai Kia Automotive Group, selected the Port as its new port of entry. At the same time the City entered into a lease agreement with AWC for the operation on City property of an auto importation business, which handles upwards of 100,000 automobiles per year arriving on ships from South Korea.

The Operating Lease is an amendment of the existing lease agreement with AWC to include additional operations that will handle upwards of 145,000 automobiles per year from Japan. GLOVIS recently informed the Port that it will no longer ship vehicles through the Port effective July 1, 2009. See "-Recent Developments" below.

### Description of the 2009 Project

The 2009 Project consists of (i) the construction and installation of the Terminal Project, which is an automobile warehousing and distribution facility located at the Point Potrero Marine Terminal at the Port of Richmond and (ii) the Rail Improvements. The Terminal Project will primarily consist of the construction of rail loading tracks within the Port of Richmond, and also incorporate a variety of related improvements including pipeline protection, port roadway realignment, fire and potable water services, security fencing, employee parking areas, landscaping and repairs to the existing ship berths. The Rail Improvements consist of the construction of rail track for the City, improvements to a storage/service yard owned by the City, and improvements to rail track owned by BNSF, which serve the Terminal Project. The 2009 Project is intended for use as a West Coast port for receipt and distribution of automobiles manufactured in Japan by Honda, and intended for sale in North America and possibly other automobiles.

## Application of Series 2009 Bond Proceeds

The Terminal Project component of the 2009 Project will be subleased by the City to AWC pursuant to the Operating Lease. AWC will be responsible for construction of the Terminal Project and its subsequent operation. The Terminal Project is the subject of the Site Lease and the Facilities Lease, the Base Rental Payments by the City with respect to which will be applied to pay debt service on the Series 2009 Bonds.

AWC will also be responsible for the construction of certain rail improvements (the "Rail Improvements") necessary for operation of the 2009 Project. Proceeds of the Taxable Series 2009B Bonds are being applied primarily to finance the necessary improvements to certain rail facilities owned by BNSF. A portion of the Series 2009A Bond proceeds will be applied to construct improvements to certain City-owned rail facilities which will serve the 2009 Project. The Rail Improvements and the related real property are **not** part of the property subject to the Site Lease and the Facilities Lease.

## Construction of the 2009 Project

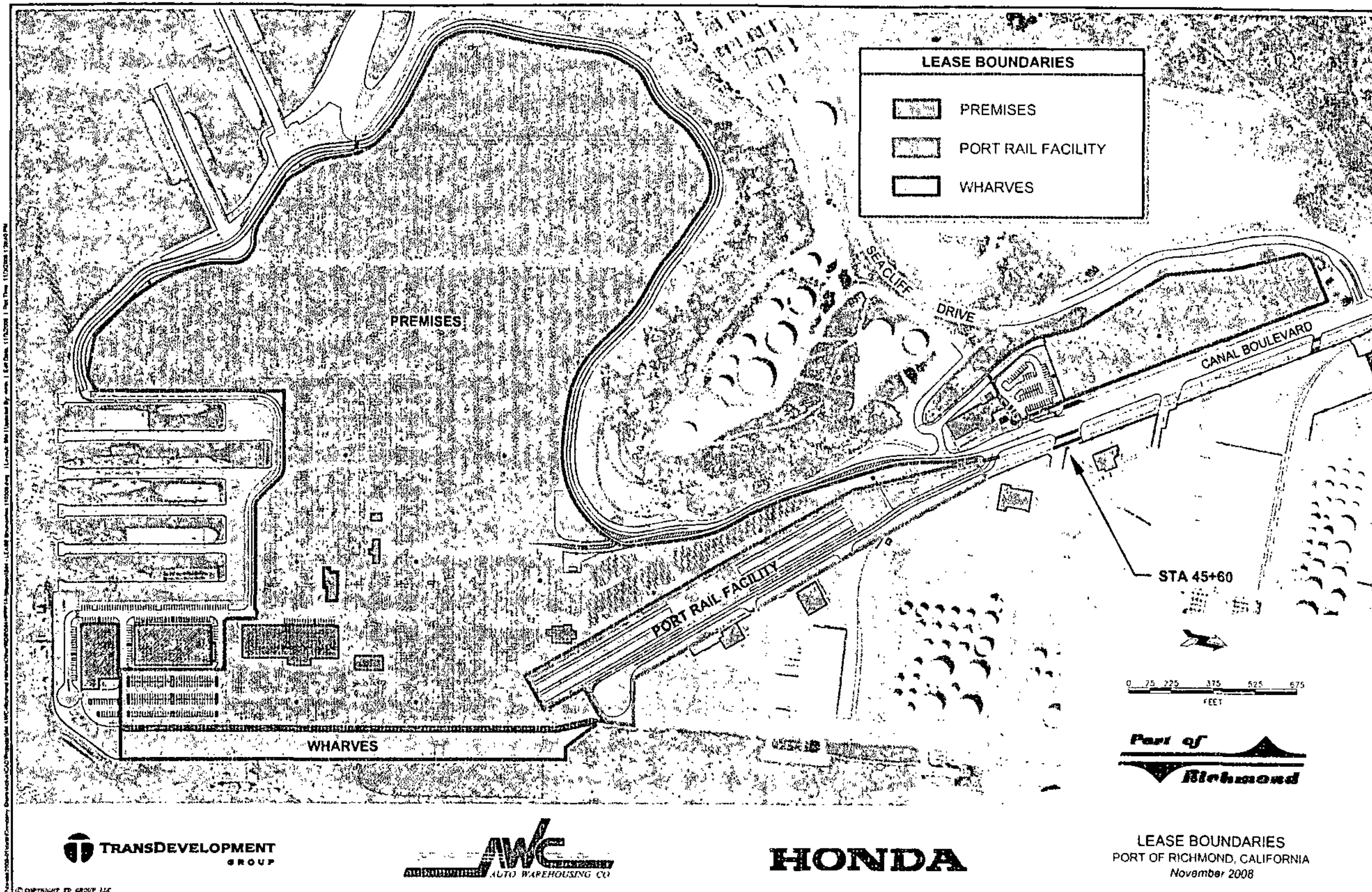
***General.*** Pursuant to the Operating Lease, AWC is responsible for construction of the Terminal Project component of the 2009 Project. The terms and conditions under which the construction is to be performed are governed by a Work Agreement between the City and AWC which requires AWC to select a prime contractor and construction manager, in both cases subject to approval by the City. TransDevelopment Group will act as the contractor. The Work Agreement sets forth a schedule for completion of construction of the 2009 Project by February 2010.

Pursuant to the terms and conditions of the Industry Track Agreement and the Reimbursement Agreement, each to become effective on the delivery date of the Series 2009 Bonds (collectively, the "BNSF Agreement"), and each by and between the City and BNSF, BNSF will construct a portion of the Rail Improvements on its property and provide continuing rail service to the Facilities. Upon completion, the portion of the Rail Facilities on BNSF's property will be owned by BNSF.

***Environmental and other Approvals.*** The 2009 Project has received all necessary environmental approvals for construction and operation except for a permit from the Bay Conservation and Development Commission, which is expected to be received during construction. Until receipt of such permit construction work can not proceed within 100 feet of the mean high tide line, but such constraint is not expected to delay construction.

An environmental impact report ("EIR") as required by the California Environmental Quality Act ("CEQA") was certified by the City in December 2008. Litigation was filed challenging the EIR and was dismissed pursuant to a settlement in March 2009. See "–Litigation Affecting the 2009 Project."

The Rail Improvements constitute a replacement and reconstruction of existing facilities under the CEQA, and therefore is exempt from CEQA requirements.




"Premises" is the leased Property under the Operating Lease.

"Premises" plus "Port Rail Facility" comprise the Demised Premises under the Facility Lease.

### The 2009 Project Agreements

***Operating Lease.*** Pursuant to the Operating Lease, the City leases the Terminal Project component of the 2009 Project to AWC. The initial term of the Operating Lease ends on the 15th anniversary of the date of substantial completion of the 2009 Project. The term of this Agreement may be extended by AWC for successive 5-year periods upon notice to the City.

The Operating Lease provides for so long as the Series 2009 Bonds are outstanding, AWC will, on or before the fifteenth day following the close of each calendar month, pay to the Trustee any Wharfage Revenues and Storage Fees actually received by AWC during such month. AWC guarantees that, during the period from the Effective Date through the MAG Commencement Date, the number of vehicles transported to or from the Port of Richmond by vessel will average at least 3,000 vehicles per month. Amounts due to the City under the Operating Lease will be paid directly to the Trustee.

The diagram on page 29 depicts the 2009 Project and the property which is the subject of the Operating Lease. The diagram also shows the Demised Premises, which comprises the leased asset under the Facility Lease, the base rental payments for which by the City secure the Series 2009 Bonds. The diagram shows approximate boundaries for purposes of illustration.

***MAG Agreement.*** Pursuant to the MAG Agreement, American Honda agrees to transport a minimum of 145,000 vehicles per year through the 2009 Project, subject to certain carryover provisions in the event more vehicles are delivered in a given year. See "THE MAG AGREEMENT."

***Operating Agreement.*** The Port and Translogix, L.L.C. ("Translogix"), a subsidiary of AWC, have entered into a Marine Terminal Operating Agreement which becomes effective on the date of issuance of the Series 2009 Bonds (the "Operating Agreement") pursuant to which Translogix provides administrative terminal operation and dockside services at the 2009 Project.

***Other Agreements.*** There are a number of ancillary agreements relating to operations and management of the 2009 Project and related activities and other activities at the Point Potrero Marine Terminal, which implement certain aspects of the financing, construction and operations plan addressed in the Operating Lease.

### Project Participants

*Information regarding the Project Participants was obtained from their respective websites and other sources of public information believed to be reliable. However, the Authority, the City and the Underwriter cannot and do not assume any responsibility for the accuracy or completeness of any information contained or referred to herein regarding the business operations or financial condition of any of the Project Participants.*

Set forth below are descriptions of the private sector companies (collectively, the "Project Participants") which will construct, operate, maintain and use the 2009 Project.

***American Honda Motor Co., Inc.*** American Honda is a wholly-owned subsidiary of Honda Motor Co. Ltd. ("Honda"). Honda is subject to the information requirements of the Securities Exchange Act of 1934, and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "SEC"). Certain information, including financial information is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected at the Public Reference Room of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549; and the offices of The New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. Copies of such reports and statements can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates or from the SEC Web site at: http://www.sec.gov. There is no guarantee by Honda of American Honda's obligations under the MAG Agreement.

***Auto Warehousing Co.*** Auto Warehousing Co., a privately-owned Washington corporation whose business commenced in 1962 and the largest full-service automobile processor in North America, is involved in the transportation and processing of millions of vehicles per year. AWC operates 24 port/plant/rail distribution locations, including the existing facility at the Port, which it has operated since its inception in 2004. Clients of AWC currently include the three United States domestic automakers as well as Honda, Hyundai Isuzu, Suzuki, Mazda, Mitsubishi and Kia. As a privately-owned company, the financial statements of AWC are not publicly available.

***TransDevelopment Group.*** Under the Work Agreement, TransDevelopment Group has agreed to construct the Terminal Project component of the 2009 Project for acquisition by the City.

TransDevelopment Group is a developer of specialized transportation facilities for shippers and carriers in the rail, highway and marine cargo industries. The Company has developed a substantial number of projects in North America, South Korea and Great Britain.

Customers include the largest auto manufacturers, railroads, ports and other transportation carriers. Since its founding in 1987, TransDevelopment has completed more than 80 large-scale development projects and 300 consulting engagements and study initiatives.

TransDevelopment has worked with the Port since 2003 and was responsible for the facility planning, entitlements and permit approvals, design and engineering, and construction of the GLOVIS/Hyundai Kia facility at the Port which commenced construction 2004 and operation in 2005. See "–Background."

**The Series 2009 Bonds are *not* Obligations of the Project Participants**

Although AWC is the lessee under the Operating Lease and American Honda has agreed to provide a minimum annual guarantee under the MAG Agreement, neither company has any obligation for payment of debt service on the Series 2009 Bonds.

**Recent Developments**

GLOVIS recently informed the Port that as of July 1, 2009 it will no longer bring new units through the Port. Previously delivered vehicles will continue to be processed at the Port by AWC, with all vehicles expected to be shipped from the Port by mid-FY09/10. The City has begun identifying sources for new revenue to utilize the capacity freed up by the departure of GLOVIS. The City and AWC are in preliminary discussions with potential new customers but no agreements have been reached and no assurance can be given that any of these potential new customers will use the Port. However, the City estimates that processing units from new customers can begin as early as April 2010, at a rate of 50,000 per year.

**Litigation Affecting the 2009 Project**

On December 18, 2008, Fred H. Arm, an individual living in the City (the "Petitioner"), filed a petition for a writ of mandate (*Arm v. City of Richmond,* Contra Costa Superior Court Case Number No. 8-2022) (a court order to a governmental agency to follow the law by correcting prior actions or ceasing illegal acts) against the City, AWC, American Honda and others involved in the 2009 Project under CEQA. The lawsuit challenged the certification by the City of the EIR prepared with respect to the 2009 Project on the grounds that various environmental impacts were insufficiently analyzed, an insufficient range of alternatives were considered and inadequate mitigation measures were proposed, among other matters. The lawsuit sought an order staying all 2009 Project approvals and the 2009 Project.

Pursuant to the terms of the Honda Port of Entry Project Settlement and Release Agreement entered into as of March 30, 2009 (the "Settlement Agreement") by and between the Petitioner, the City, AWC, American Honda, Translogix LLC and TransDevelopment Group, the parties agreed to dismiss the lawsuit with prejudice. The Settlement Agreement requires, among other things, that the Port establish and appoint a seven-member Clean Air Action Plan Advisory Board (the "Advisory Board") to make recommendations to the City and the Port on development of a clean air action plan. The Petitioner and six other volunteer members are appointed and serve at the discretion of the Executive Director of the Port. The City does not believe that the Advisory Board and any recommendations it makes with respect to construction or operation of the 2009 Project will materially adversely affect the operations of the 2009 Project or the revenues expected to be derived therefrom or the City's ability to make Base Rental Payments with respect to the Terminal Project.

## ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the financing are set forth in the following table:

| | Series 2009A | Taxable Series 2009B | Total |
|---|---|---|---|
| **Sources of Funds** | | | |
| Principal Amount of Series 2009 Bonds | $26,830,000.00 | $20,280,000.00 | $47,110,000.00 |
| *Less*: Original Issue Discount | 0 | (209,189.30) | (209,189.30) |
| TOTAL SOURCES | $26,830,000.00 | $20,070,810.70 | $46,900,810.70 |
| **Uses of Funds** | | | |
| Deposit into Project Account | $22,630,100.00 | $14,230,000.00 | $36,860,100.00 |
| Deposit into Reserve Fund | 2,683,000.00 | 2,028,000.00 | 4,711,000.00 |
| Deposit into Capitalized Interest Subaccount | 982,390.87[1] | 3,348,056.63[2] | 4,330,447.50 |
| Costs of Issuance[3] | 534,509.13 | 464,754.07 | 999,263.20 |
| TOTAL USES | $26,830,000.00 | $20,070,810.70 | $46,900,810.70 |

(1) Represents capitalized interest on the Series 2009A Bonds through March 31, 2010.
(2) Represents capitalized interest on the Taxable Series 2009B Bonds through July 1, 2011.
(3) Includes fees and expenses of Bond Counsel, Disclosure Counsel and the Financial Advisor, the Underwriter's discount, initial fees of the Trustee, title company fees, rating agency fees, printing costs and other miscellaneous costs. For details regarding the Underwriter's discount for each of the Series 2009 Bonds, see "UNDERWRITING."

## DEBT SERVICE SCHEDULE

Set forth below are the principal, interest and total debt service requirements for the Series 2009 Bonds.

| Payment Date | Series 2009A Bonds Principal | Series 2009A Bonds Interest | Series 2009A Bonds Total | Taxable Series 2009B Bonds Principal | Taxable Series 2009B Bonds Interest | Taxable Series 2009B Bonds Total | Total |
|---|---|---|---|---|---|---|---|
| January 1, 2010 | – | $740,619.79 | $740,619.79 | – | $709,080.38 | $709,080.38 | – |
| July 1, 2010 | – | 838,437.50 | 838,437.50 | – | 802,732.50 | 802,732.50 | $3,090,870.17 |
| January 1, 2011 | – | 838,437.50 | 838,437.50 | – | 802,732.50 | 802,732.50 | – |
| July 1, 2011 | – | 838,437.50 | 838,437.50 | – | 802,732.50 | 802,732.50 | 3,282,340.00 |
| January 1, 2012 | – | 838,437.50 | 838,437.50 | – | 802,732.50 | 802,732.50 | – |
| July 1, 2012 | – | 838,437.50 | 838,437.50 | – | 802,732.50 | 802,732.50 | 3,282,340.00 |
| January 1, 2013 | – | 838,437.50 | 838,437.50 | – | 802,732.50 | 802,732.50 | – |
| July 1, 2013 | – | 838,437.50 | 838,437.50 | $2,405,000 | 802,732.50 | 3,207,732.50 | 5,687,340.00 |
| January 1, 2014 | – | 838,437.50 | 838,437.50 | – | 726,975.00 | 726,975.00 | – |
| July 1, 2014 | – | 838,437.50 | 838,437.50 | 2,450,000 | 726,975.00 | 3,176,975.00 | 5,580,825.00 |
| January 1, 2015 | – | 838,437.50 | 838,437.50 | – | 647,350.00 | 647,350.00 | – |
| July 1, 2015 | – | 838,437.50 | 838,437.50 | 2,610,000 | 647,350.00 | 3,257,350.00 | 5,581,575.00 |
| January 1, 2016 | – | 838,437.50 | 838,437.50 | – | 537,806.25 | 537,806.25 | – |
| July 1, 2016 | – | 838,437.50 | 838,437.50 | 2,830,000 | 537,806.25 | 3,367,806.25 | 5,582,487.50 |
| January 1, 2017 | – | 838,437.50 | 838,437.50 | – | 419,031.25 | 419,031.25 | – |
| July 1, 2017 | – | 838,437.50 | 838,437.50 | 3,065,000 | 419,031.25 | 3,484,031.25 | 5,579,937.50 |
| January 1, 2018 | – | 838,437.50 | 838,437.50 | – | 290,387.50 | 290,387.50 | – |
| July 1, 2018 | – | 838,437.50 | 838,437.50 | 3,320,000 | 290,387.50 | 3,610,387.50 | 5,577,650.00 |
| January 1, 2019 | – | 838,437.50 | 838,437.50 | – | 151,031.25 | 151,031.25 | – |
| July 1, 2019 | – | 838,437.50 | 838,437.50 | 3,600,000 | 151,031.25 | 3,751,031.25 | 5,578,937.50 |
| January 1, 2020 | – | 838,437.50 | 838,437.50 | – | – | – | – |
| July 1, 2020 | $3,905,000 | 838,437.50 | 4,743,437.50 | – | – | – | 5,581,875.00 |
| January 1, 2021 | – | 716,406.25 | 716,406.25 | – | – | – | – |
| July 1, 2021 | 4,150,000 | 716,406.25 | 4,866,406.25 | – | – | – | 5,582,812.50 |
| January 1, 2022 | – | 586,718.75 | 586,718.75 | – | – | – | – |
| July 1, 2022 | 4,405,000 | 586,718.75 | 4,991,718.75 | – | – | – | 5,578,437.50 |
| January 1, 2023 | – | 449,062.50 | 449,062.50 | – | – | – | – |
| July 1, 2023 | 4,685,000 | 449,062.50 | 5,134,062.50 | – | – | – | 5,583,125.00 |
| January 1, 2024 | – | 302,656.25 | 302,656.25 | – | – | – | – |
| July 1, 2024 | 9,685,000 | 302,656.25 | 9,987,656.25 | – | – | – | 10,290,312.50 |
| TOTAL | $26,830,000 | $22,457,494.79 | $49,287,494.79 | $20,280,000 | $11,873,370.38 | $32,153,370.38 | $81,440,865.17 |

## THE AUTHORITY

The Richmond Joint Powers Financing Authority was formed pursuant to the provisions of Articles 1 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State and a Joint Exercise of Powers Agreement, dated December 1, 1989 (the "Joint Powers Agreement") by and between the City and the Redevelopment Agency of the City of Richmond. The Authority was formed to assist the City in the financing of public capital improvements. The Authority presently acts as lessor for the Facilities, as well as the issuer in other City financings. The Authority functions as an independent entity and its policies are determined by a governing board that consists of the members of the City Council. The Authority has no employees and all staff work is done by the City staff or by consultants to the Authority.

The current officers of the Authority are set forth below and are also the City Manager of the City, the Director of Finance and Treasurer of the City, and the City Clerk of the City, respectively.

<u>Officers</u>
William A. Lindsay, Executive Director
James C. Goins, Treasurer/Auditor
Diane Holmes, Secretary

*Pursuant to the Act, the Authority is authorized to issue bonds for the purpose of financing*, refinancing or providing reimbursement for costs incurred in connection with the construction, expansion, remodeling, renovation, furnishing, equipping or acquisition of public capital improvements of public entities. The Act provides for the issuance of revenue bonds of joint exercise of powers authorities, such as the Authority, to be repaid from the proceeds of certain public obligations, such as the Facilities Lease. The intent of the California legislature, as stated in the Act, is to assist in the reduction of local borrowing costs, help accelerate the construction, repair, and maintenance of public capital improvements, and promote greater use of existing and new financial instruments and mechanisms such as bond pooling by local agencies.

## THE CITY

### General

The City is located 16 miles northeast of San Francisco on the western shore of Contra Costa County (the "County"), occupies 33.7 square miles of land area on a peninsula that separates the San Francisco Bay from San Pablo Bay, and spans 32 miles of shoreline. The City is an important oil refining, industrial, commercial, transportation, shipping and government center. The City is governed by the City Council, consisting of a Mayor and six other council members. The size of the City Council was reduced to seven members (including the Mayor) from nine members (including the Mayor) commencing with the November 2008 general election. The City is a charter city, which means the City, through its charter (the "Charter"), may regulate municipal affairs, subject only to restrictions and limitations provided in the Charter; in matters other than municipal affairs, the City is subject to State law. The City provides a full range of services contemplated by statute or the Charter, including those functions delegated to cities under State law.

Certain information concerning the City is set forth in APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND." The City's audited financial statements for the fiscal year ending June 30, 2008 are set forth in APPENDIX B–"AUDITED FINANCIAL STATEMENTS OF THE CITY OF RICHMOND, FISCAL YEAR 2007-08."

## THE PORT

### General

Richmond has 32 miles of shoreline along the northern and eastern reaches of San Francisco Bay. The Port facilities are located on approximately 600 acres of land immediately adjacent to the Richmond harbor channels. The City owns approximately 200 acres landside, which include five City-owned terminals.

There are five City-owned terminals and five dry docks. These tenant operated terminals handle a wide range of liquid commodities, automobiles, steel products and other diversified cargoes. The Port of Richmond also encompasses 11 privately-owned terminals handling bulk liquid, dry bulk materials, metals, and break-bulk cargoes. The largest privately-owned and operated terminal in terms of volume is the Chevron terminal which handles more than 20.8 million metric tons of general, liquid and dry bulk commodities each year. The Port of Richmond does not charge any wharfage or dockage fees for cargo loaded or unloaded at the privately owned terminals.

The 2009 Project comprises Terminals 5, 6 and 7 and adjacent rail facilities.

The Port of Richmond is a public enterprise fund established by the City and is administered as a department of the City. Operations include the marine terminal facilities and commercial property rentals.

### Additional Information

Certain information concerning the Port is set forth in APPENDIX C–"THE PORT OF RICHMOND." The audited financial statements for the Port for Fiscal Year ended June 30, 2008 are set forth in APPENDIX B–"AUDITED FINANCIAL STATEMENTS OF THE PORT OF CITY OF RICHMOND, FISCAL YEAR 2007-08."

## CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

### Article XIII A of the State Constitution

Article XIII A of the State Constitution, known as Proposition 13, was approved by California voters in June 1978. Section 1(a) of Article XIII A limits the maximum ad valorem tax on real property to one percent of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIII A provides that the one percent limitation does not apply to ad valorem taxes to pay interest or redemption charges on (1) indebtedness approved by the voters prior to July 1, 1978, (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition, or (3) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition.

Section 2 of Article XIII A defines "full cash value" to mean the county assessor's valuation of real property as shown on the 1975-76 fiscal year tax bill or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any additional ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIII A, which is $1.00 per $100 of taxable value.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be assessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

**Article XIII B of the State Constitution**

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIII B of the State Constitution, which limits the amount of revenues that government entities are permitted to spend. Article XIII B, approved by California voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on appropriations of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds.

Article XIII B also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Proposition 111 requires that each governmental entity's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to such entity's taxpayers through tax rate or fee reductions over the following two years.

The City has estimated that for the 2008-09 Fiscal Year, permitted appropriations of "proceeds of taxes" are limited to $268,310,951, and the City's budgeted appropriations from the proceeds of taxes for the Fiscal Year 2008-09 are $145,494,025.

**Articles XIII C and XIII D of the State Constitution**

On November 5, 1996, the voters of the State approved Proposition 218 – the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments, including cities, to impose new, or increase or extend existing, taxes, assessments, fees and charges. Proposition 218 became effective on November 6, 1996, although application of some of its provisions was deferred until July 1, 1997.

Article XIII C requires that all new local taxes be submitted to the electorate for approval before such taxes becomes effective. General taxes imposed for general governmental purposes of the City require a majority vote and special taxes imposed for specific purposes (even if deposited in the general fund) require a two-thirds vote. The voter approval requirements of Article XIII C reduce the flexibility of local governments to deal with fiscal problems by raising revenue through new, extended or increased taxes. No assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

Under Proposition 218, the City can only continue to collect taxes that were imposed after January 1, 1995 if they were approved by voters by November 6, 1998. Any tax levied by the City subject to such approval has been either authorized in accordance with Proposition 218 or discontinued.

Among other things, Section 3 of Article XIII C states that ". . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." Absent the application of other legal authority, Section 3 of Article XIII C could result in a local initiative measure to retroactively reduce or repeal the Assessment.

Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIII C and Article XIII D ("SB 919") provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters within the City will not, in the future, approve an initiative that reduces or repeals local taxes, assessments, fees or charges or what limitations, if any, future court decisions may place on the initiative power granted under Article XIII C.

The City raises a portion of its revenues from various local taxes which could be reduced by initiative under Article XIII C. "Assessment," "fee" and "charge" are not defined in Article XIII C and it is not clear whether the definitions of these terms in Article XIII D (which are generally property-related, as described below) would be applied to Article XIII C. However, on July 24, 2006, the California Supreme Court ruled in Bighorn-Desert View Water Agency v. Virjil (Kelley) that charges for ongoing water delivery are property related fees and charges within the meaning of Article XIII D and are also fees or charges within the meaning of Section 3 of Article XIII C.

With respect to general obligation bonds that may be issued (but none are currently issued) by the City, the State Constitution and the laws of the State impose a duty on the County Board of Supervisors to levy a property tax sufficient to pay debt service coming due in each year; the initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of general obligation bonds or to otherwise interfere with performance of the duty of the City with respect to such taxes which are pledged as security for payment of those bonds.

Article XIII D contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" for local services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon real property, and expressly includes standby charges. Article XIII D also includes new provisions affecting "fees" and "charges," defined for purposes of Article XIII D to mean "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a county upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and existing property related fees and charges must conform to specific requirements and prohibitions set forth in Article XIII D. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services (or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIII D), no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge, or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

The City cannot predict the future impact of Proposition 218 on the finances of the City, and no assurance can be given that Proposition 218 will not have a material adverse impact on the City's revenues. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

**Statutory Limitations**

On November 4, 1986, California voters adopted Proposition 62, a statutory initiative which, among other matters, requires (i) that any tax for general governmental purposes imposed by local governmental entities be approved by a majority vote of the voters voting in an election on the issue, (ii) that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters voting in an election on the issue, and (iii) that the revenues from a special tax be used for the purposes or for the services for which the special tax was imposed.

On September 28, 1995, the California Supreme Court filed its decision in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995), which upheld a Court of Appeal decision invalidating a one-half cent countywide sales tax for transportation purposes levied by a local transportation authority. The California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote for the levy of a "special tax" as required by Proposition 62. The *Santa Clara* decision did not address the question of whether or not it should be applied retroactively.

In mid-2001, the California Supreme Court issued its decision in *Howard Jarvis Taxpayers Association et al v. City of La Habra*, 25 Cal. 4th 809 (2001), in which it concluded, in part, that if a tax is illegal, the statute of limitations applicable thereto begins to run anew with each collection of that tax.

Proposition 62 as an initiative statute does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. Since the passage of Proposition 218, however, certain provisions of Proposition 62 (e.g., voter approval of taxes) are governed by the State Constitution. For a discussion of taxes affected by Proposition 218 see "Articles XIII C and XIII D of the California Constitution" above.

If a court determined that a jurisdiction imposed a tax in violation of Proposition 62, Proposition 62 would require that the portion of the 1% general ad valorem property tax levy allocated to that jurisdiction be reduced by $1 for every $1 in revenue attributable to the tax for each year that the tax had been collected.

**Proposition 1A**

Proposition 1A, proposed by the State Legislature in connection with the 2004-05 Budget Act, approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of

November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the vehicle license fee rate currently in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable City revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the finances of the City.

In response to the worsening fiscal situation confronting the State, the Governor has proposed borrowing local property tax receipts from local governments. See APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND–FINANCIAL OPERATIONS–State Budget–*Impact of State Budget upon the City*."

**Future Initiatives**

Article XIII A, Article XIII B, Article XIII C, Article XIII D of the State Constitution and the statutes added by Proposition 62 and Proposition 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the City's revenues or its ability to expend its revenues.

## LEGAL MATTERS

The validity of the Series 2009 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion for the Series 2009 Bonds is contained in APPENDIX F, hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Authority and the City by the City Attorney and for the Authority, the City and the Underwriter by Lofton & Jennings, San Francisco, California, Disclosure Counsel.

The compensation of Bond Counsel and Disclosure Counsel is contingent upon issuance and delivery of the Series 2009 Bonds.

## LITIGATION

### General

No litigation is pending or threatened (i) to restrain or enjoin the issuance or sale of the Series 2009 Bonds; or (ii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Series 2009 Bonds.

### Authority

There is no litigation pending, or to the knowledge of officials of the Authority, threatened against or affecting the Authority, which will materially adversely affect the financial position or results of operations of the Authority.

### City

The City is involved in certain other litigation and disputes incidental to its operations. Based upon information presently available, the City Attorney believes that there are substantial defenses to such litigation and disputes and that, in any event, any ultimate liability in excess of applicable insurance coverage resulting therefrom will not materially adversely affect the financial position or results of operations of the City.

## TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Series 2009A Bond for any period that such Series 2009A Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2009A Bonds or by a "related person" within the meaning of Section 147(a) of the Code. In the further opinion of Bond Counsel, interest on the Series 2009A Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2009A Bonds and the Taxable Series 2009B Bonds is exempt from State of California personal income taxes. Interest on the Taxable Series 2009B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX F hereto.

To the extent the issue price of any maturity of the Series 2009A Bonds is less than the amount to be paid at maturity of such Series 2009A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2009A Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2009A Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2009A Bonds is the first price at which a substantial amount of such maturity of the Series 2009A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2009A Bonds accrues daily over the term to maturity of such Series 2009A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2009A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2009A Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2009A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2009A Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2009A Bonds is sold to the public.

Series 2009A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2009A Bonds. The Authority and the City have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2009A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2009A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2009A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2009A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2009A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes, and interest on the Series 2009A Bonds and the Taxable Series 2009B Bonds is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2009 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2009A Bonds to be subject, directly or indirectly, to federal income taxation or interest on the Series 2009 Bonds to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2009 Bonds. Prospective purchasers of the Series 2009 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2009A Bonds for federal income tax purposes. It is not binding on the Internal Revenue

Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the City have covenanted, however, to comply with the requirements of the Code.

Defeasance of any Taxable Series 2009B Bond may result in a reissuance thereof, in which event a holder will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the Taxable Series 2009B Bond.

Bond Counsel's engagement with respect to the Series 2009 Bonds ends with the issuance of the Series 2009 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the City or the Beneficial Owners regarding the tax-exempt status of the Series 2009A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the City and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority and the City legitimately disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2009A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2009A Bonds, and may cause the Authority, the City or the Beneficial Owners to incur significant expense.

## FINANCIAL ADVISOR

The Authority has retained Tamalpais Advisors, Inc., Sausalito, California, as Financial Advisor (the "Financial Advisor") in connection with the execution and delivery of the Series 2009 Bonds and certain other financial matters. The Financial Advisor is not obligated to undertake, and has not undertaken to make an independent verification of the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other negotiable instruments. Payment of the fees and expenses of the Financial Advisor is contingent upon the sale and delivery of the Series 2009 Bonds.

## RATING

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), has assigned the rating of "A" to the Series 2009 Bonds. This rating reflects only the view of S&P, and an explanation of the significance of such rating may be obtained only from S&P. The Authority and the City furnished to S&P certain information and materials. Any explanation of the significance of such rating may be obtained from S&P as follows: Standard & Poor's, 55 Water Street, New York, New York 10041. Generally, rating agencies base their ratings on such information and materials so furnished and on investigations, studies and assumptions made by them. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agency, if in its judgment, circumstances so warrant. The Authority and the City undertake no responsibility either to notify the Owners of the Series 2009 Bonds of any revision or withdrawal of the rating (other than as set forth in the Continuing Disclosure Agreement) or to oppose any such revision or withdrawal. Any such downward revisions or withdrawal of such rating may have an adverse effect on the market price of the Series 2009 Bonds.

## UNDERWRITING

The initial offering prices stated on the inside cover of this Official Statement may be changed from time to time by RBC Capital Markets Corporation (the "Underwriter"). The Underwriter may offer and sell the Series 2009 Bonds to certain dealers (including dealers depositing Series 2009 Bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices.

The Underwriter has agreed, subject to certain conditions set forth in the Bond Purchase Contract among the Authority, the City and the Underwriter, to purchase all of the Series 2009 Bonds, subject to certain conditions set forth in such purchase contract.

### Series 2009A Bonds

The Series 2009A Bonds were purchased by the Underwriter at a price equal to $26,534,870.00 (which represents the principal amount of the Series 2009A Bonds less an Underwriter's discount in the amount of $295,130.00).

### Taxable Series 2009B Bonds

The Taxable Series 2009B Bonds were purchased by the Underwriter at a price equal to $19,837,590.70 (which represents the principal amount of the Taxable Series 2009B Bonds less an *original issue discount in the amount of $209,189.30 and less an Underwriter's discount in the amount of* $233,220.00).

## CONTINUING DISCLOSURE

The City has covenanted for the benefit of Bond Owners to provider certain financial information and operating data relating to the City by not later than 270 days after the end of the City's fiscal year (presently June 30), commencing with the report for the Fiscal year ending June 30, 2009 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if deemed by the City to be material. The Annual Report will be filed by the City with each Nationally Recognized Municipal Securities Repository. The notices of material events will be filed by the City with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized below in APPENDIX E–"FORM CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

## MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the Series 2009 Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Authority and the City.

RICHMOND JOINT POWERS FINANCING AUTHORITY

By: /s/ Gayle McLaughlin
President

CITY OF RICHMOND

By: /s/ William A. Lindsey
City Manager

# APPENDIX A

## CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND

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## TABLES

# APPENDIX A

# CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND

The City of Richmond, California (the "City"), is located 16 miles northeast of San Francisco on the western shore of Contra Costa County (the "County"), occupies 33.7 square miles of land area on a peninsula that separates the San Francisco Bay from San Pablo Bay, and spans 32 miles of shoreline. The City is an important oil refining, industrial, commercial, transportation, shipping and government center. An active redevelopment program in the downtown and waterfront areas and commercial expansion in the City's Hilltop area, along the Interstate 80 and Interstate 580 corridors, and along the new Richmond Parkway have added to the tax base of the City in recent years.

## MUNICIPAL GOVERNMENT

### General

The City is governed by the City Council, consisting of a Mayor and six other council members. The Mayor is elected at large for a four-year term. Council members are elected by district for staggered four-year terms. The Mayor and the council members are limited to two consecutive four-year terms. An *initiative measure passed by the voters in November 2004 reduced the size of the City Council from nine* to seven members, including the elected mayor effective January 1, 2009. The City is a charter city, which means the City, through its charter (the "Charter"), may regulate municipal affairs, subject only to restrictions and limitations provided in the Charter; in matters other than municipal affairs, the City is subject to State law.

The City provides a full range of services contemplated by statute or the Charter, including those functions delegated to cities under State law. These services include police and fire protection, emergency response, construction and maintenance of highways, streets and infrastructure, library services, storm water and municipal sewer systems, wastewater treatment, port facilities and the administration of recreational activities and cultural events. The City also operates a downtown parking facility and the Richmond Memorial Convention Center.

The City has a Council-Manager form of government. The City Manager, appointed by the Mayor and City Council, is responsible for the operation of all municipal functions except the offices of the City Attorney, City Clerk and Investigative Appeals Officer. The officials heading these offices are appointed by the City Council and carry out policies set forth by the City Council.

## FINANCIAL OPERATIONS

### Financial Statements

The City has prepared its audited Basic Financial Statements (referred to as General Purpose Financial Statements in previous years) in accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34). The Basic Financial Statements provide both government-wide financial statements with a long-term perspective on the City's activities and the more traditional fund-based financial statements that focus on near-term inflows, outflows, and balances of spendable financial resources. The government-wide financial statements report on a full accrual basis and include comprehensive reporting of the City's infrastructure and other fixed assets.

The financial results for Fiscal Year 2007-08 showed an operating deficit in the General Fund for the first time in the last five audit years. The City used some prior available balances to increase the number of sworn police officers and fund \$5.9 million one-term expenditures to relocate the Police Department to improved facilities. The City also reopened cultural and recreational facilities. The unrestricted General Fund cash balance as of June 30, 2008 was approximately \$14.9 million compared to approximately \$30.0 million for Fiscal Year 2006-07 as shown in Table A-1 below. The total fund balance was approximately \$46.4 million as of June 30, 2008, which includes a \$10 million unreserved designated reserve for contingencies, an approximately \$9.3 million of undesignated unreserved fund balance and \$24.3 million reserved toward the entire amount of Advances to Other Funds. The net change in the General Fund balance from Fiscal Year 2007-08 was a decrease of approximately \$8.0 million. As shown in Table A-2 below, revenues for Fiscal Year 2007-08 increased by approximately 0.2%, while the City's expenditures and transfers out increased by approximately 24.7% over the same time period.

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Table A-1 presents the City's Audited General Fund Balance Sheet, including assets, liabilities, and fund equity for the last five Fiscal Years.

**Table A-1**
**City of Richmond**
**General Fund Balance Sheet**
**As of June 30 for Fiscal Years 2003-04 through 2007-08**

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| **Assets:** | | | | | |
| Cash and investments | $10,978,625 | $14,170,749 | $30,326,744 | $30,020,859 | $14,910,701 |
| Restricted cash and investments | 1,254,352 | 21,303 | 17,020 | 19,014 | 15,961 |
| Receivables: | | | | | |
| Accounts, net | 5,409,622 | 11,127,767 | 6,640,872 | 9,751,511 | 8,126,501 |
| Interest | 34,372 | 63,639 | 84,483 | 67,605 | 33,206 |
| Grants | 30,000 | 60,000 | – | – | 3,840 |
| Loans | 997,031 | 922,351 | 1,055,124 | 1,276,861 | 1,376,940 |
| Other | – | – | – | – | – |
| Due from other funds | 2,871,501 | 9,174,306 | 5,263,031 | 3,217,051 | 12,580,755 |
| Advances to other funds(1) | 30,087,012 | 23,812,555 | 17,139,855 | 22,179,884 | 24,353,654 |
| Inventories | 386,767 | – | – | – | – |
| Prepaids, supplies and other assets | – | 260,216 | 247,048 | 310,466 | 211,792 |
| Other | 102,729 | – | – | – | – |
| TOTAL ASSETS | $52,152,011 | $59,612,886 | $60,774,177 | $66,843,251 | $61,613,350 |
| LIABILITIES AND FUND BALANCES | | | | | |
| **Liabilities:** | | | | | |
| Cash overdraft | $ – | $ – | $ – | $ – | $ – |
| Accounts payable and accrued liabilities | 2,989,251 | 2,445,779 | 1,046,498 | 1,959,984 | 3,404,146 |
| Refundable deposits | 1,848,500 | 3,536,574 | 1,504,483 | 399,164 | 595,211 |
| Due to pension trust | 1,898,843 | – | – | – | – |
| Due to other funds | – | – | – | – | 8,706,778 |
| Advances from other funds | 111,770 | 105,685 | 103,685 | 101,685 | 99,685 |
| Deferred revenue | 9,528,635 | 9,930,958 | 9,889,742 | 9,950,518 | 2,370,902 |
| TOTAL LIABILITIES | $16,376,999 | $16,018,996 | $12,544,408 | $12,411,351 | $15,176,722 |
| **Fund Balances:** | | | | | |
| Reserved for: | | | | | |
| Encumbrances | $1,526,167 | $286,787 | $926,760 | $2,919,795 | $1,824,308 |
| Prepaids, supplies and other assets | 386,767 | 260,216 | 247,048 | 310,466 | 211,792 |
| Advance to other funds | 21,421,635 | 16,327,666 | 8,108,231 | 18,316,706 | 24,353,654 |
| Loans receivable | – | 208,804 | 356,804 | 543,573 | 659,224 |
| Unreserved, designated for: | | | | | |
| Contingencies | – | 2,000,000 | 10,000,000 | 10,000,000 | 10,000,000(2) |
| Unreserved, reported in: | | | | | |
| General fund | 12,440,443 | 24,510,417 | 28,590,926 | 22,341,360 | 9,387,650 |
| Undesignated | – | – | – | – | – |
| TOTAL FUND BALANCES | 35,775,102 | 43,593,890 | 48,229,769 | 54,431,900 | 46,436,628 |
| TOTAL LIABILITIES AND FUND BALANCES | $52,152,011 | $59,612,886 | $60,774,177 | $66,843,251 | $61,613,350 |

(1) The decrease in "Advances to other funds" between Fiscal Years 2004-05 and 2005-06 reflects the satisfaction of a loan agreement between the City and the Redevelopment Agency and partial repayment of loans by the Richmond Housing Authority. The increase in Fiscal Year 2006-07 reflects a reclassification of a "Due from other funds" from the Richmond Housing Authority to an "Advance to other funds."

(2) The City has deposited an additional approximately $10.0 million into the Contingency Reserve in Fiscal Year 2008-09 per the City's 15% cash reserve policy. See "–Financial Policies–*Budget and Contingency Reserves Policy*."

*Sources: General Purpose Financial Statements for Fiscal Year 2003-04 and City of Richmond, Comprehensive Annual Financial Report for Fiscal Years 2004-05, 2005-06, 2006-07 and 2007-08.*

Table A-2 presents the City's Audited General Fund Statement of Revenues, Expenditures and Change in Fund Balance for the last five Fiscal Years.

**Table A-2**
**City of Richmond**
**Summary of General Fund Revenues, Expenditures, and Change in Fund Balance**
**Fiscal Years 2003-04 through 2007-08**

| | 2003-04[1] | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Property taxes | $23,640,305[1] | $30,368,311[5] | $28,284,861 | $33,069,812 | $34,296,322 |
| Sales taxes | 12,352,198 | 20,273,363 | 25,402,253 | 28,217,895 | 29,005,711 |
| Utility user fees | 29,322,704 | 29,721,235 | 30,199,388 | 27,007,410 | 29,553,243 |
| Other taxes | 9,421,142[2] | 13,849,935 | 14,590,884 | 11,517,437 | 7,659,207 |
| Licenses, permits and fees | 3,024,816 | 2,837,431 | 3,028,837 | 3,221,612 | 2,975,914 |
| Fines, forfeitures and penalties | 399,505 | 496,528 | 372,951 | 286,759 | 283,918 |
| Use of money and property[1] | – | – | 693,463 | 1,707,627 | 756,288[8] |
| Investment earnings[1] | 1,164,286 | 354,540 | – | – | – |
| Intergovernmental | 5,638,131[3] | 3,876,578 | 1,854,613 | 4,596,113 | 5,101,207 |
| Charges for services | 4,135,907 | 313,292 | 1,153,341 | 2,760,033 | 2,314,495 |
| Other | 10,142,510 | 597,658 | 726,503 | 1,153,406 | 1,878,275 |
| Rent | 2,453,613 | 108,941[6] | 161,382 | 383,319 | 308,946 |
| **Total Revenues** | $101,695,117 | $102,797,812 | $106,468,476 | $113,915,423 | $114,106,526 |
| **Expenditures:** | | | | | |
| Current: | | | | | |
| General government | $16,572,865 | $12,299,968 | $12,686,072 | $15,032,093 | $17,794,828 |
| Salaries and wages | 68,640,913[4] | – | – | – | – |
| Maintenance | 1,450,993[4] | – | – | – | – |
| Public safety | – | 51,249,034 | 59,834,214 | 65,989,536 | 80,799,922 |
| Public works | – | – | 10,927,180 | 5,730,208 | 7,780,750 |
| Highways and streets | – | 7,432,827 | – | – | – |
| Community development | – | 42,750 | 849,369 | 1,095,080 | 1,610,874 |
| Cultural and recreational | – | 7,226,060 | 9,270,951 | 14,784,253 | 20,165,663 |
| Other | 366,944 | - | – | – | – |
| Capital outlay | 98,047 | 837,634 | 21,750 | 1,084,802 | 763,184 |
| **Total Expenditures** | $87,129,762 | $79,088,273 | $93,589,536 | $103,715,972 | $128,915,221 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | $14,565,355 | $23,709,539 | $12,878,940 | $10,199,451 | ($14,808,695) |
| **Other Financing Sources (Uses):** | | | | | |
| Proceeds of sale of property | $ 57,545 | $ 1,000,613 | $ 869,880 | $ 116,037 | $ 4,008,197 |
| Transfers in | 1,163,137 | 765,993 | 12,101,059[7] | 3,706,920 | 5,503,497 |
| Transfers out | (12,511,781) | (17,657,267) | (21,214,000) | (7,820,277) | (10,183,160) |
| **Total Other Financing Sources (Uses)** | ($11,291,099) | ($15,890,661) | ($8,243,061) | ($3,997,320) | ($671,466) |
| **Revenues and other financing sources over (under) expenditures and other financing uses** | $3,274,256 | $7,818,878 | $4,635,879 | $6,202,131 | – |
| **Net Change in Fund Balances** | | | | | ($15,480,161) |
| **Fund Balances:** | | | | | |
| Beginning of year | $32,500,756 | $35,775,012 | $43,593,890 | $48,229,769 | $61,916,789[9] |
| Prior period adjustments | – | – | – | – | – |
| Equity transfers | – | – | – | – | – |
| End of year | $35,775,012 | $43,593,890 | $48,229,769 | $54,431,900 | $46,436,628 |

(footnotes on the following page)

(1) The City issued General Purpose Financial Statements (GPFS) rather than a Comprehensive Annual Financial Report for Fiscal Year 2003-04. As a result, a number of revenue and expense items were reported differently from previous and subsequent fiscal years, as further described in the footnotes below.

(2) The City's documentary transfer tax receipts of approximately $4.85 million for Fiscal Year 2002-03 were included as property taxes, while documentary transfer tax receipts of approximately $6.48 million for Fiscal Year 2003-04 were included as other taxes.

(3) Motor vehicle license fees received from the State were included with intergovernmental revenues for Fiscal Year 2003-04, and are included with "Sales Taxes" in Fiscal Years 2004-05 and 2005-06.

(4) Public safety, public works, highways and streets, community development, and cultural and recreational expense items were reported as either "salaries and wages" or "maintenance" in the Fiscal Year 2003-04 GPFS.

(5) Includes a one-time release of $4,627,380 from Pension Reserve Account.

(6) Commencing in Fiscal Year 2004-05, equipment services were isolated into an internal service fund, and the City reported all rental income from use of City-owned vehicles in the equipment services fund rather than the General Fund, resulting in a decline in rent revenue in the General Fund.

(7) Includes approximately $11 million transferred from the City's Secured Property Tax Override Fund primarily representing accrued property tax override revenues eligible for release to the General Fund.

(8) A 9.2% increase in Utility User Taxes due to change in Chevron's tax rate; Other Taxes declined primarily due to lower Property Transfer Taxes.

(9) The City determined, as part of its 2007-08 audit process, that $7.5 million of deferred revenues was earned in prior years, so the beginning fund balance was restated in that amount.

*Sources: General Purpose Financial Statements for Fiscal Year 2003-04 and City of Richmond, Comprehensive Annual Financial Report for Fiscal Years 2004-05, 2005-06, 2006-07 and 2007-08.*

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Table A-3 presents the City's revenues and expenditures for Fiscal Year 2007-08 and budgeted and projected actual revenues and expenditures for Fiscal Year 2008-09 and the adopted 2009-10 budget.

**Table A-3**
**City of Richmond**
**Summary of Budgeted General Fund**
**Revenues and Expenditures**
**For Fiscal Years 2007-08, 2008-09 and 2009-10**

| **Revenue:** | Actual 2007-08 | Adopted Budget 2008-09 | Projected Actual 2008-09[1] | Projected Budget 2009-10[2] |
|---|---|---|---|---|
| Property Taxes | $34,269,322 | $34,797,258 | $33,076,489 | $33,076,489 |
| Property Taxes - PTORS | 4,700,000 | 6,400,000 | 6,026,249 | 6,400,000 |
| OPEB/PSF Surplus | | | | 4,058,991 |
| State Taxes | 8,529,591 | 10,263,744 | 9,937,999 | 8,379,575 |
| Sales and Use Taxes | 18,997,429 | 22,027,934 | 22,030,299[3] | 21,326,896 |
| Local Taxes | 34,108,874 | 38,643,728 | 39,094,637 | 34,935,044 |
| Franchise Taxes, Licenses and Fees | 7,777,879 | 11,086,510 | 11,044,618 | 14,848,862 |
| Charges for Services | 4,437,261 | 4,425,686 | 4,367,523 | 2,532,818 |
| All Other Revenues | 7,700,984 | 5,083,665 | 4,133,528 | 9,297,471 |
| Richmond Community Benefits Agreement | 0 | 0 | 1,775,000 | 1,000,000 |
| **TOTAL REVENUE** | **120,521,340** | **132,728,525** | **131,486,342** | **135,856,146** |
| Pt. Molate Installment | 4,008,197 | 5,025,00 | 5,065,000 | 25,000 |
| Operating Transfers-In | 803,497 | 1,540,500 | 1,540,500 | 1,850,000 |
| Chevron UUT Settlement | 0 | 0 | 13,000,000 | 5,000,000 |
| **TOTAL OTHER FINANCING SOURCES** | **4,811,694** | **6,565,500** | **19,605,500** | **6,875,000** |
| Repayment of Loans | 150,367 | 200,367 | 233,152 | 769,403 |
| **TOTAL FUNDS AVAILABLE** | **125,483,401** | **139,494,392** | **151,324,994** | **143,500,549** |
| | | | | |
| **Expenditures:** | | | | |
| Salaries | 54,754,901 | 54,709,271 | 45,355,141 | 52,612,200 |
| Benefits | 30,020,781 | 35,672,060 | 30,395,090 | 32,905,154 |
| Overtime/additional payroll expenses | 0 | 0 | 12,970,000 | 12,970,000 |
| Total Operating Expenditures | 44,138,058 | 40,094,783 | 41,103,334 | 42,342,862 |
| **TOTAL OPERATING AND PAYROLL** | **$128,913,740** | **$130,476,114** | **$129,823,565** | **$140,830,216** |
| Operating Transfers Out and Debt Service | 6,507,455 | 6,017,911 | 10,098,134 | 2,526,681 |
| Transfer out Pt. Molate | 4,000,000 | 3,500,000 | 3,500,000 | 0 |
| **TOTAL OTHER FINANCING USES** | **10,507,455** | **9,517,911** | **14,098,134** | **2,526,681** |
| **TOTAL FUNDS REQUIRED** | **139,421,195** | **139,994,025** | **143,921,699** | **143,356,897** |
| | | | | |
| **Net Change in Fund Balance from Operations** | **($13,937,794)** | **($499,633)** | **$7,403,295** | **$143,652** |

(1) As of the mid-year update.
(2) The City was recently informed that assessed valuations may drop significantly in Fiscal Year 2009-10, requiring significant reductions in expenditures. See "–Major General Fund Revenue Sources–Expected Decline in 2009-10 Assessed Valuation."
(3) Based upon fiscal year-to-date sales and use tax receipts through April 2009 and after the mid-year update, the City expects total fiscal year receipts to be about $4 million lower than budgeted. The City expects to offset the shortfall from one-time resources received in Fiscal Year 2008-09. See "–Major General Fund Revenue Sources–*Sales and Use Taxes.*"
*Source: City of Richmond.*

**Financial and Accounting Information**

The City maintains its accounting records in accordance with Generally Accepted Accounting Principles (GAAP) and the standards established by the Governmental Accounting Standards Board (GASB). On a quarterly basis, a report is prepared for the City Council which reviews fiscal performance to date against the budget and recommends any necessary changes. Combined financial statements are produced following the close of each fiscal year.

The City Council employs an independent certified public accountant, who, at such time or times as specified by the City Council, at least annually, and at such other times as they determine, examines the financial statements of the City in accordance with generally accepted auditing standards, including tests of the accounting records and other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, the independent accountant submits a final audit and report to the City Council. The City's audit for Fiscal Year 2007-08 is presented in APPENDIX B--"AUDITED FINANCIAL STATEMENTS OF THE CITY OF RICHMOND, FISCAL YEAR 2007-08." Neither the City's independent auditors nor any other independent accountants have compiled, examined or performed any procedures with respect to the projected financial information contained in this Official Statement, nor have they expressed any opinion or any other form of assurance on such information or its achievability.

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various governmental funds are grouped, in the City's annual financial statements, into generic fund types, which include the General Fund, special revenue funds, debt service funds and capital project funds.

The City's budgets are adopted on a basis substantially consistent with GAAP with two exceptions relating to budgetary accounting in the General Fund:

- The City collects property tax override amounts to pay pension obligations approved by voters prior to July 1, 1978. The portion of the property tax override proceeds that is earmarked for the General Fund is recorded directly in the General Fund as property tax revenue for budgetary purposes. For GAAP reporting, such revenue is recorded in the Pension Reserve Account with a corresponding operating transfer of the tax revenue earmarked for the General Fund.
- Workers' compensation and litigation expenses are reported as operating transfers from the General Fund to the internal service fund for budgetary purposes. For GAAP purposes, such costs are recorded as General Fund expenditures.

Neither of these accounting treatments affects the underlying General Fund balance.

***Governmental Funds.*** The City has 24 governmental funds, of which seven are considered major funds for presentation purposes. Information is presented separately for each major governmental fund and in the aggregate for non-major governmental funds. The City reports the following major governmental funds:

General Fund. The General Fund is the primary operating fund of the City. It is used to report the financial results of the daily operations of the City. Major General Fund revenue sources include property taxes, utility users taxes and sales taxes. The major General Fund expenditures are salaries, employee benefits and administrative expenses.

Redevelopment Agency Administration Special Revenue Fund. This fund accounts for administrative activities undertaken by the Redevelopment Agency as necessary to carry out its responsibility for redeveloping blighted areas of the City.

Redevelopment Agency Low and Moderate Income Housing Capital Projects Fund. This fund accounts for the 20% housing set-aside from tax increment proceeds from each of the project areas of the Redevelopment Agency.

Redevelopment Agency Debt Service Fund. This fund accounts for the accumulation of property taxes for payment of interest and principal on long-term debt of the Redevelopment Agency.

Redevelopment Agency Capital Projects Fund. This fund accounts for capital projects connected with redevelopment funded by property tax increment revenues.

Secured Pension Override Special Revenue Fund. This fund was established to record the receipt of Pension Tax Override funds collected through property taxes for payment of pension contributions.

*Civic Center Project Fund. This fund was established to account for activities of the new Civic* Center Project.

***Proprietary Funds.*** The City's proprietary funds are enterprise and internal service funds. An enterprise fund is used to report any activity for which a fee is charged to external users for goods or services provided. An internal service fund is used to centralize certain services and then allocate the cost of the services within the government. The City reports the following major enterprise funds:

Richmond Housing Authority Fund. The Richmond Housing Authority Fund was established to administer funds provided by the Department of Housing and Urban Development (HUD) to assist low income families in obtaining decent, safe and sanitary housing. Although the Richmond Housing Authority is a separate legal entity, it is, a component unit of the City. The City exercises management control over the Richmond Housing Authority, the members of the City Council serve as its governing board and the City manages this fund.

Port of Richmond Fund. The Port of Richmond Fund accounts for operations of the Port of Richmond, a public enterprise established by the City and administered as a department of the City, including its operation of marine terminal facilities and commercial property rentals. See also, APPENDIX C–"THE PORT OF RICHMOND" and APPENDIX B–"AUDITED FINANCIAL STATEMENTS OF THE CITY OF RICHMOND, FISCAL YEAR 2007-08–Major Proprietary Funds."

Municipal Sewer Fund. The Municipal Sewer Fund accounts for all financial transactions relating to the City's wastewater and collection services.

***Fiduciary Funds.*** Fiduciary funds are used to account for resources that are held for the benefit of third parties outside the government. The resources of these funds are not available to support the City's own programs. The City reports the following fiduciary funds:

<u>Pension Trust Funds</u>. The Pension Trust Funds were established to account for revenues and expenditures related to City retirees' pension plans. The City administers the activities of certain pension funds on behalf of retirees including the following closed pension plans of the City: Pension Reserve, General Pension, Police and Firemen Pension and Garfield Pension. All current and future City employees are enrolled in the California Public Employee's Retirement System ("CalPERS"). CalPERS manages all of the financial activities related to the pension plans offered by the City to current and future city employees.

<u>Agency Funds</u>. The various agency funds are used to maintain records of assets and the respective funds' financial activities on behalf of a third party. The City does not make any decisions relating to the uses of the assets in the agency funds.

**City's Recovery from Past Financial Difficulties**

The City's audited financial performance set forth in Tables 1 and 2 shows significant recovery from low liquidity and unreserved fund balance positions reported prior to and for Fiscal Year 2002-03.

The City experienced significant financial difficulties during Fiscal Years 2001-02 to 2002-03. In late 2003, City staff began to recognize that the City's available cash balances were significantly declining below levels needed for then-current levels of employees and services. Beginning in November 2003, the City took steps to stabilize the City's position by, among other actions, requiring approval of all expenditures in excess of $1,000, and instituting employee lay offs. In January 2004, based on comments made by certain staff members at a City Council meeting, local newspapers reported that the City had significant financial difficulties and might be forced to declare bankruptcy. The City responded with press releases on January 8 and January 9, 2004 indicating that it disagreed with a number of the statements in the news accounts and that it would be releasing its mid-year budget review in mid-February 2004. Despite the City's response, on January 13, 2004, Standard & Poor's Rating Service ("S&P") lowered to "BB" and simultaneously suspended its underlying ratings on the City, the Richmond Joint Powers Financing Authority and the Richmond Redevelopment Agency (the "Redevelopment Agency") and the debt issued by those agencies rated by S&P. On March 8, 2004, Moody's Investors Service ("Moody's") downgraded its rating of the City's implied general obligation bond debt from "A2" to "Ba3."

When the City released its mid-year budget review describing its financial condition on March 2, 2004 (the "2004 Mid-Year Report"), it showed a structural operating deficit in the General Fund that was causing and would continue to cause the unrestricted cash and investment balance of the City's combined funds to decline, thereby depleting cash reserves and creating potential cash flow problems in the General Fund if left unchecked. According to the 2004 Mid-Year Report, at the end of Fiscal Year 2001-02, the General Fund had an unrestricted cash and investments balance of $4.9 million, which, in combination with revenues received for Fiscal Year 2002-03, was insufficient to cover operating needs and to cover the negative combined unrestricted cash and investment balances of the City's special funds. During Fiscal Year 2002-03, the City's General Fund expenditures exceeded General Fund revenues by $7.4 million. In addition, operating transfers out exceeded operating transfers in by $7.0 million. As a result, the City ended Fiscal Year 2002-03 with a negative $8.2 million unrestricted General Fund cash balance. In addition, the City's special and restricted funds ended the year with a negative cash and investments balance of $20.9 million.

In response to the 2004 Mid-Year Report, the City Council immediately initiated a series of short-term, one-time corrections in an effort to infuse the General Fund with cash and make up a significant portion of the City's cash shortfall in both the General Fund and the special and restricted funds. In September 2004, the City Council unanimously approved a Financial Recovery Plan, comprising 170 recommendations to improve both fiscal and organizational aspects of the City, including reductions in expenditures, improvements to internal accounting controls, and generation of additional revenues. In November 2004, the City Council adopted the Finance Department Reorganization, Accountability and Work Improvement Plan (the "Finance Department Improvement Plan"), which contained a number of measures intended to improve internal financial controls and financial reporting. In response to these changes, Moody's upgraded its rating of the City's General Fund debt from "Ba3" to "Baa2" on January 11, 2005. While the financial status of the City had improved, the City's financial difficulties nonetheless had significant effects on the ability of the City to perform essential functions.

Throughout this period of time, four different individuals held the office of City Manager. Following the retirement of the long-standing City Manager in December 2003, two successive employees from the City Manager's office were appointed by the City Council to serve as interim City Manager, the first from December 2003 to May 2004, and the second from May 2004 until his retirement in July 2004. A third interim City Manager was retained by the City in July 2004 pursuant to a six-month contract, and one of his initiatives was to identify and recruit a long-term City Manager. Finally, in February 2005, Mr. Lindsay was appointed City Manager.

The audited financial reports for Fiscal Years 2003-04 and 2004-05 were delayed as steps were taken to improve the City's internal controls and financial position once Mr. Goins was appointed Finance Director in August 2005. In addition, the City Council adopted financial policies in the areas of reserves, debt and swaps. When the Fiscal Year 2004-05 audit was published in March 2006, the City received an unqualified opinion from the outside auditor. In April 2006, Moody's upgraded the City's implied general obligation bond debt rating from "Ba3" to "A3," and Standard & Poor's reinstated its "BBB+" issuer credit rating of the City. In July of 2007, Moody's upgraded the City's implied general obligation bond debt rating from "A3" to "A2," and Standard & Poor's upgraded the City's issuer credit rating from "BBB+" to "A." In May 2008, Standard & Poor's raised the City's assigned issuer credit rating to "A+" from "A."

The City's financial condition has improved since Fiscal Year 2003-04, as reflected in the Fiscal Year 2004-05 through Fiscal Year 2007-08 audited results. For a discussion of the City's current financial status, see "–Financial Statements," "–Financial Policies" and "–City Budget–City's Fiscal Year 2008-09 Budget."

**Financial Policies**

The financial policies of the City are summarized below. Copies of the Reserves Policy, Debt Policy, Swap Policy and Investment Policy can be obtained from the City's website.

***Investment Policy.*** The City's investment policy (the "Investment Policy") provides guidelines for City officers charged with the investment of idle cash to ensure prudent investment and cash management practices. The Investment Policy establishes three criteria for selecting investment vehicles: safety, liquidity and yield. The Investment Policy states that an adequate percentage of the portfolio should be maintained in liquid short-term securities that can be converted to cash if necessary to meet disbursement requirements and that yield or "rate of return" on an investment should be a consideration only after the requirements of safety and liquidity are met.

The Director of Finance is required to report monthly on the City's pooled funds to the City Manager and City Council and to report quarterly on other investments, such as pension funds and bond funds managed by a trustee.

The Investment Policy allows the City to invest in various instruments that have maturities of five years or less at the time of purchase. These investments generally include United States Treasury notes, bonds and bills or certificates of indebtedness or those for which the full faith and credit of the United States are pledged for the payment of principal and interest; registered state warrants or treasury notes or bonds of the State; bonds, notes, warrants or other evidences of indebtedness of any local agency within the State rated "A" or better by a nationally recognized rating service; bonds and notes of federally sponsored agencies; negotiable certificates of deposit issued by a federal- and state- chartered bank or a federal and state savings and loan association or by any state-licensed branch of a foreign bank; medium term corporate notes with a maximum of five years maturity issued by corporations organized and operating in the United States and rated "A" or better by a nationally recognized rating service; commercial paper of "prime quality" of the highest ranking or of the highest letter and numerical rating as provided by Moody's Investors Service or Standard & Poor's; bankers acceptances, repurchase agreements with a term not exceeding one year and secured by collateral securities whose market value is 102% or greater of the funds borrowed against those securities; reverse repurchase agreements approved by the City Council; money market mutual funds; the Local Agency Investment Fund of the State; and collateralized time deposits placed with State-chartered commercial banks and savings and loan associations. The City may invest in securities with maturities greater than five years from the date of investment if the City Council has expressly authorized that investment.

The City has not purchased and does not own directly or indirectly any asset-backed securities, mortgage-backed securities, collateralized debt obligations or other securities backed by or derived from "sub-prime" or "Alt-A" mortgages.

The Investment Policy prohibits investments in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, any security that could result in zero interest accrual if held to maturity, other than investments in authorized money market mutual funds, and in companies involved in the manufacturing of tobacco and tobacco-related products.

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The par value, market value, adjusted cost basis and percent of total investments for each category of the City's investments, as of January 31, 2009, are set forth in Table A-4.

**Table A-4**
**City of Richmond**
**Schedule of Investments**
**as of January 31, 2009**

| Investments | Par Value | Market Value | Book Value | % of Portfolio | Term (Days) | Days to Maturity | TM/C 360 Equiv. | TM/C 365 Equiv. |
|---|---|---|---|---|---|---|---|---|
| Local Agency Investment Fund | $41,183,805.04 | $41,183,805.04 | $41,183,805.04 | 41.02% | 1 | 1 | 2.018 | 2.046 |
| Certificates of Deposit | – | – | – | – | – | – | – | – |
| Money Markets | 19,944,808.49 | 19,944,808.49 | 19,944,808.49 | 19.87 | 1 | 1 | 1.331 | 1.349 |
| Federal Agency Issues – Coupon | 37,450,000.00 | 37,622,607.45 | 37,410,996.30 | 37.27 | 2 | 698 | 4.082 | 4.139 |
| Sweep Account | 1,850,243.60 | 1,850,243.60 | 1,850,243.60 | 1.84 | 1 | 1 | 0.651 | 0.660 |
| | $100,428,857.13 | $100,601,464.58 | $100,389,853.43 | 100.00 | 638 | 261 | 2.625 | 2.662 |
| Cash and Accrued Interest | | 2,104.17 | 2,104.17 | | | | | |
| Total Cash and Investments | $100,428,857.13 | $100,603,568.75 | $100,391,957.60 | | 638 | 261 | 2.625 | 2.662 |

| Total Earnings | January 31 Month Ending | Fiscal Year to Date |
|---|---|---|
| Current Year | $243,208.15 | $2,720,064.46 |
| Average Daily Balance | 100,340,470.00 | $89,370,046.34 |
| Effective Rate of Return | 2.85% | 5.17% |

*Source: City of Richmond.*

***Budget and Contingency Reserves Policy.*** In connection with its budget preparations for Fiscal Year 2004-05, the City Council adopted a policy to maintain structurally balanced budgets whereby one-time funds can be spent only on one-time uses and ongoing funds can be spent on ongoing (or one-time) uses. In addition, the City Council established a $10 million General Fund contingency reserve target to be funded in annual increments of $2 million until the $10 million target is reached. The contingency reserve reached the $10 million level in Fiscal Year 2005-06. Effective January 1, 2007, the City Council adopted a cash reserve policy that calls for a minimum cash reserve of 15% of General Fund expenditures, which is equal to approximately $21 million for Fiscal Year 2007-08. The City deposited an additional $10 million into the cash reserve in April 2009, although $4.0 million is expected to be needed to offset an anticipated shortfall of $4.0 million in budgeted sales tax receipts. See Table A-3– "Summary of Budgeted General Fund Revenues and Expenditures." The current $20 million reserve equals a reserve of 15.7% of projected Fiscal Year 2008-09 expenditures. This reserve may be temporarily reduced to 7% in times of an emergency, but is required to be restored thereafter.

***Debt Policy.*** In January 2006, the City Council adopted a debt management policy (the "Debt Policy") pertaining to financings under the jurisdiction of the City, the Richmond Housing Authority, the Richmond Community Redevelopment Agency and the Richmond Joint Powers Financing Authority. The Debt Policy is intended to guide the Finance Department in its debt issuance and includes components such as the financing approval process, selection of the method of sale for various types of debt issues, general bond structuring parameters, selection of financing team members and permitted investments. The Debt Policy contains a requirement that the aggregate debt service payments funded from the City's General Fund sources be no greater than 10% of then-current General Fund revenues. Payments on bonds that are tied to a specified revenue stream other than General Fund sources are not subject to this 10% limit. In addition, the Debt Policy requires that no more than 20% of the City's outstanding debt portfolio be comprised of unhedged variable rate issues. The City's Debt Policy limits General Fund net debt service to 10% of General Fund revenues and sets forth detailed debt management and refunding practices. The City in compliance with the Debt Policy for Fiscal Year 2008-9, with its net debt service equal to approximately less than 5% of General Fund revenues.

***Structural Balance Policy.*** In connection with its budget preparations for Fiscal Year 2004-05, the City Council adopted a policy to maintain structurally balanced budgets whereby one-time funds can be spent only on one-time uses and ongoing funds can be spent on ongoing (or one-time) uses. In addition, budget enhancements can be approved only if a new source of permanent revenues is received that will cover the future cost of such enhancements. The City was not in compliance with the Structural Balance Policy in Fiscal Year 2007-08 but expects to be in compliance with the Structural Balance Policy in Fiscal Years 2008-09 and 2009-10.

***Swap Policy.*** The City is authorized under California Government Code Section 5922 to enter into interest rate swaps to reduce the amount and duration of rate, spread, or similar risk when used in combination with the issuance of bonds. In May 2006, the City Council adopted a comprehensive interest rate swap policy (the "Swap Policy") to provide procedural direction to the City, the Richmond Housing Authority, the Richmond Community Redevelopment Agency and the Richmond Joint Powers Finance Authority regarding the utilization, execution, and management of interest rate swaps and related instruments (collectively, "interest rate swaps"). Periodically, but at least annually, the City will review the Swap Policy and will make modifications as appropriate due to changes in the business environment or market conditions. A summary of the City's swap agreements is set forth in Table A-5.

**Table A-5**
**Summary of Interest Rate Swap Agreements**

| Associated Bonds | Effective Date | Initial Notional Amount | Counterparty/ Guarantor | Counterparty/ Guarantor Credit Ratings (Moody's/S&P/Fitch) | Insurer | Fixed Rate Payable by City | Market/ Termination Value to City † | Expiration Date |
|---|---|---|---|---|---|---|---|---|
| City of Richmond Taxable Pension Funding Bonds Series 2005B-1[(1)] | August 1, 2013 | $75,230,476 | JPMorgan Chase Co. | Aa1/AA-/AA- | – | 5.712% | ($5,181,956) | August 1, 2023 |
| City of Richmond Taxable Pension Funding Bonds Series 2005B-2[(1)] | August 1, 2023 | $127,990,254 | JPMorgan Chase Co. | Aa1/AA-/AA- | – | 5.730 | (7,192,651) | August 1, 2034 |
| Richmond Community Redevelopment Agency Series 2007A[(2)] | July 12, 2007 | $65,400,000 | Royal Bank of Canada | AA-/Aaa/AA | MBIA | 3.990 | (11,200,111) | September 1, 2036 |
| Joint Powers Financing Authority Bonds (Civic Center) Series 2007[(3)] | September 11, 2007 | $101,420,000 | Royal Bank of Canada | AA-/Aaa/AA | Ambac | 3.657 | (15,109,133) | August 1, 2037 |
| Joint Powers Financing Authority Bonds (Civic Center) Series 2007[(3)] | May 28, 2008 | $101,420,000 | Royal Bank of Canada | AA-/Aaa/AA | – | SIFMA | 907,038 | November 25, 2009 |
| City of Richmond Variable Rate Wastewater Revenue Refunding Bonds, Series 2008A[(4)] | October 26, 2006 | $32,260,000 | JPMorgan Chase Co. | Aa1/AA-/AA- | Ambac | 3.661 | (5,701,937) | August 1, 2037 |
| TOTAL | | $503,720,730 | | | | | ($43,478,750) | |

† As of May 19, 2009.
(1) A pro-rata obligation of all City agencies and the General Fund.
(2) An obligation of the Richmond Community Redevelopment Agency.
(3) An obligation of the General Fund.
(4) An obligation of the Washington Enterprise Fund.
Source: Bond Logistix.

**City Budget**

***City's Budget Process.*** The fiscal year of the City begins on July 1 of a given year and ends on June 30 of the following year.

The City Council annually adopts a budget prior to June 30 to be effective July 1 for the ensuing fiscal year. Budgeted expenditures are adopted through the passage of a resolution. This resolution constitutes the maximum authorized expenditures for the fiscal year, which amount cannot legally be exceeded except by subsequent amendment of the budget adopted by the City Council.

An operating budget is adopted each fiscal year for the General Fund and special revenue funds. Public hearings are conducted on the proposed budgets to review all appropriations and sources of funding. Capital projects are budgeted by the Mayor and City Council over the term of the individual projects. Since capital projects are not budgeted on an annual basis, they are not included in the budgetary data.

Expenditures are controlled at the fund level for all budgeted departments within the City. This is the level at which expenditures may not legally exceed appropriations. Budgeted amounts for the Combined Statement of Revenues, Expenditures and Other Financing Sources (Uses) – Budget and Actual that appears in the City's audited financial statements include budget amendments approved by the City Council. See Table 2 in "FINANCIAL OPERATIONS–Financial Statements" and APPENDIX B–"AUDITED FINANCIAL STATEMENTS OF THE CITY OF RICHMOND, FISCAL YEAR 2007-08."

Any amendment or transfer of appropriations between object group levels within the same department must be authorized by the Finance Director or his/her designee. Any amendment to the total level of appropriations for a fund or transfers between funds must be approved by the City Council. Supplemental appropriations financed with unanticipated revenues during the year must be approved by the City Council.

***City's Fiscal Year 2007-08 Budget.*** The Fiscal Year 2007-08 budget shows General Fund operating revenues and expenditures in the amount of approximately $122.5 million. The Fiscal Year 2007-08 budget was made using existing service and staffing levels (as existed prior to July 2007) and existing City Council policies on service provision as a benchmark. Any proposed service increases were required to be funded with continuing revenue streams (referred to as "financial milestones") so that the increased service levels would be sustainable in the long term. Any non-recurring sources of revenue were allocated only to fund one-time expenditures, such as capital projects and reserve building.

The City staff drafted a balanced "base budget" using conservative estimates of revenues developed by the Finance Department in order to avoid a budgetary shortfall. This base budget reflects the City's financial policies and strategies, including an appropriation to the General Fund cash reserve held for unexpected events or emergencies.

***City's Fiscal Year 2008-09 Budget.*** A balanced Fiscal Year 2008-09 budget was presented to the City Council on May 6, 2008 for adoption on June 17, 2008 with revenues of approximately $129.8 million and total funds available of $137.3 million. The Fiscal Year 2008-09 budget assumes approximately 3% growth in assessed property values, approximately 2% growth in property tax revenues and approximately 1% growth in sales and use tax revenues. Due to generally weak recent economic indicators, the City has taken a conservative approach to the Fiscal Year 2008-09 budget.

***Fiscal Year 2008-09 Mid-Year Budget Review.*** On February 17, 2009, the City finance staff presented a mid-year financial forecast (the "2008 Mid-Year Forecast") and proposed budget adjustments for Fiscal Year 2008-09.

The 2008 Mid-Year Forecast projects that General Fund funds available be adjusted downward to $131 million. In addition, due to the economic downturn, the City expects to experience a significant decline of $4 million in sales tax receipts from a budgeted amount of $30.2 million. The City has certain reserved funds which it intends to apply to address the expected gap and is also exploring means of reducing expenditures to address the anticipated revenue reductions.

***City's Fiscal Year 2009-10 Budget.*** The finance department presented the proposed 2009-10 balanced budget to the City Council on May 19, 2009 and it was adopted by the Council on June 16, 2009, with revenues of $135,856,146 and total funds available of $143,500,549. However, see "–Major General Fund Revenue Sources–Expected Decline in 2009-10 Assessed Valuation."

**State Budget**

Currently, approximately 7% (consisting of the sales tax) of the City's Fiscal Year 2008-09 General Fund Budget consists of payments collected by the State and passed-through to local governments or collected by the County and allocated to local governments by State law. The financial condition of the State has an impact on the level of these revenues. In past years the State has reduced revenues to cities and counties to help solve the State's budget problems. The May Revision proposes that the State borrow approximately $2.2 billion of local property taxes from local agencies, including the City. See "–May Revision."

**The level of intergovernmental revenues that the City will receive from the State in Fiscal Year 2008-09 and in subsequent Fiscal Years will be affected by the financial condition of the State.**

*The following information concerning the State's 2008-09 and 2009-10 Fiscal Year budgets has been obtained from publicly available information on the State Department of Finance, the State Treasurer and the California Legislative Analyst Office websites. The estimates and projections provided below are based upon various assumptions as described in the Fiscal Year 2008-09 and 2009-10 State Budgets, which may be affected by numerous factors, including future economic conditions in the State and the nation, and there can be no assurance that the estimates will be achieved. For further information and discussion of factors underlying the State's projections, see the aforementioned websites. The City believes such information to be reliable, however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information.*

***Fiscal Year 2008-09.*** The 2008-09 Budget Act (the "2008 State Budget Act") was adopted by the Legislature on September 16, 2008 and signed by the Governor on September 23, 2008 - the latest in State history. The 2008 State Budget Act reflected a reduction of $850 million from the amounts proposed in the budget bill adopted by the Legislature due to the line item veto by the Governor of $510 million in State General Fund appropriations and $340 million in State General Fund savings due to the delay in enacting the 2008 State Budget Act and the effect of Executive Order S-09-08 (which terminated the services of temporary employees and reduced overtime).

The 2008 State Budget Act resolved the $24.3 billion budget deficit identified in the 2008 May Revision, provided a modest reserve of $1.7 million and projected a deficit of $1.0 billion in Fiscal Year 2008-09.

Budget Reform. The 2008 State Budget Act, included budget reform measures, which, if approved by the voters of the State, would authorize the California State Lottery to adopt changes that will help to improve its financial performance, with the State General Fund ultimately benefiting from this improved performance; protect education funding by increasing the Proposition 98 minimum guarantee to offset the loss of lottery revenue to K-14 education, thereby giving schools a more stable and growing source of funds to replace the historically unreliable lottery revenues; and authorize the securitization of a portion of future lottery revenues, with the securitization proceeds deposited into a newly created Debt Retirement Fund and available for various purposes that will help offset future State

General Fund expenditures. The first $5 billion of securitized revenue is expected to be available in Fiscal Year 2009-10.

Expected Revenues. State General Fund revenues were expected to be $103.027 billion in Fiscal Year 2007-08 and $101.991 billion in Fiscal Year 2008-09, representing an increase of $1.837 billion in Fiscal Year 2007-08 (due to higher than projected year-end collections) and a decrease of $996 million in Fiscal Year 2008-09, compared to the Revision of 2008-09 Governors Budget released on May 14, 2008 (the "2008 May Revision").

Tax Law Changes. The 2008 State Budget Act also included revisions to certain tax provisions to: (i) improve compliance by corporate taxpayers with taxes by establishing a 20% penalty for understatement of corporate tax liability by $1 million, effective for tax years beginning on and after 2003; (ii) extend the period of time for which use taxes are assessed on vehicles, vessels and aircraft shipped or brought into the State from 90 days to 12 months; (iii) permit certain non-resident partners and directors to fulfill their State income tax obligation through group tax returns filed by their partnerships or corporations, with the partner's or director's income taxed at the highest income tax rate for that income; (iv) suspend the Net Operating Loss (an "NOL") deduction for tax years 2008 and 2009 for taxpayers with income that is less than or equal to $500,000, commencing in 2008, increase the time limit on the carrying forward of NOLs from 10 years to 20 years, permit taxpayers to carry back losses for two years, with a phase in period commencing in 2011, to bring the State law in conformity with federal law; (v) limit business incentive tax credits for corporate and individual taxpayers from tax credits to 50% of tax liability, effective for tax years 2008 and 2009 for corporate and individual taxpayers, permit corporations to share unitary credits within a unitary group if the receiving member of the group was in the group when the credit was earned; (vi) accelerate the payment of the required fee by limited liability companies (an "LLC") to the 15th day of the sixth month of the LLC year, generally June 15; (vi) require taxpayers to pay 30% each of the estimated payments for personal income and corporate with the first two estimated payments, and 20% each for the last two estimated payments; (viii) require that taxpayers make prepayments based on their current income eliminating the "safe harbor" for personal income tax taxpayers with adjusted gross income equal to or greater than $1 million or $500,000 if filing single; and (ix) implement accrual changes to more properly measure tax receipts from income earned in the prior year and to implement appropriate accounting principles.

Expenditures. The 2008 State Budget Act included expenditures of: (i) $41.9 billion General Fund in funding for K-12 education and community colleges to fund the minimum Proposition 98 guarantee in Fiscal Year 2008-09, (ii) approximately $17.3 billion for the transportation programs (including full Proposition 42 funding of $1.4 billion and $1.9 billion for local streets and roads maintenance, of which $250 million is from bonds authorized by the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 ("Proposition 1B"); (iii) $1.0 billion ($15.1 million General Fund) to fund State housing assistance programs, a decrease of $425.6 million from Fiscal Year 2007-08 resulting from higher Fiscal Year 2007-08 Proposition 1C expenditures due to program accelerations and one-time allocations; (iv) $807.8 million from the Disaster Preparedness and Flood Prevention Bond Act of 2006 ("Proposition 1E") and Proposition 84 bond funds for the Flood SAFE California Program to provide subventions to help local governments protect their communities from flooding, enhance emergency preparedness and flood response, and provide grants to local governments for urgent repairs and improvements of levees in the Central Valley and the Delta, $126.5 million for levee evaluations and the repair of critical levee erosion sites, $264.7 million for 10 flood control capital projects in the Mid-Valley Area Levee Reconstruction, South Sacramento County Streams, West Sacramento Project, Merced County Streams, Sutter Bypass, Yuba River Basin, Marysville Ring, American River Common Elements, Natomas Project, Folsom Dam Modification Project, and for feasibility studies on additional projects, $2.8 million ($1.8 million General Fund and $1 million Proposition 1E) to establish the Central Valley Flood Protection Board within the Department of Water Resources (the "DWR") which board will assume the responsibilities of the former State Reclamation Board, approve a Central Valley Flood Protection Plan by July 1, 2012, and ensure that cities and counties consider flood risks when making land use and development decisions; (v) $2.9 billion in funding for Human Services programs that provide medical, dental, mental health, and social services to many of State's most vulnerable and at-risk residents; and (vi) $20.7 billion form all sources for higher education funding.

Budget Risks and Structural Deficit. For Fiscal Year 2008-09, the State faced a number of issues and risks that impacted the State General Fund, and reduced or eliminated the budget reserves included in the 2008 State Budget Act (originally $1.7 billion).

The 2008 State Budget Act utilized revenue projections made at the time of the 2008 May Revision. However, as a result of the continuing weakness in the economy, in preparing the 2008 State Budget Act, the Administration reduced the sales tax revenue projection for Fiscal Year 2007-08 by $287 million, and for Fiscal Year 2008-09 by $250 million. Economic growth was expected to continue to slow in 2009. The August 2008-09 Proposed Compromise issued by the Governor during the negotiations on the Fiscal Year 2008-09 budget noted that: "If, in fact, the economy does not grow at the rates forecast in the 2008-09 May Revision, revenues could decline significantly in 2008-09 and 2009-10, possibly on the order of $5 billion over the two years."

Since the adoption of the 2008 State Budget Act, on-going weak economic conditions resulted in the Governor calling a special session of the legislature on November 6, 2008 to develop solutions to bridge the projected Fiscal Year 2008-09 budget gap, which was projected to be $11.2 billion. The Governor proposed $4.5 billion in cuts and $4.7 billion in new revenues, including a temporary increase in the State sales tax, from 5% to 6.5%, which was expected to generate additional sales tax revenues for the State General Fund of $3.219 billion in Fiscal Year 2008-09 and $6.606 billion in Fiscal Year 2009-10, with the State sales tax reverting back to 5% at the end of three years; and additional revenue increases by broadening the sales and use tax to include certain services, imposing an oil severance tax upon any oil producer that extracts oil from the earth or water in the State and increasing the alcohol excise tax by five cents a drink. The Governor also announced an aggressive plan to reduce foreclosure rates by helping both borrowers and lenders modify existing home loans in ways that benefit both parties, and to prevent another mortgage crisis in the future, the Governor is prescribing changes to the way mortgages are brokered and originated to make lenders more accountable, guard against risky mortgages and prevent unsustainable bubbles. On December 1, 2008, the Governor declared a fiscal emergency for the State allowing him to call a Proposition 58 legislative special session to address the fiscal emergency. The Governor also called a second legislative session to address the State's economy and reiterated his call for a combination of difficult spending cuts and new revenues to solve the State's revenue shortfall.

Under Proposition 58 the State legislature has 45 days to pass and send a bill or bills to the Governor's desk addressing the State's budget crisis. If the 45 days pass and the State legislature has not passed bills to address the problem, they cannot adjourn or act on other bills until the State's fiscal emergency is addressed.

***Fiscal Year 2009-10***. The Governor's proposed budget for Fiscal Year 2009-10, released December 31, 2008 (the "2009 Governor's Budget"), estimated there would be a budget gap of more than $40 billion for the 18-month period ending June 30, 2010. Following lengthy budget negotiations, on February 19, 2009, the Legislature passed revisions to the 2008 State Budget Act for the remainder of Fiscal Year 2008-09, as well as the Fiscal Year 2009-10 State Budget Act (the "2009 State Budget Act" and together with the 2008 State Budget Act, the "State Budget Acts") and related legislation. The Governor signed the 2009 State Budget Act on February 20, 2009 after making additional line-item vetoes of $1.3 billion ($957.1 billion in General Fund).

The State Budget Acts rely upon a combination of temporary and permanent measures, totaling $41.6 billion for the remainder of Fiscal Year 2008-09 and Fiscal Year 2009-10. The main elements of the budget compromise are approximately $14.9 billion in expenditure reductions, $12.5 billion in revenue adjustments (primarily tax increases), $7.9 billion in new funding for the State to be received as a result of enactment of the federal American Recovery and Reinvestment Act ("ARRA"), and $5.4 billion in borrowing. Approximately $5 billion of the proposed borrowing would be derived from securitization of future State Lottery revenues, if changes to the State Lottery law are approved by the voters in a special State-wide election to be held on May 19, 2009. The Governor vetoed an additional $957 million of expenditures from the Fiscal Year 2009-10 Budget Bill voted by the Legislature, leaving an estimated budget reserve of $2 billion at June 30, 2010. Up to an additional $2.4 billion of the spending cuts and tax increases may be withdrawn if State officials determine that additional federal moneys from the ARRA will be received by June 30, 2010. As part of the legislative package that included the State Budget Acts, a proposal to establish a new State spending cap will also appear on the May 19, 2009 special election ballot together with other financial and budgetary measures.

***LAO Assessment of the State Budget Acts***. One March 13, 2009, the State of California Legislative Analyst's Office (the "LAO") released a report stating that, among other things, the revenues through the end of Fiscal Year 2009-10 will be lower than assumed in the adopted State Budget Acts. A summary of the report states that "[M]oreover, a number of the adopted solutions—revenue increases and spending reductions—are of a short-term duration. Thus, without corrective actions, the State's huge operating shortfalls will reappear in future years—growing from $12.6 billion in 2010-11 to $26 billion in 2013-14." Reports of the LAO may be found on its website at http://www.lao.ca.gov.

***May Revision***. The Governor's May Revision proposes solutions to restore the Fiscal Year 2009-10 budget to balance. The May Revision contained proposals which assumed passage of Propositions 1A, 1B, 1C, 1D and 1E at a special election May 19, 2009 and contingency proposals in the event such propositions failed. All of these propositions in fact failed, resulting in a $21.3 billion budget deficit for 2009-10.

The contingency proposal includes expenditure reductions which include reductions in prison population and in education funding. Also included are revenue enhancements, including an increase State income tax withholding by 10% and borrowing approximately $2 billion from local governments, including the City.

***Impact of May Revision upon the City***. Approximately 22% of the City's General Fund revenues for Fiscal Year 2008-09 are expected to consist of payments collected by the State and passed-through to local governments or collected by the County and allocated to local governments by State law.

In response to the worsening fiscal situation confronting the State, the Governor has proposed borrowing local property tax receipts from local governments. Such borrowing could not exceed 8% of the property taxes to be received, which in the case of the City would be approximately $3.99 million. Such a borrowing would require a declaration of emergency by the Governor and a two-thirds vote of both houses of the State legislature and would be required to be repaid within three years.

Prior to adoption of the State Budget Acts, the State Controller announced that his office would delay certain payments to local governments, State contractors and taxpayers in order to preserve cash. No payments to the City were delayed. There can be no assurance that current or future State budget difficulties will not adversely affect the City's revenues or its ability to make payments under the Facilities Sublease. See "CITY FINANCIAL INFORMATION–Revenues."

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

### Major General Fund Revenue Sources

Following is a discussion of the City's principal General Fund revenue sources: property taxes, utility user taxes, sales and use taxes, documentary transfer taxes, and revenue from the State. For Fiscal Year 2005-06, these principal sources of revenue were approximately $102.1 million. For Fiscal Year 2006-07, these principal sources of revenue are estimated to be approximately $97.2 million, while for Fiscal Year 2007-08, the audit reported these principal sources to total approximately $101.9 million.

***Property Taxes and Assessed Valuations.*** The City utilizes the facilities of the County for the assessment and collection of property related taxes for City purposes. The assessed valuation of property is established by the County Assessor and reported at 100% of the full cash value as of January 1, except for public utility property, which is assessed by the State Board of Equalization. City property related taxes are assessed and collected at the same time and on the same tax rolls as are county, school, and special district taxes.

The County collects the ad valorem property taxes. Taxes arising from the basic one percent levy are apportioned among local taxing agencies on the basis of a formula established by State law in 1979. Under this formula, the City receives a base year allocation plus an allocation on the basis of growth in assessed value (consisting of new construction, change of ownership and inflation). Taxes relating to voter-approved indebtedness are allocated to the relevant taxing agency. Taxes relating to voter-approved pension costs are allocated to the taxing agency. Beginning in Fiscal Year 1990-91 (with the adoption of new State legislation), the County has deducted the pro-rata cost of collecting property taxes from the City's allocation.

The California Community Redevelopment Law authorizes redevelopment agencies to receive the allocation of tax revenues resulting from increases in assessed valuations of properties within designated project areas. In effect, the other local taxing authorities realize tax revenues from such properties only on the base-year valuations, which are frozen at the time a redevelopment project area is created. The tax revenues which result from increases in assessed valuations flow to the redevelopment areas. The City has created redevelopment project areas pursuant to State law. Generally, funds must be spent within the redevelopment areas in which the tax increment revenues were generated and may only be spent on projects which qualify under State redevelopment law.

As discussed under "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS–Article XIII A of the State Constitution," pursuant to Article XIII A of the California Constitution, annual increases in property valuations by the County Assessor are limited to a maximum 2% unless properties are improved or sold. Transferred properties and improvements are assessed at 100% of full cash value. Therefore, the County tax rolls do not reflect values uniformly proportional to market values.

Prior to January 1, 2009, business inventories were exempt from property taxation and are not included in the values shown in the following tables. Also excluded is the first $7,000 of the value of owner occupied residences, pursuant to the homeowners' exemption under State law.

On November 4, 2008, the voters of the City approved Measure T imposing a tax on manufacturing businesses effective January 1, 2009 in an amount equal to the greater of: (i) the tax that would be paid by other general businesses, which is primarily based on the number of employees; or (ii) a flat fee equal to 0.25% of the value of the raw materials used in the manufacturing process. The City estimates that Measure T will generate approximately $16.0 million in new revenue in Fiscal Year 2008-09.

"Secured" property is real property which in the opinion of the County Assessor can serve as a lien to secure payment of taxes. "Utility" property is any property of a public utility which is assessed by the State Board of Equalization rather than the County Assessor, and which is also "secured" property.

The table below summarizes the assessed valuation of taxable property in the City for Fiscal Years 2004-05 through 2008-09.

**Table A-6**
**City of Richmond, California**
**Assessed Valuation of Taxable Property**

| Fiscal Year | Local Secured | Utility | Unsecured | Total Before Redevelopment Increment | Total After Redevelopment Increment |
|---|---|---|---|---|---|
| 2004-05 | $9,098,953,478 | $30,049,819 | $747,760,672 | $9,876,763,969 | $8,676,514,399 |
| 2005-06 | 9,645,553,503 | 31,000,052 | 747,436,118 | 10,423,989,673 | 9,545,569,275 |
| 2006-07 | 11,329,240,515 | 28,950,901 | 784,744,022 | 12,142,935,438 | 10,160,005,866 |
| 2007-08 | 12,904,624,659 | 10,092,578 | 764,356,012 | 13,679,073,249 | 11,345,301,908 |
| 2008-09 | 12,789,413,923 | 10,071,060 | 849,546,196 | 13,649,031,179 | 11,237,792,283 |

*Sources: California Municipal Statistics, Inc. for Fiscal Years 2004-05 through 2006-07 and Contra Costa County Auditor-Controller for Fiscal Years 2007-08 and 2008-09.*

***Expected Decline in 2009-10 Assessed Valuation.*** On July 14, 2009, the City received a copy of a letter dated July 1, 2009 from the Contra Costa County Assessor to the County Board of Supervisors to the effect that 2009-10 assessment roll had been prepared and reflected a 7.2% decline Countywide in assessed valuation from the prior year. The letter further stated that the City would have a 13.8% decline in assessed valuation. Absent any supplemental property tax receipts, property taxes will be lower than currently estimated, and the City will be required to make changes to its 2009-10 budget to take into account this expected reduction in revenues. The City is preparing a budget amendment, and is expected to take action on an amended 2009-10 budget in September.

***Pending Assessment Appeals.*** Property tax values determined by the County Auditor-Controller may be subject to an appeal by the property owners. Assessment appeals are annually filed with the County Assessment Appeals Board (the "Appeals Board") for a hearing and resolution. The resolution of an appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant/property owner.

Major property tax assessment appeals by businesses, the oil industry and power plants in the City during Fiscal Year 2006-07 total an aggregate of $2.866 billion in disputed value. Hearings on these appeals generally are expected to occur within two years of the filing date, although waivers and extensions are available. The City's largest secured property taxpayer, Chevron USA, has a history of appealing its assessed valuation, including an appeal in Fiscal Year 2006-07 which is still pending and which, if granted in full, would reduce Chevron's assessed valuation by approximately $1.658 billion, resulting in a loss of approximately $21 million in revenue to the City. Chevron has filed similar appeals in Fiscal Years 2004-05 and 2005-06, and such appeals are still pending before the Appeals Board. Although the City is not aware of any plan on the part of Chevron to appeal its assessed valuation for this or future Fiscal Years, the City cannot predict whether or not such appeals will be filed by Chevron or any other major property taxpayers, or if filed whether or to what extent they will be successful. Appeals are decided upon by the Appeals Board and the City has no control over the actions of such officials. The City cannot predict when or how the pending Chevron appeals will be decided or whether Chevron will appeal the decision of the Appeals Board.

Property tax receipts collected for the City by the County are set forth in Table A-7 below. In preparing its annual budgets, the City forecasts property taxes based on each of the specific categories of receipts (secured and unsecured, current and delinquent receipts, supplemental, and State replacement funds). Current receipts are derived from the County Assessor's estimate of growth in assessed valuation, adjusted for estimates in growth for redevelopment project areas. Estimates of other property tax receipts are primarily based on historical collections.

**Table A-7**
**City of Richmond**
**Property Tax Receipts[1]**

| Fiscal Year | Property Tax Receipts | Percentage of General Fund Revenues | % Change |
|---|---|---|---|
| 2004-05 | $30,368,311[2] | 29.54% | 28.46% |
| 2005-06 | 28,284,861 | 26.57 | (6.86) |
| 2006-07 | 33,069,812 | 29.03 | 6.92 |
| 2007-08 | 34,269,322 | 30.03 | 3.63 |
| 2008-09[3] | 33,076,489 | 23.95 | (3.48) |

(1) Excludes property tax override receipts of which approximately $3.8 million are budgeted for Fiscal Year 2008-09.
(2) Included a one-time release of $4,627,380 from Pension Reserve Account. Underlying property taxes totaled $25,740,431 net of the release.
(3) Budgeted.
*Sources: City of Richmond, Comprehensive Annual Financial Report for Fiscal Years, 2004-05 through 2007-08 General Purpose Financial Statements for Fiscal Year 2003-04, and Adjusted Budget for Fiscal Year 2008-09.*

Property tax receipts for Fiscal Year 2007-08 were $34.2 million, representing approximately 30.0% of General Fund revenues and transfers in and an estimated 3.6% increase from Fiscal Year 2006-07. Property tax receipts in the Fiscal Year 2008-09 Budget are budgeted to be $33.0 million, representing approximately 24.0% of budgeted General Fund revenues and transfers in and a projected 3.5% decrease from Fiscal Year 2007-08.

The Governor has proposed borrowing property tax receipts from local governments (including approximately $3.99 million from the City) to help balance the State budget. See "FINANCIAL OPERATIONS–State Budget–*May Revision*."

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

Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes and assessments are distributed to taxing agencies within the county included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all participating taxing agencies is avoided. While the County bears the risk of loss on delinquent taxes that go unpaid, it benefits from the penalties associated with these delinquent taxes when they are paid. In turn, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk. The constitutionality of the Teeter Plan was upheld in *Corrie v. County of Contra Costa*, 110 Cal. App. 2d 210 (1952). The County was the first Teeter Plan county in the State when the Teeter Plan was enacted by the State Legislature in 1949.

The valuation of property is determined as of January 1 each year and equal installments of tax levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due May 15 and become delinquent August 31.

Although the City receives its entire secured tax levy amount each year under the Teeter Plan, an indication of actual tax collections can be obtained from the history of collections of all entities levying taxes within the City limits. A history of these collections for the last five Fiscal Years is shown in Table A-8 and the entire County tax levies with delinquencies and tax losses reserve fund balances for the same period are shown in Table A-9 as reported annually by the County Auditor-Controller.

**Table A-8**
**City of Richmond**
**Secured Tax Levies and Delinquencies**
**Fiscal Years 2004-05 through 2008-09**

| Fiscal Year Ended June 30 | Total Current Fiscal Year Tax Levy | Reimbursed Tax Levy | Percent Current Levy Delinquent June 30[†] |
|---|---|---|---|
| 2004-05 | $27,874,360 | $368,968 | 1.32% |
| 2005-06 | 30,704,619 | 578,395 | 1.88 |
| 2006-07 | 34,107,915 | 1,159,190 | 3.40 |
| 2007-08 | 38,289,082 | 1,834,890 | 4.79 |
| 2008-09 | 36,948,964 | N/A | N/A |

[†] Due to the County use of the Teeter Plan, the City received 100% of its tax levy, with the County responsible for collection of delinquent amounts.

*Source: Contra Costa County Auditor-Controller.*

**Table A-9**
***Contra Costa County***
**Secured Tax Levies, Delinquencies and**
**Tax Losses Reserve Balances**
**Fiscal Years 2003-04 through 2007-08**

| Fiscal Year Ended June 30 | Total Current Year Tax Levy | Portion of Current Levy Delinquent Year End | % Current Levy Delinquent Year End | Total Delinquent Taxes June 30 | Tax Losses Reserve Balance June 30 | Reserve as % of Delinquency |
|---|---|---|---|---|---|---|
| 2003-04 | $1,402,895,299 | $27,325,421 | 1.95% | $40,071,424 | $20,167,593 | 50% |
| 2004-05 | 1,584,132,373 | 26,598,823 | 1.68 | 37,821,908 | 23,134,013 | 61 |
| 2005-06 | 1,720,977,608 | 35,699,270 | 2.07 | 47,003,688 | 26,334,817 | 56 |
| 2006-07 | 1,967,771,060 | 80,851,968 | 4.11 | 97,323,762 | 33,558,844 | 34 |
| 2007-08 | 2,077,282,718 | 106,031,582 | 5.10 | 143,490,997 | 45,174,112 | 31 |

*Source: Contra Costa County Auditor-Controller.*

The County can elect to terminate its Teeter Plan for subsequent Fiscal Years, in which case the City would receive only the taxes and assessments actually collected and delinquent amounts when and if received. The County can also elect to terminate its Teeter Plan if more than 3% of the total tax levy is delinquent. The County has never terminated its Teeter Plan and has not informed the City of any plans to terminate its Teeter Plan.

*Foreclosure Activity.* Residential mortgage loan defaults and foreclosures have recently increased significantly in connection with the collapse of the subprime sector of the residential mortgage market and broader economic pressures. In California, the greatest impacts to date are in regions of the Central Valley and the Inland Empire (both areas that are outside of the County), although the County has been impacted as well, particularly in the eastern portions of the County where the largest number of new mortgages were originated as growth in residential development occurred.

Such foreclosure activity has also affected the City. For calendar year 2008, mortgage holders had sent 1,562 notices of default with respect to properties located within the City compared to 1,393 during calendar year 2007, and 1,203 trustee deeds had been recorded (indicating that the property has been lost to foreclosure) during calendar year 2008 compared to 416 during calendar year 2007. Despite the foreclosure activity, the City's assessed valuation base declined by only 2.0% in Fiscal Year 2008-09. This reflects the offset of foreclosure activity by the ongoing growth in assessed value in other areas of the City where the assessed values of homes are less than market values. In addition, Chevron comprises about 21% of the assessed value base and, despite repeatedly filing assessment appeals, it contributes to assessed value growth.

A summary of the notices of default sent and trustee deeds recorded for the City and the County during calendar years 2006 through 2008 is summarized in Table A-10.

**Table A-10**
**City of Richmond and Contra Costa County**
**Summary of Foreclosure Activity**
**Calendar Years 2006 through 2008**

| | Notices of Default | | | | Trustee Deeds (Foreclosures) | | | |
|---|---|---|---|---|---|---|---|---|
| | Calendar Year | | | | Calendar Year | | | |
| | | | 2008 | | | | 2008 | |
| | 2006 | 2007 | Number | % Change | 2006 | 2007 | Number | % Change |
| City | 367 | 1,393 | 1,562 | 12.1% | 57 | 416 | 1,203 | 189.2% |
| County | 3,702 | 10,845 | 16,453 | 50.8 | 474 | 4,047 | 11,281 | 178.8 |

*Source: MDA DataQuick Information.*

The level of default and foreclosure activity has resulted in downward pressure on home prices in the affected areas. In response, the County has reduced the assessed valuation on certain properties pursuant to Proposition 8, legislation that permits a temporary tax reduction when baseline market value is lower than current market value. The County Assessor reviewed approximately 30,000 properties sold since 2005 and reduced the assessed valuation on approximately 22,500 properties for Fiscal Year 2007-08. The average reduction in assessed value was $50,000, resulting in an average tax reduction of 8% per parcel and an aggregate reduction equal to $14 million, or 0.71%, of the Fiscal Year 2008-09 secured roll of the County. The majority of the reductions were in the cities of Antioch, Pittsburg, Brentwood, Oakley and San Ramon, the cities within the County that experienced the highest recent population growth.

***Largest Taxpayers.*** Set forth in Table A-11 are the ten largest secured taxpayers in the City for the Fiscal Year ending June 30, 2008, based on assessed valuations within the City.

**Table A-11**
**City of Richmond**
**Largest Property Tax Payers**
**Fiscal Year 2007-08**
**($ in thousands)**

| Property Owner | Primary Land Use | 2007-08 Assessed Valuation | % |
|---|---|---|---|
| Chevron USA | Petroleum/Coal Products | $15,821 | 21.27% |
| Lennar Emerald Marina Shores | Apartments | 1,387 | 1.86 |
| Berlex Laboratories | Chemical Production | 582 | 0.78 |
| Dicon Fiberoptics | Semiconductors | 472 | 0.63 |
| Richmond Parkway Associates | Property Management | 435 | 0.59 |
| California Fats & Oils Inc. | Food Manufacturer | 434 | 0.58 |
| Foss Maritime | Marine Transportation | 386 | 0.52 |
| Stephens & Stephens LLP | Rental Properties | 376 | 0.51 |
| Kaiser Foundation Hospitals | Medical Center | 363 | 0.49 |
| BP West Coast Products | Petroleum Products | 318 | 0.43 |
| SUBTOTAL | | $20,575 | 27.66 |
| Remaining Property Owners | | 13,654 | 72.34 |
| TOTAL | | $13,675 | 100.00% |

Sources: *HdL Coren & Cone and Contra Costa County Assessor 2007-08 Combined Tax Rolls.*

There can be no assurance that these owners, or any other large property owner, will not relocate outside of the City or file property tax appeals in the future which could significantly reduce the amount of property tax revenues available to the City. Certain of these taxpayers may own property located in one or more redevelopment areas of the City and the full amount of property taxes paid on such parcels may not contribute to the City's General Fund.

***Utility Users Tax.*** The City collects a tax (the "Utility Users Tax") from utility users within the City's boundaries. Such users are charged 10% of the total bill for electricity and gas services, and 9.5% of the total bill for phone and cable television services. The tax is not applicable to State, County, or City agencies, insurance companies or banks. The Utility Users Tax represented the second largest revenue source for the City in Fiscal Year 2007-08. In Fiscal Year 2007-08, Utility Users Taxes were collected by the City in the amount of approximately $29.5 million, and accounted for approximately 25.9% of total General Fund revenues and transfers in.

In November 2002, voters in the City passed a proposition raising the Utility Users Tax from 8% to 10%, effective December 2002. Although some of the City's larger utility service providers experienced some delays in billing their customers at the higher rate, all of the City's utility vendors are now billing at the 10% rate. In February 2008, voters in the City passed a proposition modernizing the definition of services to be taxed under the telecommunications portion of the Utility Users Tax and decreasing the tax from 10% to 9.5%, thus protecting the tax from possible litigation.

The Richmond Municipal Code Section 13.52.100 provides that any electric service user may annually elect to pay a maximum Utility Users Tax that is calculated as the base amount of $1,148,137.54 for each percent of tax imposed for any tax year, which base amount is then adjusted annually by that percentage which is 90% of the total percentage of change in the United States Department of Labor, Bureau of Labor Statistics' Gas (piped) and Electric Consumer Price Index For All Consumers Urban for the San Francisco/Oakland/San Jose Area calculated on the basis of the two consecutive and most recently completed years for which data is available from the United States Department of Labor. In order to elect to pay the maximum Utility User Tax, a user of the electric service must enter into an agreement with the City Tax Administrator prior to the commencement of the tax year to pay the maximum tax liability directly to the City during the tax year. No portion of the maximum Utility Users Tax is refundable in the event the service user subsequently determines that its tax liability under this chapter would have been less than the maximum Utility Users Tax calculated as described above.

Chevron elected to pay the maximum Utility Users Tax for Fiscal Years 2003-04, 2004-05 and 2005-06. Chevron did not so elect for Fiscal Years 2006-07 and 2007-08. During those two Fiscal Years, Chevron paid the Utility Users Tax in accordance with its usage. The City experienced a Utility Users Tax revenue decline of approximately $1.1 million from Fiscal Year 2005-06 and Fiscal Year 2007-08, at least some of which is attributable to Chevron's payment of the Utility Users Tax in accordance with its usage.

In February 2009, the City and Chevron reached a settlement under which Chevron agreed to pay the maximum Utility User Tax for each Fiscal Year from 2008-09 through 2011-12; pay the tax on the basis of actual cost thereafter; and pay to the City $28 million ($13 million already paid with $5 million paid annually through Fiscal Year 2011-12). Removal of the "maximum" option must be approved by City voters (expected November 2010).

Table A-12 shows Utility Users Tax receipts and their respective percentage of General Fund revenues since Fiscal Year 2003-04.

**Table A-12**
**City of Richmond**
**Utility Users Tax Receipts**

| Fiscal Year | Utility Users Tax Receipts | Percentage of General Fund Revenues | % Change |
|---|---|---|---|
| 2004-05 | $29,721,091 | 28.91% | 1.36% |
| 2005-06 | 30,199,388 | 28.36 | 1.61 |
| 2006-07 | 27,007,410 | 23.71 | (10.57) |
| 2007-08 | 29,553,243 | 25.90 | 9.43 |
| 2008-09† | 39,271,384 | 30.66 | 32.88 |

† Budgeted.
*Sources:* *City of Richmond, Comprehensive Annual Financial Report for Fiscal Years 2004-05 through 2007-08 and Adopted Budget for Fiscal Year 2008-09.*

***Sales and Use Taxes.*** The sales tax is an excise tax imposed on retailers for the privilege of selling tangible personal property. The use tax is an excise tax imposed on a person for the storage, use or other consumption of tangible personal property purchased from any retailer. The proceeds of sales and use taxes (collectively, "Sales Tax") imposed within the boundaries of the City are distributed by the State to various agencies as shown below in Table A-13. The total Sales Tax rate for the City as of April 1, 2009 is 9.75% and is allocated as follows:

**Table A-13**
**City of Richmond**
**Composition of Sales Tax Rate**
**(As April 1, 2009)**

| | |
|---|---|
| State - General State – Fiscal Fund | 6.00% |
| State – Fiscal Recovery Fund (*temporary increase*) | 0.25 |
| State - Local Revenue Fund | 0.50 |
| Local - City of Richmond *(temporary reduction)* | 0.75 |
| Local - Contra Costa County | 0.25 |
| Public Safety Fund (Proposition 172) | 0.50 |
| Subtotal Statewide Sales and Use Tax | 7.25 |
| San Francisco Bay Area Rapid Transit District | 0.50 |
| Contra Costa County Transportation Authority | 0.50 |
| City of Richmond Transactions and Use Tax - General Fund† | 0.50 |
| TOTAL | 9.75% |

† In November 2004 the voters of the City approved Measure Q, which imposed a one-half of one percent (1/2%) transactions and use tax for General Fund purposes of the City and which commenced collection in April 2005. This transactions and use tax is collected on a different tax base than the local sales and use tax. Local sales and use taxes are allocated to the area where the sale takes place, while district transactions and use taxes follow the merchandise, so they are allocated to the area where merchandise is delivered and presumably used. As a result of these differences, there is not a perfect correlation between the City's local sales and use tax receipts and its transactions and use tax receipts.

*Source: California State Board of Equalization.*

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Partially as a result of the current economic downturn, the State faced a significant budget shortfall in Fiscal Year 2008-09. In addition, budget shortfalls are currently anticipated in the coming Fiscal Years. In order to address the current and anticipated budget shortfalls, the State Legislature adopted and the Governor approved a variety of spending reductions and revenue enhancements, including a 1% increase in the State Sales Tax rate. This increase, which took effect April 1, 2009 and is currently scheduled to remain in effect until July 1, 2012 will increase the State Sales Tax rate from 7.25% to 8.25%, resulting in a total sales rate within the City of 9.75%. No assurance can be given as to such increase will have a material adverse impact on the level of retail sales within the City. See also "– State Budget."

Table A-14 sets forth a history of taxable sales for the City for calendar years 2003 through 2007.

**Table A-14**
**City of Richmond**
**Taxable Sales**
**($ in thousands)**

| | 2003 | 2004 | 2005 | 2006 | 2007† |
|---|---|---|---|---|---|
| Apparel stores | $ 35,724 | $ 37,226 | $38,965 | $38,864 | $36,152 |
| General merchandise stores | 194,689 | 202,413 | 208,358 | 206,293 | 235,802 |
| Food stores | 34,041 | 28,420 | 25,867 | 24,508 | 25,349 |
| Eating and drinking establishments | 48,748 | 48,641 | 52,911 | 54,188 | 56,778 |
| Home furnishings and appliances | 25,563 | 24,374 | 26,346 | 27,656 | 23,421 |
| Building materials and farm implements | 97,520 | 98,994 | 100,174 | 96,514 | 42,248 |
| Auto dealers and auto supplies | 220,540 | 217,624 | 210,173 | 217,904 | 210,123 |
| Service stations | 153,210 | 134,987 | 185,474 | 203,878 | 242,647 |
| Other retail stores | 75,448 | 73,017 | 72,474 | 71,781 | 63,694 |
| Subtotal Retail Stores | $885,483 | $865,696 | $920,742 | $941,586 | $936,214 |
| All other outlets | 180,264 | 188,333 | 188,917 | 181,326 | 292,526 |
| TOTAL ALL OUTLETS | $1,065,747 | $1,054,029 | $1,109,659 | $1,122,912 | $1,228,740 |

† Most recent annual data available.
*Source: California State Board of Equalization.*

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Table A-15 shows Sales Tax receipts and their respective percentage of General Fund revenues since Fiscal Year 2003-04 and the estimate for Fiscal Year 2008-09.

**Table A-15**
**City of Richmond**
**Sales Tax Receipts**

| Fiscal Year | Sales Tax Receipts | Percentage of General Fund Revenues | % Change |
|---|---|---|---|
| 2004-05 | $20,273,363 | 19.72% | 64.13% |
| 2005-06 | 25,402,253 | 23.86 | 25.30 |
| 2006-07 | 28,217,895 | 23.99 | 11.08 |
| 2007-08 | 29,005,711 | 25.90 | 2.79 |
| 2008-09† | 30,935,102 | 24.15 | 6.65 |

† Estimated.
*Sources: City of Richmond, Comprehensive Annual Financial Report for Fiscal Years 2004-05 through 2007-08 and Adopted Budget for Fiscal Year 2008-09.*

Sales Tax receipts for Fiscal Year 2007-08 were approximately $29 million, representing approximately 25.9% of General Fund revenues and transfers in and an approximately 2.8% increase from Fiscal Year 2006-07.

Total Sales Tax receipts in the Fiscal Year 2008-09 Budget are estimated at $30.9 million, representing 24.15% of budgeted General Fund revenues and a projected increase of 6.65% from Fiscal Year 2007-08 due to the opening of two new discount retailers in the City. Walmart recently completed its first year of operations in the City and a Leed certified Target department store opened in July 2008. With the opening of these stores, more City residents are shopping locally and residents from other nearby areas within western Contra Costa County are shopping in the City as well. The City's budgeting forecast of Sales Tax receipts is based on official State estimates and the forecasts of local economists. The City's budgeting forecast includes an estimated $7.3 million of revenue resulting from the one-half of one percent (1/2%) transactions and use tax for General Fund purposes of the City, which was approved by the voters as "Measure Q" in November 2004 and which commenced collection in April 2005.

However, subsequent to the Fiscal Year 2008-09 mid-year budget update, the City projects a $4 million decline in anticipated sales tax receipts in Fiscal Year 2008-09 due to the economic downturn. The shortfall is expected to be offset by the one-time resources received in Fiscal Year 2008-09.

***Documentary Transfer Tax.*** The City collects a tax (the "Documentary Transfer Tax") on all transfers by deeds, instruments, writings or any other document by which lands, tenements, or other interests in real property are sold at a rate of $7.00 for each $1,000 or fractional part thereof of the consideration. Documentary Transfer Tax revenues for Fiscal Year 2007-08 were approximately $3.6 million, representing 2.5% of General Fund revenues and transfers in. See "FINANCIAL OPERATIONS–Financial Statements."

Documentary Transfer Tax revenues for Fiscal Year 2006-07 were approximately $8.7 million, representing 7.63% of General Fund revenues and transfers in and a 20.19% decrease from Fiscal Year 2005-06 reflecting a cooling real estate market. Total Documentary Transfer Tax revenues in the Fiscal Year 2007-08 Budget are also estimated at approximately $8.7 million, representing 7.10% of budgeted General Fund revenues. Table A-16 summarizes Documentary Transfer Tax receipts and their respective percentage of General Fund revenues for the past five Fiscal Years.

**Table A-16**
**City of Richmond**
**Documentary Transfer Tax Receipts**

| Fiscal Year | Documentary Transfer Tax Receipts | Percentage of General Fund Revenues | % Change |
|---|---|---|---|
| 2004-05 | $10,609,187 | 10.32% | 63.60% |
| 2005-06 | 10,670,869 | 9.56 | 0.58 |
| 2006-07 | 7,297,735 | 6.20 | (31.61) |
| 2007-08 | 3,647,333 | 6.56 | (50.02) |
| 2008-09† | 2,104,812 | 1.65 | (42.29) |

† Budgeted.
*Sources: Comprehensive Annual Financial Report for Fiscal Years 2004-05 through 2007-08 and the Adopted Budget for Fiscal Year 2008-09.*

***Revenue from the State.*** Revenue from the State consists of revenue from vehicle license fees (the "VLF") and property tax in lieu of VLF (also known as the "VLF Backfill"). The City receives additional property tax to replace VLF revenue that were reduced when the State repealed the State general fund backfill for the reduction in the VLF. That occurred in for Fiscal Year 2007-08 was approximately $7.2 million, representing 6.2% of budgeted General Fund revenues and transfers in and a projected decrease of 31.61% from Fiscal Year 2005-06. Revenue from the State in the Fiscal Year 2008-09 Budget is approximately $9.9 million, representing approximately 6.8% of budgeted General Fund revenues and transfers in and an increase of approximately 3.0% from Fiscal Year 2007-08. Table A-17 shows receipts of revenue from the State and their respective percentage of General Fund revenue since Fiscal Year 2004-05 and the estimated amount for Fiscal Year 2008-09.

**Table A-17**
**City of Richmond**
**Revenue from the State**
**($ in thousands)**

| Fiscal Year | Revenue from the State | Percentage of General Fund Revenue | % Change |
|---|---|---|---|
| 2004-05 | $6,530 | 6.4% | 57.08% |
| 2005-06 | 7,587 | 7.1 | 16.19 |
| 2006-07 | 7,439 | 6.3 | (1.95) |
| 2007-08 | 9,964 | 7.5 | 33.94 |
| 2008-09† | 10,264 | 6.9 | 3.01 |

*Sources: Comprehensive Annual Financial Report for Fiscal Years 2004-05 through 2007-08 and the Adjusted Budget for Fiscal Year 2008-09.*

On September 23, 2008, the Legislature passed the Fiscal Year 2008-09 State Budget. The State has relied on significant shifts in revenues from local governments to the State in Fiscal Years 2004-05 due to significant budgetary problems but did not do so in Fiscal Year 2006-07 or Fiscal Year 2007-08. See also "–State Budgets–*Fiscal Year 2008-09 State Budget*." See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 1A." in the front of this Official Statement.

Information about the State budget and State spending is regularly available at various State-maintained websites. Text of the budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the State budgets may be found at the website of the State Treasurer, www.treasurer.ca.gov. Information on these websites has not been reviewed or verified by either the City, the Underwriter or the Financial Advisor and is not incorporated by reference in this Official Statement.

***Other Revenues.*** Other sources of City revenues include the transient occupancy tax, the franchise tax, fines, and fees for licenses and permits issued by the City which, on a combined basis, are represented approximately 6.9% of the City's General Fund revenues for Fiscal Year 2007-08 and budgeted to represent approximately 6.7% of the City's General Fund revenues for Fiscal Year 2008-09.

**Pension Plans**

The City contributes to the California Public Employees' Retirement System ("PERS") as well as three separate City-administered, single-employer, defined-benefit pension plans – the General Pension Plan, the Police and Firemen's Pension Plan and the Garfield Pension Plan. For more information on the City's contributions to the below-described plans, see APPENDIX B–"AUDITED FINANCIAL STATEMENTS OF THE CITY OF RICHMOND, FISCAL YEAR 2007-08 – Notes 10, 11 and 12."

***California Public Employees' Retirement System.*** The City contributes to PERS, an agent, multiple-employer, public employee, defined benefit, pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

The staff actuaries at PERS prepare annually an actuarial valuation which covers a Fiscal Year ending approximately 12 months before the actuarial valuation is prepared (thus, the actuarial valuation delivered to the City in December 2008 covered PERS' Fiscal Year 2007-08). The actuarial valuation expresses the City's required contribution rates in percentages of payroll, which percentages the City contributes in the Fiscal Year immediately following the Fiscal Year in which the actuarial valuation is prepared (thus, the City's contribution rates derived from the actuarial valuation as of June 30, 2008, which was prepared in December 2007, were effective during the City's Fiscal Year 2007-08). PERS rules require the City to implement the actuary's recommended rates.

In calculating the annual actuarially required contribution rates, the PERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that PERS will fund under the PERS Plans, which includes two components, the normal cost and the Unfunded Accrued Actuarial Liability (the "UAAL"). The normal cost represents the actuarial present value of benefits that PERS will fund under the PERS Plans that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that PERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits earned through the valuation date by retirees and active employees. The UAAL is based on several assumptions such as, among others, the rate of investment return, life expectancy, age of retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL is an estimate of the unfunded actuarial present value of the benefits that the City will fund under the PERS Plans to retirees and active employees upon their retirement and is not as a fixed or hard expression of the liability the City owes to PERS under the PERS Plans.

In each actuarial valuation, the PERS actuary calculates what was the expected actuarial value of the assets (the "Actuarial Value") of the PERS Plans at the end of the Fiscal Year (which assumes, among other things, that the actuarial rate of return during that Fiscal Year equaled the assumed rate of investment return of 7.75%). The PERS actuary uses a smoothing technique to determine the Actuarial Value, calculated on certain policies. As described below, these policies were significantly changed in April 2005, thus affecting the Actuarial Value calculations commencing in Fiscal Year 2006-07. However, PERS does not allow the Expected Value to be less than 90% or more than 110% of the market value.

In April 2005, the PERS Board approved changes in its actuarial to help reduce volatility in employer contributions rates. The changes included amortizing gains and loses over a rolling 30-year period; moving from a three-year to a 15-year smoothing methodology; revising the expected value "corridor" limit for establishing the actuarial value of assets to not less than 80% or more than 120%; and creation of a stabilization fund.

Complete updated inflation and actuarial assumptions can be obtained by contacting PERS at the address shown above.

Funding Status. An actuarial valuation of assets differs from a market valuation of assets in that an actuarial valuation reflects so-called smoothing adjustments which smooth the impact of gains and losses over multiple years. As of June 30, 2007, the actuarial value of the assets in each of the Safety Plan and the Miscellaneous Plan was approximately $359 million and $295 million, respectively. As a result, even if the market rate of return of the assets in the PERS Plans is above the actuarial assumed rate of 7.75% in future Fiscal Years, the actuarial practice of smoothing losses over several years may cause the investment rate of return for actuarial purposes to be less than the market rate of return. If the market rate of return is lower than the assumed rate, the PERS Plans will realize a loss for actuarial purposes, but, ordinarily, this actuarial loss will be smoothed such that the PERS Plans would only be impacted by one-fifteenth of that loss in one Fiscal Year. However, PERS has a policy that the difference between market value and actuarial value cannot exceed 120%.

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The investment return for Fiscal Year 2006-07 was negative 2.5%.

**Table A-18A-1**
**City of Richmond**
**Schedule of Funding Progress**
**Safety Plan**
**(PERS)**

| Valuation Date | Accrued Liability | Actuarial Value of Assets | Unfunded (Overfunded) Liability | Funded Ratio | Annual Covered Payroll | Unfunded (Overfunded) as % of Payroll |
|---|---|---|---|---|---|---|
| 06/30/05 | $326,157,639 | $259,483,882 | $66,673,757 | 79.6% | $22,128,726 | 301.3% |
| 06/30/06 | 339,241,980 | 339,619,607 | (377,627) | 100.1 | 21,314,998 | (1.8) |
| 06/30/07 | 362,133,278 | 359,089,009 | 3,044,269 | 99.2 | 24,752,789 | 12.3 |

**Table A-18A-2**
**City of Richmond**
**Schedule of Funding Progress**
**Miscellaneous Plan**
**(PERS)**

| Valuation Date | Accrued Liability | Actuarial Value of Assets | Unfunded (Overfunded) Liability | Funded Ratio | Annual Covered Payroll | Unfunded (Overfunded) as % of Payroll |
|---|---|---|---|---|---|---|
| 06/30/05 | $269,183,479 | $221,754,486 | $47,428,993 | 82.4% | $28,600,241 | 165.8% |
| 06/30/06 | 277,497,262 | 278,531,185 | (1,033,923) | 100.4 | 29,837,781 | (3.5) |
| 06/30/07 | 294,179,170 | 294,827,825 | (648,655) | 100.2 | 33,931,419 | (1.9) |

*Source: City of Richmond–Audited Financial Statements of the Fiscal Year 2007-08.*

Recent Developments–PERS - Decline in Investment Return. Recent developments in the financial markets have resulted in a decline in investment return for Fiscal Year 2007-08. As indicated above, in calculating the UAAL in an actuarial valuation, the PERS actuary assumes an investment return equal to 7.75%. The actual investment return for Fiscal Year 2007-08, net of expenses, was negative 5.1%. Employer contribution rates are affected by the investment return in a given Fiscal Year in the third Fiscal Year that follows. Therefore, the negative 5.1% return for Fiscal Year 2007-08 will first be reflected in employer contribution rates applicable for Fiscal Year 2010-11. However, PERS had achieved double digit investment returns in each of the four fiscal years prior to Fiscal Year 2007-08 which exceeded the assumed rate of investment return. Through PERS 15-year smoothing of investment returns, these previous positive returns will cushion the impact that the losses will have on employer contribution rates in Fiscal Year 2010-11. As of June 30, 2007, with the asset smoothing method, PERS had set aside approximately 14% of the stabilization fund created by PERS in 2005. The negative 5.1% return for Fiscal Year 2007-08, approximately 12.9% less than the 7.75% expected rate of return, uses most of the 14% stabilization fund. The estimated impact of the negative 5.1% investment return is a decrease up to 0.1% of payroll in expected Fiscal Year 2010-11 employer rates, assuming all other actuarial assumptions are realized in aggregate. The investment return for Fiscal Year 2008-09 will first impact employer contribution rates in Fiscal Year 2011-12. Therefore, investment returns lower than the 7.75% expected rate of return in subsequent Fiscal Years will produce a significantly greater impact on employer contribution rates and the funded status of the plans in subsequent Fiscal Years. The extent of such impact is not yet known.

Funding Policy. Miscellaneous Plan participants are required to contribute 8% of their annual covered salary, while Safety Plan participants are required to contribute 9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City, as employer, was required to contribute for Fiscal Year 2007-08 at an actuarially determined rate of 12.641% and 17.512% of annual covered payroll for miscellaneous and safety employees, respectively. The contribution requirements of plan members and the City are established and may be amended by PERS. Total employer contributions based on actuarially determined rates amounted to $9,327,481 for the year ended June 30, 2008.

Annual Pension Cost. For Fiscal Year 2007-08, the City's annual pension cost of approximately $11,776,488 for PERS was equal to the City's required and actual contributions and amortization of the City's prepaid pension contributions were funded with proceeds from the City's 2005 Pension Obligation Bonds in November 2005. The required contribution was determined using the Entry Age Normal Cost actuarial method. The required contributions to PERS for the last five Fiscal Years are set forth in the tables below.

**Table A-18B-1**
**City of Richmond**
**Schedule of Funding Progress**
**Safety Plan**
**(PERS)**

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Prepaid Pension Obligation |
|---|---|---|---|
| 6/30/2004 | $5,358,051 | 100% | $0 |
| 6/30/2005 | 7,248,178 | 100 | 0 |
| 6/30/2006 | 7,111,495 | 100 | 65,171,265 |
| 6/30/2007 | 5,506,687 | 100 | 63,785,279 |
| 6/30/2008 | 6,086,347 | 100 | 62,354,249 |

**Table A-18B-2**
**City of Richmond**
**Schedule of Funding Progress**
**Miscellaneous Plan**
**(PERS)**

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Prepaid Pension Obligation |
|---|---|---|---|
| 6/30/2004 | $3,250,130 | 100% | $0 |
| 6/30/2005 | 5,036,493 | 100 | 0 |
| 6/30/2006 | 5,708,395 | 100 | 46,360,181 |
| 6/30/2007 | 4,830,259 | 100 | 45,374,247 |
| 6/30/2008 | 5,690,141 | 100 | 44,356,270 |

*Source: City of Richmond–Audited Financial Statements of the Fiscal Year 2007-08.*

***General Pension Plan.*** The General Pension Plan funds retirement and other benefits payable to 36 retirees who are not covered by PERS. The General Pension Plan is closed to new membership, and all of its current members are retired. Benefits are funded from the assets of the General Pension Plan and from related investment earnings. The City is required under its charter to contribute the remaining amounts necessary to fund the General Pension Plan using the Entry Age Normal Cost actuarial cost method as specified by ordinance.

As of July 1, 2007, the date of the most recent actuarial valuation, the actuarial present value of pension benefits under the General Pension Plan was $5,242,136, and the assets of the General Pension Plan at fair market value were $2,416,881, resulting in an unfunded accrued actuarial liability ("UAAL") of $2,825,255. In computing the actuarial valuation, General Pension Plan assets were assumed to yield a 4.5% return based on the fund's asset allocation and were assumed to increase 3.5% annually. The City's annual payment toward amortization of the UAAL is $307,948. Assuming future increases of 2% per year in post-retirement cost-of-living increases, and thus no future discretionary cost-of-living increases, the City expects that it will have fully funded the UAAL with such payments as of June 30, 2020.

***Police and Firemen's Pension Plan.*** The Police and Firemen's Pension Plan is a defined benefit pension plan covering 98 police and fire personnel employed by the City prior to October 1964. The Police and Firemen's Pension Plan is closed to new membership, and substantially all of its current members are retired. Funding for the Police and Firemen's Pension Plan is provided from the Pension Reserve Trust Fund. Employees eligible under the Police and Firemen's Pension Plan were vested after five years of service, and members were allowed normal retirement benefits after 25 or more continuous years of service. The City is required under its charter to contribute the remaining amounts necessary to fund the Police and Firemen's Pension Plan using the Entry Age Normal Cost actuarial cost method as specified by ordinance. The City has established the Pension Reserve Trust Fund, to which a portion of the proceeds of an incremental property tax levy approved by the citizens of the City are credited, for the payment of benefits under the Police and Firemen's Pension Plan as well as other pre-1978 benefits approved for general safety and miscellaneous employees enrolled in PERS. In Fiscal Year 2007-08, the revenue received by the Police and Firemen's Pension Plan from the tax was $5,000,000, while benefits paid were $4,746,409.

As of July 1, 2007, the date of the most recent actuarial valuation, the actuarial present value of pension benefits under the Police and Firemen's Pension Plan was $43,591,093, and the assets of the Police and Firemen's Pension Plan at fair market value were $22,910,310, resulting in a UAAL of $20,680,783. In computing the actuarial valuation, Police and Firemen's Pension Plan assets were assumed to yield a 6.50% return and benefit increases were assumed increase at a rate of 3.5% annually. The City's annual payment toward amortization of the UAAL is $2,199,459, all of which is expected to be paid from pension tax override revenues. The City expects that it will have fully funded the UAAL with such payments as of June 30, 2022.

The City's contributions to the General Pension Plan and the Police and Firemen's Pension Plan in the five most recent Fiscal Years is presented below:

**Table A-19A**
**City of Richmond**
**Pension Plan Contributions**

| | General Pension Plan | | | Police and Firemen's Pension Plan | | |
|---|---|---|---|---|---|---|
| Fiscal Year | Annual Required Contribution | Amount Contributed | Percent Contributed | Annual Required Contribution | Annual Contribution | Percent Contributed |
| 2003-04 | $357,744 | $1,119,537 | 313% | $2,428,906 | $2,899,909 | 119% |
| 2004-05 | 299,319 | 946,746 | 316 | 2,191,252 | 2,440,857 | 111 |
| 2005-06 | 238,264 | 238,264 | 100 | 2,215,648 | 2,215,648 | 100 |
| 2006-07 | 238,264 | 238,264 | 100 | 2,215,648 | 2,215,648 | 281 |
| 2007-08 | 307,948 | 307,948 | 100 | 2,199,459 | 5,000,000 | 227 |

*Source: City of Richmond, Comprehensive Annual Financial Report for Fiscal Years 2007-08.*

**Table A-19B-1**
**City of Richmond**
**Schedule of Funding Progress**
**Police and Firemen's Plan**

| Valuation Date | Accrued Liability | Actuarial Value of Assets | Unfunded Liability | Funded Ratio | Annual Covered Payroll | Unfunded (Overfunded) % of Payroll |
|---|---|---|---|---|---|---|
| July 1, 2003 | $46,523,759 | $20,450,153 | $26,073,606 | 44% | (1) | N/A |
| July 1, 2004 | 43,244,772 | 20,384,607 | 22,860,165 | 47 | (1) | N/A |
| July 1, 2005 | 41,653,180 | 19,251,702 | 22,401,478 | 46 | (1) | N/A |
| July 1, 2006 | N/A(2) | N/A(2) | N/A(2) | N/A(2) | (1) | N/A |
| July 1, 2007 | 43,591,093 | 22,910,310 | 20,680,783 | 53 | (1) | N/A |

(1) Shown at zero because only one participant had not retired and was assumed to retire on the valuation date.
(2) Actuarial valuations were not completed.
*Source: City of Richmond, Comprehensive Annual Financial Report for Fiscal Years 2007-08.*

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**Table A-19B-2**
**City of Richmond**
**Schedule of Funding Progress**
**General Pension Plan**

| Valuation Date | Accrued Liability | Actuarial Value of Assets | Unfunded Liability | Funded Ratio | Annual Covered Payroll | Unfunded (Overfunded) % of Payroll |
|---|---|---|---|---|---|---|
| July 1, 2003 | $6,331,911 | $2,298,683 | $4,033,228 | 36% | (1) | N/A |
| July 1, 2004 | 6,303,516 | 2,786,571 | 3,243,945 | 46 | (1) | N/A |
| July 1, 2005 | 5,614,489 | 3,141,392 | 2,473,097 | 56 | (1) | N/A |
| July 1, 2006 | N/A(2) | N/A(2) | N/A(2) | N/A(2) | (1) | N/A |
| July 1, 2007 | 5,242,136 | 2,416,881 | 2,825,255 | 46 | (1) | N/A |

(1) Shown at zero because only one participant had not retired and was assumed to retire on the valuation date.
(2) All participants were retired as of the valuation date.
*Source: City of Richmond, Comprehensive Annual Financial Report for Fiscal Years 2007-08.*

***Garfield Pension Plan.*** The City maintains the Garfield Pension Plan to fund defined retirement and other benefits due to a retired Chief of Police of the City, pursuant to a contractual agreement. Retirement and other benefits are paid from the assets of the Garfield Pension Plan and from related investment earnings. In Fiscal Year 2007-08, the City contributed $72,484 to the Garfield Pension Plan. The beneficiary of the Garfield Pension Plan is not covered under the Police and Fireman's Pension Plan, the General Pension Plan or PERS.

As of July 1, 2007, the date of the most recent actuarial valuation, the actuarial present value of pension benefits under the Garfield Pension Plan was $899,777, and the assets of the Garfield Pension Plan at fair market value were $326,228, resulting in a UAAL of $573,549. In computing the actuarial valuation, Garfield Pension Plan assets were assumed to yield a 4.5% investment return based on the fund's asset allocation and were assumed to increase 3.5% annually. The City's annual payment toward amortization of the UAAL is $72,484, all of which is expected to be paid from the General Fund. The City expects that it will have fully funded the UAAL with such payments as of June 30, 2016.

**Table A-20A-1**
**City of Richmond**
**Schedule of Funding Progress**
**Garfield Plan**

| Valuation Date | Accrued Liability | Actuarial Value of Assets | Unfunded Liability | Funded Ratio | Annual Covered Payroll | Unfunded (Overfunded) % of Payroll |
|---|---|---|---|---|---|---|
| July 1, 2003 | N/A(1) | N/A(1) | N/A(1) | N/A(1) | (2) | N/A |
| July 1, 2004 | N/A(1) | N/A(1) | N/A(1) | N/A(1) | (2) | N/A |
| July 1, 2005 | $915,287 | $301,298 | $613,989 | 33% | (2) | N/A |
| July 1, 2006 | N/A(1) | N/A(1) | N/A(1) | N/A(1) | (2) | N/A |
| July 1, 2007 | 899,777 | 326,228 | 573,549 | 36 | (2) | N/A |

(1) Actuarial valuations were not completed.
(2) All participants were retired as of the valuation date.
*Source: City of Richmond, Comprehensive Annual Financial Report for Fiscal Years 2007-08.*

**Table A-20A-2**
**City of Richmond**
**Five-Year Historical Trend**
**Garfield Plan**

| Fiscal Year | Annual Required Contribution | Amount Contributed | Percent Contributed |
|---|---|---|---|
| 2003-04 | $56,920 | $0 | 0% |
| 2004-05 | 62,856 | 0 | 0 |
| 2005-06 | 73,917 | 73,917 | 100 |
| 2006-07 | 73,917 | 73,917 | 100 |
| 2007-08 | 72,484 | 42,484 | 100 |

*Source: City of Richmond, Comprehensive Annual Financial Report for Fiscal Years 2007-08.*

**Post Employment Health Care Benefits**

In addition to the retirement and pension benefits described above, the City provides post employment health care benefits ("OPEB Obligations"), in accordance with City ordinances, to all employees who retire from the City on or after attaining retirement age (50 for police and fire employees, and 55 for all other employees) and who have at least 10 years of service. At June 30, 2008, eight retirees met those eligibility requirements. The City had historically funded these benefits on a pay-as-you-go basis until initiating a pre-funding plan in Fiscal Year 2007-08. During Fiscal Year 2005-06, expenditures of $1,846,855 were recognized for OPEB Obligations. See APPENDIX B–"AUDITED FINANCIAL STATEMENTS OF THE CITY OF RICHMOND, FISCAL YEAR 2007-08 - Note 13."

Governmental Accounting Standards Board Statement No. 45 (GASB 45), which went into effect for cities with annual revenues of more than $100 million on December 15, 2006, requires that non-pension, post-employment benefits for retirees, such as postretirement health care benefits, be shown as an accrued actuarial liability in the audit, similar to the current treatment of pension benefits. GASB 45 requires only the identification and disclosure of the City's unfunded accrued actuarial liability and funding status; it does not require the City or any other affected public agency to fully fund such liability. The City has undertaken an actuarial study to estimate its OPEB Obligations as of July 1, 2005 rolled forward to July 1, 2007.

The City started pre-funding its OPEB Obligations by moving its ARC into a Retiree Benefit Trust Account beginning in Fiscal Year 2007-08. The City's Fiscal Year 2007-08 budget included the $2,810,309 ARC as well as the $898,994 normal cost, although the City set aside $2.0 million in Fiscal Year 2005-06 to begin prefunding the liability. There can be no assurance the City will continue to prefund such liability, if any. The recognition of any liability on the City's financial statements could have a negative effect on the City's credit ratings unless the City manages the liability in a manner that keeps the City's financial margins healthy.

**Table A-21**
**Post Employment Benefit Summary**
**Number of Participating**

| Fiscal Year | Number of Participating Retirees | City Contribution |
|---|---|---|
| 2003-04 | 344 | $1,312,234 |
| 2004-05 | 389 | 1,660,345 |
| 2005-06 | 418 | 1,846,855 |
| 2006-07 | 413 | 1,973,346 |
| 2007-08 | 408 | 5,906,179 |

*Source: City of Richmond.*

As of June 30, 2008, the City joined the Public Agencies Post-Retirement Health Care Plan, a multiple employer trust administered by Public Agency Retirement Services ("PARS"). The City's policy is to partially prefund these benefits by accumulating assets with PARS discussed above along with making pay-as-you-go payments pursuant to Resolution No. 52-06 of June 27, 2006. The annual required contribution ("ARC") was determined as part of a July 1, 2007 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (i) 7.7% investment rate of return, (ii) 3.25% projected annual salary increase, and (iii) health care cost trend rates of 4.75 to 5.25% for medical and 4.25% for dental. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates and made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30-year amortization period.

*Funding Progress and Funded Status.* Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the Fiscal Year ended June 30, 2008, the City contributed $5,906,179 to the Plan, including $2,206,179 for pay-as-you-go premiums, $1,700,000 paid to PARS representing the remaining ARC plus an additional $2,000,000 paid to PARS to prefund benefits which represented 9.3% of the $63.5 million of covered payroll. As a result, the City has recorded the Net OPEB Asset, representing the difference between the ARC and actual contributions, as presented below:

| | |
|---|---|
| Annual required contribution | $3,709,303 |
| Adjustment to annual required contribution | – |
| Annual OPEB cost | 3,709,303 |
| Contributions made | (5,096,179) |
| (Decrease) increase in net OPEB obligations | (2,196,876) |
| Net OPEB obligation June 30, 2007 | – |
| Net OPEB obligation (asset) June 30, 2008 | ($2,916,876) |

The actuarial accrued liability (the "AAL") representing the present value of future benefits, included in the actuarial study dated July 1, 2007, amounted to $47,046,989 million and was unfunded since no assets had been transferred into PARS as of that date. However, as of June 30, 2008, the City transferred additional contributions to PARS which along with investment income totaled $5,906,179 and reduced the unfunded actuarial accrued liability to $41,140,810.

The Plan's annual required contributions and actuarial contributions for the year ended June 30, 2008 are set forth below:

| Fiscal Year | Annual Required Contribution (ARC) | Actual Contribution | Percentage of ARC Contributed | Net OPEB Obligation (Asset) |
|---|---|---|---|---|
| 6/30/2008 | $3,709,303 | $5,906,179 | 159.23% | ($2,196,876) |

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the July 1, 2007 actuarial study is presented below:

| Actuarial Valuation Date | Actuarial Value of Assets (A) | Entry Age Actuarial Accrued Liability (B) | Overfunded (Underfunded) Actuarial Accrued Liability (A-B) | Funded Ratio (A/B) | Covered Payroll (C) | Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A-B)/C] |
|---|---|---|---|---|---|---|
| 7/1/2007 | – | $47,046,989 | ($47,046,989) | 0% | $44,201,238 | (106%) |

**City Employees; Collective Bargaining**

For Fiscal Year 2008-09 the City has budgeted approximately 947 permanent, full-time positions Citywide. The City has never experienced a work stoppage.

**Table A-22**
**City of Richmond**
**Budgeted Positions**
**Fiscal Years 2004-05 through 2008-09**

| Fiscal Year | Budgeted Positions |
|---|---|
| 2004-05 | 710 |
| 2005-06 | 820 |
| 2006-07 | 915 |
| 2007-08 | 942 |
| 2008-09† | 947 |

† Budgeted.
*Source: City of Richmond, Human Resources Department.*

The City's employees are currently represented by five collective bargaining units, as follows: Police, Police Management, Fire, Fire Management, Management and General. Table A-23 summarizes the number of employees included in the four largest labor organizations. These four organizations cover 69.0% of the represented employees.

**Table A-23**
**City of Richmond**
**Summary of Labor Agreements**

| Employee Representation Organization | Employee Members† | Contract Term | Budgeted Salary Increases |
|---|---|---|---|
| Fire Fighters I.A.F.F., Local 188 | 82 | July 1, 2006 - June 30, 2009 | 1/1/07 – 4.0%<br>7/1/07 –4.0%<br>1/1/08 – 2.5%<br>7/1/08 – 4.0% |
| Fire Management, RFMA | 6 | July 1, 2004 - June 30, 2009 | 1/1/07 –4.0%<br>7/1/07 – 4.0%<br>1/1/08 – 3.0%<br>7/1/08 – 4.0%<br>1/1/09 – 3.0% |
| General (Part time), S.E.I.U. Local 790[3] | 54 | July 1, 2006 - June 30, 2010 | 7/1/07 – 4.0%<br>7/1/08 – 4.0%<br>7/1/09 – 4.0% |
| General (Full time), S.E.I.U. Local 790[3] | 407 | July 1, 2004 - June 30, 2010 | 7/1/07 – 4.0%<br>7/1/08 – 4.0%<br>7/1/09 – 4.0% |
| Management, IFPTE Local 21 | 133 | July 1, 2004 - June 30, 2010 | 7/1/07 – 4.0%<br>7/1/08 – 4.0%<br>7/1/09 – 4.0% |
| Police Management Association | 149 | July 1, 2008 - June 30, 2012 | 7/1/08 –5.0%<br>7/1/09 –5.0%<br>7/1/10 –5.0%<br>7/1/11 –5.0% |
| Police Officers Association | 176 | July 1, 2008 - June 30, 2012 | 7/1/08 – 5.0%<br>7/1/09 – 5.0%<br>7/1/10 – 2.5%<br>1/1/11 – 2.5%<br>7/1/11 – 2.5%<br>1/1/12 – 2.5% |
| TOTAL | 1,007 | | |

† Number of funded positions in Fiscal Year 2008-09 Budget.
*Source: City of Richmond, Human Resources Department.*

## Capital Planning

Each year the City adopts a five-year Capital Improvement Plan ("CIP") containing a forecast of capital improvement needs and funds identified to meet those needs during the current budget Fiscal Year and the next four Fiscal Years. The CIP for Fiscal Years 2007-08 through 2011-12 identifies approximately $510 million of funded capital improvement projects and approximately $265 million of unfunded capital improvement projects. The CIP is available from the City's website.

## Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omission, injuries to employees, natural disasters, and inverse condemnation. The City began self-insuring its workers' compensation and its general and auto liability in 1976. The City has chosen to establish risk financing internal service funds where assets are accumulated for claim settlements associated with the above risks of loss up to certain limits. Excess coverage for the above-mentioned risk categories excluding wrongful termination, sexual harassment, and inverse condemnation is provided by policies with various commercial insurance carriers. Self-insurance and insurance company limits are as follows:

| Type of Coverage | Self Insurance | Commercial Insurance Carrier |
|---|---|---|
| Workers' compensation for public safety employees | Up to $1,000,000 per claim | $24,000,000 in excess of self-insured retention |
| Difference in conditions | 10% per-1970, minimum $100,000, 5% post-1970 of total insured value of each building | $50,000,000 in excess of self-insured retention |
| Crime/Employee Dishonesty | $10,000 per claim | $1,000,000 in excess of deductible |

In August 2002, the City joined the Municipal Pooling Authority, which provides coverage for the following types of risk pursuant to a joint powers agreement with the City and several other cities and several other governmental agencies:

| Type of Coverage | Deductible | Coverage Limits |
|---|---|---|
| Liability | $250,000 | $25,000,000 |
| Property | | |
| All Risk Fire, Property | 5,000 | 1,000,000,000 |
| Flood | 100,000† | 25,000,000 |
| Boiler and Machinery | 5,000 | 100,000,000 |
| Employment Practices | 50,000 | 1,000,000 |

† Minimum deductible per occurrence except Zone A and Zone V which re subject to a $250,000 deductible.

See also APPENDIX B–"AUDITED FINANCIAL STATEMENTS OF THE CITY OF RICHMOND, FISCAL YEAR 2007-08 – Note 14."

## CITY DEBT SUMMARY

### General Obligation Bond Debt

The City has no outstanding general obligation bonds.

### General Fund and Lease Obligation Debt

The City may enter into long-term lease obligations such as certificates of participation or lease revenue bonds without first obtaining voter approval. The City has entered into various lease arrangements under which the City must make annual lease payments for its use and occupancy of public buildings or acquisition of equipment necessary for City operations.

Table A-24 summarizes the lease obligations payable from or backed by the General Fund of the City as of June 30, 2008. The City has never failed to pay principal of or interest on any debt or lease obligation when due nor made any draws on debt service reserves.

**Table A-24**
**City of Richmond**
**General Fund Lease Obligations**
**As of June 30, 2008**

| Issuer/Issue | Date Issued | Projects | Amount Issued | Amount Outstanding | Final Maturity |
|---|---|---|---|---|---|
| **City of Richmond** | | | | | |
| Capital Leases | Various | Various | $ 6,729,623 | $ 5,582,050 | Various |
| **Richmond Joint Powers Financing Authority** | | | | | |
| Port Terminal Lease Revenue Refunding Bonds, Series 1999A† | 1999 | Port Terminal | 10,955,000 | 2,385,000 | 2009 |
| Lease Revenue Bonds Series 2007 | 2007 | Civic Center/Refinance Prior Bonds | 101,420,000 | 101,420,000 | 2037 |
| | | | $119,104,623 | $109,397,050 | |

† These bonds mature on June 1, 2009 and will be paid from funds on deposit in the reserve fund as permitted by the related trust agreement.
*Source: City of Richmond, Department of Finance.*

In addition to the above obligations, the City has issued two series of bonds that are secured by the City's property tax override revenues, which are available to pay for pension obligations approved by voters prior to July 1, 1978. They are (1) the City's Pension Obligation Bonds, Series 1999A, issued in 1999 in the aggregate principal amount of $36,280,000, of which $22,825,000 remains outstanding, and (2) the City's Taxable Pension Funding Bonds, Series 2005, issued in the aggregate principal amount of $114,995,132.50, of which $114,979,775.00 remains outstanding, and a percentage of which (14%) is payable from the City's General Fund revenues.

### City Overlapping and Bonded Debt

The estimated direct and overlapping bonded debt of the City as of April 1, 2009, is shown in Table A-25 below. The information in Table A-25 has been provided by California Municipal Statistics, Inc. The City has not independently verified the information in Table A-25 and does not guarantee its accuracy.

**Table A-25**
**City of Richmond**
**Statement of Direct and Overlapping Debt**
**As of April 1, 2009**

| | |
|---|---|
| 2008-09 Assessed Valuation: | $13,762,326,946 |
| Redevelopment Incremental Valuation: | 2,404,324,533 |
| Adjusted Assessed Valuation: | $11,358,002,413 |

| OVERLAPPING TAX AND ASSESSMENT DEBT: | % Applicable | Debt 4/1/09 | |
|---|---|---|---|
| Bay Area Rapid Transit District | 2.577% | $ 11,373,847 | |
| Contra Costa Community College District | 8.230 | 14,488,915 | |
| West Contra Costa Unified School District | 56.511 | 359,534,416 | |
| West Contra Costa Healthcare District Parcel Tax Obligations | 52.210 | 12,480,801 | |
| East Bay Municipal Utility District, Special District No. 1 | 0.894 | 266,278 | |
| East Bay Regional Park District | 3.799 | 4,781,042 | |
| City of Richmond Community Facilities District No. 1998-1 | 100. | 3,770,000 | |
| City of Richmond 1915 Act Bonds | 100. | 19,555,000 | |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | | $426,250,299 | |
| **DIRECT AND OVERLAPPING GENERAL FUND DEBT:** | | | |
| Contra Costa County General Fund Obligations | 8.203% | $ 24,607,359 | |
| Contra Costa County Pension Obligations | 8.203 | 40,439,560 | |
| Alameda-Contra Costa Transit District Certificates of Participation | 7.726 | 3,304,024 | |
| Contra Costa Community College District Certificates of Participation | 8.230 | 91,353 | |
| West Contra Costa Unified School District Certificates of Participation | 56.511 | 13,217,923 | |
| **City of Richmond Port Terminal Authority** | **100.** | **2,385,000** | |
| **City of Richmond General Fund Obligations** | **100.** | **99,530,000** | (1) |
| **City of Richmond Pension Obligations** | **100.** | **130,815,133** | |
| TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT | | $314,390,352 | |
| COMBINED TOTAL DEBT | | $740,640,651 | (2) |

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

Ratios to 2008-09 Assessed Valuation:
Total Overlapping Tax and Assessment Debt..............3.10%

Ratios to Adjusted Assessed Valuation:
**Combined Direct Debt ($232,730,133)......................2.05%**
Combined Total Debt..................................................6.52%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08: $0

*Source: California Municipal Statistics, Inc.*

## DEMOGRAPHIC AND ECONOMIC INFORMATION

### Introduction

The demographic and economic information provided below has been collected from sources that the City has determined to be reliable. Because it is difficult to obtain complete and timely regional economic and demographic information, the City's economic condition may not be fully apparent in all of the publicly available regional economic statistics provided herein.

### Population

City residents account for approximately 10% of the population of the County. While the period from 1980 to 2000 was characterized by rapid population growth in both the City and the County, the last five years reflect a trend of slower growth. Table A-26 below shows the population of the City, the County and the State according to the U.S. Census for the years 1980, 1990 and 2000 and the California Department of Finance for 2004 through 2008.

**Table A-26**
**City, County and State Population Statistics**

| Year | City of Richmond | Contra Costa County | State of California |
|---|---|---|---|
| 1980 | 74,676 | 656,331 | 23,667,764 |
| 1990 | 86,019 | 803,732 | 29,758,213 |
| 2000 | 99,216 | 948,816 | 33,871,648 |
| 2004 | 101,960 | 1,008,999 | 36,252,878 |
| 2005 | 102,677 | 1,020,384 | 36,743,186 |
| 2006 | 102,676 | 1,030,732 | 37,195,240 |
| 2007 | 103,828 | 1,042,341 | 37,662,518 |
| 2008† | 103,577 | 1,051,674 | 38,049,462 |

† Most recent data available.
*Sources: U.S. Census Bureau (1980, 1990 and 2000), California Department of Finance (2004-2008).*

### Economy

***Overview.*** The economy of the City includes oil refining operations, heavy and light manufacturing, distribution facilities, service industries, commercial centers, and a multi-terminal shipping port on San Francisco Bay. Richmond also serves as a government center for western portions of Contra Costa County.

The economy of the City has experienced growth in light and high technology companies and new business parks that accommodate both light industrial and "office/flex" type commercial buildings. Growth in these sectors is adding diversity to the City's historically heavy industrial base. At the same time, major manufacturers continue to upgrade their facilities, making major investments in modernization and expansion.

***Industrial Activity***. Historically, the City has been viewed as an industrial and distribution center, largely due to the visible presence of a major oil refinery, Chevron USA Richmond Refinery, and other major industries: Bio-Rad Laboratories, Pinole Point/Marwais Steel and the bulk liquid terminals in the Port of Richmond.

Chevron Products Company, which owns and operates the Chevron Refinery Facility located in the City, applied for and received a Conditional Use Permit (CUP) and a Design Review Permit (DRP) to allow a replacement of the existing hydrogen plant, power plant, and reformer, and installation of other new associated equipment to increase the Refinery's ability to produce gasoline meeting State of California specifications. The equipment would allow the Refinery Facility to use a wider range of crude oil sources than those currently processed at the facility. The new equipment would improve refinery reliability, energy efficiency, and add environmental controls.

***Biotechnology***. Biotechnology companies located in the City include Bayer Healthcare Pharmaceuticals, Bio-Rad, Kaiser Laboratories, Onyx Pharmaceuticals, Sangamo Biosciences, and the State Department of Health.

Bayer Healthcare Pharmaceuticals (formerly Berlex Biosciences), a global leader in the research, development, manufacture and commercialization of innovative biotechnology and specialty pharmaceutical products, is located on a 53-acre campus, comprised of two buildings, representing approximately 157,000 square feet, in the Hilltop area of the City.

Bio-Rad, a manufacturer of products for life science research and clinical diagnostics, leases 116,000 square feet of space in Richmond's Pinole Point Business Park near Atlas Road on the Richmond Parkway.

Kaiser Laboratories handles more than 25,000 lab specimens daily in a 50,000 square foot facility located on marina way south in Richmond's Marina District.

Transcept Pharmaceuticals, a specialty pharmaceutical company focused on development and commercialization of proprietary products that address therapeutic needs in the field of neuroscience, is located in an approximately 12,757 square foot facility in the Point Richmond area of the City.

Sangamo Biosciences, a worldwide leader in the design and development of engineered zinc finger DNA-binding proteins for gene regulation and gene modification, is located in a 127,500 square foot facility in the Point Richmond area of the City.

The State Department of Health Services operates a Public Health Laboratory in a state-of-of-the-art facility comprised of five buildings encompassing approximately 700,000 square feet in the Marina District.

***High Tech.*** Among the high tech companies located within the City is Dicon Fiberoptics. Dicon, a manufacturer of fiberoptic components, modules and test instruments. Dicon is located in an approximately 201,000 square foot corporate headquarters building and an approximately 130,000 square foot research facility are located on an approximately 28-acre campus located in the Marina District of the City.

***Green Technology.*** Cutting-edge companies located in the City include SunPower, Heliodyne and Vetrazzo.

SunPower, an international designer, manufacturer and distributor of high efficiency solar electric technology, occupies 175,000 square feet in the refurbished, historic 520,000 square foot Ford Point Building in the Marina District.

Vetrazzo, a co-tenant with SunPower in the Ford Point Building, produces custom countertops and flooring from recycled glass in its 40,000 square foot workspace.

Heliodyne, a leading US manufacturer of solar water heating equipment, occupies 4,298 square feet in the Southern Gateway area of the City off of Interstate-580.

"High tech" light industrial firms, research and development companies, biotechnology, and business park developments are growing industrial sectors in Richmond. Biotechnology, medical instruments, and computer software in particular are emerging sectors in the City's economy.

A number of factors appear to be attracting the new high tech firms to the City:

- The ongoing development and leasing of light industrial/business park property at Hilltop and in the Marina District along Richmond's South Shoreline and the Richmond Parkway;
- Availability of fairly extensive vacant or under utilized land areas zoned for industrial use;
- Relatively lower land costs than elsewhere in the Bay Area;
- Richmond's central location in western Contra Costa County, within a short distance of San Francisco, Oakland and other East Bay cities, Marin County, and a relatively easy commute to the State's capitol, Sacramento;
- Proximity to the University of California at Berkeley, one of the major scientific universities and library systems in the world;
- Good access and transportation (Richmond has two Interstate freeways, the Richmond Parkway, Amtrak, BART and AC Transit, as well as good rail and water transportation facilities, including Union Pacific and BNSF Railroads, Santa Fe western terminal, and the Port of Richmond); and
- Availability of affordable housing for employees in a variety of neighborhoods, housing types and price ranges.

Completion of the John T. Knox Freeway in the early 1990's (Interstate 580 extension from Interstate 80 at Albany to the Richmond/San Rafael Bridge) has spurred new industrial and commercial development along the freeway corridor throughout Richmond's South Shoreline area. Development along the Richmond Parkway, which links the northern edge of Richmond (Interstate 80 at Hilltop) and the City's southwest corner (Interstate 580) and the Richmond San Rafael Bridge, opened up a large tract of industrially zoned area in the northwest area of the City. As the economy improves, the shoreline area of the City will be in stronger demand for residential and commercial development. Best practices will require intelligent and steady stewardship to strike the optimum balance between residential development, job creation, recreation and the creation of sales tax and tax increment creation. It will be important to think in terms of long-term impacts of land-use decisions rather than simply build whatever the market demands at a given time, since residential and commercial market demands at a given time, since residential and commercial markets experience upturns and downturns. Although development is preferable sooner rather than later, good judgment is required to ensure the greatest long-term benefit to the citizens of the City. Supporting goals include:

- Complete the transfer of title for the remainder of Point Molate from the Navy for the City and facilitate site clean-up and development.
- Facilitate site remediation and entitlements for the development of Campus Bay.
- Facilitate ferry service to Marina Bay, as well as related infrastructure and development to include a grade change on Marina Bay Parkway and increasing the density of residential and commercial development in the vicinity of the ferry terminal location.
- Continue to attract and increase the density of development in accordance with the General Plan.

***Summary of Major Industrial/Commercial Activity.*** The City is continuing in its efforts to attract additional developers, builders, and commercial activity to all areas of the City. Economic development program efforts are being expanded to increase private sector investment and job creation in the City. In Fiscal Year 2008-09, the following key commercial/industrial activity took place in the City:

- Bio-Rad, in need of expansion space, leased 116,250 square feet in the Pinole Point Business Park (now owned by Sares Regis) off the Richmond Parkway near Atlas Road.
- The Ford Building in the Marina District moved to near 100% occupancy, adding SunPower and Mountain Hardwear to the mix of existing businesses, including Vetrazzo and Title 9.
- Hero Arts relocated to the historic Cannery Building in the Marina District.
- EcoTimber, a high-end bamboo flooring manufacturer and distributer formerly based in San Rafael, leased 20,000 square feet in a 40,000 square feet building in Richmond's Southern Gateway.
- Leasing efforts continued for Campus Bay: an office/research and development campus to the south along I-580 to the south, totaling 500,000 square feet developed by Simeon Properties.

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**Employment**

Table A-27 provides a listing of major employers headquartered or located in the County.

**Table A-27**
**2008 Major Employers in Contra Costa County, California**

| Employer Name | Location | Industry |
|---|---|---|
| ADP | San Ramon | Payroll Preparation Service |
| Bay Area Rapid Transit | Richmond | Transit Line |
| Berlex Laboratories, Inc. | Richmond | Pharmaceutical Preparation |
| Big Blow Tyre Barn | Crockett | Real Estate Loans |
| Chevron Corp | San Ramon | Petroleum Refining |
| Chevron Global Downstream | San Ramon | Service Stations |
| Concord Naval Weapons Station | Concord | Federal Government |
| County of Contra Costa | Martinez | County Government |
| Contra Costa Community College District | Martinez | Education |
| Contra Costa Regional Medical Center | Martinez | County Government |
| Diablo Valley College | Pleasant Hill | Colleges Academic |
| Doctor's Medical Center | San Pablo | Hospitals |
| John Muir Physical Rehab | Concord | Rehabilitation Services |
| John Muir Physician Referral | Walnut Creek | Hospitals |
| Kaiser Permanente Medical Center | Martinez | Health Plan |
| Kaiser Permanente Medical Center | Walnut Creek | Hospital |
| Mt. Diablo Unified School District | Concord | K-12 Education |
| Martinez Refining Co. | Martinez | Petroleum Products |
| Muirlab | Walnut Creek | Medical Laboratory |
| PMI Mortgage Insurance Co. | Walnut Creek | Mortgage Insurance |
| City of Richmond | Richmond | Government |
| San Ramon Regional Medical Center | San Ramon | Hospital |
| Shell Oil Products Co. | Martinez | Service Stations |
| St. Mary's College | Moraga | School |
| Sutter Delta Medical Center | Antioch | Hospital |
| Tesoro Refining & Marketing Co. | Pacheco | Convenience Store |
| US Veterans Medical Center | Martinez | Hospitals |
| USS-Posco Industries | Pittsburg | Steel Mill |
| West Contra Costa Unified School District | Richmond | K-12 Education |

*Sources: State of California, Employment Development Department, East Bay Business Times, Book of Lists, 2008 and San Francisco Business Times, Book of Lists, 2008.*

The following Table A-28 compares estimates of the labor force, civilian employment and unemployment for County residents, State residents and United States residents between 2003 through 2007.

**Table A-28**
**Civilian Labor Force, Employment and Unemployment**
**Annual Average for Years 2003 through 2007†**

| Year and Area | Labor Force | Civilian Employment | Unemployment | Unemployment Rate |
|---|---|---|---|---|
| **2003** | | | | |
| City | 50,500 | 45,600 | 4,900 | 9.7% |
| County | 521,300 | 481,200 | 31,100 | 6.1 |
| State | 17,418,700 | 16,227,000 | 1,190,500 | 6.8 |
| United States | 146,510,000 | 137,736,000 | 8,774,000 | 6.0 |
| **2004** | | | | |
| City | 50,000 | 45,600 | 4,400 | 8.8 |
| County | 508,500 | 480,800 | 27,700 | 5.5 |
| State | 17,538,800 | 16,444,500 | 1,094,300 | 6.2 |
| United States | 147,401,000 | 139,252,000 | 8,149,000 | 5.5 |
| **2005** | | | | |
| City | 50,100 | 46,200 | 3,900 | 7.8 |
| County | 511,900 | 487,300 | 24,600 | 4.8 |
| State | 17,695,400 | 16,782,300 | 958,100 | 5.4 |
| United States | 149,321,000 | 141,730,000 | 7,591,000 | 5.1 |
| **2006** | | | | |
| City | 50,700 | 47,100 | 3,600 | 7.2 |
| County | 518,500 | 496,300 | 22,200 | 4.3 |
| State | 17,901,900 | 17,029,300 | 872,600 | 4.9 |
| United States | 151,428,000 | 144,427,000 | 7,001,000 | 4.6 |
| **2007†** | | | | |
| City | 51,700 | 47,600 | 4,100 | 7.9 |
| County | 526,100 | 501,200 | 24,900 | 4.7 |
| State | 18,188,100 | 17,208,900 | 974,200 | 5.4 |
| United States | 153,124,000 | 146,047,000 | 7,078,000 | 4.6 |

† Most recent annual data available. Data is not seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.

*Sources: State of California Employment Development Department Labor Market Information Division; U.S. Bureau of Labor Statistics.*

**Effective Buying Income**

"Effective Buying Income" is defined as money income less personal tax and non-tax payments, a number often referred to as "disposable" or "after-tax" income. Money income is the aggregate of wages and salaries, net farm and non-farm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling and other periodic income. Deducted from this total money income are personal income taxes (federal, state and local), personal contributions to social insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied non-business real estate.

The following table summarizes the median effective buying income for the City, the County and the State for the calendar years 2003 through 2007. Claritas Inc. estimated 2007 median household effective buying income at $42,893 for the City.

**Table A-29**
**City of Richmond, Contra Costa County and the State of California**
**Total Effective Buying Income**
**Calendar Years 2003 through 2007**

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|
| City | $40,033 | $40,304 | $41,357 | $41,934 | $42,893 |
| County | 54,448 | 54,862 | 56,165 | 56,979 | 58,497 |
| State | 42,484 | 42,924 | 43,915 | 44,681 | 46,275 |

*Sources: Survey of Buying Power, Sales & Marketing Management Magazine (2003 through 2005) and Demographics USA, Claritas Inc. (2006 and 2007). Data for 2006 and 2007 may not be comparable with prior years due to change in source.*

**Construction Activity**

Table A-30 sets forth a five-year summary of building permit valuations and new dwelling units within the City.

**Table A-30**
**City of Richmond**
**Building Permit Valuations**
**Calendar Years 2004 through 2008**
**($ in Thousands)**

| | Single Family | | Multifamily | | Value of Alterations and | Total Residential | Nonresidential | |
|---|---|---|---|---|---|---|---|---|
| Year | Units | Valuation | Units | Valuation | Additions | Valuation | Valuation | Total† |
| 2004 | 213 | $51,247 | 117 | $19,900 | $12,174 | $83,321 | $54,866 | $138,187 |
| 2005 | 199 | 47,275 | 91 | 11,315 | 12,668 | 71,258 | 54,368 | 125,626 |
| 2006 | 73 | 17,189 | 108 | 10,845 | 10,710 | 38,744 | 39,793 | 78,537 |
| 2007 | 43 | 9,759 | 148 | 16,196 | 10,342 | 36,297 | 33,810 | 70,107 |
| 2008 | 28 | 6,734 | 50 | 5,298 | 9,749 | 21,781 | 50,833 | 72,614 |

† Total represents the sum of residential and nonresidential building permit valuations. Data may not total due to independent rounding.

*Source: Construction Industry Research Board.*

**Community Facilities**

Richmond area residents have access to modern health care facilities. The Richmond area has two general hospitals, Doctors Hospital in San Pablo and the Kaiser Hospital Facility, located in downtown Richmond. Richmond also has several convalescent hospitals. The Richmond area offers a variety of leisure, recreational and cultural resources, from boating, fishing and hiking, to live theater, golf, tennis and team athletics. Three regional parks are on the shoreline: Point Pinole, George Miller Jr./John T. Knox, Ferry Point and Point Isabel. The City operates a public marina (775 boat berths at Marina Bay), four large community parks (Point Molate Beach Park, Hilltop Lakeshore Park, Nicholl Park, and Marina Park and Green), 25 neighborhood parks ranging in size from one to 22 acres, many play lots and mini parks, and seven community centers.

In addition, the City operates a disabled person's recreation center, a sports facility, two senior centers (Richmond Senior Center and Richmond Annex Senior Center), the Richmond Museum, the Richmond Municipal Auditorium, the Richmond Swim Center, Coach Randolf Pool, the Washington Fieldhouse, the Veterans Memorial Auditorium, and the Richmond Public Library. The Richmond Art Center, a privately funded arts organization, is partly supported by the City of Richmond. Currently, only four of the City's recreation centers are operational.

Also in Richmond are several private yacht harbors, golf and country clubs, and community theaters. Within 30-45 minutes by BART or car are the cultural resources of other cities in the East Bay and Bay Area, including Oakland, Berkeley and San Francisco.

East Bay Regional Park District ("EBRPD") maintains one regional park, four regional shorelines, and one regional preserve within Richmond. One additional parkland facility, the 214-acre Kennedy Grove Regional Recreation Area, is located in an unincorporated area of the County bordering on the City at the eastern end of El Sobrante Valley. The four regional shorelines presently owned and maintained by EBRPD represent a substantial portion of the City's shoreline. The regional shorelines and Wildcat Canyon Park are used not only by residents of the City but also by the general public within the Bay Area region.

**Transportation**

The City is a central transportation hub in the Bay Area, offering convenient access throughout the region and well into central California. The City's port facilities, railroads and proximity to international airports are complemented by a network of freeways and public transportation services.

***Freeways.*** Existing and new highways have made travel to and through the City more efficient and convenient. Interstate 80, which passes through the City, is a direct route to Oakland, San Francisco, Vallejo, Fairfield and Sacramento. Interstate 580 provides continuous freeway access from Richmond's South Shoreline area to East Bay communities and to Marin County and is stimulating new commercial, industrial and residential development along Richmond's South Shoreline. Similarly, completion of the Richmond Parkway through North Richmond in 1996 improves vehicular access between Marin and communities to the north and east on Interstate 80, while opening major tracts of land along the City's north shoreline for new development.

***Port and Rail.*** The City's deep water port is third largest in the State by annual tonnage, handling more than 20.8 million metric tons of general, liquid and dry bulk commodities each year. For additional information regarding the Port of Richmond, see APPENDIX C–"THE PORT OF RICHMOND."

***Regional Airports.*** Oakland International Airport (approximately 18 miles from the City) and San Francisco International Airport (approximately 28 miles from the City) provide the City with world-wide passenger and freight service. In addition, Concord's Buchanan Field, in central Contra Costa County, is 25 miles to the east and provides limited scheduled service and general aviation services.

***Public Transit.*** The public is served by the San Francisco Bay Area Rapid Transit System ("BART") with a station conveniently located in downtown Richmond; AMTRAK passenger train service is available from a station adjacent to the Richmond BART station; and AC Transit offers local bus service within the City, to other East Bay communities and to San Francisco.

**Utilities**

Electric power and natural gas services to the City are supplied by Pacific Gas & Electric Co.

Telephone services to the City are supplied by AT&T.

Water services to the City are supplied by East Bay Municipal Utility District ("EBMUD"). Approximately 89% of the EBMUD water supply is from the Mokelumne River watershed stored at the 69.4 billion gallon capacity Pardee Dam in Ione, California. EBMUD is entitled to 325 million gallons per day under a contract with the State Water Resources Control Board, plus an additional 119 million gallons per day in a single dry year under a contract with the U.S. Water and Power Resources Service (formerly the U.S. Bureau of Reclamation). After dry winters in 2006 and 2007, EBMUD water supplies are at critically low levels. To safeguard the shrinking supply, EBMUD declared a drought emergency, imposed mandatory water rationing goals ranging from 5% for industrial users to 19% for single family residential users to 30% for irrigation user, and imposed drought surcharge rates commencing August 1, 2008.

Sewer services to the City are supplied by West Contra Costa Sanitary District, Richmond Municipal Sewer District and Stege Sanitary District.

**Education**

The City comprises a portion of the attendance area of the West Contra Costa Unified School District, which comprises 42 elementary schools (18 of which are located in the City), seven middle schools (two of which are located in the City), and 14 high schools and alternative schools (six of which are located in the City) and has a total K-12 enrollment of approximately 30,700 students for Fiscal Year 2008-09. In addition, private schools operate in the City and several institutions of higher education are located in or near the City, including the University of California at Berkeley, Contra Costa College, Diablo Valley College, Los Medanos College, the California Maritime Academy, California State University – East Bay, San Francisco State University, and the University of California at San Francisco.

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## APPENDIX B

## AUDITED FINANCIAL STATEMENTS OF THE CITY OF RICHMOND, FISCAL YEAR 2007-08

### Amendments to the Letter and the Management's Discussion and Analysis

The letter of the Finance Director/Treasurer of the City (the "Letter") that is presented on pages i through xi of the Financial Report and the Management's Discussion and Analysis (the "MD&A") that is presented on pages 3 through 21 of the Financial Report contain statements that are inconsistent with the audited financial information presented therein. To correct those inconsistencies, the City makes the following revisions to the Letter and the MD&A, which should be read in conjunction with the Letter and MD&A appearing in the Financial Report.

On page vii of the Letter under the caption "–Long-Term Financial Planning," the first bullet point is deleted and replaced with the following to read in full as set forth below:

- Continued a $10 million contingency reserves designation.

On page vii of the Letter under the caption "–Long-Term Financial Planning," in the paragraph following the bullet points the phrase "coupled with a balance sheet that is significantly stronger in recent years" is deleted and replaced with the following "coupled with balance sheet resources from the prior year" so that the paragraph reads read in full as set forth below:

> Recent growth in the City's revenues, coupled with balance sheet resources from the prior year, enabled the City to include enhanced service levels in a number of areas as part of the Adopted Budget for Fiscal Year 2008-09.

On page 17 of the MD&A, in the second and third lines of the last paragraph, the phrase "unforeseen needs such as the relocation of the Police Department to a new site and personnel cost increases arising from newly negotiated contracts" is deleted. The labor contracts referred to were negotiated in January 2008 and therefore do not affect the Fiscal Year 2007-08 financial statements. The last paragraph on page 17 of the MD&A should read in full as follows:

> Appropriations were increased at the Mid-Year Budget Review to address unforeseen needs and critical items such as the relocation of the Police Department to a new site. The final adjusted appropriations were $137.3 million, an increase of $9.7 million over the adopted budget appropriation. General government exceeded the budget by $1.7 million due to increased personnel costs and increased investment in paying maintenance projects; the most the City has spent on such projects in any fiscal year.

On pages 19 and 20 of the MD&A under the caption "–Debt Administration: *–Long Term Debt*," the Moody's Investors Service ratings were inadvertently omitted. The following paragraphs are added immediately following the first paragraph on page 20 to read in full as follows:

> On May 19, 2008, Moody's Investors Service ("Moody's") affirmed the rating of "Baa1" on the Richmond Joint Powers Financing Authority Lease Revenue Bonds (Refunding and Civic Center Project) Series 2007.
>
> On September 26, 2006, Moody's assigned the rating of "Baa2" to the City's Wastewater Revenue Refunding Bonds, Series 2006A and affirmed said rating on January 7, 2009.

On page 20 of the MD&A under the caption "–Economic Factors, Next Year's Budget and Inflation Rates," the first sentence in the first bullet point is deleted so that is reads in full as follows:

- Revenues from recent strong growth in assessed valuation are slowing, but still growing. Projected strong growth in revenue streams from both increasing assessed valuation and increases retail sales are expected with the opening of a Target in July 2008. Coupled with a continuing tight rein on appropriations, a continuing positive cash flow is projected.

On page 20 of the MD&A under the caption "–Economic Factors, Next Year's Budget and Inflation Rates," the third bullet point states that the City has funded a $10 million contingency reserve within the General Fund in accordance with the established reserves policy. The reserves policy, amended on July 1, 2007, was revised to require a contingency reserve equal to 15% of General Fund expenditures. This bullet point is deleted and replaced to read in full as follows:

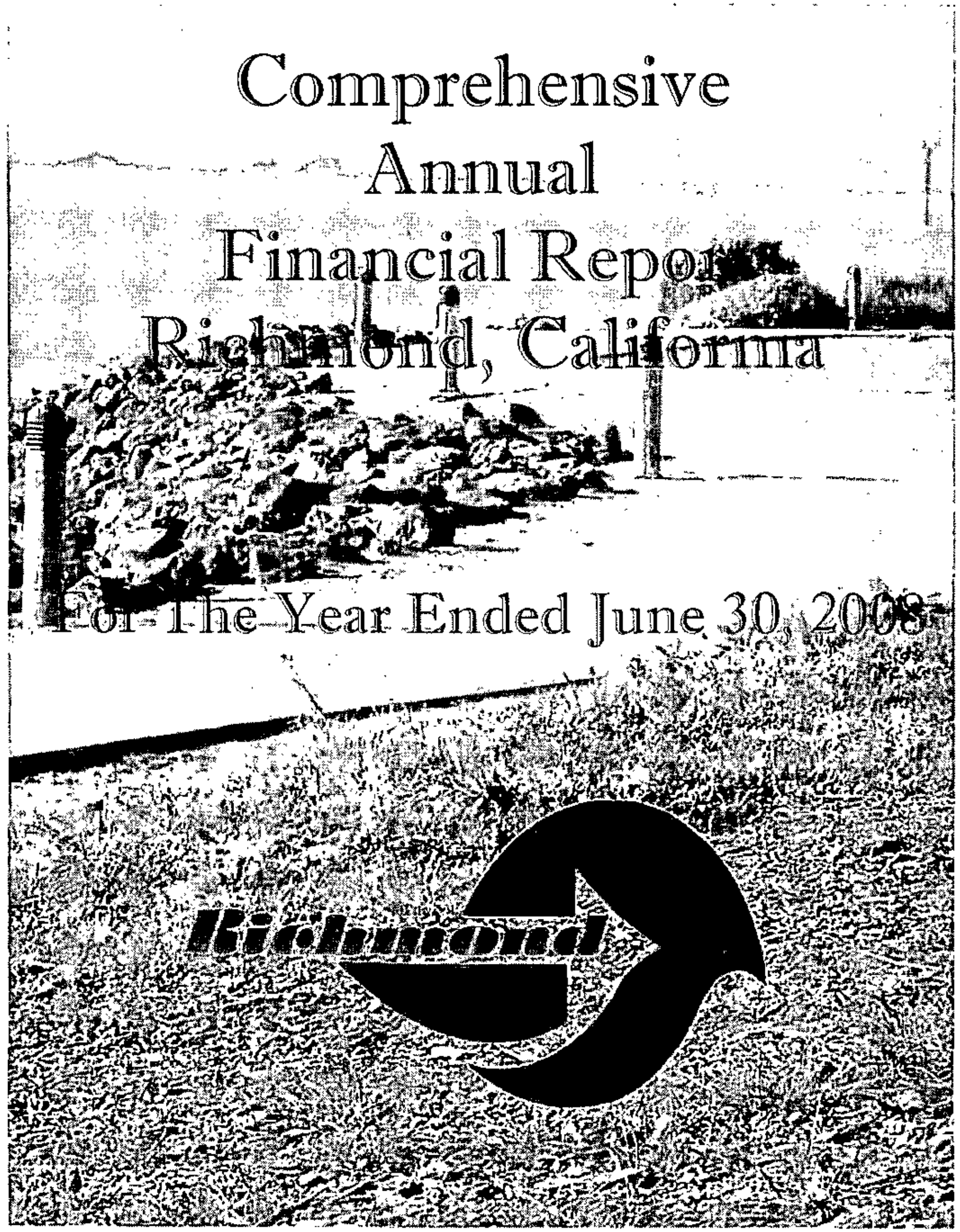
- The City has established a reserves policy that calls for a minimum cash reserve of 15% of General Fund expenditures. The City anticipates building the cash reserve to the 15% target over time. As of June 30, 2008, the cash reserve was $10 million, which is equivalent to 7.76% of General Fund expenditures. In March 2009, the City increases the reserve amount to $20 million, which is equivalent to 15.69% of estimated Fiscal Year 2008-09 expenditures.

On page 20 of the MD&A under the caption "–Economic Factors, Next Year's Budget and Inflation Rates," the fourth bullet point states that the City adopted a structurally balanced budget; however, the actual audited budget results show a structural imbalance due to a combination of lower than expected revenues, one-time expenditures on the relocation of the Police Department, overtime costs for safety personnel and other factors. This bullet point is deleted and replaced to read in full as follows:

The City adopted a structurally balanced budget; however, the actual audited budget results show a structural imbalance due to a combination of lower than expected revenues, one-time expenditures on the relocation of the Police Department, overtime costs for safety personnel and other factors.

# Comprehensive Annual Financial Report Richmond, California

For The Year Ended June 30, 2008



CITY OF RICHMOND, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Prepared by

THE FINANCE DEPARTMENT

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CITY OF RICHMOND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2008

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**STATISTICAL SECTION**



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FINANCE DEPARTMENT

1401 MARINA WAY SOUTH
RICHMOND, CA 94804
(510) 620-6740

December 22, 2008

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Richmond, California (City). The Finance Department has prepared this report to present the financial position and the results of the City's operations for the fiscal year ended June 30, 2008, and the cash flows of its proprietary fund types for the year then ended. The basic financial statements and supporting schedules have been prepared in compliance with Article IV, Section 1(b)3 of the City Charter, with California Government Code Sections 25250 and 25253, and in accordance with generally accepted accounting principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB).

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by an independent auditing firm of licensed certified public accountants. The objective of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion on



the City's financial statements for the fiscal year ended June 30, 2008. The Independent Auditors' Report is presented as the first component of the Financial Section of this report.

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

## The Reporting Entity and Its Services

The City has defined its reporting entity in accordance with generally accepted accounting principles that provide guidance for determining which governmental activities, organizations and functions should be included in the reporting entity. This CAFR presents information on the activities of the City and its component units.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements to emphasize their legal separateness from the City. Each blended component unit has a June 30 year-end. The City's sole discretely presented component unit is RHA Properties and also has a June 30 year-end. Please see note 1 for a detailed discussion of the financial reporting entity.

The City's component units and assessment districts are as follows: the Richmond Community Redevelopment Agency, the Richmond Housing Authority, the Richmond Joint Powers Financing Authority, and the Hilltop Redemption, Castro Street, Hilltop A-D, Seaport District 816, Point Richmond Parking, Hilltop E, San Pablo 854, Harbor Navigation, Country Club Vista, Cutting/Canal and Atlas Interchange Special Assessment Districts. The City also has two inactive component units, Richmond Parking Authority and Richmond Surplus Property Authority.

## Profile of the Government

The City of Richmond was chartered as a city in 1909, and is located 16 miles northeast of San Francisco, directly across San Francisco Bay. Richmond is on a peninsula separating San Francisco Bay (on the south) and San Pablo Bay (to the north), spanning 32 total miles of shoreline. The City's total area is 56.1 square miles, 33.8 of which is land area and 22.3 water area. Richmond is situated near major metropolitan cities and major new growth areas. San Francisco is within 35 minutes from Richmond by freeway; Oakland is 20 minutes; San Jose is approximately one hour's drive to the south and Sacramento, the state capitol, is approximately 90 minutes to the east. Central Marin County is 15 minutes from Richmond directly across the Richmond-San Rafael Bridge. Freeways provide direct access from Richmond to major new growth areas along Interstate 80 north and east to Vallejo, Fairfield and Sacramento; along Interstate 680 in central Contra Costa County; and south along Interstate 880 to the San Jose area.

Richmond's population is 103,577. The population within a 30-mile radius of Richmond is over 3.7 million, and within a 70-mile radius is approximately 7.8 million. Richmond is located on the western shore of Contra Costa County, and is the largest city in the "West County" region consisting of five cities: Richmond, El Cerrito, San Pablo, Hercules and Pinole.

The City of Richmond provides a full range of municipal services, including police and fire protection, construction and maintenance of highways, streets and infrastructure, library services, storm water and municipal sewer systems, wastewater treatment facility and the administration of recreational activities and cultural events. The City also operates the Richmond Memorial Convention Center and the Port of Richmond.

The City Council is the governing body of the City and has six members elected at-large to alternating 4-year terms. The Mayor is elected at large and is a seventh member of the City Council. The City of Richmond is a Council-Manager form of government. The City Manager, appointed by the Mayor and Council, has administrative authority to manage administrative and fiscal operations of the City. In addition to the City Manager, the City Attorney, City Clerk and Investigative Appeals Officer are appointed by the Mayor and Council.

The mission of the City of Richmond is:

*The City of Richmond provides services that enhance economic vitality, the environment and the quality of life of our community.*

## Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

**Local economy**

The economy of the City of Richmond includes heavy and light manufacturing, distribution facilities, service industry, high-tech, bio-tech and medical technologies, retail centers and a multi-terminal shipping port on San Francisco Bay. Richmond also serves as a government center for western Contra Costa County. The Richmond economy is experiencing growth in light industrial and high technology companies, as well as retail, including a Target that opened in July 2008 and replaced a vacant Montgomery Ward site at Macdonald and Interstate 80. Growth in these sectors is adding diversity to Richmond's broad-based



economy. At the same time, the Port of Richmond has recently found new success in the importation of automobiles.

A number of prime factors appear to be attracting the new high-tech firms to Richmond:

- The ongoing development and leasing of light industrial/business park property at Hilltop and along the relatively new I-580 freeway along Richmond's South Shoreline evidence that an active market for this kind of space exists in the Richmond area;
- Availability of fairly extensive vacant or under-utilized land areas zoned for industrial use;
- Relatively lower land costs than most of the Bay Area;
- Richmond's central location in western Contra Costa County; within a short distance of San Francisco, Oakland, other East Bay cities and Marin County, and a relatively easy commute to and from the State's capitol, Sacramento;
- Proximity to the University of California, Berkeley, one of the major scientific universities and library systems in the world;
- Good access and transportation (Richmond has two Interstate freeways as well as good rail and water transportation facilities, including Southern Pacific and Santa Fe Railroads, Santa Fe western terminal and the Port of Richmond and the recent Richmond Transit Village featuring an inter-modal station providing easy access to Bay Area Rapid Transit (BART, Amtrak and buses); and
- Availability of relatively affordable housing for employees in a variety of neighborhoods, housing types and price ranges.

Small business firms, 20 or fewer employees, comprise a very high percentage of Richmond businesses. The City played a major role in building capacity to service this group by establishing the West Contra Costa Business Development Center, which is located in Richmond's historical Downtown. The Center supports the Richmond Main Street Initiative, provides small business loans through a revolving loan fund and recently implemented a façade improvement program.

Public policy decisions have been made that will improve the quality and quantity of the technical workforce ready to meet the challenges of the technological labor market. The Richmond area policy makers are working as a team to accomplish the common goal of retaining components of the current economic base and creating an economic environment that will attract and retain new businesses in growth industries. Some of the special programs and projects that have been created to accomplish this goal are as follows:

**Richmond Enterprise Zone:** This City of Richmond program offers businesses within its boundaries the opportunity to reduce their state business income taxes through a variety of tax credits. Most commercial and industrial areas of the City are within the Enterprise zone. Incentives include: a Hiring Tax Credit, Sales and Use Tax Credit, Business Expense Deduction for Real Property, Net Operating Loss Carry-over, Net Interest Deduction for Lenders and Employer Tax Credit for hiring Low-Income Employees.

**Workforce Investment Board:** The Richmond Workforce Investment Board (WIB) is the official oversight and policy-making body for federally-funded employer services and employment and training programs in Richmond. The mission of the Richmond WIB is to oversee the articulation and implementation of comprehensive workforce development strategies, policies and performance outcomes of the City of Richmond's integrated service delivery system.

## Significant Events and Accomplishments

The City of Richmond is committed to providing excellent municipal services to its diverse residents and visitors. Highlights of the City's activities and accomplishments for the fiscal year ended June 30, 2008 include the following:

### Public Safety

- The City of Richmond hired a Director of the Office of Neighborhood Safety in the City Manager's Department, and initiated operations based on a plan approved by the City Council in July of 2007.
- The City is in the final weeks of implementing new surveillance camera technology in various areas of the City to reduce illegal activities and otherwise improve public safety.
- The Police Department moved its operations to leased facilities to improve administrative efficiencies in Police operations and to improve employee safety and morale.
- The City installed eight at-grade pedestrian crossing lights for schools to improve pedestrian safety.

### Economic & Neighborhood Development

- New software was implemented that improves efficiency and effectiveness in development and permit application processing in the Planning and Building Services Department.
- The Employment and Training Department expanded the Summer Youth Employment and the RichmondBUILD programs.
- The City implemented an enhanced contract compliance program to increase the utilization of local contractors and the local workforce.
- The Port of Richmond is finalizing an agreement that would bring a major new tenant to the Port of Richmond.



### Strategic Support

- Consistent with sound financial management practice, the FY 2007-08 operating budget incorporated, for the first time, actuarially-based funding for other post-employment benefits (OPEB) pursuant to policies directed by the Governmental Accounting Standards Board. OPEB is comprised almost entirely of retiree health benefits, and funding for these future benefit obligations has been placed with a trustee.
- A multi-departmental team commenced configuration of a new Enterprise Resource Planning System that will integrate financial, budget, human resources, and other functions of the City, and that will comply with governmental accounting and human resources requirements.
- The City took additional steps to institutionalize budget performance measures, transitioning to performance-based budgeting.
- The City continued to expand the functionality of its website to promote greater transparency of City activities.
- Projects are currently ongoing to digitize (scan) records and make them available on the City's website, thereby reducing the demand for paper and copying.
- The City established an Environmental Manager position in the City Manager's office to improve organizational focus on sustainability.

### Recreation & Cultural Services

- The City reorganized to create a stand alone Recreation Department, with the objective to increase the focus on expanding recreational opportunities to persons of all ages and varied interests.
- Five community centers were rehabilitated, along with surrounding parks, in preparation for expanded recreation programs during the summer of 2007 and throughout the fiscal year.
- The West Side and Bayview Branch Libraries were rehabilitated and reopened to serve their respective communities.

### Public Works

- The City of Richmond invested over $13 million in paving maintenance projects during FY 2007-08, the most that the City has spent on such projects in any single fiscal year. The City's Pavement Condition Index (PCI) increased from 45 in 2007 to 58 in May 2008.
- Pilot projects related to the ultimate replacement and upgrading of street lights to improve illumination and system reliability were implemented in selected areas, including increased wattage (brightness) of 30 lights in the Iron Triangle and the addition of 23 street lights.
- Staff and operating support were increased for improved park and landscape maintenance, including street medians and pedestrian/bike pathways.
- Bay Trail water access was enhanced with the completion of the Boat Ramp Street improvements.
- The City created two new "railroad" quiet zones.

**Long-term Financial Planning**

- Adopted and adhered to a structurally balanced budget for 2007-08 that resulted in the continued designation of $10 million for contingency reserves.
- Commenced development of a Five-year Strategic Business Plan.

Recent growth in the City's revenues, coupled with a balance sheet that is significantly stronger than in recent years, enabled the City to include enhanced service levels in a number of areas as part of the Adopted Budget for Fiscal Year 2008-09:

**Public Safety**

- Continue to expand the number of sworn personnel in the Police Department, deployed through a community involved policing structure.
- Complete the implementation of the surveillance camera system, and integrate this system into ongoing programs for law enforcement and blight abatement.
- Work with partner agencies, including other governmental, community-based, and faith-based organizations to implement violence prevention strategies that are centered on neighborhood change and effective street outreach.
- Create an Advanced Life Support (paramedic) pilot program in the Fire Department.
- Initiate Crime Prevention through Environmental Design (CPTED) reviews at all Housing Authority developments.

**Economic & Neighborhood Development**

- Provide over 500 jobs in the summer youth employment program, with the goal to increase by 100 the number of youth employed through this program over the previous year.
- Complete Port improvements to accommodate the addition of a major new tenant.
- Continue to revitalize and enhance key commercial areas, including the Macdonald Avenue corridor, 23rd Street improvements, and the Civic Center and surrounding area.

**Strategic Support**

- Fully implement a new Enterprise Resource Planning (ERP) system that will comply with governmental accounting and human resources requirements, improve efficiency in business processes, and integrate new technology in planning and building functional systems.
- Develop a Five-Year Strategic Business Plan for the City.
- Institutionalize the performance-based budgeting system into municipal operations by preparing, distributing, and analyzing quarterly progress reports on City performance measures.
- Integrate new technology, including phone (voice over internet protocol) and office automation systems, into the renovated City Hall.
- Continue to aggressively implement performance audit recommendations to improve customer service in the Planning and Building Services Department.



- Develop and implement effective community-wide and organizational policies and programs in the areas of resource conservation, climate change, and energy efficiency, to ensure Richmond's long-term environmental sustainability.
- Develop and draft a City environmental policy toward a "greener" environment covering issues as air and water quality, 'green' space, recycling, public health, socio-economic conditions, and transportation.
- Develop a Sustainable Procurement Strategy for the City.
- Digitize (scan) records and make them available on-line to reduce use of paper.
- Incorporate policies regarding sustainable land use into the City's updated General Plan.
- Expand the RichmondBUILD Solar Technology training for Richmond residents to include an industry certification as Photovoltaic Installer.

**Recreation & Cultural Services**

- Implement an energy efficiency training program for Richmond youth.

**Public Works**

- Continue to invest in street repairs and resurfacing, through both Public Works department efforts and the annual pavement management contracts, to increase the City's PCI to 65 by 2010.
- Replace outdated street lighting systems in Park Plaza, and Parkview neighborhoods to improve aesthetic appearance and public safety in these areas.
- Continue to repair and replace sewer pipes to reduce inflow and infiltration in the City's wastewater system, and to further reduce sanitary sewer overflows.
- Implement a comprehensive graffiti eradication program, leveraged through the organized use of community volunteers.
- Fully implement a "SWAT" approach to code enforcement to increase the number of abandoned vehicle and problem property abatements, and achieve a noticeable reduction of blight in the community.
- Develop a Facility Condition Needs Index for City facilities and establish maintenance standards based on this index.
- Establish and adhere to maintenance standards for parks and landscaped areas.
- Complete a City facilities solar suitability report.
- Increase the number of ultra-low emission vehicles in the City's vehicle fleet.

## CASH MANAGEMENT POLICIES AND PRACTICES

Public funds held by the City Treasury were invested in accordance with established investment procedures and with the Investment Policy adopted by the City Council on July 22, 2003. An updated Investment Policy was adopted by the City Council on April 17, 2007. The Investment Policy is in compliance with Section 53601 of the State of California Code.

The permitted investments include U.S. Treasury notes, bonds, or bills; instruments issued by a U.S. federal agency or a United States government sponsored enterprise; negotiable certificates of deposit (with certain restrictions); medium term corporate notes with a rating category of "A" or better; commercial paper of "prime quality"; bankers' acceptances; repurchase agreements not to exceed one year; money market mutual funds (with certain restrictions), the Investment Trust of California and with the State of California Local Agency Investment Fund.

The objectives of the Investment Policy are to invest up to 100% of all idle funds, guarantee that funds are always available to meet all possible cash demands of the City and to manage the portfolio in order to take advantage of changing economic conditions that can aid in increasing the total return on the City's portfolio.

The average earned interest yield for the year ended June 30, 2008 was 1.73 percent. The City Council receives reports on the City's pooled investment program on a monthly basis. Please see note 3 for a detailed discussion of the City's cash and investments.

## RISK MANAGEMENT

The Risk Management Division, a component of the Human Resources Department, is responsible for managing and controlling the City's overall cost of risk. This entails a number of components including exposure assessment, loss control and mitigation, loss funding and claims management. The Division's pre-loss efforts include safety training and employee education programs, operational, financial and transactional risk and hazard evaluation, implementation of regulatory and legislative requirements and the evaluation and use of risk financing methods including self-insured retentions, risk transfer opportunities and the purchase of insurance.

The City self-insures the first $1 million of its Workers' Compensation program and purchases excess insurance coverage for claims up to $25 million in excess of the annually determined self-insured retention ($1 million). Risk Management is instrumental in evaluating retention and insurance costs to optimize the City's cash flow and manage its overall Workers' Compensation costs. The City also self-insures a portion of its liability risk and purchases excess insurance above an annually-determined self-insured retention from a governmental risk pool. Liability claims are administered by the risk pool. As with Workers' Compensation risk, Risk Management is instrumental in evaluating retention and insurance costs to optimize the City's cash flow and manage its overall liability costs.

Robyn Kain, the City's Risk Manger works with the City Attorney, outside legal counsel and the City Council to review claims and establish claim management strategies. The Risk Manager also works continuously to identify and coordinate practical, operational and strategic best practices to reduce the frequency and severity of losses in order to protect the general public and City employees and to reduce the overall frequency and severity of losses. Please see note 14 for a complete discussion of Richmond's risk management.



## PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan that covers substantially all eligible City employees. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance.

General Pension Plan – Retirement and other benefits are paid from the assets of the Plan and from related investment earnings. The City is required under its charter to contribute the remaining amounts necessary to fund the Plan using the entry age-normal actuarial method as specified by ordinance.

Police and Firemen's Pension Plan – Funding for the Plan is provided from the Secured Pension Override Special Revenue Fund. Employees were vested after five years of service. Members of the Plan are allowed normal retirement benefits after 25 or more continuous years of service. The City is required under its charter to contribute the remaining amounts necessary to fund the Plan using the entry age-normal actuarial method as specified by ordinance.

The City established the Secured Pension Override Special Revenue Fund to which proceeds of a special incremental property tax levy voted by the citizens of the City of Richmond are credited for the payment of benefits under the Plan.

Garfield Pension Plan – Retirement and other benefits are paid from the assets of the Plan and from related investment earnings. Benefit provisions have been established and may be amended upon agreement between the City and Mr. Garfield.

In addition to the pension benefits described in Notes 10 and 11, the City provides postretirement health care benefits, in accordance with City ordinances, to all employees who retire from the City on or after attaining retirement age (50 for policemen, 50 for firemen, and 55 for all other employees) and who have at least ten years of service. At June 30, 2008, 408 retirees met those eligibility requirements. The City has funded these benefits on a pay-as-you-go basis. During fiscal year 2008, expenditures of $2,206,179 were recognized for post employment health care benefits. Also during fiscal year 2008, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than pensions. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB) The provisions of this statement are applied prospectively and do not affect prior year's financial statements. Please see notes 10, 11, and 12 for a complete discussion of the City's pension and other post-employment benefits

## AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2007. In order to be awarded a Certificate of Achievement, a government 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.

The City received the California Society of Municipal Finance Officers (CSMFO) Certificate of Award for Outstanding Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. Fiscal year 2007/2008 was the first year the City was not able to participate in the California Society of Municipal Finance Officers (CSMFO) Award Program for Outstanding Financial Reporting. The CSMFO Board of Directors determined that beginning with fiscal year 2005/2006 only agencies that did not participate in the GFOA award program were eligible to participate in the CSMFO program. Prior to this change in policy by the CSMFO, the City received the CSMFO Outstanding Financial Reporting award for the past two fiscal years.

## ACKNOWLEDGEMENTS

The preparation of this CAFR represents the culmination of a concerted team effort by the entire staff of the Finance Department. They should be commended for their professionalism, dedication, efficiency, and their personal commitment and determination demonstrated through long days of focused attention to produce this exemplary document.

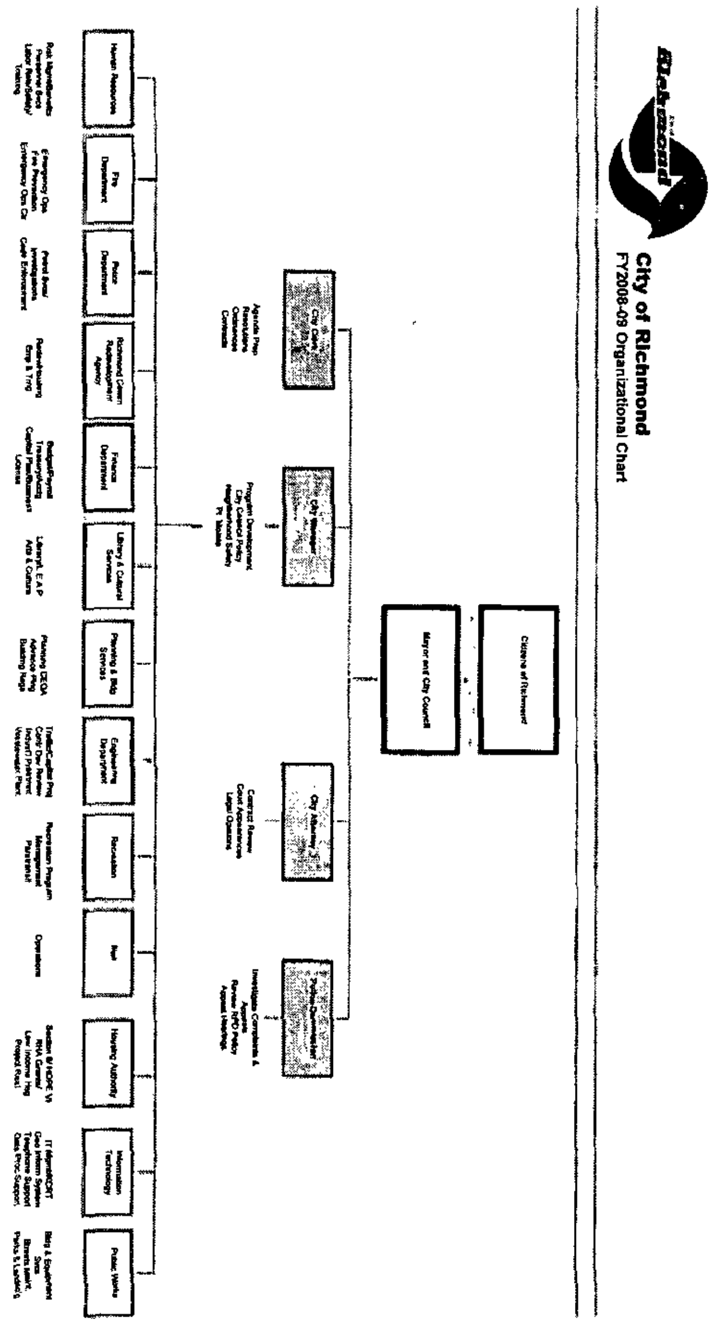
In addition, staff in all City departments should be recognized for responding so positively to the requests for detailed information that accompanies each annual audit. The role of Maze & Associates, Certified Public Accountants, should also be acknowledged as a significant contribution to a fine product.

Finally, we wish to express our sincere appreciation to the Mayor and City Council for providing policy direction and a firm foundation of support for the pursuit of excellence in all realms of professional endeavors.

Respectfully submitted,

James C. Goins
Finance Director/Treasurer





CITY OF RICHMOND, CALIFORNIA

CITY OFFICIALS

## CITY COUNCIL

| | |
|---|---|
| Gayle McLaughlin | Mayor |
| John E. Marquez | Vice-Mayor |
| Nathanial Bates | Councilmember |
| Tom K. Butt | Councilmember |
| Ludmyrna Lopez | Councilmember |
| John Marquez | Councilmember |
| Jim Rogers | Councilmember |
| Harpreet Sandhu | Councilmember |
| Tony Thurmond | Councilmember |
| Maria Viramontes | Councilmember |

## ADMINISTRATION AND DEPARTMENT HEADS

| | |
|---|---|
| Bill Lindsay | City Manager |
| Leslie Knight | Asst. City Manager/Human Resources Director |
| Randy Riddle | City Attorney |
| Diane Holmes | City Clerk |
| James Goins | Finance Director/Treasurer |
| Michael Banks | Fire Chief |
| Monique LeConge | Library and Community Services Director |
| Keith Jabari | Recreation Director |
| Yader Bermudez | Public Works Director |
| Sal Vaca | Employment & Training Director |
| Sue Hartman | Information Technology Director |
| Jim Matzorkis | Port Director |
| Tim Jones | Public Housing Director |
| Christopher Magnus | Police Chief |
| Richard Mitchell | Planning Director |
| Steve Duran | Community & Economic Dev. Director |
| Rich Davidson | Engineering Director |
| Devone Boggan | Neighborhood Safety Director |



# CITY OF RICHMOND, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT
## For The Fiscal Year Ended June 30, 2008

**Prepared by the City of Richmond Department of Finance**
**Accounting Division**

## PROJECT TEAM

| | |
|---|---|
| James C. Goins<br>*Finance Director/Treasurer* | Herbert L. Pike<br>*Deputy Finance Director* |

General Accounting

Tina Mckenney, *Chief Accountant*
Nena Gapasin, *Senior Accountant*
Yolanda Skelton, *Senior Accountant*
Crispin Nunez, *Accountant II*
Rhonda Jackson, *Accountant II*
Tracie Thomas, *Accountant I*

Other Finance Department Contributors

Administration Division — Accounts Payable Division
Treasury Division — Purchasing Division — Revenue Division
Payroll Division — Budget Division
Grants Division

Special Assistance from Other Departments

RICHMOND COMMUNITY REDEVELOPMENT AGENCY
HOUSING & COMMUNITY DEVELOPMENT
RICHMOND HOUSING AUTHORITY

# California Society of Municipal Finance Officers

**Certificate of Award**

## *Outstanding Financial Reporting 2006-07*

**Presented to the**

## *City of Richmond*

*This certificate is issued in recognition of meeting professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements and in the underlying accounting system from which the reports were prepared.*

*June 2008*

Jesse Takahashi
Professional and Technical Standards Committee

*Dedicated to Excellence in Municipal Financial Management*



# Certificate of Achievement for Excellence in Financial Reporting

*Presented to*

## City of Richmond California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007

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

President

Executive Director

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**MAZE & ASSOCIATES**

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www.mazeassociates.com

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Richmond, California

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit of RHA Properties, each major fund, and the aggregate remaining fund information of the City of Richmond, California as of and for the year ended June 30, 2008, 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 as to whether the basic financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit the basic financial statements referred to above present fairly in all material respects the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Richmond, California at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof listed as part of the basic financial statements for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 7 effective in fiscal year 2008, the City implemented the provisions of GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and as described in Note 12 the City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Budget and Actual Statements for the General Fund, the Redevelopment Agency Administration Fund and Redevelopment Agency Debt Service Fund, are not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and we express no opinion on it.

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

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

Maze and Associates

December 22, 2008



**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**Fiscal Year Ended June 30, 2008**

Management of the City of Richmond (the "City") provides this Management's Discussion and Analysis of the City's Basic Financial Statements for readers of the City's financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the financial statements, which begin on page 24.

## FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $355 million (net assets). Of this amount, $190.5 million is restricted for specific purposes (restricted net assets), $266.0 million is invested in capital assets, and $101.8 million represents a deficit in unrestricted net assets.

- The City's total net assets decreased by $15.1 million during the fiscal year. $3.2 million of the decrease is attributed to governmental activities. Restricted assets for governmental activities increased $128.7 million to $188.9 million due to bond proceeds restricted for use on the Civic Center Project, while capital assets, net of debt, increased $18.2 million to $188.5 million. Unrestricted net assets decreased $150.1 million to $101.3 million deficit. Business-type activities net assets decreased $11.9 million.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending balances of $255.4 million, an increase of $82.0 million in comparison to prior year. This increase of $82.0 million includes a $111.2 million increase in total assets and a $29.3 million increase in liabilities. Approximately 74 percent of the fund balance, $189.0 million, is available for spending at the government's discretion (unreserved fund balance).

- At the end of the fiscal year, the General Fund had fund balance of $46.4 million, of which $10 million was designated for contingencies. This reflects a $15.5 million decrease over the prior year primarily due to transfers out of $3.9 million to fund debt service on the new 2007 Lease Revenue Bonds, $1.5 million to fund debt service on other outstanding obligations, and $4.0 million to fund capital projects.

- The City's investment in its capital assets continues to increase. Total capital assets increased $33.1 million over the previous year. Construction in progress increased $37.6 million, 40 percent, from the prior year. Governmental activities total capital assets increased $48.1 million primarily due to progress on the reconstruction of the City's Civic Center.

## OVERVIEW OF FINANCIAL STATEMENTS

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

### Government-Wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. They are comprised of the *Statement of Net Assets and Statement of Activities and Changes in Net Assets.*

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities and Changes in Net Assets* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, community development, culture and recreation, housing and development, and internal services. The business-type activities of the City include a housing authority, a port, a marina, a municipal sewer district, a storm sewer agency, and a cable TV operation.

***Governmental Activities*** - The activities in this section are mostly supported by taxes and charges for services. The governmental activities of the City include General Government, Public Safety, Highways & Streets, Community Development, Cultural Recreation, Housing & Redevelopment and Internal Services Funds.

***Business-Type Activities*** – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activities of the City include Richmond Housing Authority, Port of Richmond, Richmond Marina, Municipal Sewer District, Storm Sewer and Cable TV.



***Discretely Presented Component Unit***—The RHA Properties is a legally separate reporting entity, but is important because the City is financially accountable for it.

The government-wide financial statements can be found on pages 24-27 of the financial report.

### Fund Financial Statements

Fund Financial statements are designed to report information about the groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like state and other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

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

The City has 24 governmental funds, of which seven are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The City's seven major funds are the General Fund, Redevelopment Agency Administration Special Revenue Fund, Redevelopment Agency Low and Moderate Income Housing Capital Projects Fund, Redevelopment Agency Debt Service Fund, Redevelopment Agency Capital Projects Fund, Secured Pension Override Special Revenue Fund and Civic Center Project Fund. The basic governmental fund financial statements can be found on pages 30 through 36 of the financial report. Data from the other seventeen governmental funds are combined into a single, aggregated presentation.

***Proprietary Funds*** – Proprietary funds of the City are two types: (1) enterprise funds; and (2) internal service funds. The City maintains six enterprise funds that provide the same type of information as the government-wide financial statements, only in more detail. The major enterprise funds consist of the Richmond Housing Authority, Port of Richmond and Municipal Sewer. Enterprise funds financial statements can be found on pages 38 through 40 of the financial report.

The five internal service funds are also considered a proprietary fund type. The funds consist of the Insurance Reserves, Information Technology, Equipment Services and Replacement, Facilities Maintenance and Police Telecommunications.

***Fiduciary Funds*** – Fiduciary funds are used to account for resources held for the benefit of third parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The fiduciary funds for the City consist of Pension Trust Funds and Agency Funds. The accounting used for fiduciary funds is much like that used for proprietary funds. The financial statements for these funds can be found on pages 42-43.

### Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45 through 116 of this report.

### Required Supplementary Information:

In addition to the basic financial statements and accompanying notes, this report also includes certain required supplementary information providing budgetary comparison statements for the General Fund and the Redevelopment Agency Administration Special Revenue Fund. Required supplementary information can be found on pages 117 through 118 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Analysis of Net Assets:

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's combined net assets (government and business type activities) totaled $355 million at the close of the fiscal year ending June 30, 2008. The City's net assets decreased by $15.1 million during the current fiscal year which can mainly be attributed to the relocation of the Hall of Justice to a new location as well as an increase in Public Safety staffing costs.



The largest portion of the City's net assets is invested in capital assets (e.g. land, streets, sewers, buildings, machinery, and equipment). Investment in capital assets totaled $266.0 million, 75 percent of the total net asset amount. The net asset amount for capital assets is net of the outstanding debt that was incurred to acquire the assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A $190.5 million portion of the City's net assets is accounted for as restricted net assets and represents resources that are subject to external restrictions on how they may be used.

**City of Richmond's Net Assets**
**(in thousands)**

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | FY2008 | FY2007 | FY2008 | FY2007 | FY2008 | FY2007 |
| **Assets:** | | | | | | |
| Current assets | $ 456,937 | $ 359,831 | $ 11,486 | $ 10,323 | $ 468,423 | $ 370,154 |
| Capital assets | 303,232 | 255,165 | 125,534 | 140,495 | 428,766 | 395,660 |
| Total assets | 760,169 | 614,996 | 137,020 | 150,818 | 897,189 | 765,814 |
| **Liabilities:** | | | | | | |
| Current liabilities | 45,173 | 34,355 | 7,613 | 6,287 | 52,786 | 40,642 |
| Long-term liabilities | 438,873 | 301,315 | 50,841 | 54,023 | 489,714 | 355,338 |
| Total liabilities | 484,046 | 335,670 | 58,454 | 60,310 | 542,500 | 395,980 |
| **Net Assets:** | | | | | | |
| Invested in capital assets, net of related debt | 188,468 | 170,259 | 77,559 | 97,164 | 266,027 | 267,423 |
| Restricted | 188,951 | 60,271 | 1,527 | 1,428 | 190,478 | 61,699 |
| Unrestricted | (101,296) | 48,795 | (520) | (8,085) | (101,816) | 40,711 |
| Total net assets | $ 276,123 | $ 279,326 | $ 78,566 | $ 90,508 | $ 354,689 | $ 369,834 |

## Analysis of Activities:

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

**City of Richmond's Changes in Net Assets**
**For the Year Ended June 30, 2008**
**(in thousands)**

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | FY2008 | FY2007 | FY2008 | FY2007 | FY2008 | FY2007 |
| **Revenues:** | | | | | | |
| Program revenues: | | | | | | |
| *Charges for services* | $ 19,137 | $ 18,639 | $ 24,637 | $ 22,506 | $ 43,774 | $ 41,145 |
| Operating grants/contributions | 9,642 | 11,310 | | | 9,642 | 11,310 |
| Capital grants/contributions | 4,067 | 8,660 | 24,676 | 23,789 | 28,743 | 32,449 |
| General revenues: | | | | | | |
| Property taxes-current collections | 77,013 | 73,497 | 10 | 11 | 77,023 | 73,507 |
| Sales taxes | 29,006 | 28,218 | | | 29,006 | 28,218 |
| Utility user taxes | 29,553 | 27,007 | | | 29,553 | 27,007 |
| Documentary transfer taxes | 3,647 | 7,298 | | | 3,647 | 7,298 |
| Other taxes | 5,156 | 4,744 | | | 5,156 | 4,744 |
| Use of money and property | 9,990 | 7,896 | 920 | 1,618 | 10,910 | 9,514 |
| Unrestricted Intergovernmental | 4,331 | 439 | | | 4,331 | 439 |
| Gain on sale of capital assets | 4,008 | 3,113 | | 41 | 4,008 | 3,154 |
| Pension stabilization revenue | 4,256 | 4,240 | | | 4,256 | 4,240 |
| Developer revenue sharing | 201 | 591 | | | 201 | 591 |
| Other | 3,102 | 3,255 | 314 | | 3,416 | 3,255 |
| Total revenues | 203,109 | 198,907 | 50,554 | 47,965 | 253,663 | 246,872 |
| **Expenses:** | | | | | | |
| General government | 26,826 | 24,107 | | | 26,826 | 24,107 |
| Public safety | 80,140 | 69,146 | | | 80,140 | 69,146 |
| Public works | 31,253 | 25,266 | | | 31,253 | 25,266 |
| Community development | 5,047 | 5,446 | | | 5,047 | 5,446 |
| Cultural & recreation | 19,625 | 15,638 | | | 19,625 | 15,638 |
| Housing & redevelopment | 17,472 | 11,339 | | | 17,472 | 11,339 |
| Interest and fiscal charges | 24,242 | 16,041 | | | 24,242 | 16,041 |
| Richmond Housing Authority | | | 24,324 | 21,902 | 24,324 | 21,902 |
| Port of Richmond | | | 4,590 | 3,691 | 4,590 | 3,691 |
| Richmond Marina | | | 240 | 331 | 240 | 331 |
| Municipal Sewer | | | 15,085 | 12,236 | 15,085 | 12,236 |
| Storm Sewer | | | 4,686 | 3,591 | 4,686 | 3,591 |
| Cable TV | | | 854 | 799 | 854 | 799 |
| Total expenses | 204,605 | 166,983 | 49,779 | 42,550 | 254,384 | 209,533 |
| Excess (Deficiency) of Revenues Over (Under) Expenses | (1,496) | 31,924 | 775 | 5,415 | (719) | 37,339 |
| Special item | | | (14,426) | | (14,426) | - |
| Transfers | (1,707) | (2,347) | 1,707 | 2,347 | - | - |
| Changes in Net Assets | *(3,203)* | *29,577* | *(11,942)* | *7,762* | *(15,145)* | *37,339* |
| Net assets at beginning of year, as restated | 279,326 | 249,749 | 90,508 | 82,746 | 369,834 | 332,495 |
| Net assets at end of year | $ 276,123 | $ 279,326 | $ 78,566 | $ 90,508 | $ 354,689 | $ 369,834 |



## Governmental Activities:

Governmental activities decreased the City's net assets by $3.2 million accounting for 21 percent of the City's total decrease in net assets of $15.1 million. A comparison of the cost of services by function for the City's governmental activities is shown in the preceding table, along with the revenues used to cover the net expenses of the governmental activities. Costs increased in General Government, Public Safety, Public Works and Housing and Redevelopment reflecting the restoration of services supported by revenue growth. While there are reductions in expenditures reflected in Community Development, there were no reductions in authorized staffing; the reductions are attributed to vacancies and reorganization.

Key elements of the decrease in net assets for governmental activities are as follows:

*Revenue Highlights:*

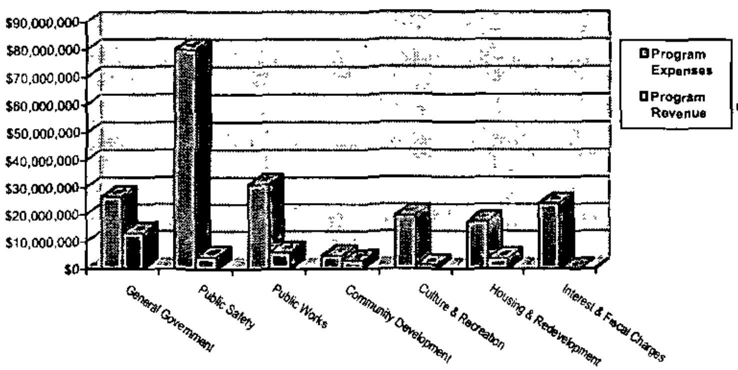
- Current year revenues of $203.1 million reflect a $4.2 million increase from the prior year.
- Property taxes (current collections) in the current year reached $77.0 million, an increase of $3.5 million, or 5 percent.
- Sales taxes continue to evidence growth. Current fiscal year receipts of $29.0 million reflect a $788 thousand increase over the prior year. Continued growth is anticipated with the opening of a Target store in July 2008.
- The significant increase in Use of money and property reflects the improved yield on investments. The $10.0 million realized in the current fiscal year exceeds by $2.1 million, or 27 percent, the revenues in the prior fiscal year.
- The growth in Other taxes is attributable to the extension of the business license tax to rental properties. The $5.2 million realized is a $411 thousand, 9 percent, increase over the prior year revenues.
- The $13.7 million realized in operating and capital grants for the current fiscal year is a $6.3 million, or 31 percent, decrease from prior year revenues due to decreased grant funding.
- There is an increase in the Utility User's Tax of $2.5 million due to a change in the way a major taxpayer's rate is calculated.

*Expense Highlights:*

- Expenses of $204.6 million reflect a $37.6 million increase from prior year. A portion of the increase is due to the relocation of the Hall of Justice as well as an increase in Public Safety expenses.
- Redevelopment expenses increased $6.1 million to $17.5 million. The increase is attributed to an increase in housing and redevelopment projects including loans to developers of $5.7 million.
- The current year $24.2 million for interest and fiscal charges is a $8.2 million increase over the prior year due to the issuance of the 2007 Civic Center Lease Revenue Bonds and the 2007 A and B Tax Allocation Bonds and increased interest rates on the City's variable rate bonds.

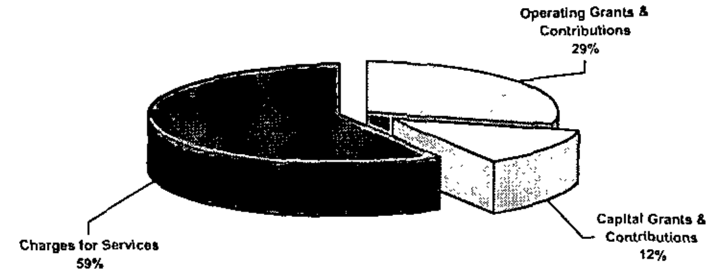
- Public Works expenses of $31.3 million represent a $6.0 million increase from prior year. Most of the increase is attributed to the increased investment in paving maintenance projects; the most the City has spent on such projects in any single fiscal year.
- Public Safety expenses of $80.1 million represent an $11.0 million increase from prior year. The majority of the increase is attributed to increased personnel costs due to salary increases and hiring and the recording of costs associated with the Police Department move to the Di-Con Building.

**Expenses and Program Revenues**
**Governmental Activities**






**Program Revenue by Source**
**Governmental Activities**

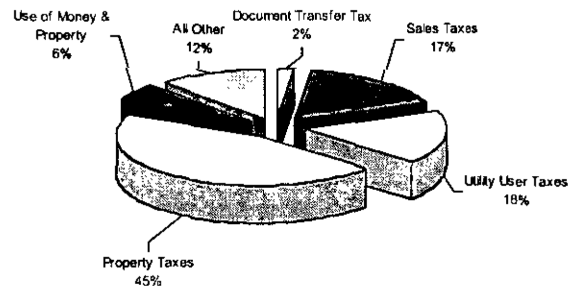



Total governmental activities expenses were $204.6 million in fiscal year 2008. The largest expenses, in descending order, were for Public Safety, Public Works, General Government, Interest on Long Term Debt, and Cultural and Recreation. These expenses do not include capital outlays, which are now reflected in the City's capital assets.

Total program revenues from governmental activities were $32.8 million in fiscal year 2008. Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues. As reflected in the pie chart above, 59 percent of the governmental program revenues came from Charges for Services, which includes licenses and permits and fees, fines, forfeitures and penalties, and several other revenues. Program revenues under the Operating Grants and Contributions category include restricted revenues such as Gas Tax, Transportation and Sales Tax, and Federal/State Grants.

General revenues are all other revenues not categorized as program revenues such as property taxes, sales taxes, utility users' tax, gain on sale of capital assets, and investment earnings, and grants and contributions not related to specific programs and several miscellaneous general revenues. Total general revenues and transfers from governmental activities were $168.6 million in fiscal year 2008. The three largest components of general revenues received during fiscal year 2008 for governmental activities were Property Taxes-current collections of $77.0 million, Utility User Taxes of $29.5 million and Sales Taxes of $29.0 million. These three components represent over four-fifths of all general revenues.

**General Revenues by Source**
**Governmental Activities**

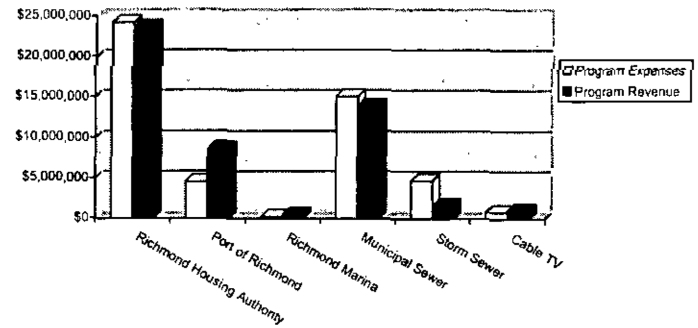



**Business Type Activities:** Business-type activities decreased the City's net assets by $11.9 million. Key factors in the business-type activities increase are as follows:

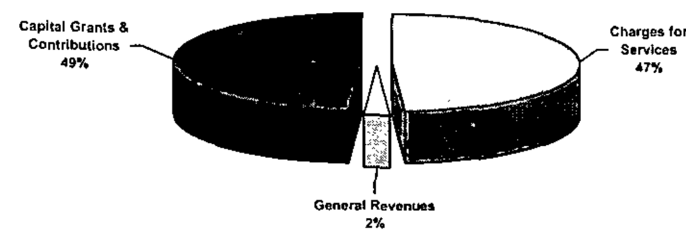
- The Richmond Housing Authority net assets decreased by $14.7 million. While total revenues of $24.0 million represent a decrease of $1.4 million from the previous year, operating expenses of $24.3 million represents an increase of $2.4 million from the previous year.
- The Port of Richmond net assets increased $6.0 million. The Port reported a $2.0 million operating gain, operating revenues over operating expenses, but had $2.3 million in non-operating gains due to the receipt of $2.7 million in grants for construction of 2.4 miles of Bay Trails located in the Pt. Potrero Marine Terminal and the installation of closed circuit television cameras in various terminals. The balance of the gain in net assets is due to a $1.7 million net transfer in.
- The Municipal Sewer net assets decreased by $1.2 million. The Municipal Sewer reported operating income of $1.9 million, down $225 thousand from prior year. Operating expenses of $11.9 million reflect a $1.7 million increase over prior year partially due to $1.5 million increase in general and administrative expenses for contractual services, utilities and internal cost allocations.



**Expenses and Program Revenues**
**Business-Type Activities**




**Revenue by Source**
**Business-Type Activities**



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

### Governmental Funds:

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $255.4 million. Approximately $189.1 million of this amount constitutes unreserved fund balance, which is available for spending at the government's discretion. Of the $189.1 million, $10.0 million has been designated for contingency reserve in compliance with Council's established policy. There is $66.4 million of fund balance that is reserved to indicate that it is not available for spending because it has already been legally committed.

***General Fund*** The General Fund is the primary operating fund of the City. It is used to report the financial results of the daily operations of the City. The major revenue sources are property taxes, utility users' tax and sales tax. The major expenditures are salaries and administrative expenses.

At the end of the current fiscal year, the General Fund had an undesignated, unreserved fund balance of $9.4 million of a total fund balance that reached $46.4 million. During the current year, the overall fund balance decreased by over $15.5 million, while the undesignated, unreserved balance decreased by $16.6 million, or 64 percent. The designation for contingencies remained at $10 million. The $1.1 million difference in the decline in the overall fund balance of $15.5 million and the undesignated, unreserved fund balance of $16.6 million is the net result of a combined decrease in the encumbrance and prepaid reserve of $1.2 million and the increase in advances and loan receivable reserve of $2.3 million. In addition, the General Fund fund balance decreased due to debt service transfers totaling $5.4 million and transfers to fund projects of $4 million.

***Redevelopment Agency*** The Richmond Community Redevelopment Agency (the "Redevelopment Agency") is responsible for redevelopment of areas identified under the Community Redevelopment Law as being blighted. The Agency's operations are funded primarily by the issuance of debt, which is expected to be repaid out of property tax increment revenue generated by increases in property assessed values in the redevelopment areas.

The Redevelopment Agency Administration Fund was established to account for all administrative activities of the Agency. At the end of fiscal year 2008, the unreserved fund balance had a balance of $6.7 million, an increase of $6.6 million from the prior year.



The Redevelopment Agency Low/Mod Income Housing Fund accounts for the twenty percent housing set-aside from the tax increment proceeds of each of the Redevelopment Agency's project areas. At the end of fiscal year 2008, the unreserved fund balance was zero, because the Fund's fund balance is reserved to fund future low and moderate income housing projects.

The Redevelopment Agency Debt Service Fund was established to account for the accumulation of property taxes for payment of interest and principal on the Agency's long-term debt. At the end of fiscal year 2008, the unreserved fund balance had a balance of $7.6 million, a decrease of $3.0 million from the prior year due to transfers to fund Capital Projects.

The Redevelopment Agency Projects Fund was established to account for capital projects connected with redevelopment funded by property tax revenues. At the end of fiscal year 2008, the unreserved fund balance had a balance of $53.7 million, an increase of $31.1 million from the prior year due to the issuance of the 2007A Tax Allocation Bonds.

***Secured Pension Override Fund*** This fund was established to record the receipt of Pension Tax Override funds collected through property taxes for payment of pension contributions.

***Civic Center Project Fund*** This fund was established to account for the activities of the new Civic Center project.

### Proprietary Funds:

The City's proprietary funds are enterprise and internal service funds. An enterprise fund is used to report any activity for which a fee is charged to external users for goods or services provided. An internal service fund is used to centralize certain services and then allocate the cost of the services within the government. The City's major enterprise funds are the Richmond Housing Authority, Port of Richmond, and Municipal Sewer District.

### Enterprise Funds:

***Richmond Housing Authority*** The Richmond Housing Authority ("RHA") was established to administer funds provided by the Department of Housing and Urban Development (HUD) to assist low-income families in obtaining decent, safe and sanitary housing. Although RHA is a separate legal entity, it is a component unit of the City of Richmond. The City exercises management control over the Authority, and members of the City Council serve as the governing board of the Authority. RHA's total net assets were $53.2 million at June 30, 2008, of which $9.1 million was unrestricted. The decline in net assets of $14.7 million is primarily due to the transfer of capital assets to a developer totaling $23 million, net of costs reimbursed by that developer of $8 million.

***The Port of Richmond*** The Port of Richmond is a public enterprise established by the City of Richmond and is administered as a department of the City. Operations include the marine terminal facilities and commercial property rentals. The Port had total net assets of $3.3 million as of June 30, 2008, which is an increase of $6.0 million from prior year.

The reduced deficit is due to continuation of the prior two years' improved revenues generated from new tenants, while continuing to control expenses.

***Municipal Sewer Fund*** This fund is used to account for a variety of sewer service-related revenues and expenditures. At the end of fiscal year 2008, the total net assets for the sewer fund were $11.4 million, which was a $1.2 million decrease from the prior fiscal year, primarily due to increased interest expenses related to the 2006 A and B Wastewater Revenue Bonds issued in fiscal year 2007.

**Fiduciary Funds:**

The City's fiduciary funds are the pension trust funds and various agency funds. The Pension Trust Funds were established to account for revenues and expenditures related to City employee's pension activities. The City administers the activities of the pension funds on behalf of the employees. The assets are not accessible for City operations. The City maintains the following pension funds: the Pension Reserve, General Pension, Police and Firemen Pension and Garfield Pension Funds. The various agency funds are used to maintain records of assets and the fund's financial activities on behalf of a third party. The City does not make any decisions relating to the uses of the assets nor can they be used for City operations.

***The Pension Trust Funds*** total assets at June 30, 2008 were $24.6 million held in trust for employees' pension benefits. Net Assets decreased by $1.1 million.

***Agency Funds*** total assets at June 30, 2008 were $34.8 million which is recorded on the City books as a liability to third parties.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The adopted budget, including transfers, reflected $133.9 million in estimated revenues and $136.5 million in appropriations and transfers resulting in a $2.6 million reduction to fund balance. Deducting the transfer-out of $8.8 million, operating appropriations were $127.6 million. Deducting proceeds from sale of property and transfers in, the adopted operating revenue estimate was $122.3 million. These yield an operating deficit of $5.4 million.

The City Council revised the City budget at mid-year. Most of the budget adjustments reflect extensive analysis and updates arising from the Mid-Year Revenue and Expenditure Review.

The final amended budget included a $1.4 million reduction in estimated revenue and a $9.6 million increase in appropriations. Actual revenues of $114.1 million were $6.7 million less than adjusted operating revenue projections, a variance of 5.9 percent. Key elements of the decrease in revenues are discussed as follows:

The original budget for sales tax of $29.3 million was followed with a mid-year adjustment upward to $31.3 million. However, only $29.0 million in sales tax was realized causing a $2.3 million decrease in estimated revenues. Much of the decrease



was due to a one-time reallocation correction made by the State Board of Equalization for sales tax revenue that was erroneously remitted ten years ago. However, actual sales tax revenue increased by $787,816 from prior year. Additional increases are projected into 2008-09 with the opening of a Target store in July 2008 and as additional retail outlets open and business-to-business sales accelerate.

While projected property taxes were increased $720 thousand at mid-year to $33.8 million, actual revenue received was $486 thousand above the final projection and $1.2 million greater than prior year due to Richmond housing stock being fairly old with new developments making up a small percentage of the assessed valuation.

The utility user fees are a percentage of utility bills. Actual revenues increased $2.5 million from prior year to $29.5 million. A large consumer opted to use the computed actual usage method instead of the cap provision of the UUT ordinance. This was an increase from previous year but less than what would have been paid using the cap. Along with other contributing factors, the adopted projection of $30.7 million remained the same.

The other taxes original budget was reduced from $13.3 million to $8.6 million at mid-year; a $4.7 million dollar reduction due primarily to the $3.7 million decline in documentary transfer tax from prior year, a result of the overall decline in the housing market regionally.

The use of money and property original budget was increased $1.1 million to $3.0 million at mid-year. However, only $756 thousand was realized resulting in a $2.2 million decrease in estimated revenues due to the City's decision to utilize the money in operations rather than reinvesting the money.

Charges for services actual revenues were $674 thousand less than the $3.0 million final budget projection due to a decline of $280 thousand in motor vehicle fees, $269 thousand decline in booking fees due to new process instituted by the State and an additional $88 thousand decline in service reimbursements.

Transfers in original budget of $7.6 million was increased to $14.9 million at mid-year. However, actual transfers realized were only $5.5 million causing a reduction of $9.4 million in estimated other financing sources. The bulk of the reduction is due to $1.6 million and $4.1 million budgeted to be transferred from the Benefits Stabilization fund and the Pension Stabilization fund, respectively, to cover costs associated with the DiCon Police Department move being unavailable to transfer at June 30, 2008 as well as an additional $2.0 million transfer from the Redevelopment Agency.

Appropriations were increased at the Mid-Year Budget Review to address critical and unforeseen needs such as the relocation of the Police Department to a new site and personnel cost increases arising from newly negotiated labor contracts. The final adjusted appropriations were $137.3 million, an increase of $9.7 million over the adopted budget appropriation. General government appropriations exceeded the budget by $1.7

million due to increased personnel costs and increased investment in paving maintenance projects; the most the City has spent on such projects in any single fiscal year.

Actual operating expenditures of $128.9 million were realized, $8.3 million less than the final adjusted appropriations. Almost all of the savings are attributed to personnel expenditures resulting from vacancies as some departments encountered difficulty in recruiting the newly authorized personnel provided in the adopted budget to restore services as well as Other Post Employment Benefits (OPEB) being inadvertently double budgeted. Other reasons are salary savings attributed to costs reimbursed through workers' compensation and staff turnover.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets:

The City's investment in capital assets for its governmental and business type activities as of June 30, 2008, amounted to $428.8 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The net increase in the City's investment in capital assets for the current fiscal year was $33.1 million, or 8.0 percent.

Capital assets, net of depreciation, for the governmental and business-type activities are presented below to illustrate changes from the prior year:

**Capital Assets by Type**

| | Governmental activities | | Business-type activities | | Total | |
|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Land | $ 27,674,272 | $ 25,854,935 | $ 11,215,967 | $ 11,215,340 | $ 38,890,239 | $ 37,070,275 |
| Construction in Progress | 101,731,280 | 51,844,936 | 29,801,549 | 42,063,819 | 131,532,829 | 93,908,755 |
| Building and improvements | 19,993,179 | 19,312,222 | 44,944,841 | 45,019,253 | 64,938,020 | 64,331,475 |
| Machinery and equipment | 8,282,302 | 6,359,279 | 2,054,385 | 2,009,864 | 10,336,687 | 8,369,143 |
| Infrastructure | 145,550,538 | 151,793,434 | 37,516,906 | 40,186,467 | 183,067,444 | 191,979,901 |
| Total Capital assets | $ 303,231,571 | $ 255,164,806 | $ 125,533,648 | $ 140,494,743 | $ 428,765,219 | $ 395,659,549 |

The City's infrastructure assets are recorded at historical cost in the government-wide financial statements.

Additional information about the City's capital assets can be found in Note 6 on pages 69-71 in the financial statements.



### Debt Administration:

*Long Term Debt* - At the end of the current fiscal year, the City had $483 million in debt outstanding compared to the $344.9 million the previous year; an increase of $138 million. This increase is due primarily to the issuance of $75 million of Tax Allocation Bonds and $101 million of Lease Revenue Bonds (Civic Center Project and refunding), offset with the payoffs of the 2004 JPFA Point Potrero Lease Revenue Note in the amount of $3.5 million, the refunding of the JPFA 2001A Lease Revenue Bonds, the JPFA 1996 Port Terminal Lease Revenue Bonds, and a portion of the JPFA 1995A Lease Revenue Bonds, in the amounts of $27.2 million, $3.9 million, and $5.7 million, respectively.

**Outstanding Debt**
**June 30**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Tax Allocation bonds | $168,838,368 | $95,079,118 | | | $168,838,368 | $95,079,118 |
| Revenue bonds | 1,829,143 | 7,640,000 | $42,152,480 | $41,857,327 | 43,981,623 | 49,497,327 |
| Lease revenue bonds | 97,790,000 | 25,990,000 | 5,933,813 | 7,782,675 | 103,723,813 | 33,772,675 |
| Pension obligation bonds | 146,453,616 | 143,575,313 | | | 146,453,616 | 143,575,313 |
| Total bonds payable | 414,911,127 | 272,284,431 | 48,086,293 | 49,640,002 | 462,997,420 | 321,924,433 |
| Loans payable | 10,578,390 | 10,518,963 | 5,427,430 | 7,419,009 | 16,005,820 | 17,937,972 |
| Capital leases | 3,964,298 | 5,111,871 | | | 3,964,298 | 5,111,871 |
| Total outstanding debt | $429,453,815 | $287,915,265 | $53,513,723 | $57,059,011 | $482,967,538 | $344,974,276 |

The City does not have any general obligation bonds as of June 30, 2008.

On May 7, 2008, Standard & Poor's Ratings Services ("S&P") assigned its "A+" issuer credit rating (ICR) to the City and a rating of "A" on the City's outstanding 2007 Lease Revenue Bonds (Civic Center financing). Specific credit strengths cited by S&P as the incentive for the upgrade include a continued strong general fund cash position, continued improvements in the city's unreserved general fund balances and the City's strong financial controls, policies , and management practices.

On May 14, 2008, S&P raised the Richmond Community Redevelopment Agency's ("RCRA") underlying rating (SPUR) to "A" from "A-", citing the RCRA's diversified tax base, and the 11% increase in project area assessed valuation.

With improved credit ratings and increased sophistication of City staff, several bond issues have been transacted to enable the City to realize reduced interest costs. During the fiscal year ending June 20, 2008, bonds were issued to realize net present value savings of $2.4 million. These included $35 million from the issuance of the $101.4 million 2007 Lease Revenue Bonds used to refund several prior bond issues and to fund the Civic Center project.

The City has purchased municipal bond insurance policies on its bond issuances in the past, including for the RCRA 2007 TABs , and the 2007 Lease Revenue Bonds, resulting in the debt issues being assigned the ratings of the respective bond insurers. In fiscal year 2008, the City's variable rate debt was affected by the credit downgrades of bond insurers MBIA and Ambac; resulting in higher than anticipated rate resets. In May, 2008, the City restructured the RCRA 2007 TABs and the 2007 Lease Revenue Bonds to index rate and fixed rate bonds for a term of eighteen to twenty-four months. In October, 2008, the City refunded its 2006 Wastewater Bonds, Series A with a new bond issue, which is supported by a Letter of Credit from Union Bank of California, and removes Ambac as the bond insurer. At the time of this bond issuance, S&P also raised the City's Wastewater Enterprise credit rating to "AA-".

For more detailed information on the City's long-term debt see Note 7 on pages 71-98.

**Economic Factors, Next Year's Budget and Inflation Rates**

- The City currently faces a continuation of a favorable economic environment. Revenues from recent strong growth in assessed valuation is slowing, but still growing. Projected strong growth in revenue streams from both increasing assessed valuation and increased retail sales are expected with the opening of a Target in July 2008. Coupled with a continuing tight rein on appropriations, a continuing positive cash flow is projected.

- The City has formally adopted debt and investment policies to guide critical financing and investment decisions. The City is also one of the first cities to adopt a swap policy.

- The City has established a reserves policy and has funded a $10 million contingency reserve within the General Fund, equating to over eight percent of the City's current budget level.

- The City has adopted a structurally balanced budget policy requiring one-time revenues to be spent only on one-time expenditures, and on-going revenues to be spent on on-going expenditures.

- The City has completed the implementation of a new, integrated financial, human resources and payroll system that will be the hub of other new software, including "best of breed" software in building permits, cash management, investments, debt management, equipment and many others.

- The City Manager has recommended to the City Council that City services only be expanded or re-opened as certain revenue milestones are met, thus preventing the creation of structural deficits.



- The City has established monthly revenue and expenditure variance monitoring reports to assure adherence to budget controls. Simultaneously, position control is being strictly enforced, ensuring that any hire is moving into a funded position.

- The City continues to search for and identify opportunities to refinance its debt obligations that should extract additional one-time funding for critical infrastructure improvements.

- The State budget will have a significant effect on the City's financial condition. The impending deficit at the State level will likely manifest itself in cutbacks in state funding and may result in State "borrowing" of municipal revenues and deferral of state allocations and reimbursements.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all of its citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Richmond, Finance Department, 1401 Marina Way South, Richmond, CA 94804. Alternatively, you may send your inquiries via e-mail to Finance@ci.richmond.ca.us

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# City of Richmond
# June 30, 2008

## STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The purpose of the Statement of Net Assets and the Statement of Activities is to summarize the entire City's financial activities and financial position.

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 focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets and 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 Richmond Community Redevelopment Agency of the City of Richmond, the Richmond Joint Powers Finance Authority and the City of Richmond 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. The balances and the activities of the discretely presented component unit of the RHA Properties are included in these Statements as separate columns.

# CITY OF RICHMOND
## STATEMENT OF NET ASSETS
### JUNE 30, 2008

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | RHA Properties |
| **ASSETS** | | | | |
| Cash and investments (Note 3) | $102,842,982 | $14,948,746 | $117,791,728 | $507,631 |
| Restricted cash and investments (Note 3) | 166,490,455 | 7,065,721 | 173,556,176 | 2,399,825 |
| Receivables: | | | | |
| Accounts, net | 12,729,271 | 2,067,133 | 14,796,404 | 71,761 |
| Interest | 222,628 | 16,673 | 239,301 | |
| Grants | 3,580,005 | 1,001,826 | 4,581,831 | |
| Due from developer (Note 17) | | 8,628,540 | 8,628,540 | |
| Loans, net of reserves (Note 5) | 33,060,555 | | 33,060,555 | |
| Internal balances (Note 4) | 24,316,035 | (24,316,035) | | |
| Prepaids, supplies, and other assets | 567,250 | 438,987 | 1,006,237 | 3,082 |
| Bond issuance costs and other investments, net of amortization | | 1,634,249 | 1,634,249 | 1,070,111 |
| Net pension asset (Notes 10 and 11) | 110,931,302 | | 110,931,302 | |
| Net OPEB asset (Note 12) | 2,196,876 | | 2,196,876 | |
| Capital assets (Note 6): | | | | |
| Nondepreciable | 129,405,552 | 41,017,516 | 170,423,068 | 10,431,153 |
| Depreciable, net | 173,826,019 | 84,516,132 | 258,342,151 | 19,712,283 |
| Total Assets | 760,168,930 | 137,019,488 | 897,188,418 | 34,195,846 |
| **LIABILITIES** | | | | |
| Accounts payable and accrued liabilities | 16,149,071 | 2,735,097 | 18,884,168 | 970,384 |
| Interest payable | 3,581,063 | 1,322,143 | 4,903,206 | |
| Refundable deposits | 4,330,079 | 171,656 | 4,501,735 | 255,420 |
| Net pension obligation (Note 11) | 191,095 | | 191,095 | |
| Unearned revenue | 106,452 | | 106,452 | |
| Compensated absences (Note 2): | | | | |
| Due within one year | 942,478 | 183,187 | 1,125,665 | |
| Due in more than one year | 9,028,266 | 527,661 | 9,555,927 | |
| Claims liabilities (Note 14): | | | | |
| Due within one year | 9,619,000 | | 9,619,000 | |
| Due in more than one year | 10,645,000 | | 10,645,000 | |
| Long-term debt (Note 7): | | | | |
| Due within one year | 10,254,291 | 3,200,374 | 13,454,665 | 405,000 |
| Due in more than one year | 419,199,524 | 50,313,349 | 469,512,873 | 32,926,188 |
| Total Liabilities | 484,046,319 | 58,453,467 | 542,499,786 | 34,556,992 |
| **NET ASSETS** | | | | |
| Invested in capital assets, net of related debt | 188,467,600 | 77,558,806 | 266,026,406 | (787,927) |
| Restricted for: | | | | |
| Capital projects | 141,032,044 | | 141,032,044 | |
| Debt service | 33,766,161 | 1,526,840 | 35,293,001 | |
| Housing and redevelopment | 11,771,657 | | 11,771,657 | 2,399,825 |
| Pension benefits | 2,381,020 | | 2,381,020 | |
| Total Restricted Net Assets | 188,950,882 | 1,526,840 | 190,477,722 | 2,399,825 |
| Unrestricted (Deficit) | (101,295,871) | (519,625) | (101,815,496) | (1,973,044) |
| Total Net Assets (Deficit) | $276,122,611 | $78,566,021 | $354,688,632 | ($361,146) |

See accompanying notes to financial statements



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CITY OF RICHMOND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | Net (Expense) Revenue and Changes in Net Assets Component Unit |
|---|---|---|---|---|---|---|---|---|
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total | RHA Properties |
| **Primary Government:** | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| General government | $26,826,443 | $13,061,289 | $151,071 | | ($13,614,083) | | ($13,614,083) | |
| Public safety | 80,140,357 | 3,435,021 | 1,157,207 | | (75,548,129) | | (75,548,129) | |
| Public works | 31,252,681 | 952,330 | 2,343,370 | $2,982,222 | (24,974,759) | | (24,974,759) | |
| Community development | 5,046,846 | 393,878 | 2,810,406 | | (1,842,562) | | (1,842,562) | |
| Cultural and recreational | 19,624,717 | 257,258 | 853,893 | 444,188 | (18,069,378) | | (18,069,378) | |
| Housing and redevelopment | 17,471,811 | 1,037,112 | 2,326,146 | 640,300 | (13,468,253) | | (13,468,253) | |
| Interest on long-term debt | 24,242,109 | | | | (24,242,109) | - | (24,242,109) | |
| Total Governmental Activities | 204,604,964 | 19,136,888 | 9,642,093 | 4,066,710 | (171,759,273) | | (171,759,273) | |
| Business-type Activities: | | | | | | | | |
| Richmond Housing Authority | 24,324,334 | 1,776,252 | | 21,892,994 | | ($655,088) | (655,088) | |
| Port of Richmond | 4,589,789 | 5,900,126 | | 2,782,673 | | 4,093,010 | 4,093,010 | |
| Richmond Marina | 240,542 | 484,212 | | | | 243,670 | 243,670 | |
| Municipal Sewer | 15,084,727 | 13,864,120 | | | | (1,220,607) | (1,220,607) | |
| Storm Sewer | 4,685,796 | 1,637,151 | | | | (3,048,645) | (3,048,645) | |
| Cable TV | 853,646 | 974,924 | | | | 121,278 | 121,278 | |
| Total Business-type Activities | 49,778,834 | 24,636,785 | | 24,675,667 | | (466,382) | (466,382) | |
| Total Primary Government | $254,383,798 | $43,773,673 | $9,642,093 | $28,742,377 | (171,759,273) | (466,382) | (172,225,655) | |
| **Component Unit:** | | | | | | | | |
| RHA Properties | $4,003,434 | $3,462,561 | | | | | | ($540,873) |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes-current collections | | | | | 77,012,808 | 10,382 | 77,023,190 | |
| Sales taxes | | | | | 29,005,711 | | 29,005,711 | |
| Utility user taxes | | | | | 29,553,243 | | 29,553,243 | |
| Documentary transfer taxes | | | | | 3,647,333 | | 3,647,333 | |
| Other taxes | | | | | 5,155,662 | | 5,155,662 | |
| Use of money and property | | | | | 9,990,413 | 919,679 | 10,910,092 | 63,560 |
| Unrestricted intergovernmental | | | | | 4,330,572 | | 4,330,572 | |
| Gain on sale of capital assets | | | | | 4,008,197 | | 4,008,197 | |
| Pension stabilization revenue | | | | | 4,256,500 | | 4,256,500 | |
| Developer revenue sharing | | | | | 201,270 | | 201,270 | |
| Other | | | | | 3,101,841 | 313,863 | 3,415,704 | 166,325 |
| Special item (Note 6) | | | | | | (14,425,750) | (14,425,750) | |
| Transfers (Note 4) | | | | | (1,706,880) | 1,706,880 | | |
| Total general revenues, transfers and special item | | | | | 168,556,670 | (11,474,946) | 157,081,724 | 229,885 |
| Change in Net Assets | | | | | (3,202,603) | (11,941,328) | (15,143,931) | (310,988) |
| Net Assets-Beginning | | | | | 279,325,214 | 90,507,349 | 369,832,563 | (50,158) |
| Net Assets (Deficit)-Ending | | | | | $276,122,611 | $78,566,021 | $354,688,632 | ($361,146) |

See accompanying notes to financial statements

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## City of Richmond
## June 30, 2008

### FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the City in fiscal 2008. 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 ADMINISTRATION SPECIAL REVENUE FUND**

The Redevelopment Agency Administration Fund accounts for all administrative activities of the Agency.

**REDEVELOPMENT AGENCY LOW AND MODERATE INCOME HOUSING CAPITAL PROJECTS FUND**

The Redevelopment Agency Low and Moderate Income Housing Fund accounts for the twenty percent housing set-aside from the tax increment proceeds of each of the Redevelopment Agency's project areas. This set-aside is required by California redevelopment law, and must be used to provide housing for people with low and moderate incomes.

**REDEVELOPMENT AGENCY DEBT SERVICE FUND**

The Redevelopment Agency Debt Service Fund accounts for the accumulation of property taxes for payment of interest and principal on the Agency's long-term debt.

**REDEVELOPMENT AGENCY PROJECTS CAPITAL PROJECTS FUND**

The Redevelopment Agency Projects Fund accounts for capital projects connected with redevelopment funded by property tax increment revenues.

**SECURED PENSION OVERRIDE SPECIAL REVENUE FUND**

The Secured Pension Override Fund records the receipt of Pension Tax override collected through property taxes for payment of pension contributions.

**CIVIC CENTER PROJECT CAPITAL PROJECTS FUND**

The Civic Center Project Fund accounts for activities of the new Civic Center project.

CITY OF RICHMOND
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008

| | General | Redevelopment Agency Administration | Redevelopment Agency Low/Mod Income Housing | Redevelopment Agency Debt Service | Redevelopment Agency Projects | Secured Pension Override | Civic Center Project | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | |
| Cash and investments | $14,910,701 | $805,562 | $4,019,618 | $11,595,998 | $8,483,397 | $2,366,485 | $1,898,211 | $26,096,934 | $70,176,906 |
| Restricted cash and investments | 15,961 | 1,426,573 | 10,789,904 | 8,114,641 | 60,585,747 | | 61,359,452 | 21,702,056 | 163,994,332 |
| Receivables: | | | | | | | | | |
| Accounts, net | 8,126,501 | 23,847 | 168,050 | | 4,762 | | | 4,318,639 | 12,641,799 |
| Interest | 33,206 | 11,979 | 7,069 | 41,239 | (7,234) | 14,535 | (4,726) | 59,893 | 155,961 |
| Grants | 3,840 | | | | | | 683,613 | 2,892,552 | 3,580,005 |
| Loans | 1,376,940 | 2,514,184 | 16,213,706 | | 10,353,832 | | | 5,711,926 | 36,170,588 |
| Due from other funds | 12,580,755 | 5,076,924 | | 2,737,085 | 921,886 | | | 4,002,457 | 25,319,107 |
| Advances to other funds | 24,353,654 | 2,174,067 | | | 99,685 | | | | 26,627,406 |
| Prepaids, supplies and other assets | 211,792 | | | | | | | | 211,792 |
| Total Assets | $61,613,350 | $12,033,134 | $31,198,347 | $22,488,963 | $80,442,075 | $2,381,020 | $63,936,550 | $64,784,457 | $138,877,896 |
| **LIABILITIES** | | | | | | | | | |
| Accounts payable and accrued liabilities | $3,404,146 | $147,591 | $1,689,326 | | $2,913,681 | | $3,618,142 | $1,392,607 | $13,165,493 |
| Refundable deposits | 595,211 | 137,429 | | | 41,206 | | | 3,556,233 | 4,330,079 |
| Due to other funds | 8,706,778 | 174,416 | 1,709,770 | $3,373,554 | 4,506,494 | | 4,000,000 | 2,848,095 | 25,319,107 |
| Advances from other funds | 99,685 | | | | | | 2,000,000 | 211,686 | 2,311,371 |
| Deferred revenue | 2,370,902 | 2,688,251 | 16,027,594 | | 10,356,592 | | | 6,861,414 | 38,306,753 |
| Total Liabilities | 15,176,722 | 3,147,687 | 19,426,690 | 3,373,554 | 17,819,973 | | 9,618,142 | 14,870,035 | 83,432,803 |
| **FUND BALANCES** | | | | | | | | | |
| Fund balance | | | | | | | | | |
| Reserved for: | | | | | | | | | |
| Encumbrances | 1,824,308 | 191,867 | 3,706,367 | | 8,872,121 | | 168,336 | 4,732,092 | 19,495,091 |
| Prepaids, supplies and other assets | 211,792 | | | | | | | | 211,792 |
| Debt service | | | | 11,506,031 | | | | | 11,506,031 |
| Advances to other funds | 24,353,654 | 2,000,000 | | | 99,685 | | | | 26,453,339 |
| Loans receivable | 659,224 | | 119,434 | | | | | | 778,658 |
| Low and moderate income housing | | | 7,945,856 | | | | | | 7,945,856 |
| Unreserved, designated for: | | | | | | | | | |
| Contingencies | 10,000,000 | | | | | | | | 10,000,000 |
| Unreserved, Undesignated, Reported in: | | | | | | | | | |
| General Fund | 9,387,650 | | | | | | | | 9,387,650 |
| Special Revenue Funds | | 6,693,580 | | | | $2,381,020 | | 12,658,066 | 21,732,666 |
| Debt Service Funds | | | | 7,609,378 | | | | 20,942,088 | 28,551,466 |
| Capital Projects Funds | | | | | 53,650,296 | | 54,150,072 | 11,582,176 | 119,382,544 |
| Total Fund Balances | 46,436,628 | 8,885,447 | 11,771,657 | 19,115,409 | 62,622,102 | 2,381,020 | 54,318,408 | 49,914,422 | 255,445,093 |
| Total Liabilities and Fund Balances | $61,613,350 | $12,033,134 | $31,198,347 | $22,488,963 | $80,442,075 | $2,381,020 | $63,936,550 | $64,784,457 | $338,877,896 |

See accompanying notes to financial statements

CITY OF RICHMOND
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET ASSETS
JUNE 30, 2008

| | |
|---|---|
| Total fund balances reported on the governmental funds balance sheet | $255,445,093 |
| 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. | 303,231,571 |
| 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 | 32,666,076 |
| Restricted cash and investments | 2,496,123 |
| Accounts receivable | 87,472 |
| Interest receivable | 66,667 |
| Prepaids and supplies | 355,458 |
| Accounts payable and accrued liabilities | (2,983,578) |
| Compensated absences | (717,206) |
| Claims payable | (20,264,000) |
| 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. | 35,090,268 |
| LONG TERM ASSETS AND LIABILITIES | |
| The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds: | |
| Interest payable | (3,581,063) |
| Long-term debt | (429,453,815) |
| Net pension obligation | (191,095) |
| Net pension asset | 110,931,302 |
| Net OPEB asset | 2,196,876 |
| Governmental activities portion of compensated absences | (9,253,538) |
| NET ASSETS OF GOVERNMENTAL ACTIVITIES | $276,122,611 |

See accompanying notes to financial statements



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CITY OF RICHMOND
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

| | General | Redevelopment Agency Administration | Redevelopment Agency Low/Mod Income Housing | Redevelopment Agency Debt Service | Redevelopment Agency Projects | Secured Pension Override | Civic Center Project | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | | | |
| Property taxes | $34,269,322 | | | $26,535,184 | | $13,983,324 | | $2,976,778 | $77,764,608 |
| Sales taxes | 29,005,711 | | | | | | | | 29,005,711 |
| Utility user taxes | 29,553,243 | | | | | | | | 29,553,243 |
| Other taxes | 7,659,207 | | | | | | | 683,602 | 8,342,809 |
| Licenses, permits and fees | 2,975,914 | $1,037,112 | | | | | | 4,150,980 | 8,164,006 |
| Developer revenue sharing | | | | | $201,270 | | | | 201,270 |
| Fines, forfeitures and penalties | 283,918 | | | | | | | 28,788 | 312,706 |
| Use of money and property | 756,288 | 774,359 | $381,171 | 746,990 | 1,728,833 | 166,136 | $2,797,770 | 3,008,482 | 10,360,029 |
| Intergovernmental | 5,101,207 | 1,500 | | | 640,100 | | 683,613 | 11,666,052 | 18,092,672 |
| Charges for services | 2,314,495 | | | | | | | 3,711,670 | 6,026,165 |
| Pension stabilization revenue | | | | | | | | 4,256,500 | 4,256,500 |
| Other | 1,878,275 | 326,654 | 19,217 | | 398,554 | | | 784,781 | 3,407,481 |
| Rent | 308,946 | | | | 27,671 | | | | 336,617 |
| Total Revenues | 114,106,526 | 2,139,625 | 400,388 | 27,282,174 | 2,996,628 | 14,149,460 | 3,481,383 | 31,267,633 | 195,823,817 |
| **EXPENDITURES** | | | | | | | | | |
| Current: | | | | | | | | | |
| General government | 17,794,828 | | | | | 124 | | 8,227,808 | 26,022,760 |
| Public safety | 80,799,922 | | | | | 5,148,186 | | 768,808 | 86,716,916 |
| Public works | 7,780,750 | | | | | | 48,525 | 10,292,301 | 18,121,576 |
| Community development | 1,610,874 | | | | | | | 3,585,986 | 5,196,860 |
| Cultural and recreational | 20,165,663 | | | | | | | 649,035 | 20,814,698 |
| Housing and redevelopment | | 6,893,357 | 4,579,041 | | 7,975,242 | | | 3,381,134 | 22,828,774 |
| Capital outlay | 763,184 | | 3,246,331 | | 10,388,367 | | 35,692,073 | 12,652,898 | 62,742,853 |
| Debt service | | | | | | | | | |
| Principal | | | | 2,345,000 | | | | 3,955,998 | 6,300,998 |
| Interest and fiscal charges | | 1,520,453 | | 2,879,648 | | | | 11,212,442 | 15,612,543 |
| Total Expenditures | 128,915,221 | 8,413,810 | 7,825,372 | 5,224,648 | 18,363,609 | 5,148,310 | 35,740,598 | 54,726,410 | 264,357,978 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (14,808,695) | (6,274,185) | (7,424,984) | 22,057,526 | (15,366,981) | 9,001,150 | (32,259,215) | (23,458,777) | (68,534,161) |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | | | |
| Proceeds from sale of property | 4,008,197 | | 279,320 | | | | | | 4,287,517 |
| Issuance of debt | | | 9,772,622 | | 65,400,000 | | | 97,790,000 | 172,962,622 |
| Payment to bond escrow agent | | | | | | | | (32,897,515) | (32,897,515) |
| Transfers in | 5,503,497 | 13,077,064 | 7,362,980 | 8,669,621 | 13,314,681 | | 88,524,410 | 47,661,522 | 184,513,795 |
| Transfers (out) | (10,183,160) | (310,036) | (6,515,671) | (25,820,381) | (25,473,393) | (8,004,256) | (10,045,950) | (99,505,128) | (185,857,975) |
| Total Other Financing Sources (Uses) | (671,466) | 12,767,028 | 10,899,251 | (17,150,760) | 53,641,288 | (8,004,256) | 78,478,480 | 13,048,879 | 143,008,444 |
| NET CHANGE IN FUND BALANCES | (15,480,161) | 6,492,843 | 3,474,267 | 4,906,766 | 38,274,307 | 996,894 | 46,219,265 | (10,409,898) | 74,474,283 |
| BEGINNING FUND BALANCES | 61,916,789 | 2,392,604 | 8,297,390 | 14,208,643 | 24,347,795 | 1,384,126 | 8,099,143 | 60,324,320 | 180,970,810 |
| ENDING FUND BALANCES | $46,436,628 | $8,885,447 | $11,771,657 | $19,115,409 | $62,622,102 | $2,381,020 | $54,318,408 | $49,914,422 | $255,445,093 |

See accompanying notes to financial statements

CITY OF RICHMOND
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
*FOR THE YEAR ENDED JUNE 30, 2008*

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 | $74,474,283 |
| Amounts reported for governmental activities in the Statement of Activities *are different because of the following:* | |
| CAPITAL ASSETS TRANSACTIONS | |
| Governmental Funds include capital outlays in departmental 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 | 59,462,139 |
| Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of $1,426,389 which has already been allocated to serviced funds) | (14,522,502) |
| 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 | 689,655 |
| Retirements of capital assets are deducted from the fund balance | (277,808) |
| 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 | |
| Repayment of debt principal is added back to fund balance | 6,300,998 |
| Issuance of debt is deducted from fund balance | (172,962,622) |
| Payment to bond escrow agent is added back to fund balance, net of refunding costs | 31,488,291 |
| Capital appreciation bonds accretion is deducted from fund balance | (7,044,931) |
| Interest accrued to principal is deducted from fund balance | (75,000) |
| 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). | |
| Interest payable | (100,411) |
| Deferred revenue | 6,984,016 |
| Compensated absences | (601,754) |
| Net pension asset (obligation) | 273,467 |
| Net OPEB asset | 2,196,876 |
| 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 | 10,512,700 |
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | ($3,202,603) |

See accompanying notes to financial statements



# City of Richmond
# June 30, 2008

## 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 2008.

GASB 34 does not provide for the disclosure of budget vs. actual comparisons regarding proprietary funds that are major funds.

### RICHMOND HOUSING AUTHORITY

This fund accounts for all funds provided by the Department of Housing and Urban Development (HUD) to assist low income families in obtaining decent, safe and sanitary housing.

### PORT OF RICHMOND

This fund accounts for all financial transactions relating to the City-owned marine terminal facilities and commercial property rentals.

### MUNICIPAL SEWER

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 Richmond.

CITY OF RICHMOND
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2008

| | Business-type Activities-Enterprise Funds | | | | | Governmental |
|---|---|---|---|---|---|---|
| | Richmond Housing Authority | Port of Richmond | Municipal Sewer | Other Enterprise Funds | Totals | Activities-Internal Service Funds |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and investments | $4,852,158 | $1,974,353 | $3,571,143 | $4,551,092 | $14,948,746 | $32,666,076 |
| Restricted cash and investments | 189,924 | 1,336,916 | 5,538,881 | | 7,065,721 | 2,496,123 |
| Receivables: | | | | | | |
| Accounts, net | 901,558 | 479,284 | 366,001 | 320,290 | 2,067,133 | 87,472 |
| Interest | | 3,668 | 7,196 | 5,809 | 16,673 | 66,667 |
| Grants | 1,001,826 | | | | 1,001,826 | |
| Prepaids and other assets | 438,987 | | | | 438,987 | 355,458 |
| Due from developer | 8,628,540 | | | | 8,628,540 | |
| Total current assets | 16,012,993 | 3,794,221 | 9,483,221 | 4,877,191 | 34,167,626 | 35,671,796 |
| Noncurrent assets | | | | | | |
| Capital assets: | | | | | | |
| Nondepreciable | 8,298,597 | 8,591,150 | 24,127,769 | | 41,017,516 | 1,375,326 |
| Depreciable, net | 35,647,787 | 15,490,136 | 22,193,903 | 11,184,306 | 84,516,132 | 5,479,724 |
| Bond issuance costs net of amortization | | 32,741 | 1,601,508 | | 1,634,249 | |
| Total noncurrent assets | 43,946,384 | 24,114,027 | 47,923,180 | 11,184,306 | 127,167,897 | 6,855,050 |
| Total Assets | 59,959,377 | 27,908,248 | 57,406,401 | 16,061,497 | 161,335,523 | 42,526,846 |
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and accrued liabilities | 559,271 | 1,494,013 | 557,397 | 124,416 | 2,735,097 | 2,980,547 |
| Interest payable | | 33,648 | 1,151,496 | 136,999 | 1,322,143 | 3,031 |
| Refundable deposits | 139,756 | 31,900 | | | 171,656 | |
| Compensated absences - due within one year | 85,295 | | | 97,892 | 183,187 | |
| Claims payable | | | | | | 9,619,000 |
| Current portion of long-term debt | | 2,745,000 | 398,012 | 57,362 | 3,200,374 | 531,027 |
| Total current liabilities | 784,322 | 4,304,561 | 2,106,905 | 416,669 | 7,612,457 | 13,133,605 |
| Noncurrent liabilities: | | | | | | |
| Advances from other funds | 5,517,838 | 17,039,855 | | 1,758,342 | 24,316,035 | |
| Compensated absences | 445,926 | 68,292 | 13,443 | | 527,661 | 717,206 |
| Claims payable | | | | | | 10,645,000 |
| Long-term debt, net | | 3,188,813 | 43,860,716 | 3,263,820 | 50,313,349 | 1,133,369 |
| Total noncurrent liabilities | 5,963,764 | 20,296,960 | 43,874,159 | 5,022,162 | 75,157,045 | 12,495,575 |
| Total Liabilities | 6,748,086 | 24,601,521 | 45,981,064 | 5,438,831 | 82,769,502 | 25,629,180 |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | 43,946,384 | 18,147,473 | 7,601,825 | 7,863,124 | 77,558,806 | 6,855,050 |
| Restricted for debt service | 189,924 | 1,336,916 | | | 1,526,840 | |
| Unrestricted | 9,074,983 | (16,177,662) | 3,823,512 | 2,759,542 | (519,625) | 10,042,616 |
| Total Net Assets | $53,211,291 | $3,306,727 | $11,425,337 | $10,622,666 | $78,566,021 | $16,897,666 |

See accompanying notes to financial statements



CITY OF RICHMOND
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

| | Business-type Activities-Enterprise Funds | | | | | Governmental |
|---|---|---|---|---|---|---|
| | Richmond Housing Authority | Port of Richmond | Municipal Sewer | Other Enterprise Funds | Totals | Activities-Internal Service Funds |
| OPERATING REVENUES | | | | | | |
| Rental | $1,611,864 | | | | $1,611,864 | |
| Marina berth rentals | | $170,331 | | | 170,331 | |
| Service charges | | 4,321,085 | $13,862,211 | $2,469,109 | 20,652,405 | $42,083,188 |
| Lease income | | 1,444,088 | | 484,212 | 1,928,300 | |
| Other | 164,388 | (35,378) | 1,909 | 142,966 | 273,885 | |
| Total Operating Revenues | 1,776,252 | 5,900,126 | 13,864,120 | 3,096,287 | 24,636,785 | 42,083,188 |
| OPERATING EXPENSES | | | | | | |
| Salaries and benefits | 6,859,124 | 837,443 | 432,542 | 1,588,576 | 9,717,685 | 11,056,355 |
| General and administrative | 1,412,818 | 2,129,592 | 10,008,804 | 2,905,325 | 16,456,539 | 8,212,465 |
| Maintenance | 838,314 | 50,661 | 34,681 | | 923,656 | 4,194,477 |
| Depreciation | 299,402 | 919,326 | 1,386,016 | 1,136,221 | 3,740,965 | 1,426,389 |
| Housing assistance | 14,641,716 | | | | 14,641,716 | |
| Claims losses | | | | | | 7,574,820 |
| Other | | 7,037 | 61,855 | 203 | 69,095 | 156,158 |
| Total Operating Expenses | 24,051,374 | 3,944,059 | 11,923,898 | 5,630,325 | 45,549,656 | 32,620,664 |
| Operating Income (Loss) | (22,275,122) | 1,956,067 | 1,940,222 | (2,534,038) | (20,912,871) | 9,462,524 |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Gain from sale of capital assets | | | | | | 8,714 |
| Loss on retirement of capital assets | (272,960) | (60,272) | | | (333,232) | |
| Interest income | 44,294 | 161,534 | 546,843 | 167,008 | 919,679 | 1,545,563 |
| Property taxes | | | 10,382 | | 10,382 | |
| Grants | 21,892,994 | 2,782,673 | | | 24,675,667 | |
| Other income | 313,863 | | | | 313,863 | |
| Interest (expense) | | (585,458) | (3,160,829) | (149,659) | (3,895,946) | (141,401) |
| Total Nonoperating Revenues (Expenses) | 21,978,191 | 2,298,477 | (2,603,604) | 17,349 | 21,690,413 | 1,412,876 |
| Income (Loss) Before Contributions and Transfers | (296,931) | 4,254,544 | (663,382) | (2,516,689) | 777,542 | 10,875,400 |
| TRANSFERS AND SPECIAL ITEM | | | | | | |
| Special item - Contribution to developer (Note 6) | (14,425,750) | | | | (14,425,750) | |
| Transfers in | | 1,863,750 | | 540,285 | 2,404,035 | |
| Transfers (out) | | (156,870) | (540,285) | | (697,155) | (362,700) |
| Net contributions and transfers | (14,425,750) | 1,706,880 | (540,285) | 540,285 | (12,718,870) | (362,700) |
| Change in net assets | (14,722,681) | 5,961,424 | (1,203,667) | (1,976,404) | (11,941,328) | 10,512,700 |
| BEGINNING NET ASSETS (DEFICIT) | 67,933,972 | (2,654,697) | 12,629,004 | 12,599,070 | 90,507,349 | 6,384,966 |
| ENDING NET ASSETS | $53,211,291 | $3,306,727 | $11,425,337 | $10,622,666 | $78,566,021 | $16,897,666 |

See accompanying notes to financial statements

CITY OF RICHMOND
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

| | Business-type Activities-Enterprise Funds | | | | | Governmental |
|---|---|---|---|---|---|---|
| | Richmond Housing Authority | Port of Richmond | Municipal Sewer | Other Enterprise Funds | Totals | Activities-Internal Service Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Receipts from customers | $1,688,697 | $5,835,507 | $13,682,633 | $3,057,372 | $24 264,209 | $42,801,138 |
| Payments to suppliers | (14,831,585) | (902,212) | (9,993,744) | (2,817,075) | (28,544,616) | (4,350,635) |
| Payments to employees | (6,840,412) | (857,107) | (432,512) | (1,584,548) | (9,714,579) | (17,523,578) |
| Insurance premiums and claims paid | | | | | | (10,427,058) |
| Cash Flows from Operating Activities | (19,983,300) | 4,076,188 | 3,256 377 | (1,344 251) | (13,994,986) | 10,499,867 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Interfund receipts | 253,742 | | | 1,758,342 | 2,012,084 | |
| Interfund payments | | (50,000) | | | (50,000) | |
| Other income | 313,863 | | | | 313,865 | |
| Receipts from other governments | 21,982,071 | 2,782,673 | | | 24,764,744 | |
| Property taxes | | | 10,382 | | 10,382 | |
| Transfers in | | 1,863,750 | | 540,285 | 2,404,035 | |
| Transfers (out) | | (156 870) | (540,285) | | (697,155) | (362,700) |
| Cash Flows from Noncapital Financing Activities | 22,549,676 | 4,439,553 | (529,903) | 2,298 627 | 28,757,951 | (362,700) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Acquisition of capital assets, net of retirements | (2,280,503) | (3,068,286) | (6,657,355) | (161,249) | (12,167,393) | (4,160,352) |
| Proceeds from sale of capital assets | | | | | | 27,396 |
| Proceeds from issuance of debt | | 3,630,000 | | | 3,630,000 | |
| Payment to bond escrow agent | | (3,940,024) | | | (3,940,024) | |
| Cost of issuance | | (77,204) | | | (77,204) | |
| Principal payments on capital debt | | (3,094,865) | (423,822) | (54,891) | (3,573,578) | (754,714) |
| Interest paid | | (362 194) | (2,464,976) | (151,923) | (2,979,093) | (142,327) |
| Cash Flows from Capital and Related Financing Activities | (2,280,503) | (6,912,573) | (9,546,153) | (368,063) | (19,107,292) | (5,029,997) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Interest | 44,294 | 160,609 | 545,382 | 167,558 | 917,843 | 1,535,233 |
| Cash Flows from Investing Activities | 44,294 | 160,609 | 545,382 | 167 558 | 917,843 | 1,535,233 |
| Net Cash Flows | 330,167 | 1,763,777 | (6,274,297) | 753,871 | (3,426,482) | 6,642,403 |
| Cash and investments at beginning of period | 4 711,915 | 1,547,492 | 15 384,321 | 3,797,221 | 25 440,949 | 28,519,796 |
| Cash and investments at end of period | $5,042,082 | $3,311,269 | $9,110,024 | $4,551,092 | $22 014,467 | $35,162,199 |
| Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities | | | | | | |
| Operating income (loss) | ($22,275,122) | $1,956,067 | $1,940,222 | ($2,534,038) | ($20,912,871) | $9,462,524 |
| Adjustments to reconcile operating income to cash flows from operating activities | | | | | | |
| Depreciation | 299,402 | 919,326 | 1,386,016 | 1,136,221 | 3,740,965 | 1,426,389 |
| Change in assets and liabilities: | | | | | | |
| Receivables, net | (95,807) | (26,421) | (181,487) | (38,915) | (342,630) | 717,950 |
| Prepaids and other assets | 2,075,881 | | | | 2,075,881 | (116,238) |
| Accounts payable and accrued liabilities and other accrued expenses | (14,618) | 1,285,078 | 111,596 | 88,453 | 1,470,509 | 1,742,631 |
| Refundable deposits | 8,252 | (38,198) | | | (29,946) | |
| Compensated absences payable | 18,712 | (19,664) | 30 | 4,028 | 3,106 | 2,611 |
| Claims payable | | | | | | (2,736 000) |
| Cash Flows from Operating Activities | ($19 983,300) | $4,076,188 | $3,256,377 | ($1,344,251) | ($13,994,986) | $10,499,867 |
| Non cash transactions | | | | | | |
| Special item - Contribution to Developer | ($14,425,750) | | | | | |
| Retirement of capital assets | | $60,273 | | | | |
| Amortization of bond issuance costs | | (332,987) | ($21,544) | | | |

See accompanying notes to financial statements



# City of Richmond
# June 30, 2008

## FIDUCIARY FUNDS

Fiduciary funds are presented separately from the Government-wide and Fund financial statements.

Trust funds are used to account for assets held by the City as a trustee agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

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 RICHMOND
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008

| | Pension Trust Funds | Agency Funds |
|---|---|---|
| ASSETS | | |
| Cash and investments (Note 3) | | $11,559,104 |
| Restricted cash and investments (Note 3) | | 4,953,712 |
| Investment in reassessment bonds (Note 3) | | 18,102,500 |
| Pension plan cash and investments (Note 11). | | |
| City of Richmond Investment Pool | $4,164,472 | |
| Local Agency Investment Fund | 182,596 | |
| Mutual Fund Investments | 20,274,545 | |
| Accounts receivable | | 122,496 |
| Interest receivable | 9,768 | 12,491 |
| Total Assets | 24,631,381 | $34,750,303 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 65,192 | $5,617,279 |
| Refundable deposits payable | | 900,661 |
| Due to assessment district bondholders | | 28,232,363 |
| Total Liabilities | 65,192 | $34,750,303 |
| NET ASSETS | | |
| Held in trust for employees' pension benefits | $24,566,189 | |

See accompanying notes to financial statements



CITY OF RICHMOND
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

| | Pension Trust Funds |
|---|---|
| ADDITIONS | |
| Net investment income: | |
| Net increase (decrease) in the fair value of investments | ($1,633,517) |
| Interest income | 905,995 |
| Investment management fees | (213,314) |
| Contribution from the City | 380,432 |
| Contribution from Pension Reserve | 5,000,000 |
| Other | 12,284 |
| Total Additions | 4,451,880 |
| DEDUCTIONS | |
| Pension benefits | 5,539,019 |
| Administrative expenses | 91 |
| Total Deductions | 5,539,110 |
| Net Increase (Decrease) | (1,087,230) |
| NET ASSETS, BEGINNING OF YEAR | 25,653,419 |
| NET ASSETS, END OF YEAR | $24,566,189 |

See accompanying notes to financial statements

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## NOTE 1 - ORGANIZATION AND DEFINITION OF REPORTING ENTITY

The City was incorporated in 1905 under the laws of the State of California and adopted its charter in 1909. The City operates under a Council-Manager form of government and provides the following services to its citizens as authorized by its charter: police and fire protection, planning and community development, streets and roads, parks and recreation, sewage treatment, drainage and capital projects. In addition, the City has a port, marina, municipal and storm sewer enterprises, a housing authority, a redevelopment agency, a joint powers financing authority, and a parking authority which is inactive.

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. Each discretely presented component unit, on the other hand, is reported in a separate column in the basic financial statements to emphasize it is legally separate from the government.

### PRIMARY GOVERNMENT

The financial statements of the primary government of the City include the activities of the City as well as the Richmond Community Redevelopment Agency, the Richmond Housing Authority, the Richmond Joint Powers Financing Authority, the Richmond Parking Authority and the Richmond Surplus Property Authority all of which are controlled by and dependent on the City. While these are separate legal entities, their financial activities are integral to those of the City. Their financial activities have been aggregated and merged (termed "blended") with those of the primary government of the City in the accompanying financial statements.

**Blended Component Units:**

**Richmond Community Redevelopment Agency (Redevelopment Agency)** - Formed in October 1949 as a separate legal entity under the provisions of the Community Redevelopment Law, the Redevelopment Agency was established primarily to assist in the clearance and rehabilitation of areas determined to be in a blighted condition in the City. Since that time various Project Area Plans (Plans) have been developed to provide an improved physical, social, and economic environment in various Project Areas.

The Redevelopment Agency is authorized to finance redevelopment through various sources, including assistance from the City, State, Federal governments, incremental property taxes, interest income, issuance of Redevelopment Agency notes and bonds, and sale and rental of real property acquired with these funds.

Although the Redevelopment Agency is a separate legal entity, it is an integral part of the City. The City exercises significant financial and management control over the Redevelopment Agency and members of the City Council serve as the governing board of the Redevelopment Agency. The activities of Redevelopment Agency are presented in the City's basic financial statements as the following major funds: Redevelopment Administration Fund, Redevelopment Low and Moderate Income Housing Fund, Redevelopment Agency Debt Service Fund and Redevelopment Agency Capital Projects Fund. Separate financial statements for the Redevelopment Agency may be obtained by contacting the Office of Finance, City of Richmond, 1401 Marina Way South, Richmond, California 94804.

## NOTE 1 - ORGANIZATION AND DEFINITION OF REPORTING ENTITY (Continued)

**Richmond Housing Authority (Housing Authority)** - Formed in 1941 as a separate legal entity under the provisions of the Housing Act of 1937, the Housing Authority was established to use funds provided by the Department of Housing and Urban Development (HUD) to rehabilitate local deteriorated housing and to subsidize low-income families in obtaining decent, safe, and sanitary housing needs.

Although the Housing Authority is a separate legal entity, it is an integral part of the City. The City exercises significant financial and management control over the Housing Authority and members of City Council serve as the governing board of the Housing Authority. The financial statements of the Housing Authority are included in the City's basic financial statements as an enterprise fund. Separate financial statements for the Housing Authority may be obtained by contacting the Richmond Housing Authority, 330 24th Street, Richmond, California 94804.

**Richmond Joint Powers Financing Authority (JPFA)** - A joint exercise of powers authority formed on December 1, 1989, by and between the City and the Redevelopment Agency, the JPFA was created to assist the City, the Redevelopment Agency, and other local public agencies in financing and refinancing capital improvements and working capital pursuant to the Marks-Roos Local Bond Pooling Act of 1985. The JPFA is authorized to purchase obligations of the City, Redevelopment Agency, and other local public agencies.

Although the JPFA is a separate legal entity, it is an integral part of the City. The City exercises significant financial and management control over the JPFA and members of the Board of Directors are appointed by City Council. The operations of the JPFA are included in the City's basic financial statements as a debt service fund. Separate financial statements for the JPFA may be obtained by contacting the Office of Finance, City of Richmond, 1401 Marina Way South, Richmond, California 94804.

**Richmond Parking Authority (Parking Authority)** - Formed in 1975 pursuant to the provisions of California statutes for the purpose of financing the construction of off-street parking facilities. Although the Parking Authority is a separate legal entity, it is an integral part of the City. The City exercises significant financial and management control over the Parking Authority and members of the City Council serve as the governing board of the Parking Authority. The Parking Authority is inactive.

**Richmond Surplus Property Authority** – Formed to become the owner of certain property declared surplus by the U.S. Government, the Authority is a separate legal entity but it is an integral part of the City. The City exercises significant financial and management control over the Authority and members of the City Council serve as the governing board of the Authority. The Authority is inactive.

### Discretely Presented Component Unit

**RHA Properties** – A joint powers agreement between the City and the Housing Authority formed in 2004 for the purpose of owning and managing the operations of an affordable housing residential complex known as The Hilltop at Westridge Apartments in the City, dedicated to the needs of elderly persons. The City and the Housing Authority funded the acquisition of this complex through the issuance of debt. The City and Housing Authority exercise significant financial and management control over RHA Properties and appoint members of the Board of Directors. Therefore, the financial activities of RHA Properties are discretely presented in the RHA Properties Component Unit column of the Statement of Net Assets and the Statement of Activities. Separate financial statements for RHA Properties may be obtained by contacting the Richmond Housing Authority, 330 24th Street, Richmond, California 94804.





## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Richmond have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

**Basis of Accounting and Measurement Focus**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses. City resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

**Government-Wide Financial Statements** - The Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Fiduciary activities of the City are not included in these statements; they are presented separately.

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.

The Government-wide financial statements are presented on an *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the Statement of Net Assets. The Statement of Activities presents all the City's revenues, expenses and other changes in Net Assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total column. In the Statement of Activities, internal service fund transactions have been eliminated. However, transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements and applicable FASB pronouncements issued on or before November 30, 1989 to the business-type activities, unless those pronouncements conflict with GASB pronouncements.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Governmental Fund Financial Statements** - Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and in the aggregate for all non-major funds. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide financial statements.

All governmental funds are accounted for on the *"current financial resources"* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received such as business licenses and fines and penalties in cash, except that revenues subject to accrual (generally sixty days after the fiscal year-end) are recognized when due. The primary revenue sources which have been treated as susceptible to accrual by the City are property taxes, sales taxes, transient occupancy taxes, franchise taxes, certain other intergovernmental revenues, and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred also generally sixty days after the fiscal year end.

Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences between the two approaches.

**Proprietary Fund Financial Statements** - Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and in the aggregate for all non-major funds. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements.

Proprietary funds are accounted for using the *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets.

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of when cash changes hands.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.





## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Fiduciary Fund Financial Statements and Statement of Changes in Net Assets** - Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Assets, and a Statement of Changes in Fiduciary Net Assets. The City's Fiduciary funds represent Pension Trust funds and Agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Pension trust funds are accounted for on an economic resources measurement focus under the accrual basis of accounting.

### 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** – 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 Administration Special Revenue Fund** – The Redevelopment Agency Administration Fund accounts for all administrative activities of the Agency.

**Redevelopment Agency Low and Moderate Income Housing Capital Projects Fund** - The Redevelopment Agency Low and Moderate Income Housing Fund accounts for the twenty percent housing set-aside from the tax increment proceeds of each of the Redevelopment Agency's project areas. This set-aside is required by California redevelopment law, and must be used to provide housing for people with low and moderate incomes.

**Redevelopment Agency Debt Service Fund** - The Redevelopment Agency Debt Service Fund accounts for the accumulation of property taxes for payment of interest and principal on the Agency's long-term debt.

**Redevelopment Agency Projects Capital Projects Fund** - The Redevelopment Agency Projects Fund accounts for capital projects connected with redevelopment funded by property tax increment revenues.

**Secured Pension Override Special Revenue Fund** – The Secured Pension Override Fund records the receipt of Pension Tax override collected through property taxes for payment of pension contributions

**Civic Center Project Capital Projects Fund** – The Civic Center Project Fund accounts for activities of the new Civic Center project.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reported the following major enterprise funds in the accompanying financial statements:

**Richmond Housing Authority** – This fund accounts for all funds provided by the Department of Housing and Urban Development (HUD) to assist low income families in obtaining decent, safe and sanitary housing.

**Port of Richmond** – This fund accounts for all financial transactions relating to the City-owned marine terminal facilities and commercial property rentals.

**Municipal Sewer** – 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 Richmond.

The City also reports the following fund types:

**Internal Service Funds.** The funds account for worker's compensation, general liability, information technology, equipment services and replacement, police telecommunications and facilities maintenance, all of which are provided to other departments on a cost-reimbursement basis.

**Fiduciary Funds.** The Pension Trust Funds 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.

### Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

### Cash, Cash Equivalents and Investments

For purposes of reporting cash flows, the City considers each fund's share in the cash and investments pool and restricted cash and investments to be cash and cash equivalents.

All investments are stated at fair value. Market value is used as fair value for all securities.

The City participates in the State of California's Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-backed Securities are subject to market risk as to change in interest rates.







### Prepaids and Supplies

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items in governmental funds 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.

Supplies are valued at cost using the weighted average method. Supplies of the governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure in the funds at the time individual inventory items are consumed rather than when purchased. Reported governmental 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.

### Capital Assets

Capital assets are valued at historical cost or at estimated fair value on the date donated. If actual historical costs are not available, assets have been valued at approximate historical cost. The City's policy is to capitalize assets with a cost exceeding $5,000. Depreciation is recorded on a straight-line basis over the following estimated useful lives:

| | |
|---|---|
| Improvements other than buildings | 20 years |
| Buildings and building improvements | 50 years |
| Vehicles | 5 – 10 years |
| Infrastructure | 25 - 50 years |
| Machinery and equipment | 5 – 20 years |

Infrastructure includes streets systems, parks and recreation lands and improvement systems, storm water collection systems, and buildings combined with site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system is divided into subsystems. For example, the street system includes pavement, curbs and gutters, sidewalks, medians, streetlights, traffic control devices such as signs, signals and pavement markings, landscaping and land. In the case of the initial capitalization of general infrastructure assets reported by governmental activities, the City chose to include all such items regardless of their acquisition date or amount.

Net interest costs incurred during the construction of capital assets for the business-type and proprietary funds are capitalized as part of the asset's cost.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Compensated Absences

Compensated absences comprise unused vacation and certain other compensated time off, which are accrued and charged to expense as earned. Governmental funds include only amounts expected to be paid after the end of the fiscal year, while their long-term liabilities are recorded in the Statement of Net Assets.

Changes in compensated absence liabilities for the fiscal year were as follows:

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| Beginning Balance | $9,366,379 | $707,742 | $10,074,121 |
| Additions | 5,577,381 | 107,384 | 5,684,765 |
| Payments | (4,973,016) | (104,278) | (5,077,294) |
| Ending Balance | $9,970,744 | $710,848 | $10,681,592 |
| Current Portion | $942,478 | $183,187 | $1,125,665 |

The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund. Compensated absences for business-type activities are liquidated by the fund that has recorded the liability.

### Property Tax Levy, Collection and Maximum Rates

The State of California's Constitution limits the combined maximum property tax rate on any given property to one percent of its assessed value except for voter approved incremental property taxes. Assessed value equals purchase price and may be adjusted by no more than two percent per year unless the property is modified, sold, or transferred. The State Legislature distributes property tax receipts from among the counties, cities, school districts, and other districts.

Contra Costa County assesses properties and bills for and collects property taxes as follows:

| | Secured | Unsecured |
|---|---|---|
| Valuation/lien dates | January 1 | March 1 |
| Levied dates | July 1 | July 1 |
| Due dates | 50% on November 1<br>50% on February 1 | July 1 |
| Delinquent as of | December 10 (for November)<br>April 10 (for February) | August 31 |

The term "unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed. Property taxes levied are recorded as revenue in the fiscal year of levy.





## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Long-Term Obligations

**Government-Wide Financial Statements** - Long-term debt is reported as liabilities of the appropriate governmental or business-type activity.

Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

**Fund Financial Statements** - Proprietary fund financial statements report long-term debt under the same principles as the City-wide financial statements. Governmental fund financial statements do not present long-term debt.

Governmental funds report bond premiums, discounts and issuance costs in the year the debt is issued. Bond proceeds are reported as other financing sources net of premium or discount. Issuance costs are reported as debt service expenditures.

### Claims Liabilities

The City records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers' compensation claims. The estimated liability for workers' compensation claims and general liability claims includes "incurred but not reported" (IBNR) claims, and is recorded in the internal service funds.

### Net Assets

In the City-wide financial statements, Net Assets are classified as follows:

**Invested in Capital Assets, Net of Related Debt** – This amount consists of capital assets net of accumulated depreciation, reduced by outstanding debt that was used for the acquisition, construction, or improvement of these capital assets.

**Restricted Net Assets** – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments. In addition net assets restricted for pension benefits are restricted as a result of enabling legislation.

**Unrestricted Net Assets** – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

### Fund Reservations and Designations

Reservations and designations of fund balances of governmental funds and restrictions of net assets of proprietary funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be to segregated or identify the portion of the fund equity not available for future expenditures.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Portions of the City's fund balances have been reserved for the following purposes:

**Reserved for Encumbrances** - represents commitments of funds to pay for future delivery of materials and services on firm purchase orders and contracts.

**Reserved for Prepaids, Supplies and Other Assets** - represents the portion of fund balance already expended for these assets and not available to be used to meet expenditures in the current period.

**Reserved for Debt Service** - represents amounts set aside in accordance with a bond indenture or similar covenant.

**Reserved for Advances to Other Funds** - represents receivables from other City Funds that are not expected to be received in the next fiscal year.

**Reserved for Loans Receivable** - represents the portion of fund balance already expended for these assets and not available to be used to meet expenditures in the current period.

**Reserved 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 under the California Health and Safety Code.

Portions of the City's fund balances have been designated for the following purposes:

**Designated for Contingencies** is the portion of fund balance set-aside to be used in the event of fiscal need.

**New Funds, Closed Funds and Other Revisions**

The Redevelopment Agency Capital Projects Fund is now reported as four separate funds, the Redevelopment Agency Administration Special Revenue Fund, Redevelopment Agency Low and Moderate Income Housing Capital Projects Fund, Redevelopment Agency Debt Service Fund and the Redevelopment Agency Capital Projects Fund.

The Joint Powers Financing Authority Debt Service Fund was closed as of June 30, 2008. The activities of the Authority are now reported in the Redevelopment Agency Debt Service Fund, the General Debt Service Fund, the Richmond Housing Authority Enterprise Fund and the Port Enterprise Fund.

The activity previously reported in the Parks, Recreation, and Environment Special Revenue Fund is now reported in two separate funds, the Special Programs Special Revenue Fund and the Developer Impact Fees Special Revenue Fund.

The Civic Center Debt Service Fund was established to account for principal and interest payments on the 2007 Lease Revenue Bonds.





**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Expenditures in Excess of Appropriations**

The Public Safety Special Revenue Fund incurred expenditures in excess of appropriations in the amount of $214,451. The fund had sufficient fund balances or revenues to finance these expenditures.

**NOTE 3 - CASH AND INVESTMENTS**

**Investments and Cash Deposits**

The City maintains a cash and investment pool of cash balances and authorized investments of all funds except for funds required to be held by fiscal agents under the provisions of bond indentures, which the City Treasurer invests to enhance interest earnings. The pooled interest earned is allocated to the funds based on average month-end cash and investment balances in these funds.

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.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits which are fully insured up to $100,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

## NOTE 3 - CASH AND INVESTMENTS (Continued)

### Classification

Cash and investments are classified in the financial statements as shown below at June 30, 2008:

| | |
|---|---|
| Cash and investments | $117,791,728 |
| Restricted cash and investments | 173,556,176 |
| **Total Primary Government cash and investments** | 291,347,904 |
| Cash and investments | 507,631 |
| Restricted cash and investments | 2,399,825 |
| **Total Component Unit cash and investments** | 2,907,456 |
| Cash and investments in Fiduciary Funds (Separate Statement) | |
| Cash and investments | 11,559,104 |
| Restricted cash and investments | 4,953,712 |
| Investments in reassessment bonds | 18,102,500 |
| **Total cash and investments** | $328,870,676 |

### Investments Authorized by the California Government Code and the City's Investment Policy

Under the provisions of the City's Investment Policy, and in accordance with California Government Code, the following investments are authorized:

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality | Maximum Percentage of Portfolio | | Maximum Investment In One Issuer |
|---|---|---|---|---|---|
| U.S. Treasury Bills, Bonds and Notes | 5 years | | None | | None |
| Obligations issued by United States Government or its Agencies | 5 years | | None | | None |
| Treasury bonds and notes issued by the State of California or any local agency with California | 5 years | A | None | | |
| Bankers Acceptances | 180 days | | 40% | | 30% |
| Commercial Paper | 270 days | A1/P1/F1 | 10% | (A) | 10% |
| Negotiable Certificates of Deposit | 5 years | A | 30% | | None |
| Medium Term Corporate Notes | 5 years | A | 30% | | None |
| Money Market Mutual Funds | N/A | Top rating category | 15% | | None |
| California Local Agency Investment Fund | N/A | | None | | $40 Mil |
| Investment Trust of California (CalTrust) | N/A | | N/A | | None |
| Collateralized Time Deposits | 5 years | | 30% | | 10% |
| Repurchase Agreements | 5 years | | None | (B) | None |

(A): City may invest an additional 10% or a total of 20% of City surplus money, only if dollar-weighted average maturity of the entire amount does not exceed 31 days.

(B): City may not utilize Reverse Repurchase Agreement without the prior approval of the Council.





## NOTE 3 - CASH AND INVESTMENTS (Continued)

### Investments Authorized by Debt Issues and Lease Agreements:

Under the terms of the City's and RHA Properties' debt issues and lease agreements, it is subject to various restrictions in the type, maturity and credit ratings of investments of the unspent proceeds of these issues. These restrictive are generally no more restrictive than those listed above regarding investment of the City's and RHA Properties' funds. In addition, some bond indentures authorize investments in guaranteed investment contracts and investment agreements with maturity dates that coincide with the applicable debt maturities. At June 30, 2008, the City and RHA Properties were in compliance with the terms of all these restrictions.

### Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

| | Remaining Maturity (in Months) | | | | |
|---|---|---|---|---|---|
| | 12 months or Less | 13 to 24 Months | 25 to 60 Months | More than 60 months | Total |
| ***Primary Government:*** | | | | | |
| Federal Agency Securities | $55,446,148 | $6,351,500 | $6,997,550 | | $68,795,198 |
| Money Market Mutual Funds (U.S. Securities) | 86,140 | | | | 86,140 |
| Certificates of Deposit | 246,713 | | | | 246,713 |
| California Local Agency Investment Fund | 31,526,547 | | | | 31,526,547 |
| CalTrust Short Term Fund | 289,721 | | | | 289,721 |
| Held by Bond Trustee: | | | | | |
| *Federal Agency Securities* | *6,126,086* | | *4,173,043* | | *10,299,129* |
| Money Market Mutual Funds (U.S. Securities) | 93,622,112 | | | | 93,622,112 |
| California Local Agency Investment Fund | 87,989 | | | | 87,989 |
| Guaranteed Investment Contracts | 58,399,964 | 1,164,974 | | $4,580,948 | 64,145,886 |
| Investment Agreements | 1,095,500 | | | 1,039,778 | 2,135,278 |
| Repurchase Agreement | | 1,146,500 | | | 1,146,500 |
| Reassessment Bonds | 767,500 | 815,000 | 2,472,500 | 14,047,500 | 18,102,500 |
| ***RHA Properties:*** | | | | | |
| Money Market Mutual Funds (U.S. Securities) | 2,399,825 | | | | 2,399,825 |
| **Total Investments** | $250,094,245 | $9,477,974 | $13,643,093 | $19,668,226 | 292,883,538 |
| Cash in Banks and on hand - *Primary Government* | | | | | 35,479,507 |
| Cash in banks - *RHA Properties* | | | | | 507,631 |
| **Total Cash and Investments** | | | | | $328,870,676 |

## NOTE 3 - CASH AND INVESTMENTS (Continued)

The City is a 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. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2008, these investments matured in an average of 212 days.

The City is a participant in the Short-Term Fund of the Investment Trust of California (CalTrust), a joint powers authority and public agency established by its members under the provisions of Section 6509.7 of the California Government Code. Members and participants are limited to California public agencies. CalTrust is governed by a Board of Trustees of seven Trustees, at least seventy-five percent of whom are from the participating agencies. The City reports its investment in CalTrust at the fair value amount provided by CalTrust, which is the same as the value of the pool shares. The balance is available for withdrawal on demand, and is based on the accounting records maintained by CalTrust. Included in CalTrust's investment portfolio are: United States Treasury Notes, Bills, Bonds or Certificates of Indebtedness; registered state warrants or treasury notes or bonds; California local agency bonds, notes, warrants or other indebtedness; federal agency or United States government-sponsored enterprise obligations; bankers acceptances; commercial paper; negotiable certificates of deposit; repurchase agreements; medium-term notes; money market mutual funds; notes, bonds or other obligation secured by a first priority security interest in securities authorized under Government Code Section 53651; and mortgage passthrough securities, collateralized mortgage obligations, and other asset – backed securities. CalTrust's Short-Term Fund has a target portfolio duration of 0 to 2 years. At June 30, 2008, these investments matured in an average of 175 days.

Money market funds and mutual funds are available for withdrawal on demand and as of June 30, 2008 have an average maturity from 1 to 27 days.





## NOTE 3 - CASH AND INVESTMENTS (Continued)

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2008 for each investment type:

| Investment Type | AAA | Aaf/S1+ | Total |
|---|---|---|---|
| Federal Agency Securities | $79,094,327 | | $79,094,327 |
| Money Market Mutual Funds (U.S. Securities) | 96,108,077 | | 96,108,077 |
| CalTrust Short Term Fund | | $289,721 | 289,721 |
| Totals | $175,202,404 | $289,721 | 175,492,125 |
| *Not rated:* | | | |
| California Local Agency Investment Fund | | | 31,614,536 |
| Guaranteed Investment Contracts | | | 64,145,886 |
| Certificates of Deposit | | | 246,713 |
| Investment Agreements | | | 2,135,278 |
| Repurchase Agreement | | | 1,146,500 |
| Reassessment Bonds | | | 18,102,500 |
| **Total Investments** | | | 292,883,538 |
| Cash in Banks and on hand | | | 35,987,138 |
| **Total Cash and Investments** | | | $328,870,676 |

## NOTE 3 - CASH AND INVESTMENTS (Continued)

### Concentration of Credit Risk

Investments in the securities of any individual issuer, other than U. S. Treasury securities, mutual funds, and external investment fund that represent 5% or more of total Government-wide investments are as follows at June 30, 2008:

| Issuer | Type of Investments | Amount |
|---|---|---|
| Federal Farm Credit Banks | Federal Agency Securities | $16,000,000 |
| Federal Home Loan Bank | Federal Agency Securities | 34,488,588 |
| Federal Home Loan Mortgage Corporation | Federal Agency Securities | 17,109,289 |
| FSA Investment Agreement | Guaranteed Investment Contract | 59,564,938 |

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, in individual major funds and in non-major funds at June 30, 2008 were as follows:

| *Fund* | *Issuer* | *Type of Investments* | *Amount* |
|---|---|---|---|
| Redevelopment Agency Administration Fund | MBIA Inc | Guaranteed Investment Contract | $1,429,000 |
| Redevelopment Agency Debt Service Fund | Morgan Guarantee Trust of New York | Investment Agreement | 1,039,778 |
| Redevelopment Agency Debt Service Fund | FGIC | Guaranteed Investment Contract | 2,226,948 |
| Redevelopment Agency Debt Service Fund | Bayerische Landesbank Girozentrale | Investment Repurchase Agreement | 1,146,500 |
| Civic Center Project Fund | FSA Investment Agreement | Guaranteed Investment Contract | 58,399,964 |
| Non Major Governmental Funds | Federal Home Loan Mortgage Corporation | Federal Agency Securities | 6,126,086 |
| Non Major Governmental Funds | Federal Home Loan Bank | Federal Agency Securities | 4,173,043 |
| Port of Richmond Enterprise Fund | AIG | Investment Agreement | 1,095,500 |

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, in Agency Funds at June 30, 2008 were as follows:

| Agency Fund | Issuer | Type of Investment | Amount |
|---|---|---|---|
| JPFA Reassessment District | City of Richmond | Municipal Bonds | $7,582,500 |
| 2006A&B Reassessment District | City of Richmond | Municipal Bonds | 10,520,000 |





## NOTE 4 - INTERFUND TRANSACTIONS

### A. Current Interfund Balances

Current interfund balances arise in the normal course of business and represent short-term borrowings occurring as a result of expenditures which are paid prior to the receipt of revenues. These balances are expected to be repaid shortly after the end of the fiscal year when revenues are received. Current amounts due from one fund to another at June 30, 2008 were as follows:

| Due From Other Funds | Due To Other Funds | Amount |
|---|---|---|
| General Fund | Redevelopment Agency Administration Fund | $171,959 |
| | Redevelopment Agency Low/Mod Income Housing Fund | 1,709,770 |
| | Redevelopment Agency Debt Service Fund | 3,373,554 |
| | Redevelopment Agency Projects Fund | 4,506,494 |
| | Non Major Governmental Funds | 2,818,978 |
| Redevelopment Agency Administration Fund | General Fund | 5,047,807 |
| | Non Major Governmental Funds | 29,117 |
| Redevelopment Agency Debt Service Fund | General Fund | 2,737,085 |
| Redevelopment Agency Projects Fund | General Fund | 921,886 |
| Non Major Governmental Funds | Redevelopment Agency Administration Fund | 2,457 |
| | Civic Center Project Capital Projects Fund | 4,000,000 |
| | | $25,319,107 |

### B. Long-Term Interfund Advances

At June 30, 2008 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 |
|---|---|---|
| General Fund | Redevelopment Agency Projects Fund | $99,685 |
| Civic Center Project Capital Projects Fund | Redevelopment Agency Administration Fund | 2,000,000 |
| Non Major Governmental Fund | General Fund | 211,686 |
| Richmond Housing Authority Enterprise Fund | General Fund | 5,343,771 |
| | Redevelopment Agency Administration Fund | 174,067 |
| Port of Richmond Enterprise Fund | General Fund | 17,039,855 |
| Non Major Enterprise Fund | General Fund | 1,758,342 |
| **Total** | | $26,627,406 |

In fiscal 2007, the Redevelopment Agency advanced $174,067 to the Richmond Housing Authority Enterprise Fund, collateralized by a deed of trust on the Westridge at Hilltop Apartments, to assist the Authority with its lease payments for the 2003 A-S Multifamily Housing Revenue Bonds. The loan bears interest of 3%.

In fiscal 2007 and 2008 the General Fund made advances to the Richmond Housing Authority Enterprise Fund for police, sewer, and other services as well as the Housing Authority's employee payroll. The advance bears no interest and is payable in 360 monthly installments of $12,531. The balance as of June 30, 2008 is $5,343,771.

## NOTE 4 - INTERFUND TRANSACTIONS (Continued)

In fiscal 2007 the Redevelopment Agency advanced $2,000,000 to the City's Civic Center Capital Projects Fund for the Civic Center Project.

In fiscal 2006 the General Fund established repayment terms for its advance of $17,139,855 to the Port of Richmond Enterprise Fund to assist the Port with various lease transactions and other projects. The advance does not bear interest for the first three years; the next five years it bears an interest rate of 4% and is payable as follows: $50,000 in fiscal years 2007 and 2008, $6.35 million in fiscal year 2009, five annual installments of $2,000,000 for fiscal years 2010 to 2014 and a final payment of $689,855 in 2015.

In fiscal 2008 the General Fund advanced $211,686 to the Impact Fees Special Revenue Fund for the purpose of redeeming a portion of the letter of credit with Pinole Point Properties, Inc. that was redeemed with a settlement payment of $1,750,000. The advance is to be repaid with future developer's fees.

In fiscal 2008 the General Fund advanced $1,758,342 to the Storm Sewer Enterprise Fund for the purpose of providing a clean storm sewer system and street sweeping activities. The advance bears an interest rate of 4.34% and is payable as follows: Semi-annual principal and interest payments in the amount of $52,460 to be made April 30 and December 31 of each year commencing in December 2009 until December 2038. The final payment of $52,298 is due April 30, 2039.





## NOTE 4 - INTERFUND TRANSACTIONS (Continued)

### C. Transfers between 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. Less often, a transfer may be made to open or close a fund.

Transfers between funds during the fiscal year ended June 30, 2008 were as follows:

| Fund Receiving Transfers | Fund Making Transfers | Amount Transferred | |
|---|---|---|---|
| General Fund | Secured Pension Override Fund | $4,700,000 | |
| | Non-Major Governmental Funds | 803,497 | |
| Redevelopment Agency Administration Fund | Redevelopment Debt Service Fund | 6,402,942 | |
| | Redevelopment Low/Mod Income Housing Fund | 4,945,000 | |
| | Redevelopment Projects Fund | 299,358 | |
| | Non-Major Governmental Funds | 1,429,764 | |
| Redevelopment Agency Low/Mod Income Housing | Redevelopment Agency Administration Fund | 266,400 | |
| | Redevelopment Debt Service Fund | 5,702,758 | |
| | Redevelopment Projects Fund | 1,393,822 | |
| Redevelopment Agency Debt Service Fund | Redevelopment Agency Low/Mod Income Housing | 1,570,671 | |
| | Redevelopment Projects Fund | 495,000 | |
| | Non-Major Governmental Funds | 6,603,950 | |
| Redevelopment Projects Fund | Redevelopment Debt Service Fund | 13,714,681 | |
| Civic Center Project Fund | Redevelopment Agency Projects Fund | 22,000,000 | (A) |
| | Non-Major Governmental Funds | 66,524,430 | (A) |
| Non-Major Governmental Funds | General Fund | 10,183,160 | |
| | Redevelopment Agency Administration Fund | 43,636 | |
| | Redevelopment Agency Projects Fund | 1,285,213 | |
| | Secured Pension Override Fund | 3,304,256 | |
| | Civic Center Project Fund | 10,045,950 | |
| | Non-Major Governmental Funds | 22,279,737 | |
| | Port of Richmond Enterprise Fund | 156,870 | |
| | Internal Service Funds | 362,700 | |
| Port of Richmond Enterprise Fund | Non-Major Governmental Funds | 1,863,750 | |
| Non-Major Enterprise Funds | Municipal Sewer Enterprise Fund | 540,285 | |
| Total Interfund Transfers | | $186,917,830 | |

With the exception of the items below none of these transfers were unusual or non-recurring in nature.

(A) Bond proceeds for the Civic Center project

### D. Internal Balances

Internal balances are presented in the Government-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 AND LOANS RECEIVABLE

At June 30, 2008, notes and loans receivable consisted of the following:

| | Amount |
|---|---|
| **City's Loans:** | |
| **CalTrans Loan** | $817,401 |
| **Police Activities League Loan** | 426,000 |
| **Police Chief Loan** | 133,539 |
| **Community Development Block Grant and Home Investment Partnership Program Loans:** | |
| Mechanics Bank Loans | 41,096 |
| Deferred Loans | 3,469,252 |
| Home Improvement Program Loans | 784,427 |
| Rental Rehab Loans | 310,419 |
| Arbors Loan | 253,732 |
| Wood Development Loan | 853,000 |
| **Subtotal - CDBG and HOME Loans** | 5,711,926 |
| **Redevelopment Agency Loans:** | |
| EDA Loans | 536,329 |
| Olson Urban Housing, LLC. | 4,951,144 |
| Harbour Capital Projects Loan | 4,440,359 |
| MacDonald Housing | 3,411,328 |
| Arbors Loan | 1,527,379 |
| Wood Development Loan | 800,000 |
| Rental Rehab Loans | 30,700 |
| Atchison Village Annex Apartments | 439,523 |
| Heritage Park Development | 382,487 |
| Silent Second Mortgage Loans | 2,074,661 |
| Chesley Avenue Development | 4,741,492 |
| Ford Point Building Loan | 3,000,000 |
| CALHome Program | 464,360 |
| Easter Hill Project | 2,281,960 |
| **Subtotal- Redevelopment Agency Loans** | 29,081,722 |
| **Total Notes and Loans Receivable** | 36,170,588 |
| **Less Reserve For Conditional Grant** | (3,110,033) |
| **Net Notes and Loans Receivable** | $33,060,555 |





## NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)

### CalTrans Loan

The total of $817,401 consists of two loans from the City of Richmond to Richmond Neighborhood Housing Services. These are pass-through loans from CalTrans for the construction of 27 new homes located in North Richmond.

### Police Activities League

On January 23, 2007, the City approved a loan of $300,000 to provide temporary support for the Police Activities League (PAL) Youth Center expansion project to allow PAL to complete construction of the project. The loan is secured by a deed of trust on the property. The loan is due upon PAL's receipt of the remaining balance of the State of California department of Parks and Recreation, 2002 Resources-Bond Act, Murray-Hayden Program Grant in the sum of $500,000. The loan bears a fixed rate of 4.546%. In addition, on August 3, 2007 the City approved $126,000 of additional funding for PAL to complete the construction of the youth center gymnasium and office complex. The same terms as the first loan apply to the second loan.

### Police Chief Loan

Under the Resolution Number 169-05, the City made a long-term loan of $150,000, and a short-term loan of $50,000, for a total loan amount of $200,000, to finance the acquisition of the new Police Chief's personal residence located within the City of Richmond. The loan is secured by a deed of trust on the property. The loan is due upon sale of the property, within eighteen months after the Police Chief's employment with the City terminates, or fifteen years from the date of the loan, whichever occurs first. The loan bears a variable interest rate from the date of disbursement until repaid in full at an amount equal to the average annual interest rate of the California State Treasurer's Office Local Agency Investment Fund, adjusted effective as of each annual anniversary date of the close of escrow of the Property purchased by the Police Chief. The short-term loan of $50,000 was repaid during fiscal year 2006.

### Mechanics Bank Loans

Loans are amortized home improvement loans to low and moderate income borrowers and are repaid at 3% per annum. CDBG loan contracts are forwarded to Mechanics Bank for servicing.

### Deferred Loans

Deferred loans are granted to low and moderate income families to assist them in purchasing their homes. Emergency repair loans not exceeding $10,000 funded by the HOME Investment Partnership Program (HIPP) are provided to low income families in Richmond to assist them in rehabilitating their existing housing units. These loans are required to be repaid over a period of 15 years to 30 years.

**NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)**

**Home Improvement Program Loans**

"Silent second" mortgage loans are provided to low and moderate income first time homebuyers as gap financing to provide the minimum amount needed to close the gap between the primary lender's requirements and the borrower's ability to pay down payments or closing costs.

Home improvement program loans include amortized loans to assist low income families in Richmond in the improvement of their homes. The interest rates for these loans range from 0% to 3% and are payable over a period of 15 to 30 years.

**Rental Rehabilitation Loans**

Rental Rehabilitation Loans help make rental units affordable to low and very low income housing families. Loans assist private and non-profit owners in purchasing and rehabilitating existing multifamily housing units.

**Creely Avenue Housing Rehabilitation (Arbors)**

On September 15, 2006, the Redevelopment Agency loaned Arbors Preservation Limited Partnership the amount of $2,558,557, to construct extremely low, very low and low income rental housing units and a new community room on Creely Avenue. Funding for the loan is as follows: $889,500 in HOME funds, $75,000 in CDBG funds and $1,594,057 in 2007 Series B bond funds. The loan bears simple interest at the rate of 3% per year. All unpaid principal and interest on the loan is due on April 29, 2063. Interest for the loan is 3% per annum.

**Scattered Site Infill Housing Development (Wood)**

On March 1, 2006, the Redevelopment Agency loaned Wood Development Corporation, a California nonprofit public benefit corporation the amount of $1,653,000, to construct and develop single family homes which will be made available for sale to low and moderate income households on 8 parcels within City Richmond. Funding for the loan is as follows: $853,000 in HOME funds and $800,000 in 2007 Series B bond funds. The loan bears simple interest at the rate of 3% per year. All unpaid principal and interest on the loan is due on June 30, 2009.

**EDA loans**

The City's Revolving Loan Fund (RLF) is a community based program with the goal of fostering local economic growth through the creation and retention of employment opportunities for Richmond residents and complementing community and individual development initiatives.

**Olson Urban Housing, LLC.**

This loan was made to provide assistance in the construction of low and moderate income housing. It provides for the eventual forgiveness of the balance upon the issuance of the Certificate of Completion for the Phase One Residential/ Retail Improvements.





**NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)**

**Harbour Capital Projects Loan**

The $5,440,359 was based on two promissory notes resulting from the sale of the Ford building of $3,400,000 and the sale of the North Shore properties of $2,040,359. During fiscal year 2008, the developer repaid $1 million of the loan balance by a cash payment of $310,345 and the dedication of parking lot improvements with a value of $689,655.

**MacDonald Place Senior Housing**

On June 26, 2007, the Redevelopment Agency agreed to loan MacDonald Housing Partners, L.P., and Richmond Labor and Love Community Development Corporation the amount of $4,720,000, to construct senior housing units, a management office, small meeting rooms and ancillary retail use, and a separate space for community services. The loan's principal is due 57 years from the date of disbursement. The loan bears simple of interest of 2% per year payable from any residual receipts available from the prior calendar year with an additional 1% per year, but only to the extent that funds are available to pay such contingent interest from the Agency's share of residual receipts, as defined in the agreement. During the year ended June, 30, 2008, the Agency disbursed $3,411,328 to the developer.

**Atchison Village Annex Apartments**

In 1998, the Redevelopment Agency loaned Atchison Village Associates, LP $464,000 collateralized by a deed of trust to finance the acquisition and rehabilitation of 100 units of family housing. Interest on the unpaid principal balance is 3% per annum. Loan payments are principal and interest payable in equal monthly payments of $2,651.

In 2006, the Redevelopment Agency loaned Atchison Village Associates, LP $44,000 collateralized by a deed of trust to finance the rehabilitation of low- and moderate-income housing. The loan bears no interest and the entire principal interest is due in 25 years.

**Heritage Park Development**

In 1999, the Redevelopment Agency loaned Hilltop Group, LP a total of $500,000, collateralized by deeds of trust and bearing interest at an effective rate of 1½% starting September 2004. The loans were used to finance the development of the Heritage Park Development in the City. Monthly installments of interest and principal in the total amount of $3,115 are payable through September 1, 2019.

**Silent Second Mortgage Loans**

Loans were provided to qualifying individuals for the difference between the amount received by the individuals who qualified for low and moderate income housing loans and the amount needed to purchase the homes. The loans are to be forgiven in the future if the property owners do not sell or refinance the property.

## NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)

### Chesley Avenue Mutual Housing Development

On December 1, 2003, the Redevelopment Agency loaned Chesley Avenue Limited Partnership the amount of $4,741,492, to construct very low and low income housing units. The loan's principal is due in 2058; interest is payable starting May 1, 2006, at the rate of 2% per annum or in the amount of 95% of any residual receipts remaining from the prior year, whichever is less.

### Ford Assembly Building Loan

Under a loan agreement dated November 22, 2004 between the Redevelopment Agency and Ford Point LLC, the Redevelopment Agency agreed to loan $3,000,000 to fund improvements to the Ford Assembly Building, collateralized by a Deed of Trust. The Redevelopment Agency funded the loan in fiscal 2006 with proceeds from the Section 108 HUD loan discussed in Note 8. The loan's principal is due in August 2025. Interest is payable starting August 2006 at a variable rate based on the 90-day LIBOR rate plus 70 basis points; adjusted quarterly. The interest rate converts to a fixed rate in accordance with the terms of the agreement after the Section 108 loan is sold by HUD.

### CALHome Program

The CalHome loan program provides housing assistance to Richmond residents to assist with first-time homeowner down payments or rehabilitation projects for owner-occupied homes. The loans are secured by deeds of trust on the properties. Principal and interest on the loans are deferred for 30 years, unless otherwise specified in the promissory note. At June 30, 2008, the Agency had issued loans of $464,360.

### Easter Hill Project

The loan from the Redevelopment Agency to Easter Hill Development, L.P. is providing financial assistance in the development of the Easter Hill Project. The Easter Hill Project consists of single and multifamily home components. Easter Hill Development, L.P. shall use the loan to pay for predevelopment, acquisition and construction costs. The outstanding balance of the loan bears simple interest at the rate of 2% per year. Repayments on the loan are to be made from residual receipts as defined in the agreement. All unpaid principal and accrued interest on the loan is due February 1, 2069.

### Conditional Grant

The loan to Olson Urban Housing, LLC, provides for the eventual forgiveness of the loan balance if the borrower complies with all the terms of the loan over its full term. The City accounts for this loan as a conditional grant in the Government-wide financial statements, and provides a reserve against the eventual forgiveness.



City of Richmond
Notes to Basic Financial Statements
June 30, 2008

## NOTE 6 - CAPITAL ASSETS

The following is a summary of capital assets for governmental activities:

| | Balance at June 30, 2007 | Additions | Retirements | Transfers | Balance at June 30, 2008 |
|---|---|---|---|---|---|
| ***Governmental activities*** | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | $25,854,935 | $1,450,000 | ($283,869) | $653,206 | $27,674,272 |
| Construction in progress | 51,844,936 | 57,621,246 | | (7,734,902) | 101,731,280 |
| Total capital assets not being depreciated | 77,699,871 | 59,071,246 | (283,869) | (7,081,696) | 129,405,552 |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 32,392,451 | 1,250,333 | | 89,697 | 33,732,481 |
| Machinery and equipment | 32,549,733 | 3,985,415 | (300,563) | (89,697) | 36,144,888 |
| Land improvements and infrastructure | 401,668,340 | | | 7,081,696 | 408,750,036 |
| Total capital assets being depreciated | 466,610,524 | 5,235,748 | (300,563) | 7,081,696 | 478,627,405 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (13,080,229) | (659,073) | | | (13,739,302) |
| Machinery and equipment | (26,190,454) | (1,965,226) | 293,094 | | (27,862,586) |
| Land improvements and infrastructure | (249,874,906) | (13,324,592) | | | (263,199,498) |
| Total accumulated depreciation | (289,145,589) | (15,948,891) | 293,094 | | (304,801,386) |
| Capital asset being depreciated, net | 177,464,935 | (10,713,143) | (7,469) | 7,081,696 | 173,826,019 |
| Governmental activity capital assets, net | $255,164,806 | $48,358,103 | ($291,338) | | $303,231,571 |

Governmental activities depreciation expenses for capital assets is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program for the year ended June 30, 2008 were as follows:

| | |
|---|---|
| **Governmental Activities** | |
| General Government | $263,246 |
| Public Safety | 284,772 |
| Public Works | 13,628,706 |
| Community Development | 8,933 |
| Cultural and Recreational | 217,312 |
| Housing and Redevelopment | 119,533 |
| Internal Service Funds | 1,426,389 |
| **Total Governmental Activities** | $15,948,891 |

## NOTE 6 - CAPITAL ASSETS (Continued)

The following is a summary of capital assets for business activities:

| | Balance at June 30, 2007 | Additions | Retirements | Transfers | Balance at June 30, 2008 |
|---|---|---|---|---|---|
| ***Business-type activities*** | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | $11,215,340 | $627 | | | $11,215,967 |
| Construction in progress | 42,063,819 | 12,154,664 | ($23,494,811) | ($922,123) | 29,801,549 |
| Total capital assets not being depreciated | 53,279,159 | 12,155,291 | (23,494,811) | (922,123) | 41,017,516 |
| Capital assets being depreciated | | | | | |
| Buildings and improvements | 88,745,403 | | (2,758,129) | 795,023 | 86,782,297 |
| Machinery and equipment | 12,692,481 | 178,821 | (516,933) | 127,100 | 12,481,469 |
| Infrastructure | 104,555,698 | | (3,452) | | 104,552,246 |
| Total capital assets being depreciated | 205,993,582 | 178,821 | (3,278,514) | 922,123 | 203,816,012 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (43,726,150) | (811,976) | 2,700,670 | | (41,837,456) |
| Machinery and equipment | (10,682,617) | (259,428) | 514,961 | | (10,427,084) |
| Infrastructure | (64,369,231) | (2,669,561) | 3,452 | | (67,035,340) |
| Total accumulated depreciation | (118,777,998) | (3,740,965) | 3,219,083 | | (119,299,880) |
| Capital asset being depreciated, net | 87,215,584 | (3,562,144) | (59,431) | 922,123 | 84,516,132 |
| Business-type activity capital assets, net | $140,494,743 | $8,593,147 | ($23,554,242) | | $125,533,648 |

The following is a summary of capital assets for RHA Properties:

| | Balance at June 30, 2007 | Additions | Balance at June 30, 2008 |
|---|---|---|---|
| Capital assets not being depreciated: | | | |
| Land | $10,431,153 | | $10,431,153 |
| Total capital assets not being depreciated | 10,431,153 | | 10,431,153 |
| Capital assets being depreciated: | | | |
| Buildings and improvements | 23,917,143 | | 23,917,143 |
| Machinery and equipment | 49,600 | | 49,600 |
| Total capital assets being depreciated | 23,966,743 | | 23,966,743 |
| Less accumulated depreciation for: | | | |
| Buildings and improvements | (3,335,499) | ($869,715) | (4,205,214) |
| Machinery and equipment | (39,326) | (9,920) | (49,246) |
| Total accumulated depreciation | (3,374,825) | (879,635) | (4,254,460) |
| Capital asset being depreciated, net | 20,591,918 | (879,635) | 19,712,283 |
| Business-type activity capital assets, net | $31,023,071 | ($879,635) | $30,143,436 |





## NOTE 6 - CAPITAL ASSETS (Continued)

Business activities depreciation expenses for capital assets allocated to each program for the year ended June 30, 2008 were as follows:

| | |
|---|---|
| **Business-Type Activities** | |
| Richmond Housing Authority | $299,402 |
| Port of Richmond | 919,326 |
| Municipal Sewer | 1,386,016 |
| Richmond Marina | 90,747 |
| Storm Sewer | 999,041 |
| Cable TV | 46,433 |
| **Total Business-Type Activities** | $3,740,965 |
| **Component Unit** | |
| RHA Properties | $879,635 |

**Special Item - Contribution to Developer**

As of June 30, 2008, the Housing Authority has substantially completed the construction of the Hope VI project with an accumulated book value of $23,054,290. Since these projects will be operated and maintained by the developer, pursuant to the developer agreement, the value of these projects have been transferred to the developer and have been recorded as Contribution to Developer, net of costs reimbursed by the Developer of $8,628,540.

## NOTE 7 - LONG-TERM DEBT OBLIGATIONS

### A. *Governmental Activities:*

Following is a summary of governmental activities long-term debt transactions during the fiscal year ended June 30, 2008:

| | Balance July 01, 2007 | Additions | Deletions | Balance June 30, 2008 | Due Within One Year | Due in More than One Year |
|---|---|---|---|---|---|---|
| Bonds payable | $272,284,431 | $160,007,553 | ($37,380,857) | $414,911,127 | $9,154,386 | $405,756,741 |
| Loans payable | 10,518,963 | 75,000 | (15,573) | 10,578,390 | 157,644 | 10,420,746 |
| Capital leases | 5,111,871 | | (1,147,573) | 3,964,298 | 942,261 | 3,022,037 |
| **Total** | $287,915,265 | $180,082,553 | ($38,544,003) | $429,453,815 | $10,254,291 | $419,199,524 |

## NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

### Bonds Payable

Bonds payable at June 30, 2008 consisted of the following:

| | Net |
|---|---|
| JPFA Revenue Refunding Bonds - 1995 Series A | $1,829,143 |
| Harbour Tax Allocation Refunding Bonds - 1991 | 95,000 |
| Harbour Tax Allocation Refunding Bonds - 1998 Series A | 24,373,902 |
| Pension Obligation Bonds - 1999 Series A | 21,165,000 |
| JPFA Tax Allocation Revenue Bonds - 2000 Series A | 19,695,000 |
| JPFA Tax Allocation Revenue Bonds - 2000 Series B | 4,310,000 |
| JPFA Tax Allocation Revenue Bonds - 2003 Series A | 16,080,000 |
| JPFA Tax Allocation Revenue Bonds - 2003 Series B | 12,500,000 |
| JPFA Tax Allocation Revenue Bonds - 2004 Series A | 14,440,000 |
| JPFA Tax Allocation Revenue Bonds - 2004 Series B | 1,795,000 |
| Pension Funding Bond Series 2005 | 125,288,616 |
| Subordinate Tax Allocation Bonds - 2007 Series A | 65,400,000 |
| Subordinate Tax Allocation Bonds - 2007 Series B | 10,149,466 |
| JPFA Lease Revenue Bonds - 2007 | 97,790,000 |
| **Total** | $414,911,127 |

**1995 Richmond Joint Powers Financing Authority Refunding Revenue Bonds Series A - Original Issue Series A $17,320,000**

The Bonds were issued by the Richmond JPFA for the purpose of refinancing the cost of certain public capital improvements financed by 1990 Series A Revenue Bonds. The Series A Bonds consist of serial bonds that mature annually through 2013, in amounts ranging from $525,000 to $1,450,000. Interest rates vary from 4.0% to a maximum of 5.25% and payments are due semiannually on May 15 and November 15. The Series 1995A Local Obligations consist of a Master Lease with the City and an Installment Purchase Agreement with the City payable solely from gas tax revenues. During the year ended June 30, 2008 the Master Lease portion of the Bonds in the principal amount of $5,498,291 was defeased by the 2007 Lease Revenue Bonds. The Installment Purchase Agreement portion of the Bonds with the outstanding principal balance of $1,829,143 at the time of the defeasance remained outstanding.

The total principal and interest remaining to be paid on the bonds is $2,119,313. Principal and interest paid for the current fiscal year and total Gas Tax Revenues were $423.638 and $1,854,090, respectively.





NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirements on the Series A Bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $329,386 | $94,589 | $423,975 |
| 2010 | 344,804 | 77,229 | 422,033 |
| 2011 | 365,829 | 59,035 | 424,864 |
| 2012 | 382,648 | 39,755 | 422,403 |
| 2013 | 406,476 | 19,562 | 426,038 |
| **Total** | $1,829,143 | $290,170 | $2,119,313 |

**1991 Harbour Redevelopment Project Tax Allocation Refunding Bonds – Original Issue $11,465,000**

The Bonds were issued by the Redevelopment Agency to refund 1985 Tax Allocation and Refunding Bonds used for the Urban Renewal Plan for Project 11-A, the Harbour Redevelopment Plan. The Bonds consist of serial bonds in the amount of $6,365,000 that mature annually through 2004, in amounts ranging from $50,000 to $740,000. Interest rates vary from 3.75% to a maximum of 6% and payments are due semiannually on January 1 and July 1. The Term Bonds bear interest at 7% and mature on July 1, 2009 with sinking fund payment requirements starting in 2004 and are secured by a pledge of incremental tax revenues derived from taxable property within the Harbour Project Area.

The annual debt service requirements on the Bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $60,000 | $4,550 | $64,550 |
| 2010 | 35,000 | 1,225 | 36,225 |
| **Total** | $95,000 | $5,775 | $100,775 |

**1998 Harbour Redevelopment Project Tax Allocation Refunding Bonds Series A – Original Issue $21,862,779**

The bonds were issued by the Agency to refinance a portion of the 1991 Harbour Redevelopment Project Tax Allocation Refunding Bonds, refinance certain loans from the City to the Agency, which amount will be used by the City to finance certain publicly owned capital projects, finance certain redevelopment activities within the Harbour Redevelopment Project Area, fund a reserve account and pay certain costs of issuance of the 1998 bonds. The bonds mature annually through 2023, in amounts ranging from $50,000 to $1,130,000. Interest rates vary from 3.5% to a maximum of 5.2% and are payable semiannually on January 1 and July 1. The bonds are secured by a pledge of tax revenues derived from taxable property within the Harbour Project Area.

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

At June 30, 2008, the Bonds consisted of the following:

| | Maturity Value | Accretion/ Amortization | Unamortized Premium (Discount) | Net |
|---|---|---|---|---|
| Current interest bonds | $12,855,000 | | | $12,855,000 |
| Capital appreciation bonds | 16,935,000 | $554,784 | ($5,970,882) | 11,518,902 |
| | $29,790,000 | $554,784 | ($5,970,882) | $24,373,902 |

The annual debt service requirements on the bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $550,000 | $624,903 | $1,174,903 |
| 2010 | 1,575,000 | 600,571 | 2,175,571 |
| 2011 | 1,595,000 | 574,826 | 2,169,826 |
| 2012 | 1,760,000 | 547,525 | 2,307,525 |
| 2013 | 1,800,000 | 518,513 | 2,318,513 |
| 2014-2018 | 9,555,000 | 2,017,177 | 11,572,177 |
| 2019-2023 | 10,675,000 | 878,883 | 11,553,883 |
| 2024 | 2,280,000 | 26,838 | 2,306,838 |
| **Total** | $29,790,000 | $5,789,236 | $35,579,236 |

**1999 City of Richmond Taxable Limited Obligation Pension Bonds – Original Issue $36,280,000**

The bonds were issued to fund a portion of the unfunded accrued actuarial liability in the Pension Fund together with the prepayment of certain pension benefit costs of the Beneficiaries and to pay the costs of issuance associated with the issuance of the bonds. The bonds consist of serial bonds in the amount of $23,885,000 that mature annually on through 2013, in amounts ranging from $1,280,000 to $3,240,000. Interest rates vary from 6.37% to a maximum of 7.39% and are payable semiannually on February 1, and August 1. The term bonds consist of $8,960,000 due August 1, 2020 with an interest rate of 7.57% and $3,435,000 due August 1, 2029 with an interest rate of 7.62%. The bonds are payable from certain pension tax override revenues received by the City from a special tax pursuant to City Council Ordinance 9-99 adopted by the City Council on March 30, 1999. The total principal and interest remaining to be paid on the bonds is $33,444,736. Principal and interest paid for the current fiscal year and total pension tax override revenues were $3,295,407 and $13,983,324 respectively.





**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

The annual debt service requirements on the bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $1,620,000 | $1,518,726 | $3,138,726 |
| 2010 | 1,570,000 | 1,404,450 | 2,974,450 |
| 2011 | 1,505,000 | 1,293,528 | 2,798,528 |
| 2012 | 1,435,000 | 1,186,741 | 2,621,741 |
| 2013 | 1,360,000 | 1,084,523 | 2,444,523 |
| 2014-2018 | 7,185,000 | 3,888,765 | 11,073,765 |
| 2019-2023 | 4,385,000 | 1,506,950 | 5,891,950 |
| 2024-2028 | 1,885,000 | 381,954 | 2,266,954 |
| 2029-2030 | 220,000 | 14,099 | 234,099 |
| **Total** | $21,165,000 | $12,279,736 | $33,444,736 |

**2000 Richmond Joint Powers Financing Authority Housing Set-Aside Tax Allocation Bonds Series A and Series B – Original Issue Series A $25,720,000, Series B $5,795,000**

The Bonds consist of Series A Bonds issued to fund certain capital improvements of the Redevelopment Agency. The Series B Bonds were issued for use in certain low and moderate income housing activities.

The Series A Bonds consist of Serial Bonds in the amount of $25,210,000 and Term Bonds in the amount of $510,000. The Serial Bonds mature annually through 2018 in amounts ranging from $1,110,000 to $2,205,000. Interest rates range from 4.0% to 5.5% and payments are due semiannually on March 1 and September 1. The Term Bonds mature in 2029 and bear interest at 5.25%.

The Series B Bonds consist of Serial Bonds in the amount of $1,245,000 and term bonds in the amount of $4,550,000. The Serial Bonds mature annually through 2006 in amounts ranging from $170,000 to $260,000. Interest rate is 7% and payments are due semiannually on March 1 and September 1. The Term Bonds mature as follows: $1,075,000 in 2010 at an interest rate of 7.35%, $3,365,000 in 2018 at an interest rate of 7.7% and $110,000 in 2029 at an interest rate of 8.0%. The Bonds are secured by a pledge of certain tax increment revenues derived from taxable property within the Pre-2004 Limit Area and the Post-2004 Limit Area.

## NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirements on the Series A Bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $1,365,000 | $952,441 | $2,317,441 |
| 2010 | 1,435,000 | 885,040 | 2,320,040 |
| 2011 | 1,500,000 | 819,720 | 2,319,720 |
| 2012 | 1,570,000 | 749,860 | 2,319,860 |
| 2013 | 1,640,000 | 675,210 | 2,315,210 |
| 2014-2018 | 9,470,000 | 2,047,760 | 11,517,760 |
| 2019-2023 | 2,495,000 | 159,863 | 2,654,863 |
| 2024-2028 | 150,000 | 39,113 | 189,113 |
| 2029-2030 | 70,000 | 3,675 | 73,675 |
| **Total** | $19,695,000 | $6,332,682 | $26,027,682 |

The annual debt service requirements on the Series B Bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $260,000 | $319,723 | $579,723 |
| 2010 | 275,000 | 300,061 | 575,061 |
| 2011 | 300,000 | 278,930 | 578,930 |
| 2012 | 320,000 | 255,585 | 575,585 |
| 2013 | 345,000 | 229,983 | 574,983 |
| 2014-2018 | 2,165,000 | 691,763 | 2,856,763 |
| 2019-2023 | 600,000 | 52,398 | 652,398 |
| 2024-2028 | 25,000 | 13,000 | 38,000 |
| 2029-2030 | 20,000 | 1,600 | 21,600 |
| **Total** | $4,310,000 | $2,143,043 | $6,453,043 |

**2001 Richmond Joint Powers Financing Authority Lease Revenue Bonds – Original Issue $29,205,000**

The Bonds were issued to finance various street and stormwater improvements within the City and improvements to City facilities. The Bonds consisted of serial bonds in the amount of $11,665,000 and term bonds in the amount of $17,540,000. The serial Bonds matured annually in amounts ranging from $450,000 to $905,000. Interest rates ranged from 3.2% to 5.125% and are payable on each February 1 and August 1. The term bonds matured as follows: $7,745,000 due in 2026 bearing an interest rate of 5% and $9,795,000 due in 2031 bearing an interest rate of 5%. The Bonds were secured by revenues of a lease agreement between the City and the Financing Authority. The Bonds were subject to redemption prior to maturity, starting in 2020. During the year ended June 30, 2008 the Bonds in the principal amount of $25,990,000 were defeased by the 2007 Lease Revenue Bonds.





## NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

**2003 Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds Series A and Series B – Original Issue Series A ($16,080,000), Series B ($12,500,000)**

The Bonds were issued on August 27, 2003 by the Richmond JPFA. The proceeds of the Series A Bonds were used to finance certain capital improvements for the Richmond Redevelopment Agency and pay $13,000,000 to the City in partial payment of the Prior Obligations. The proceeds of the Series B Bonds were used to finance certain capital improvements for the Agency and pay $5,000,000 to the City in partial payment of the Prior Obligations. Interest rates range from 3.00% to 6.30% and are payable semiannually on March 1 and September 1. The bonds are secured by a pledge of certain tax increment revenues derived from taxable property within the Post-2004 Limit Area.

The annual debt service requirements on the bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $780,000 | $1,502,012 | $2,282,012 |
| 2010 | 810,000 | 1,472,834 | 2,282,834 |
| 2011 | 840,000 | 1,440,250 | 2,280,250 |
| 2012 | 870,000 | 1,403,606 | 2,273,606 |
| 2013 | 915,000 | 1,363,127 | 2,278,127 |
| 2014-2018 | 5,265,000 | 6,079,745 | 11,344,745 |
| 2019-2023 | 8,780,000 | 4,261,356 | 13,041,356 |
| 2024-2026 | 10,320,000 | 985,286 | 11,305,286 |
| Total | $28,580,000 | $18,508,216 | $47,088,216 |

**2004 Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds Series A and Series B – Original Issue Series A $15,000,000, Series B $2,000,000**

The Bonds were issued on October 28, 2004 by the Richmond JPFA. The proceeds from the Series A Bonds were used to repay advances from the City and finance certain working capital requirements and low and moderate income housing activities of the Redevelopment Agency. The proceeds of the Series B Bonds were used to finance certain low and moderate income housing activities of the Redevelopment Agency. Interest rates range from 2.00% to 5.44% and payments are due semiannually on March 1 and September 1. The Bonds are secured by certain amounts payable by the Redevelopment Agency to the Authority and certain subordinate housing and non-housing tax increment revenues derived from the taxable property within the Merged Project Area.

## NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirements on the Bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $225,000 | $824,434 | $1,049,434 |
| 2010 | 230,000 | 816,766 | 1,046,766 |
| 2011 | 235,000 | 808,290 | 1,043,290 |
| 2012 | 250,000 | 798,832 | 1,048,832 |
| 2013 | 260,000 | 788,286 | 1,048,286 |
| 2014-2018 | 1,470,000 | 3,753,411 | 5,223,411 |
| 2019-2023 | 5,690,000 | 2,788,368 | 8,478,368 |
| 2024-2027 | 7,875,000 | 1,220,808 | 9,095,808 |
| Total | $16,235,000 | $11,799,195 | $28,034,195 |

**2005 Taxable Pension Funding Bonds – Original Issue $114,995,133**

These Bonds were issued to prepay the unfunded liability of the Miscellaneous and Safety pension plans provided through the California Public Employees' Retirement System (See Note 11). As of June 30, 2008, the City's net pension asset amounted to $106,710,519. The Bonds consist of three series as shown below:

| | | | | | | Index Rate Conversion Data | | |
|---|---|---|---|---|---|---|---|---|
| Bond Type & Series | Initial Interest Rate | Less: Credit Adjust-ment | Adjusted Interest Rate | Maturity Date | Original Principal Amount | Full Accretion Date | Adjusted Subsequent Interest Rate | Adjusted Maturity Value |
| Current interest - 2005A | 5.9350% | -0.1000% | 5.8350% | 8/1/13 | $26,530,000 | n/a | n/a | n/a |
| Convertible Auction Rate Securities, Capital Appreciation Bonds - | | | | | | | | |
| 2005B-1 | 6.2550% | -0.1000% | 6.1550% | 8/1/23 | 47,061,960 | 8/1/13 | LIBOR + 1.4% | $75,218,000 |
| 2005B-2 | 6.5650% | -0.1000% | 6.4650% | 8/1/34 | 41,403,173 | 8/1/23 | LIBOR + 1.4% | 127,968,000 |
| | | | | | $114,995,133 | | | $203,186,000 |

*Credit Adjustment* - The Bonds were issued on November 1, 2005 in a private placement at the initial interest rates. Included in the Indenture were provisions which adjust the initial interest rates on each series based on the City's meeting certain conditions. As a result of the City issuing its June 30, 2005 financial statements and receiving an upgraded credit rating of A3 by Moody's by May 1, 2006, the initial interest rates were reduced by 1/10th of one percent.

*Current Interest Bonds* - The Series 2005A Bonds have principal payments due each August 1 in amounts ranging from $845,000 to $4,930,000. Interest is fixed and is payable semiannually on February 1 and August 1.





## NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

*Capital Appreciation Bonds* - The Series 2005B-1 Bonds and 2005B-2 Bonds are capital appreciation bonds, which means no interest is paid until the Adjusted Maturity Value is reached on the Full Accretion Date. Capital appreciation bonds are issued at a deep discount which then "accretes" over time. The discount on these bonds represented as the effective interest rate on each series is shown above.

Mandatory Index Rate Conversion – On the respective Full Accretion Date, the Series 2005B-1 or 2005B-2 Bonds convert from Capital Appreciation Bonds to Index Rate Bonds. From that date forward, the Bonds bear interest at a rate based on the LIBOR index plus 1.4%. This rate fluctuates according to the market conditions is limited to 17 percent per year. Following the applicable Full Accretion Date, interest on the converted bond series is due semiannually each February 1 and August 1. The Series 2005B-1 Bonds are due in annual installments from 2014 to 2023 ranging from $4,468,000 to $11,593,000. The 2005B-2 Bonds are due in annual installments from 2024 to 2034 ranging from $6,466,000 to $18,538,000.

Optional Auction Rate Conversion – On the respective Full Accretion Date, the 2005B-1 and the 2005B-2 Bonds may be converted to Auction Rate Bonds provided that certain conversion requirements are met. Auction rates fluctuate according to the market conditions is limited to a maximum 17 percent per year and a minimum of 80 percent of the LIBOR index rate. In the event the

Swap Agreements - The City entered into two interest rate swap agreements related to the 2005B-1 and 2005B-2 Bonds, which will become effective August 1, 2013 and August 1, 2023, respectively, in the same amount as the outstanding principal balances of the Bonds on that date. The combination of the variable rate bonds and a floating swap rate will create synthetic fixed-rate debt for the City. Because neither the variable rate nor the swap rates are effective as of June 30, 2008 the initial bond interest rates discussed above are used for disclosure purposes. The terms of the swap agreements will be disclosed when they become effective.

At June 30, 2008, the Bonds consisted of the following:

| | Maturity Value | Accretion/ Amortization | Unamortized Premium (Discount) | Net |
|---|---|---|---|---|
| Current interest bonds | $23,650,000 | | | $23,650,000 |
| Capital appreciation bonds | 203,186,000 | $6,113,303 | ($107,660,687) | 101,638,616 |
| | $226,836,000 | $6,113,303 | ($107,660,687) | $125,288,616 |

## NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirements are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $845,000 | $1,355,325 | $2,200,325 |
| 2010 | 3,785,000 | 1,220,244 | 5,005,244 |
| 2011 | 4,330,000 | 983,489 | 5,313,489 |
| 2012 | 4,930,000 | 713,329 | 5,643,329 |
| 2013 | 5,555,000 | 407,429 | 5,962,429 |
| 2014-2018 | 25,678,000 | 15,087,506 | 40,765,506 |
| 2019-2023 | 47,439,000 | 7,990,475 | 55,429,475 |
| 2024-2028 | 36,201,000 | 26,156,375 | 62,357,375 |
| 2029-2033 | 62,177,000 | 17,611,575 | 79,788,575 |
| 2034-2035 | 35,896,000 | 1,765,300 | 37,661,300 |
| **Total** | $226,836,000 | $73,291,047 | $300,127,047 |

**Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds Series 2007 A and Series B - Original Issue Series A $65,400,000, Series B $9,772,622**

On July 12, 2007 the Redevelopment Agency issued Series 2007 A Subordinate Tax Allocation Bonds in the amount of $65,400,000. The proceeds from the Bonds will be used to pay the amount of $22,000,000 to the City to assist with the financing of the Civic Center Project, and to fund other Redevelopment Agency projects. The 2007 A Subordinate Tax Allocation Bonds were issued as variable rate Bonds. The rate fluctuates according to the market conditions. However, the Agency entered into an interest rate swap agreement for the entire amount of its 2007A Subordinate Tax Allocation Bonds. The combination of the variable rate Bonds and a floating rate swap creates synthetic fixed-rate debt for the Agency.

The 2007 A Subordinate Tax Allocation Bonds were issued as auction rate bonds with interest calculated every thirty-five days. The rate fluctuates according to the market conditions, but is capped at 12%. However, the City entered into a 29-year interest rate swap agreement for the entire amount of its 2007 A Subordinate Tax Allocation Bonds as discussed below. The combination of the variable rate Bonds and a floating rate swap creates synthetic fixed-rate debt for the Agency. The synthetic fixed rate for the Bonds was 5.467% at June 30, 2008.

At June 30, 2008, the Bonds consisted of the following:

| | Maturity Value | Accretion/ Amortization | Unamortized Premium (Discount) | Net |
|---|---|---|---|---|
| Current interest bonds | $65,400,000 | | | $65,400,000 |
| Capital appreciation bonds | 24,460,000 | $376,844 | ($14,687,378) | 10,149,466 |
| | $89,860,000 | $376,844 | ($14,687,378) | $75,549,466 |



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## NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirements on the 2007A Bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $1,125,000 | $4,626,458 | $5,751,458 |
| 2010 | 1,525,000 | 3,649,800 | 5,174,800 |
| 2011 | 1,600,000 | 3,561,057 | 5,161,057 |
| 2012 | 1,675,000 | 3,468,021 | 5,143,021 |
| 2013 | 1,750,000 | 3,370,692 | 5,120,692 |
| 2014-2018 | 10,025,000 | 15,234,642 | 25,259,642 |
| 2019-2023 | 12,175,000 | 11,961,800 | 24,136,800 |
| 2024-2028 | 17,450,000 | 8,246,520 | 25,696,520 |
| 2029-2033 | 9,200,000 | 3,989,589 | 13,189,589 |
| 2034-2037 | 8,875,000 | 1,125,162 | 10,000,162 |
| **Total** | $65,400,000 | $59,233,741 | $124,633,741 |

On July 12, 2007 the Redevelopment Agency issued Series 2007 B Housing Set-Aside Subordinate Tax Allocation Capital Appreciation Bonds in the amount of $9,772,622 at interest rates ranging from 5.57% to 6.40%. The proceeds from the Bonds will be used to finance certain low and moderate income housing activities of the Redevelopment Agency. The bonds mature annually through 2037, in amounts ranging from $465,000 to $2,020,000. The bonds are secured by a pledge of subordinated housing and non-housing tax revenues.

The annual debt service requirements on the 2007B Bonds are as follows:

| For the Years Ending June 30, | Principal |
|---|---|
| 2009 | $465,000 |
| 2010 | 535,000 |
| 2011 | 580,000 |
| 2012 | 625,000 |
| 2013 | 675,000 |
| 2014-2018 | 1,660,000 |
| 2019-2023 | 5,560,000 |
| 2024-2028 | 6,855,000 |
| 2029-2033 | 4,165,000 |
| 2034-2037 | 3,340,000 |
| **Total** | $24,460,000 |

## NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

### Pledge of Redevelopment Tax Increment Revenues

The six Tax Allocation Bond issues discussed above consist of senior and parity obligations secured by future tax increment revenues. The pledge of all future tax increment revenues (housing and non-housing revenue) ends upon repayment of $345,918,147 remaining debt service on the Tax Allocation Bonds which is scheduled to occur in 2037. For fiscal year 2008, non-housing tax increment revenue and housing tax increment revenue pledged for both senior and parity obligations along with the associated debt service are listed below:

| | Tax Revenue Pledged | Outstanding Obligation | For the Year Ended June 30, 2008 Debt Service | Tax Increment | Coverage |
|---|---|---|---|---|---|
| ***Senior Non-Housing Obligations:*** | | | | | |
| 1991 Harbour Tax Allocation Refunding Bonds | Harbour Project Area | $100,775 | $68,750 | | |
| 1998 Harbour Tax Allocation Refunding Bonds | Harbour Project Area | 35,579,236 | 1,172,753 | | |
| Subtotal | | 35,680,011 | $1,241,503 | $10,553,986 | 850% |
| ***Senior Non-Housing Obligations:*** | | | | | |
| 2000 A JPFA Tax Allocation Revenue Bonds | All project areas except Harbour and Pilot | 26,027,682 | $4,310,000 | $10,526,805 | 244% |
| ***Senior Non-Housing Obligations:*** | | | | | |
| 2003 A & B JPFA Tax Allocation Revenue Bonds | All project areas except Pilot | 47,088,216 | $1,515,771 | | |
| ***Subordinate Non-Housing Obligations:*** | | | | | |
| 2004 A JPFA Tax Allocation Revenue Bonds (Two-thirds) | All project areas except Pilot | 16,936,820 | 605,165 | | |
| 2007 A Subordinate Tax Allocation Bonds | All project areas except Pilot | 124,633,741 | 0 | | |
| Subtotal | | 188,658,777 | $2,120,936 | $21,080,791 | 994% |
| ***Senior Housing Obligations:*** | | | | | |
| 2000 B JPFA Tax Allocation Revenue Bonds | Low and Moderate Income Housing Setaside Revenues | 6,453,043 | $578,098 | | |
| ***Subordinate Housing Obligations:*** | | | | | |
| 2004 B & One-third of 2004 A JPFA Tax Allocation Revenue Bonds | Low and Moderate Income Housing Setaside Revenues | 11,097,375 | 441,064 | | |
| 2007 B Subordinate Tax Allocation Bonds | Low and Moderate Income Housing Setaside Revenues | 24,460,000 | 0 | | |
| Subtotal | | 42,010,418 | $1,019,162 | $5,702,757 | 560% |
| Total Outstanding Obligations | | $345,918,147 | | | |

### Richmond Joint Powers Financing Authority Lease Revenue Bonds Series 2007 - Original Issue $101,420,000

On September 11, 2007 the Richmond Joint Powers Financing Authority issued Series 2007 Lease Revenue Bonds in the amount of $101,420,000. The proceeds from the Bonds were used to finance a portion of the costs of the new Civic Center Project, and to refund a portion of the 1995A Joint Powers Financing Authority Revenue Refunding Bonds in the principal amount of $5,498,291 and the remaining $25,990,000 principal amount of the 2001A Joint Powers Financing Authority Lease Revenue Bonds. The 2007 Bonds were also used to refund the remaining $3,865,000 principal amount of the 1996 Port Terminal Lease Revenue Bonds, which is discussed in Note 8B below. Net proceeds from the Series 2007 Bonds of $28,841,042 plus an additional amount of $4,056,473 from the refunded 1995 A and 2001 A Bonds above were used to purchase U.S. government securities placed in an irrevocable trust to provide all the future debt service payments for the refunded 1995 A and 2001 A Bonds. The refunding resulted in an overall debt service savings of $6,521,671. The net present value of the debt service savings is called an economic gain and amounted to $2,079,304. The 1995 A Bonds were called in November 2007. The outstanding balance of the defeased 2001 A Bonds was $25,445,000 at June 30, 2008. The Series 2007 Bonds in the principal amount of $97,790,000 have been recorded as governmental activities debt, and $3,630,000 has been recorded as business-type activities as discussed in Note 7B below.





## NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

The 2007 Lease Revenue Bonds were issued as variable rate Bonds. The rate fluctuates according to the market conditions. However, the Authority entered into an interest rate swap agreement for the entire amount of its 2007 Lease Revenue Bonds. The combination of the variable rate Bonds and a floating rate swap creates synthetic fixed-rate debt for the Authority.

The 2007 Lease 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 City entered into a 31-year interest rate swap agreement for the entire amount of its 2007 Lease Revenue Bonds as discussed below. The combination of the variable rate Bonds and a floating rate swap creates synthetic fixed-rate debt for the Agency. The synthetic fixed rate for the Bonds was 7.504% at June 30, 2008.

The annual debt service requirements on the Bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $1,530,000 | $7,424,887 | $8,954,887 |
| 2010 | 1,430,000 | 7,280,631 | 8,710,631 |
| 2011 | 1,660,000 | 7,148,709 | 8,808,709 |
| 2012 | 1,720,000 | 7,010,007 | 8,730,007 |
| 2013 | 1,785,000 | 6,865,574 | 8,650,574 |
| 2014-2018 | 10,460,000 | 32,032,254 | 42,492,254 |
| 2019-2023 | 14,695,000 | 27,318,582 | 42,013,582 |
| 2024-2028 | 17,675,000 | 21,031,884 | 38,706,884 |
| 2029-2033 | 21,260,000 | 13,469,069 | 34,729,069 |
| 2034-2038 | 25,575,000 | 4,373,678 | 29,948,678 |
| **Total** | $97,790,000 | $133,955,275 | $231,745,275 |

***Interest Rate Swap Agreement***

The City entered into interest swap agreements in connection with the 2007A Subordinate Tax Allocation Bonds and the 2007 Lease Revenue Bonds. The transactions allow the City to create a synthetic fixed rate on the Bonds, protecting it against increases in short-term interest rates. The terms, fair value and credit risk of the swap agreements are disclosed below. For the swap agreements pertaining to the 2005B-1 and 2005B-2 Taxable Pension Funding Bonds, these disclosures are included below, but the swap agreements do not become effective until August 1, 2013 and August 1, 2023, respectively.

*Terms.* The terms, including the counterparty credit ratings of the outstanding swaps, as of June 30, 2008, are included below. The swap agreements contain scheduled reductions to the outstanding notional amount that are expected to follow scheduled reductions in the Bonds.

## NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

| Notional Amount | Effective Date | Counterparty | Long-Term Credit Rating (S&P/Moody's/Fitch) | Fixed Rate Paid | Variable Rate Received | Termination Date |
|---|---|---|---|---|---|---|
| ***2005B-1Taxable Pension Funding Bonds*** | | | | | | |
| $75,230,476 | 8/1/2013 | JPMorgan Chase Co. | AA-/Aaa/AA | 5.712% | 100% of USD-3 Month LIBOR | 8/1/2023 |
| ***2005B-2Taxable Pension Funding Bonds*** | | | | | | |
| $127,990,254 | 8/1/2023 | JPMorgan Chase Co. | AA-/Aaa/AA | 5.730% | 100% of USD-3 Month LIBOR | 8/1/2034 |
| ***2007A Subordinate Tax Allocation Bonds*** | | | | | | |
| $65,400,000 | 7/12/2007 | Royal Bank of Canada | AA-/Aaa/AA | 3.990% | 68% of USD-1 Month LIBOR | 9/1/2036 |
| ***2007 Lease Revenue Bonds*** | | | | | | |
| $101,420,000 | 9/11/2007 | Royal Bank of Canada | AA-/Aaa/AA | 3.657% | 68% of USD-1 Month LIBOR | 8/1/2037 |

Based on the swap agreements, the City owes interest calculated at a fixed rate to the counterparty of the swaps. In return, the counterparty owes the City interest based on the variable rate that *approximates* the rate required by the Bonds. Debt principal is not exchanged; it is only the basis on which the swap receipts and payments are calculated.

*Fair value.* Fair value of the swaps take into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swaps, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swap. As of June 30, 2008, the fair value for the each of the outstanding swaps was in favor of the respective counterparties as follows: 2005B-1 Bonds in the amount of $1,562,369, 2005B-2 Bonds in the amount of $1,579,454, 2007A Subordinate Tax Allocation Bonds in the amount of $4,980,018, and the 2007 Lease Revenue Bonds in the amount of $4,939,131.

*Credit risk.* As of June 30, 2008, the City was not exposed to credit risk on the outstanding swaps because the swaps had negative fair values. However, if *interest* rates increase and the fair value of the swaps were to become positive, the City would be exposed to credit risk. The City will be exposed to interest rate risk only if the counterparty to the swaps defaults or if the swaps are terminated.

*Basis risk.* Basis risk is the risk that the interest rate paid by the City on the underlying variable rate bonds to the *bondholders* temporarily differs from the variable swap rate received from the counterparty. The City bears basis risk on the swaps. The swaps have basis risk since the City receives a percentage of the LIBOR Index to offset the actual variable bond rate the City pays on the underlying Bonds. The City is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.





## NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

A portion of this basis risk is tax risk. The City is exposed to tax risk when the relationship between the taxable LIBOR based swap and tax-exempt variable rate bond changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt variable rate bonds converge the City is exposed to this basis risk.

*Termination risk.* The City may terminate if the other party fails to perform under the terms of the contract. The City will be exposed to variable rates if the counterparty to the swaps contracts default or if the swaps contracts are terminated. A termination of the swaps contracts may also result in the City's making or *receiving a termination payment based on market interest rates at the time of the termination. If at the time* of termination the swaps have a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

*Swap payments and associated debt.* Using rates as of June 30, 2008, debt service requirements of the City's outstanding variable-rate 2007A and 2007 Bonds and net swap payments, assuming current interest rates remain the same for their term, are as follows. The 2005B-1 and 2005B-2 Bonds are not included in the table, because the swaps are not effective until August 1, 2013 and August 1, 2034, respectively. As rates vary, variable-rate bond interest payments and net swap payments will vary. These payments below for each of the Bonds are included in the Debt Service Requirements above:

***2007 Subordinate Tax Allocation Bonds***

| For the Years | Variable-Rate Bonds | | Interest Rate Swap, Net | |
|---|---|---|---|---|
| Ending June 30, | Principal | Interest | Interest | Total |
| 2009 | $1,125,000 | $3,132,733 | $1,493,725 | $5,751,458 |
| 2010 | 1,525,000 | 2,189,867 | 1,459,933 | 5,174,800 |
| 2011 | 1,600,000 | 2,137,910 | 1,423,147 | 5,161,057 |
| 2012 | 1,675,000 | 2,083,397 | 1,384,624 | 5,143,021 |
| 2013 | 1,750,000 | 2,026,330 | 1,344,362 | 5,120,692 |
| 2014-2018 | 10,025,000 | 9,182,791 | 6,051,851 | 25,259,642 |
| 2019-2023 | 12,175,000 | 7,259,525 | 4,702,275 | 24,136,800 |
| 2024-2028 | 17,450,000 | 5,108,839 | 3,137,681 | 25,696,520 |
| 2029-2033 | 9,200,000 | 2,480,319 | 1,509,270 | 13,189,589 |
| 2034-2037 | 8,875,000 | 771,693 | 353,469 | 10,000,162 |
| **Total** | $65,400,000 | $36,373,404 | $22,860,337 | $124,633,741 |

***2007 Lease Revenue Bonds***

| For the Years | Variable-Rate Bonds | | Interest Rate Swap, Net | |
|---|---|---|---|---|
| Ending June 30, | Principal | Interest | Interest | Total |
| 2009 | $1,890,000 | $5,698,039 | $1,977,999 | $9,566,038 |
| 2010 | 1,790,000 | 5,594,911 | 1,942,317 | 9,327,228 |
| 2011 | 2,030,000 | 5,481,443 | 1,902,434 | 9,413,877 |
| 2012 | 2,105,000 | 5,362,340 | 1,860,791 | 9,328,131 |
| 2013 | 2,185,000 | 5,238,177 | 1,817,569 | 9,240,746 |
| 2014-2018 | 12,215,000 | 24,164,743 | 8,380,922 | 44,760,665 |
| 2019-2023 | 14,695,000 | 20,289,562 | 7,029,020 | 42,013,582 |
| 2024-2028 | 17,675,000 | 15,628,850 | 5,403,034 | 38,706,884 |
| 2029-2033 | 21,260,000 | 10,021,985 | 3,447,084 | 34,729,069 |
| 2034-2038 | 25,575,000 | 3,278,970 | 1,094,708 | 29,948,678 |
| **Total** | $101,420,000 | $100,759,020 | $34,855,878 | $237,034,898 |

## NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

### Loans Payable

Loans payable at June 30, 2008 consisted of the following:

| | |
|---|---|
| Wells Fargo Loan | $500,000 |
| CalTrans Home Loans | 811,235 |
| CHFA Help Loans | 2,767,155 |
| HUD Section 108 Loans | 6,500,000 |
| **Total** | $10,578,390 |

### Wells Fargo Loan – Original Amount $500,000

The Richmond Redevelopment Agency entered into a loan agreement with Wells Fargo Bank for an original amount of $500,000 to be used to provide direct predevelopment loans, subordinated loans, and line of credit to non-profit and profit developers primarily located in targeted community development areas in the City's jurisdiction. The interest rate on the loan is fixed at 1.5% for the first 10 years and adjustable to a fixed rate 3.5% below the ten year U.S. Treasury Note rate. The principal balance is due and payable 10 years from the date of the initial disbursement.

The annual debt service requirements on the Wells Fargo note are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | | $7,500 | $7,500 |
| 2010 | | 7,500 | 7,500 |
| 2011 | | 7,500 | 7,500 |
| 2012 | | 7,500 | 7,500 |
| 2013 | | 7,500 | 7,500 |
| 2014-2017 | $500,000 | 30,000 | 530,000 |
| **Total** | $500,000 | $67,500 | $567,500 |

### CalTrans Home Loans – Original Amount $1,467,160

The City has a loan from CalTrans which it used to purchase 43 homes in 1991. These homes were resold to Richmond Neighborhood Housing Services in order to provide housing to very low, and low and moderate income persons. Interest on the loan is computed annually based upon the average rate of return by the Pooled Money Investment Board for the past five years. Payment of principal and interest for 16 of the homes is made in quarterly payments over a 40 year period. Payment of principal and interest for 27 of the homes is deferred at least for the period that each home was committed by CalTrans to be used as affordable housing, which varies from seven to ten years. When the payments mature for the 27 homes, the City has the option to either make the full payment of principal and interest to CalTrans or execute a promissory note to pay the balance in quarterly payments over thirty to thirty-three years.





NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

### CHFA Help Loans – Original Amounts $1,500,000 and $1,000,000

The Agency entered into two loan agreements with California Housing Finance Agency in September 2000 and November 2004 to assist the Agency with operating a local housing program, which provides loans to non-profit developers for the purpose of financing the acquisition, preconstruction, and construction of single-family ownership and multifamily rental properties. The loans are due 10 years from the date of each loan. The loans bear a simple 3% per annum interest rate, and all payments of principal and interest are deferred for a ten-year period. During fiscal year 2008 the interest accrued to principal totaled $75,000.

### HUD Section 108 – Original Amount $3,000,000

In fiscal 2004, the Agency entered into a Disposition and Development Agreement to receive a Section 108 loan from the Department of Housing and Urban Development to finance costs related to the Ford Assembly Building project. Interest is payable quarterly and the interest rate is fixed at 2.58% or, in specific conditions, adjusted to the latest LIBOR Rate. The principal payments are due annually from 2009 through 2025.

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $142,822 | $77,400 | $220,222 |
| 2010 | 146,507 | 73,715 | 220,222 |
| 2011 | 150,286 | 69,935 | 220,221 |
| 2012 | 154,164 | 66,058 | 220,222 |
| 2013 | 158,141 | 62,081 | 220,222 |
| 2014-2018 | 854,054 | 247,055 | 1,101,109 |
| 2019-2023 | 970,060 | 131,049 | 1,101,109 |
| 2024-2025 | 423,966 | 13,246 | 437,212 |
| **Total** | $3,000,000 | $740,539 | $3,740,539 |

### HUD Section 108 – Original Amount $3,500,000

In fiscal 2006, the Agency received a Section 108 loan from the Department of Housing and Urban Development to finance costs related to the North Richmond-Iron Triangle project. Interest is payable quarterly and the interest rate is fixed at 2.58% or, in specific conditions, adjusted to the latest LIBOR Rate. The principal payments are due annually from 2012 through 2026.

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | | $90,300 | $90,300 |
| 2010 | | 90,300 | 90,300 |
| 2011 | | 90,300 | 90,300 |
| 2012 | $160,000 | 90,300 | 250,300 |
| 2013 | 170,000 | 81,786 | 251,786 |
| 2014-2018 | 1,000,000 | 334,110 | 1,334,110 |
| 2019-2023 | 1,250,000 | 185,760 | 1,435,760 |
| 2024-2026 | 920,000 | 25,284 | 945,284 |
| **Total** | $3,500,000 | $988,140 | $4,488,140 |

## NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

### Capital Leases

Capital leases payable at June 30, 2008 consisted of the following:

| | |
|---|---|
| Municipal Finance Corporation - Viron | $2,299,902 |
| Sun Trust Leasing Corporation - Computer Equipment | 1,664,396 |
| **Total** | $3,964,298 |

### Municipal Finance Corporation (CNB) Viron Mechanical Retrofit & Energy Management – Original Amount $4,069,623

In 2002 the City entered into a lease agreement with Municipal Finance Corporation to finance the purchase of the Viron mechanical retrofit and energy management equipment. The lease is payable in monthly installments of $15,532 interest for the first nine months, then $42,334 including principal and interest through July 2013.

The annual debt service requirements on this capital lease are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $411,234 | $96,774 | $508,008 |
| 2010 | 430,469 | 77,539 | 508,008 |
| 2011 | 450,604 | 57,405 | 508,009 |
| 2012 | 471,680 | 36,328 | 508,008 |
| 2013 | 493,742 | 14,266 | 508,008 |
| 2014 | 42,173 | 161 | 42,334 |
| **Total** | $2,299,902 | $282,473 | $2,582,375 |

### Sun Trust Leasing Corporation Computer Equipment Lease– Original Amount $2,660,000

In 2006, the City entered into a lease agreement with SunTrust Leasing Corporation to finance the purchase of computer equipment and software. The lease is payable in semi-annual installments of $299,013 including principal and interest through June 2011.

The annual debt service requirements on this capital lease are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $531,027 | $66,999 | $598,026 |
| 2010 | 554,486 | 43,540 | 598,026 |
| 2011 | 578,883 | 19,045 | 597,928 |
| **Total** | $1,664,396 | $129,584 | $1,793,980 |





## NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

### *B. Business-Type Activities*

The following is a summary of long-term debt of business-type activities during the fiscal year ended June 30, 2008:

| | Balance July 01, 2007 | Additions | Deletions | Balance June 30, 2008 | Due Within One Year | Due in More than One Year |
|---|---|---|---|---|---|---|
| Bonds payable | $49,640,002 | $3,630,000 | ($5,183,709) | $48,086,293 | $2,745,000 | $45,341,293 |
| Loans and leases payable | 7,419,009 | | (1,991,579) | 5,427,430 | 455,374 | 4,972,056 |
| **Total** | $57,059,011 | $3,630,000 | ($7,175,288) | $53,513,723 | $3,200,374 | $50,313,349 |

Bonds payable at June 30, 2008 consisted of the following:

| | |
|---|---|
| Port Terminal Lease Revenue Refunding Bonds Series 1999 | $2,378,837 |
| Wastewater Revenue Bonds Series 2006A and 2006B | 42,152,480 |
| 2007 Lease Revenue Bonds - Port Portion | 3,554,976 |
| **Total** | $48,086,293 |

### Port Terminal Lease Revenue Refunding Bonds Series 1999 – Original Issue $10,955,000

The Bonds were issued by the Authority to refund the Port Terminal Lease Revenue Bonds, Series 1994. The Bonds are special limited obligations of the Authority payable solely from revenues of the Authority pursuant to a Facilities Lease agreement with the City. The City has pledged subordinated Port revenues to the payment of the base rental payments of the Facilities Lease agreement. The Bonds consist of Serial Bonds that mature annually through 2009 in amounts ranging from $930,000 to $2,385,000. Interest rates vary from 3.7% to a maximum of 4.6% and payments are due semiannually on June 1 and December 1. The City has pledged future port revenues, net of specified operating expenses, to repay the Port Terminal Lease Revenue Refunding Bonds through 2009. Annual principal and interest payments on the bonds are expected to require less than 24 percent and 3 percent of net port revenues. The Port of Richmond Enterprise Fund's total principal and interest remaining to be paid on the bonds is $2,494,710. The Port of Richmond Enterprise Fund's principal and interest paid for the current year and total customer net revenues were $1,400,903 and $5,192,144, respectively.

Bonds outstanding are carried net of unamortized discount, as follows:

| | |
|---|---|
| Bonds outstanding | $2,385,000 |
| Unamortized discount | (6,163) |
| Net | $2,378,837 |

The annual debt service requirements on the Bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $2,385,000 | $109,710 | $2,494,710 |

## NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

### Port Terminal Lease Revenue Bonds Series 1996 – Original Issue $6,500,000

The Bonds were issued by the Authority to pay the cost of certain public capital improvements at the Port of Richmond. The Bonds are special limited obligation of the Authority payable solely from revenues of the Authority pursuant to a Facilities Lease Agreement with the City. The City has pledged the subordinated revenues of its Port Enterprise to the payment of the base rental payments of the Facilities Lease Agreement. The Bonds consisted of Term Bonds that mature on September 1, 2002, 2006, 2009 and 2016. Interest rates varied from 5.55% to a maximum of 6.6% and payments were due semiannually on February 15 and August 15. During the year ended June 30, 2008 the principal amount of $3,865,000 was defeased by the 2007 Lease Revenue Bonds.

### Wastewater Revenue Refunding Bonds Series 2006A and 2006B – Original Issue $6,500,000

On October 17, 2006 the City issued $16,570,000 of Wastewater Revenue Bonds, Series 2006A and $32,260,000 of Wastewater Revenue Bonds, Series 2006B to refund the remaining $38,516,264 principal amount of the Wastewater Revenue Bonds, Series 1999 and to fund certain capital costs of the City's Wastewater Enterprise. Net proceeds were used to purchase U.S. government securities placed in an irrevocable trust to provide all the future debt service payments for the 1999 Wastewater Bonds The outstanding balance of the defeased bonds as of June 30, 2008 was $36,943,845. Bonds outstanding are carried net of the unamortized loss on refunding, as follows:

| | |
|---|---|
| Bonds outstanding: | |
| Series 2006 A | $16,570,000 |
| Series 2006 B | 32,260,000 |
| Unamortized deferred amount on refunding | (7,213,992) |
| Unamortized premium | 536,472 |
| Net | $42,152,480 |

Principal and interest payments are due semi-annually on February 1 and August 1 of each year through August 2022 for the Series 2006A bonds. The annual debt service requirements on the 2006A Bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | | $742,550 | $742,550 |
| 2010 | $865,000 | 723,088 | 1,588,088 |
| 2011 | 905,000 | 683,263 | 1,588,263 |
| 2012 | 945,000 | 641,638 | 1,586,638 |
| 2013 | 990,000 | 595,625 | 1,585,625 |
| 2014-2018 | 5,745,000 | 2,170,825 | 7,915,825 |
| 2019-2023 | 7,120,000 | 784,388 | 7,904,388 |
| Total | $16,570,000 | $6,341,377 | $22,911,377 |

The 2006B Wastewater 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 City entered into a 31-year interest rate swap agreement for the entire amount of its 2006B Wastewater Revenue Bonds as discussed below. The combination of the variable rate Bonds and a floating rate swap creates synthetic fixed-rate debt for the Agency. The synthetic fixed rate for the Bonds was 8.881% at June 30, 2008.





## NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

Principal payments are due annually on August 1 and interest payments are due monthly, through August 2037 for the Series 2006B bonds. The annual debt service requirements on the 2006B Bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | | $2,971,859 | $2,971,859 |
| 2010 | | 2,971,646 | 2,971,646 |
| 2011 | | 2,971,646 | 2,971,646 |
| 2012 | | 2,971,646 | 2,971,646 |
| 2013 | | 2,971,859 | 2,971,859 |
| 2014-2018 | | 14,858,442 | 14,858,442 |
| 2019-2023 | | 14,858,441 | 14,858,441 |
| 2024-2028 | $8,740,000 | 12,600,798 | 21,340,798 |
| 2029-2033 | 10,615,000 | 8,092,075 | 18,707,075 |
| 2034-2038 | 12,905,000 | 2,611,234 | 15,516,234 |
| Total | $32,260,000 | $67,879,646 | $100,139,646 |

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay the Wastewater Revenue Refunding Bonds through 2038. The Municipal Sewer Enterprise Fund's total principal and interest remaining to be paid on the bonds is $123,051,023. The Municipal Sewer Enterprise Fund's principal and interest paid for the current year and total customer net revenues were $2,407,579 and $3,873,081, respectively.

### Richmond Joint Powers Financing Authority Lease Revenue Bonds Series 2007 – Port Refunding Bonds Original Issue $3,630,000

On September 11, 2007 the Richmond Joint Powers Financing Authority issued Series 2007 Lease Revenue Bonds in the amount of $101,420,000 as discussed in Note 8A above. A portion of the proceeds from the 2007 Bonds were used to refund the remaining $3,865,000 principal amount of the 1996 Port Terminal Lease Revenue Bonds. The Series 2007 Bonds in the principal amount of $97,790,000 have been recorded as governmental activities debt, as discussed in Note 8A above, and $3,630,000 has been recorded as debt in the Port of Richmond Enterprise Fund. Net proceeds from the Series 2007 Bonds of $3,348,742 plus an additional amount of $591,282 from the refunded 1996 Bonds were used to purchase U.S. government securities placed in an irrevocable trust to provide all the future debt service payments for the refunded Bonds. The refunding resulted in an overall debt service savings of $935,901. The net present value of the debt service savings is called an economic gain and amounted to $383,889. The 1996 Bonds were called in March 2008. Bonds outstanding are carried net of the unamortized loss on refunding as follows:

| | |
|---|---|
| Bonds outstanding: | |
| 2007 Port Portion | $3,630,000 |
| Unamortized deferred amount on refunding | (75,024) |
| Net | $3,554,976 |

## NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

The 2007 Lease Revenue Bonds were issued as variable rate Bonds. The rate fluctuates according to the market conditions. However, the Authority entered into an interest rate swap agreement for the entire amount of its 2007 Lease Revenue Bonds. The combination of the variable rate Bonds and a floating rate swap creates synthetic fixed-rate debt for the Authority. Information regarding the interest rate swap agreement in connection with the 2007 Lease Revenue Bonds is discussed in Note 7A above.

The annual debt service requirements on the Bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $360,000 | $251,151 | $611,151 |
| 2010 | 360,000 | 256,597 | 616,597 |
| 2011 | 370,000 | 235,168 | 605,168 |
| 2012 | 385,000 | 213,124 | 598,124 |
| 2013 | 400,000 | 190,172 | 590,172 |
| 2014-2017 | 1,755,000 | 513,411 | 2,268,411 |
| **Total** | $3,630,000 | $1,659,623 | $5,289,623 |

***Interest Rate Swap Agreement***

The City entered into an interest swap agreement in connection with the 2006B Wastewater Revenue Bonds. The transaction allows the City to create a synthetic fixed rate on the Bonds, protecting it against increases in short-term interest rates. The terms, fair value and credit risk of the swap agreement is disclosed below.

*Terms.* The terms, including the counterparty credit rating of the outstanding swap, as of June 30, 2008, are included below. The swap agreement contains scheduled reductions to the outstanding notional amount that are expected to follow scheduled reductions in the Bonds.

| Notional Amount | Effective Date | Counterparty | Credit Rating (S&P/Moody's/Fitch) | Rate Paid | Rate Received | Termination Date |
|---|---|---|---|---|---|---|
| $32,260,000 | 10/17/2006 | JPMorgan Chase Co. | AA-/Aa2/AA- | 3.661% | 63.42% of USD-LIBOR-BBA | 8/1/2037 |

Based on the swap agreement, the City owes interest calculated at a fixed rate to the counterparty of the swap. In return, the counterparty owes the City interest based on the variable rate that *approximates* the rate required by the Bonds. Debt principal is not exchanged; it is only the basis on which the swap receipts and payments are calculated.

*Fair value.* Fair value of the swap takes into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swap. As of June 30, 2008, the fair value of the swap was in favor of the counterparty in the amount of $1,971,399.





## NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

*Credit risk.* As of June 30, 2008, the City was not exposed to credit risk on the outstanding swap because the swap had a negative fair value. However, if *interest* rates increase and the fair value of the swap were to become positive, the City would be exposed to credit risk. The City will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

*Basis risk.* Basis risk is the risk that the interest rate paid by the City on the underlying variable rate bonds to the *bondholders* temporarily differs from the variable swap rate received from the counterparty. The City bears basis risk on the swap. The swap has basis risk since the City receives a percentage of the LIBOR Index to offset the actual variable bond rate the City pays on the underlying Bonds. The City is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

A portion of this basis risk is tax risk. The City is exposed to tax risk when the relationship between the taxable LIBOR based swap and tax-exempt variable rate bond changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt variable rate bonds converge the City is exposed to this basis risk.

*Termination risk.* The City may terminate if the other party fails to perform under the terms of the contract. The City will be exposed to variable rates if the counterparty to the swap contract defaults or if the swap contract is terminated. A termination of the swap contract may also result in the City's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

*Swap payments and associated debt.* Using rates as of June 30, 2008, debt service requirements of the City's outstanding variable-rate Bonds and net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates vary, variable-rate bond *interest* payments and net swap payments will vary. These payments below are included in the Debt Service Requirements above:

| For the Years | Variable-Rate Bonds | | Interest Rate Swap, Net | |
|---|---|---|---|---|
| Ending June 30, | Principal | Interest | Interest | Total |
| 2009 | | $2,364,932 | $606,927 | $2,971,859 |
| 2010 | | 2,364,719 | 606,927 | 2,971,646 |
| 2011 | | 2,364,719 | 606,927 | 2,971,646 |
| 2012 | | 2,364,719 | 606,927 | 2,971,646 |
| 2013 | | 2,364,932 | 606,927 | 2,971,859 |
| 2014-2018 | | 11,823,807 | 3,034,635 | 14,858,442 |
| 2019-2023 | | 11,823,806 | 3,034,635 | 14,858,441 |
| 2024-2028 | $8,740,000 | 10,033,055 | 2,567,743 | 21,340,798 |
| 2029-2033 | 10,615,000 | 6,446,551 | 1,645,524 | 18,707,075 |
| 2034-2038 | 12,905,000 | 2,086,610 | 524,624 | 15,516,234 |
| Total | $32,260,000 | $54,037,850 | $13,841,796 | $100,139,646 |

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**Loans and Leases Payable**

Loans and leases payable at June 30, 2008, consisted of the following:

| | |
|---|---|
| State Revolving Fund Loan Contract | $2,106,248 |
| California Department of Boating and Waterways | 3,321,182 |
| **Total** | $5,427,430 |

**State Revolving Fund Loan Contract**

In 1992 the State of California Water Resources Control Board loaned the City $6,737,658 at 3% interest for the improvement of the Richmond Wastewater Treatment Facility. Payments on the loan are due annually through 2013.

The annual debt service requirements on the State Revolving Fund Loan are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $398,012 | $63,187 | $461,199 |
| 2010 | 410,170 | 51,241 | 461,411 |
| 2011 | 422,475 | 38,936 | 461,411 |
| 2012 | 435,221 | 26,190 | 461,411 |
| 2013 | 440,370 | 13,205 | 453,575 |
| **Total** | $2,106,248 | $192,759 | $2,299,007 |

**California Department of Boating and Waterways**

The Agency has three loan agreements with the California Department of Boating and Waterways for total borrowings of $9,427,000. Proceeds from the loans were used to finance marina construction projects. The loans bear interest at rates ranging from 4.5% to 7.9% and are due in annual installments through 2042. The total amount outstanding at June 30, 2008 was $3,321,181.

The annual debt service requirements on these loans are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $57,362 | $149,453 | $206,815 |
| 2010 | 59,943 | 146,872 | 206,815 |
| 2011 | 62,641 | 144,174 | 206,815 |
| 2012 | 65,459 | 141,356 | 206,815 |
| 2013 | 68,405 | 138,410 | 206,815 |
| 2014-2018 | 391,064 | 643,012 | 1,034,076 |
| 2019-2023 | 487,337 | 546,738 | 1,034,075 |
| 2024-2028 | 607,310 | 426,765 | 1,034,075 |
| 2029-2033 | 714,786 | 277,257 | 992,043 |
| 2034-2038 | 568,109 | 126,959 | 695,068 |
| 2039-2043 | 238,766 | 17,545 | 256,311 |
| **Total** | $3,321,182 | $2,758,541 | $6,079,723 |





**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**2004 Richmond Joint Powers Financing Authority Point Potrero Lease Revenue Note**

On May 6, 2004 the Richmond JPFA borrowed $5,424,178 from Comerica Bank under the terms of a Note which bears interest at the rate of 4.75% per annum payable quarterly. Principal payments are due in semi-annual installments until May 1, 2019. The loan provided funds for the construction of an automobile shipping and warehousing facility located in the Port. The Note is a limited obligation of the Authority payable solely from revenues from the facilities leased. Minimum annual lease payments are $509,380 through 2019. During fiscal year 2008, cumulative excess payments received from the lessee were used to repay principal of $1,549,865. The lease was fully repaid during fiscal year 2008.

**C. *Business-Type Activities – RHA Properties***

The following is a summary of RHA Properties long-term debt activities during the fiscal year ended June 30, 2008:

| | Balance July 1, 2007 | Deletions | Balance June 30, 2008 | Due Within One Year | Due in More than One Year |
|---|---|---|---|---|---|
| Bonds payable | $33,598,835 | ($267,647) | $33,331,188 | $405,000 | $32,926,188 |

Bonds payable at June 30, 2008 consisted of the following:

| | |
|---|---|
| RHA Properties Affordable Housing Agency Bonds Series 2003 A | $21,600,000 |
| JPFA Subordinate Multifamily Housing Revenue Bonds Series 2007 | 11,731,188 |
| | $33,331,188 |

**RHA Properties Affordable Housing Agency Bonds 2003 Series A**

The Affordable Housing Agency, a financial intermediary, issued Variable Rate Demand Multifamily Housing Revenue Bonds (Westridge at Hilltop Apartments), 2003 Series A (Senior Bonds), in the initial aggregate principal amount of $23,000,000, and Subordinate Multifamily Housing Revenue Bonds, 2003 Series A-S (Subordinated Bonds), in the initial aggregate principal amount of $12,000,000 and has loaned the proceeds to RHA Properties which used the proceeds to acquire a 401-unit multifamily apartment project.

Pursuant to lease and sublease agreements, RHA Properties remits lease payments to a trustee acting on behalf of the financial intermediary which are sufficient in timing and amount to be used to pay debt service on the bonds. In substance RHA Properties is repaying these Bonds and they have therefore been included in these financial statements.

The ***Senior Bonds*** were issued August 1, 2003, mature on September 15, 2033 and bear a variable rate of interest (3.21% at June 30, 2008) with interest payments due monthly commencing September 15, 2003.

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

Interest rates on the Senior Bonds are reset periodically, using the "put" mechanism described below. The Senior Bonds are periodically subject to repurchase at par, referred to as a "put". Once a put occurs, a remarketing agent resells the Senior Bonds at par by setting new interest rates and repurchase dates. RHA Properties has obtained an irrevocable transferable credit enhancement instrument which expires September 20, 2033 in the amount of $23,000,000 to be used in the event the remarketing agent is unable to resell any Senior Bonds and to ensure RHA Properties will not be required to repurchase the Senior Bonds before they mature. RHA Properties paid the agent an annual fee equal 0.10% of the average aggregate principal amount of Bonds outstanding for the immediately preceding 12 months period.

The annual debt service requirements are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $400,000 | $928,230 | $1,328,230 |
| 2010 | 400,000 | 913,576 | 1,313,576 |
| 2011 | 400,000 | 895,514 | 1,295,514 |
| 2012 | 400,000 | 878,471 | 1,278,471 |
| 2013 | 500,000 | 856,319 | 1,356,319 |
| 2014-2018 | 2,800,000 | 3,944,252 | 6,744,252 |
| 2019-2023 | 3,900,000 | 3,225,967 | 7,125,967 |
| 2024-2028 | 5,200,000 | 2,249,387 | 7,449,387 |
| 2029-2033 | 7,200,000 | 917,807 | 8,117,807 |
| 2034 | 400,000 | 2,901 | 402,901 |
| **Total** | $21,600,000 | $14,812,424 | $36,412,424 |

The ***Subordinate Bonds*** were issued August 1, 2003, mature December 15, 2033 and are subordinates in payment and security to the Senior Bonds. The Subordinate Bonds bear interest at 6.375% per year, payable semi-annually commencing December 15, 2003. The Bonds were refunded as described below.

**JPFA Subordinate Multifamily Housing Revenue Bonds, Series 2007**

On April 12, 2007, the Richmond Joint Powers Financing Authority issued $12,540,000 of Subordinate Multifamily Housing Revenue Bonds (Westridge at Hilltop Apartments), Series 2007 to advance refund and defease $11,345,000 of the Subordinate Multifamily Housing Revenue Bonds, 2003 Series A-S (Subordinated Bonds). The ***2007 Series Subordinate Bonds*** bear interest from 3.850% to 5% per annum, payable semi-annually commencing June 15, 2007. Net proceeds were used to purchase U.S. government securities for the 2003 Series A-S Bonds. Those securities were deposited in irrevocable trust with an escrow agent to provide for all future debt service payments. The 2003 Series A-S Bonds are considered to be defeased and the liabilities for those bonds have been removed. As of June 30, 2008 $11,085,000 of the principal remained outstanding on the defeased 2003 Series A-S Bonds.

Bonds outstanding are carried net of the deferred amount of refunding, as follows:

| | |
|---|---|
| Bonds outstanding | $12,540,000 |
| Deferred amount on refunding | (808,812) |
| **Net** | $11,731,188 |



City of Richmond
Notes to Basic Financial Statements
June 30, 2008

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

The annual debt service requirements are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $5,000 | $599,972 | $604,972 |
| 2010 | 290,000 | 596,989 | 886,989 |
| 2011 | 300,000 | 585,508 | 885,508 |
| 2012 | 310,000 | 573,218 | 883,218 |
| 2013 | 325,000 | 560,170 | 885,170 |
| 2014-2018 | 1,850,000 | 2,579,470 | 4,429,470 |
| 2019-2023 | 2,305,000 | 2,113,813 | 4,418,813 |
| 2024-2028 | 2,955,000 | 1,471,375 | 4,426,375 |
| 2029-2033 | 3,770,000 | 645,000 | 4,415,000 |
| 2034 | 430,000 | 10,750 | 440,750 |
| **Total** | $12,540,000 | $9,736,265 | $22,276,265 |

RHA Properties has pledged future revenues to repay the Bonds through 2033. Annual principal and interest payments on the bonds are expected to require less than 17 percent of revenues. The RHA properties total principal and interest remaining to be paid on the bonds is $58,688,689. The RHA properties principal and interest paid for the current fiscal year and total rental revenues were $599,972 and $3,462,561, respectively.

**Special Assessment Debt Without City Commitment**

Special assessment districts have been established in various parts of the City to provide improvements to properties located in those districts. Properties in these districts are assessed for the cost of improvements; these assessments are payable solely by property owners over the term of the debt issued to finance these improvements. The City is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties in these special assessment districts, nor is it obligated to advance City funds to repay these debts in the event of default by any of these districts. At June 30, 2008, the balance of these Districts' outstanding debts was as follows:

| | |
|---|---|
| 1999 JPFA Revenue Refunding Bonds, Series A, secured solely by revenues from Hilltop Area Development District F and Cutting Boulevard/Canal Boulevard | $1,665,000 |
| Richmond JPFA Reassessment Revenue Bonds, 2003 Series A, secured solely by revenues from Reassessment District 2003-1 (Atlas Interchange/Atlas Road West) | 8,085,000 |
| Harbor Navigation Improvement District | 1,395,000 |
| Community Facilities District No. 1998-1 | 3,875,000 |
| San Pablo Avenue Street Lighting District No. 854 | 60,000 |
| Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2006A (including Series 2006AT) | 9,880,000 |
| Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2006B | 1,945,000 |

## NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

### Conduit Debt

The City has assisted private-sector entities by sponsoring their issuance of debt for purposes the City deems to be in the public interest. These debt issues are secured solely by the property financed by the debt. The City is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties secured by these debts, nor is it obligated to advance City funds to repay these debts in the event of default by any of these issuers. At June 30, 2008, the balance of these issuers' outstanding debts was as follows:

| | |
|---|---|
| Bridge Housing Acquisitions, Inc. | $13,570,000 |
| YMCA of the East Bay, 1996 Revenue Bonds | 3,370,000 |
| Baycliff Apartment Project, 2004 Revenue Bonds | 32,000,000 |
| Crescent Park Apartment Project, 2007 Series A & Series A-T Revenue Bonds | 67,000,000 |

## NOTE 8 - DEFERRED REVENUE

### Fund Financial Statements

At June 30, 2008, the following deferred revenues were recorded in the Fund Financial Statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

| | General Fund | Redevelopment Agency Administration | Redevelopment Agency Low/Mod Income Housing | Redevelopment Agency Projects | Non- Major Governmental Funds | Total |
|---|---|---|---|---|---|---|
| Loans Receivable | $717,716 | $2,688,251 | $16,027,594 | $10,358,592 | $5,715,316 | $35,507,469 |
| Grants Receivable | | | | | 1,146,098 | 1,146,098 |
| Interest accrual - Advances to other funds | 1,546,735 | | | | | 1,546,735 |
| Park & recreation receivable - unearned rents | 106,451 | | | | | 106,451 |
| Total | $2,370,902 | $2,688,251 | $16,027,594 | $10,358,592 | $6,861,414 | $38,306,753 |

## NOTE 9 - DEFICIT FUND BALANCES AND ACCUMULATED DEFICITS

Deficit fund balance of $463,465 and $2,778,497 in the Paratransit Operations and Cost Recovery Special Revenue Funds will be eliminated by future service revenues.

Deficit net assets of $3,580,386 in the Insurance Reserves Internal Service Fund is expected to be eliminated through future increases in service charges.





## NOTE 10 - CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

### Plan Description and Provisions

The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan that covers substantially all eligible City employees. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

### Funding Policy

Active plan members are required by state statute to contribute 7%-8% for miscellaneous and 9% for safety employees of their annual covered salary. The City, as employer, was required to contribute at an actuarially determined rate of 12.641% and 17.512% of annual covered payroll for miscellaneous and safety employees, respectively. Total employer contributions based on the actuarially determined rates amounted to $9,327,481 for the year ended June 30, 2008.

### Annual Pension Cost and Net Pension Asset

For 2007-2008, the City's annual pension cost of $11,776,488 for PERS was equal to the City's required and actual contributions and amortization of the prepaid pension contributions discussed below. The required contribution was determined by PERS using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.25% to 14.45% for miscellaneous employees and from 3.25% to 13.15% for safety employees depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization periods at June 30, 2008, were 30 years for both the miscellaneous and the safety employees plans for prior and current service unfunded liability.

## NOTE 10 - CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Continued)

The City uses the actuarially determined percentages of payroll to calculate and pay contributions to PERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by PERS, for the last three fiscal years for each Plan were:

***Safety Plan:***

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Prepaid Pension Obligation |
|---|---|---|---|
| 6/30/2006 | $7,111,495 | 100% | $65,171,265 |
| 6/30/2007 | 5,506,687 | 100% | 63,785,279 |
| 6/30/2008 | 6,086,347 | 100% | 62,354,249 |

***Miscellaneous Plan:***

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Prepaid Pension Obligation |
|---|---|---|---|
| 6/30/2006 | $5,708,395 | 100% | $46,360,181 |
| 6/30/2007 | 4,830,259 | 100% | 45,374,247 |
| 6/30/2008 | 5,690,141 | 100% | 44,356,270 |

The City prepaid its pension contributions with proceeds from the 2005 Pension Obligation Bonds (See Note 7). These prepaid contributions are reflected in the accompanying financial statements as Net Pension Asset which amounted to $106,710,519 at June 30, 2008. During fiscal 2008, the amortization of the prepayment increased the actuarially required contributions by $2,449,007 to arrive at Annual Pension Costs of $11,776,488, as shown below for each Plan:

| | Safety | Miscellaneous | Total |
|---|---|---|---|
| Annual required contribution | $4,655,317 | $4,672,164 | $9,327,481 |
| Interest on net pension obligation | (4,943,359) | (3,516,504) | (8,459,863) |
| Adjustment to annual required contribution | 6,374,389 | 4,534,481 | 10,908,870 |
| Annual pension cost | 6,086,347 | 5,690,141 | 11,776,488 |
| Contributions made | (4,655,317) | (4,672,164) | (9,327,481) |
| (Decrease) increase in net pension obligations | 1,431,030 | 1,017,977 | 2,449,007 |
| Net pension obligation (asset) June 30, 2007 | (63,785,279) | (45,374,247) | (109,159,526) |
| **Net pension obligation (asset) June 30, 2008** | ($62,354,249) | ($44,356,270) | ($106,710,519) |





## NOTE 10 - CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Continued)

**SCHEDULE OF FUNDING PROGRESS - CALPERS**

***Safety Plan:***

| Valuation Date | Actuarial Accrued Liability | Actuarial Value of Assets | Unfunded (Overfunded) Liability | Funded Ratio | Annual Covered Payroll | Unfunded (Overfunded) as % of Payroll |
|---|---|---|---|---|---|---|
| 06/30/05 | $326,157,639 | $259,483,882 | $66,673,757 | 79.6% | $22,128,726 | 301.3% |
| 06/30/06 | 339,241,980 | 339,619,607 | (377,627) | 100.1% | 21,314,998 | (1.8%) |
| 06/30/07 | 362,133,278 | 359,089,009 | 3,044,269 | 99.2% | 24,752,789 | 12.3% |

***Miscellaneous Plan:***

| Valuation Date | Actuarial Accrued Liability | Actuarial Value of Assets | Unfunded (Overfunded) Liability | Funded Ratio | Annual Covered Payroll | Unfunded (Overfunded) as % of Payroll |
|---|---|---|---|---|---|---|
| 06/30/05 | $269,183,479 | $221,754,486 | $47,428,993 | 82.4% | $28,600,241 | 165.8% |
| 06/30/06 | 277,497,262 | 278,531,185 | (1,033,923) | 100.4% | 29,837,781 | (3.5%) |
| 06/30/07 | 294,179,170 | 294,827,825 | (648,655) | 100.2% | 33,931,419 | (1.9%) |

## NOTE 11 – OTHER CITY PENSION PLANS

**Plan Descriptions and Funding Policies**

The City maintains three, single-employer pension plans, which are funded entirely by City contributions. These are the General Pension Plan, Police and Firemen's Pension Plan, and Garfield Pension Plan (collectively, the "Plans"). The General Pension Plan, a defined benefit pension plan, covering 29 former City employees not covered by PERS, all of whom have retired. The Police and Firemen's Pension Plan, a defined benefit pension plan covers 84 police and fire personnel employed prior to October 1964. The Garfield Pension Plan is a defined benefit pension plan established for a retired police chief. The Plans provide retirement, disability, and death benefits based on the employee's years of service, age, and final compensation. Benefit provisions for the Plans are established by City ordinance. No separate financial statements are issued for the Plans.

**General Pension Plan** – Retirement and other benefits are paid from the assets of the Plan and from related investment earnings. The City is required under its charter to contribute the remaining amounts necessary to fund the Plan using the entry age-normal actuarial method as specified by ordinance.

**Police and Firemen's Pension Plan** – Funding for the Plan is provided from the Secured Pension Override Special Revenue Fund. Employees were vested after five years of service. Members of the Plan are allowed normal retirement benefits after 25 or more continuous years of service. The City is required under its charter to contribute the remaining amounts necessary to fund the Plan using the entry age-normal actuarial method as specified by ordinance.

## NOTE 11 – OTHER CITY PENSION PLANS (Continued)

The City established the Secured Pension Override Special Revenue Fund to which proceeds of a special incremental property tax levy voted by the citizens of the City of Richmond are credited for the payment of benefits under the Plan.

**Garfield Pension Plan** – Retirement and other benefits are paid from the assets of the Plan and from related investment earnings. Plan provisions have been established and may be amended upon agreement between the City and Mr. Garfield.

### Pension Plan Assets

At June 30, 2008 the pension plans' reported assets available for benefits of $24,621,613. The composition of these assets at June 30, 2008 is shown below. For actuarial purposes, the value of the Plans' assets was determined to be fair value.

| | |
|---|---|
| Pooled cash and investments | $ 4,164,472 |
| Local Agency Investment Fund | 182,596 |
| Wellington Trust Company Fund | 20,274,545 |
| Assets available for benefits at June 30, 2008 | $ 24,621,613 |

### Actuarially Determined Required Contributions

**General Pension Plan** – As of July 1, 2007, the date of the most recent actuarial valuation available, the actuarial present value of pension benefits under the Plan was $5,242,136 and the assets of the Plan at fair value were $2,416,881 resulting in an unfunded actuarial liability of $2,825,255. In computing the actuarial valuation, Plan assets were assumed to yield a 4.5% return and benefit payments were assumed to increase 3.5% annually. Assumptions for retirement age, disability, withdrawal, and salary increases were not meaningful as all of the participants had retired. The required contribution was determined by using the entry age normal actuarial cost method.

**Police and Firemen's Pension Plan** – The City established the Secured Pension Override Special Revenue Fund to which proceeds of a special incremental property tax levy voted by the citizens of the City of Richmond are credited for the payment of benefits under the Plan. The incremental property tax revenue received for the year ended June 30, 2008 was $5,000,000. Pension benefits for the 2007/2008 fiscal year were $4,746,409. The actuarial present value of future pension liabilities under the Plan at July 1, 2007, the date of the most recent actuarial valuation, was approximately $43,591,093, representing principally prior service costs. Assets of the Plan were $22,910,310 resulting in an unfunded actuarial liability of $20,680,783. Actuarial assumptions included an assumed rate of return of 6.5%. Mortality rates were based on the mortality tables currently used by California PERS. These PERS mortality tables were further adjusted to reflect anticipated future mortality improvement. Benefit payments were assumed to increase 3.5% annually. Assumptions for retirement age, disability, withdrawal, and salary increases have an insignificant effect on the valuation as substantially all of the participants had retired. The required contribution was determined by using the entry age normal actuarial cost method.





## NOTE 11 – OTHER CITY PENSION PLANS (Continued)

**Garfield Pension Plan** – As of July 1, 2007, the date of the most recent actuarial valuation available, the actuarial present value of pension benefits under the Plan was $899,777 and the assets of the Plan at fair value were $326,228 resulting in an unfunded actuarial liability of $573,549. In computing the actuarial valuation, Plan assets were assumed to yield a 4.5% return and benefit payments were assumed to increase 3.5% annually. Assumptions for retirement age, disability, withdrawal, and salary increases were not meaningful as the only participant had retired. The required contribution was determined by using the entry age normal actuarial cost method.

Six-year historical trend information relative to contributions is presented below:

| | General Pension Plan | | | Police and Firemen's Pension Plan | | |
|---|---|---|---|---|---|---|
| Fiscal Year | Annual Required Contribution | Amount Contributed | Percent Contributed | Annual Required Contribution | Amount Contributed | Percent Contributed |
| 2002/03 | $329,048 | $1,070,888 | 325% | $2,174,274 | $0 | 0% |
| 2003/04 | 357,744 | 1,119,537 | 313% | 2,428,906 | 2,899,909 | 119% |
| 2004/05 | 299,319 | 946,476 | 316% | 2,191,252 | 2,440,857 | 111% |
| 2005/06 | 238,264 | 238,264 | 100% | 2,215,648 | 2,215,648 | 100% |
| 2006 07 | 238,264 | 238,264 | 100% | 2,215,648 | 6,215,648 | 281% |
| 2007/08 | 307,948 | 307,948 | 100% | 2,199,459 | 5,000,000 | 227% |

| | Garfield Pension Plan | | |
|---|---|---|---|
| Fiscal Year | Annual Required Contribution | Amount Contributed | Percent Contributed |
| 2002/03 | $48,364 | $0 | 0% |
| 2003/04 | 56,920 | 0 | 0% |
| 2004/05 | 62,856 | 0 | 0% |
| 2005/06 | 73,917 | 73,917 | 100% |
| 2006/07 | 73,917 | 73,917 | 100% |
| 2007/08 | 72,484 | 72,484 | 100% |

The Entry Age Normal Cost Method was used for the actuarial valuation of the plans.

### Significant Accounting Policies

City contributions for all plans are recognized when due and the City has made a formal commitment to provide contributions. Benefit payments and refunds are recognized when due and payable in accordance with the terms of the Plan. Assets are valued at fair value based on available market information obtained from independent sources.

## NOTE 11 – OTHER CITY PENSION PLANS (Continued)

### Net Pension Liability (Asset)

The net pension liability (asset) was determined in accordance with the provisions of GASB Statement No. 27 and represents contributions in excess of actuarially required contributions (net pension asset), or actuarially required contributions in excess of actual contributions (net pension obligation or liability). At June 30, 2008, the Police and Firemen's Pension Plan and the General Pension Plan had net pension assets of $2,433,227 and $1,787,556, respectively. At June 30, 2008, the Garfield Pension Plan had a net pension liability of $191,095. The net pension assets and the net pension liability have been recorded in the City-wide financial statements as Net Pension Asset and Net Pension Obligation.

The net pension liability (asset) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization periods at June 30, 2008, were fourteen, twelve, and eight years for the Police and Fireman's Plan, the General Pension Plan, and the Garfield Pension Plan, respectively for prior and current service unfunded liability.

The Plans' annual pension cost and net pension obligation for Fiscal 2007-2008 were as follows:

| | Police and Firemen's Plan | General Pension Plan | Garfield Pension Plan |
|---|---|---|---|
| Annual required contribution | $2,199,459 | $307,948 | $72,484 |
| Interest on net pension obligation | 24,203 | (85,186) | 9,319 |
| Adjustment to annual required contribution | (39,600) | 195,503 | (26,172) |
| Annual pension cost | 2,184,062 | 418,265 | 55,631 |
| Contributions made | (5,000,000) | (307,948) | (72,484) |
| (Decrease) increase in net pension obligations | (2,815,938) | 110,317 | (16,853) |
| Net pension obligation (asset) June 30, 2007 | 382,711 | (1,897,873) | 207,948 |
| **Net pension obligation (asset) June 30, 2008** | ($2,433,227) | ($1,787,556) | $191,095 |





## NOTE 11 – OTHER CITY PENSION PLANS (Continued)

The Plans' annual pension cost, percentage contributed, and net pension obligation (asset) for the last three fiscal years were as follows:

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation (Asset) |
|---|---|---|---|
| **Police and Fireman's Plan** | | | |
| June 30, 2006 | $2,056,237 | 108% | $4,542,122 |
| June 30, 2007 | 2,056,237 | 302% | 382,711 |
| June 30, 2008 | 2,184,062 | 229% | (2,433,227) |
| **General Pension Plan** | | | |
| June 30, 2006 | 335,200 | 71% | (1,994,809) |
| June 30, 2007 | 335,200 | 71% | (1,897,873) |
| June 30, 2008 | 418,265 | 74% | (1,787,556) |
| **Garfield Pension Plan** | | | |
| June 30, 2006 | 56,882 | 130% | 224,983 |
| June 30, 2007 | 56,882 | 130% | 207,948 |
| June 30, 2008 | 55,631 | 130% | 191,095 |

## NOTE 11 – OTHER CITY PENSION PLANS (Continued)

### SCHEDULE OF FUNDING PROGRESS

***Police and Firemen's Plan:***

| | Actuarial | | | | | |
|---|---|---|---|---|---|---|
| Valuation Date | Accrued Liability | Actuarial Value of Assets | Unfunded Liability | Funded Ratio | Annual Covered Payroll | Unfunded (Overfunded) as % of Payroll |
| July 1, 2002 | $49,135,204 | $25,177,947 | $23,957,257 | 51% | (A) | N/A |
| July 1, 2003 | 46,523,759 | 20,450,153 | 26,073,606 | 44% | (A) | N/A |
| July 1, 2004 | 43,244,772 | 20,384,607 | 22,860,165 | 47% | (A) | N/A |
| July 1, 2005 | 41,653,180 | 19,251,702 | 22,401,478 | 46% | (A) | N/A |
| July 1, 2006 | N/A ( C ) | N/A ( C ) | N/A ( C ) | N/A ( C ) | (A) | N/A |
| July 1, 2007 | 43,591,093 | 22,910,310 | 20,680,783 | 53% | (A) | N/A |

***General Pension Plan:***

| | Actuarial | | | | | |
|---|---|---|---|---|---|---|
| Valuation Date | Accrued Liability | Actuarial Value of Assets | Unfunded Liability | Funded Ratio | Annual Covered Payroll | Unfunded (Overfunded) as % of Payroll |
| July 1, 2002 | $6,246,070 | $2,145,405 | $4,100,665 | 34% | (B) | N/A |
| July 1, 2003 | 6,331,911 | 2,298,683 | 4,033,228 | 36% | (B) | N/A |
| July 1, 2004 | 6,030,516 | 2,786,571 | 3,243,945 | 46% | (B) | N/A |
| July 1, 2005 | 5,614,489 | 3,141,392 | 2,473,097 | 56% | (B) | N/A |
| July 1, 2006 | N/A ( C ) | N/A ( C ) | N/A ( C ) | N/A ( C ) | (B) | N/A |
| July 1, 2007 | 5,242,136 | 2,416,881 | 2,825,255 | 46% | (B) | N/A |

***Garfield Plan:***

| | Actuarial | | | | | |
|---|---|---|---|---|---|---|
| Valuation Date | Accrued Liability | Actuarial Value of Assets | Unfunded Liability | Funded Ratio | Annual Covered Payroll | Unfunded (Overfunded) as % of Payroll |
| July 1, 2002 | N/A ( C ) | N/A ( C ) | N/A ( C ) | N/A ( C ) | (B) | N/A |
| July 1, 2003 | N/A ( C ) | N/A ( C ) | N/A ( C ) | N/A ( C ) | (B) | N/A |
| July 1, 2004 | N/A ( C ) | N/A ( C ) | N/A ( C ) | N/A ( C ) | (B) | N/A |
| July 1, 2005 | $915,287 | $301,298 | $613,989 | 33% | (B) | N/A |
| July 1, 2006 | N/A ( C ) | N/A ( C ) | N/A ( C ) | N/A ( C ) | (B) | N/A |
| July 1, 2007 | 899,777 | 326,228 | 573,549 | 36% | (B) | N/A |

(A) Shown at zero, because only one participant had not retired and was assumed to retire on valuation date.

(B) All participants were retired as of valuation date.

(C) Actuarial valuations were not completed.





## NOTE 11 – OTHER CITY PENSION PLANS (Continued)

### Plan Financial Statements

The Statement of Net Assets for the Plans at June 30, 2008 follows:

| | General Pension | Police and Fireman's Pension | Garfield Pension |
|---|---|---|---|
| ASSETS | | | |
| Pension plan cash and investments: | | | |
| City of Richmond Investment Pool | $2,109,990 | $1,904,191 | $150,291 |
| Local Agency Investment Fund | | | 182,596 |
| Mutual Fund Investments | | 20,274,545 | |
| Interest receivable | 4,336 | 3,863 | 1,569 |
| Total Assets | 2,114,326 | 22,182,599 | 334,456 |
| LIABILITIES | | | |
| Accounts payable | | 65,192 | |
| NET ASSETS | | | |
| Held in trust for employees' pension benefits | $2,114,326 | $22,117,407 | $334,456 |

The Statement of Changes in Plan Net Assets for the year ended June 30, 2008 follows:

| | General Pension | Police and Fireman's Pension | Garfield Pension |
|---|---|---|---|
| ADDITIONS | | | |
| Net investment income: | | | |
| Net increase (decrease) in the fair value of investments | $9,647 | ($1,643,164) | |
| Interest income | 89,129 | 803,739 | $13,127 |
| Investment management fees | | (213,314) | |
| Contribution from the City | 307,948 | | 72,484 |
| Contribution from Pension Reserve | | 5,000,000 | |
| Other | | 12,284 | |
| Total Additions | 406,724 | 3,959,545 | 85,611 |
| DEDUCTIONS | | | |
| Pension benefits | 709,193 | 4,752,448 | 77,378 |
| Administrative expenses | 86 | | 5 |
| Total Deductions | 709,279 | 4,752,448 | 77,383 |
| Net Increase (Decrease) | (302,555) | (792,903) | 8,228 |
| NET ASSETS | | | |
| Beginning of year | 2,416,881 | 22,910,310 | 326,228 |
| End of year | $2,114,326 | $22,117,407 | $334,456 |

## NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

During fiscal year 2008, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). The provisions of this Statement are applied prospectively and do not affect prior year's financial statements. Required disclosures are presented below.

In order to qualify for postemployment medical and dental benefits an employee must retire from the City and maintain enrollment in one of the City's eligible health plans. The City pays a portion of the CalPERS premiums for retirees and their dependents that vary by employment classification. In addition, the following eligibility rules and contribution requirements apply for future retirees, followed by current retirees:

**Plan Provisions for Future Retirees**

| Classification | Eligibility (Age/Service) | Monthly Premium Paid by City Before/After Medicare Eligibility |
|---|---|---|
| SEIU Local 790 | Service Retirement: 50/20, 51/18, 52/16, 53/14, 54/12, 55/10<br>Disability Retirement: any age/10 | Retiree only or surviving spouse: $244/$202<br>Retiree +1 or more: $364/$304 |
| IFPTE, Miscellaneous Executive Management, City Council | Service Retirement: Same as SEIU<br>Disability Retirement: 50/20, 51/18, 52/16, 53/14, 54/12, 55/10 | Same as SEIU |
| Fire Local 188, Fire Management, and Fire Executive Management | 35/15 | Percentage of premium for retiree/dependents/surviving spouse up to 2nd highest premium plan. Percentage is 90%, increased to 100% after 27 years of service |
| Police Local 3 | 10 years of service | Percentage of premium for retiree/dependents/surviving spouse but no more than $614 per month, including dental and vision. Percentage is 50%, increased to 90% after 15 years of service, and 100% after 25 years of service |
| Police Widows | Death in line of duty | Full premium |
| Police Management and Police Executive Management | 50/20, 51/18, 52/16, 53/14, 54/12, 55/10 | Percentage of premium for retiree/dependents/surviving spouse up to Kaiser (1) (Pre Medicare) and 2nd highest premium plan (post Medicare). Percentage is 65%, increased to 75% after 20 years of service, and 100% after 27 years of service |

(1) Effective for retirements on January 1, 2007 or later. Prior to that time, reimbursement is based on the 2nd highest premium plan.





## NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Plan Provisions for Current Retirees**

| Classification | Subgroup | Monthly Premium Reimbursement Before/After Medicare Eligibility |
|---|---|---|
| SEIU Local 790 | | Retiree only or surviving spouse: $244/$202<br>Retiree +1 or more: $364/$304 |
| IFPTE, Miscellaneous Executive Management | Retired November 5, 1999 or later | Retiree only or surviving spouse: $244/$202<br>Retiree +1 or more: $364/$304 |
| | Retired before November 5, 1999 | Retiree only or surviving spouse: $144/$102<br>Retiree +1 or more: $264/$204 |
| Fire Local 188 and Fire Management | | Percentage of premium for retiree/dependents/surviving spouse up to 2nd highest premium plan. Percentage is 90%, increased to 100% after 27 years of service |
| Police Local 3 | Retired July 1, 2004 or later | Percentage of premium for retiree/dependents/surviving spouse but no more than $614 per month, including dental and vision. Percentage is 50%, increased to 90% after 15 years of service, and 100% after 25 years of service |
| | Retired July 1, 1997 through June 30, 2004 | Percentage of premium for retiree/dependents/surviving spouse but no more than $550 per month, including dental and vision. Percentage is 50%, increased to 90% after 15 years of service, and 100% after 25 years of service |
| | Retired July 1, 1994 through June 30, 1997 | Percentage of premium for retiree/dependents/surviving spouse. Percentage is 65%, increased to 75% after 20 years of service, and 100% after 27 years of service |

### Funding Policy and Actuarial Assumptions

In fiscal year 2007, the City hired an actuary to prepare a study to determine the unfunded liability of these benefits for both active employees and retirees. The study indicates that as of July 1, 2007, the unfunded actuarial liability was estimated to be $45,083,965, assuming the City had made a contribution to a trust during fiscal year 2007. However, the City did not contribute to a trust until fiscal year 2008. The study indicates that as of July 1, 2007, the actuarial accrued liability was estimated to be $47,046,989. As of June 30, 2008, the City joined the Public Agencies Post-Retirement Health Care Plan, a multiple employer trust administered by Public Agency Retirement Services (PARS).

## NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The City's policy is to partially prefund these benefits by accumulating assets with PARS discussed above along with making pay-as-you-go payments pursuant to Resolution No. 52-06 of June 27, 2006. The annual required contribution (ARC) was determined as part of a July 1, 2007 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7.75% investment rate of return, (b) 3.25% projected annual salary increase, and (c) health care cost trend rates of 4.75-5.25% for medical and 4.25% for dental. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year amortization period.

### Funding Progress and Funded Status

Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2008, the City contributed $5,906,179 to the Plan, including $2,206,179 for pay-as-you-go premiums, $1,700,000 paid to PARS representing the remaining ARC plus an additional $2,000,000 paid to PARS to prefund benefits which represented 9.3% of the $63.5 million of covered payroll. As a result, the City has recorded the Net OPEB Asset, representing the difference between the ARC and actual contributions, as presented below:

| | |
|---|---|
| Annual required contribution | $ 3,709,303 |
| Adjustment to annual required contribution | - |
| Annual OPEB cost | 3,709,303 |
| Contributions made | (5,906,179) |
| (Decrease) increase in net OPEB obligations | (2,196,876) |
| Net OPEB obligation June 30, 2007 | - |
| Net OPEB obligation (asset) June 30, 2008 | ($2,196,876) |

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated July 1, 2007, amounted to $47,046,989 million and was unfunded since no assets had been transferred into PARS as of that date. However, as of June 30, 2008, the City transferred additional contributions to PARS which along with investment income totaled $5,906,179 and reduced the unfunded actuarial accrued liability to $41,140,810.





## NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The Plan's annual required contributions and actual contributions for the year ended June 30, 2008 are set forth below:

| Fiscal Year | Annual Required Contribution (ARC) | Actual Contribution | Percentage of ARC Contributed | Net OPEB Obligation (Asset) |
|---|---|---|---|---|
| 6/30/2008 | $3,709,303 | $5,906,179 | 159.23% | ($2,196,876) |

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the July 1, 2007 actuarial study is presented below:

| Actuarial Valuation Date | Actuarial Value of Assets (A) | Entry Age Actuarial Accrued Liability (B) | Overfunded (Underfunded) Actuarial Accrued Liability (A - B) | Funded Ratio (A/B) | Covered Payroll (C) | Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A - B)/C] |
|---|---|---|---|---|---|---|
| 7/1/2007 | $ - | $47,046,989 | ($47,046,989) | 0% | $44,201,238 | -106% |

## NOTE 13 – DEFERRED COMPENSATION PLAN

City employees may defer a portion of their compensation under a City sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under this plan are not the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

## NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets; general liability; errors and omissions; injuries to employees; natural disasters; and inverse condemnation. The City began self-insuring its workers' compensation in 1976. In August 2002 the City joined the Municipal Pooling Authority (MPA) for general, automobile, property, and boiler and machinery liability. The City retains a self-insured retention of $1 million on workers' compensation. The City has chosen to establish a risk financing internal service fund where assets are accumulated for claim settlements and expenses associated with the above risks of loss up to certain limits.

Excess coverage for the risk categories excluding inverse condemnation is provided by policies with various commercial insurance carriers. Self-insurance and insurance company limits are as follows:

| Type of Coverage | Self-Insurance / Deductible | Coverage Limit | Insurance Carrier |
|---|---|---|---|
| Workers' compensation | $1,000,000 per claim | $24,000,000 in excess of SIR | ARCH Insurance Co. |
| Difference in Conditions | 10% pre-1970, minimum $100,000, 5% post-1970 of total insured value of each building | $50,000,000 in excess of SIR | Westchester Surplus Lines Insurance Co. |
| Crime/Employee Dishonesty | $10,000 per claim | $1,000,000 in excess of deductible | National Union Fire Insurance Co. |

The MPA provides coverage against the following types of loss risks under the terms of a joint-powers agreement with the City and several other cities and governmental agencies as follows:

| Type of Coverage (Deductible) | Coverage Limits |
|---|---|
| Liability ($250,000) | $25,000,000 |
| Property | |
| All Risk Fire ($5,000) | 1,000,000,000 |
| Flood* | 25,000,000 |
| Boiler & Machinery ($5,000) | 100,000,000 |
| Employment Practices ($50,000) | 1,000,000 |

* $100,000 minimum deductible per occurrence, except Zone A & V, which are subject to a $250,000 deductible per occurrence.

The MPA is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of the MPA, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The City's deposits with the MPA are in accordance with formulas established by the MPA. 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.

Audited financial statements for the MPA are available from MPA, 1911 San Miguel Drive, Suite 100 Walnut Creek, California, 94596.

For the years ended June 30, 2008, 2007 and 2006 the amount of settlements did not exceed insurance coverage.





## NOTE 14 - RISK MANAGEMENT (Continued)

### Liability for Uninsured Claims

The unpaid claims liabilities included in each of the self-insurance internal service funds are based on case reserves and include amounts for claims incurred but not reported (IBNR). At June 30, 2008, the estimated claims payable of $20,264,000, consisting of reserves for both reported and IBNR losses, as well as allocated loss adjustment expenses, have been recorded in the Insurance Reserves internal service fund. The claims payable are reported at their present value using expected future investment yield assumptions of 3 percent and an eighty percent confidence level. The undiscounted claims totaled $19,628,000 at June 30, 2008. Changes in the claims liabilities for the years ended June 30, 2008 and 2007 were as follows:

| | 2008 | 2007 |
|---|---|---|
| Claims liabilities, beginning of year | $23,000,000 | $22,710,000 |
| Current year claims | 5,772,840 | 1,667,337 |
| Change in prior year claims | 2,796,575 | 11,348,863 |
| Claim payments | (6,754,543) | (9,037,799) |
| Legal, administrative and other expenses | (4,550,872) | (3,688,401) |
| **Claims liabilities, end of year** | $20,264,000 | $23,000,000 |
| **Claims liabilities, due in one year** | $9,619,000 | $9,560,000 |

## NOTE 15 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City's non-major enterprise funds include the following segments:

- Richmond Marina Fund – Marina operations and maintenance, including berth rentals and use of marina facilities.
- Storm Sewer Fund – Storm sewer management and urban runoff control.
- Cable TV Fund – Administration and enforcement of the franchise agreements with two cable television systems, management of a municipal cable channel, departmental video services, media and public information, and telecommunications planning.

Fiscal 2008 condensed financial information for the Richmond Marina Enterprise Fund is as follows:

**Condensed Statement of Net Assets**

| | |
|---|---|
| Assets: | |
| Current assets | $3,581,067 |
| Capital assets | 2,302,420 |
| Total assets | 5,883,487 |
| Liabilities: | |
| Current liabilities | 194,361 |
| Long-term liabilities | 3,263,820 |
| Total liabilities | 3,458,181 |
| Net assets: | |
| Invested in capital assets, net of debt | (1,018,762) |
| Unrestricted | 3,444,068 |
| Total net assets | $2,425,306 |

**Condensed Statement of Revenues, Expenses and Changes in Net Assets**

| | |
|---|---|
| Operating revenues: | |
| Lease income | $484,212 |
| Depreciation expense | (90,747) |
| Other operating expenses | (136) |
| Operating income | 393,329 |
| Nonoperating revenues (expenses): | |
| Interest income | 156,895 |
| Interest expense | (149,659) |
| Change in net assets | 400,565 |
| Beginning net assets | 2,024,741 |
| Ending net assets | $2,425,306 |

**Condensed Statement of Cash Flows**

| | |
|---|---|
| Net cash provided (used) by: | |
| Operating activities | $488,910 |
| Capital and related financing activities | (206,814) |
| Investing activities | 154,796 |
| Net increase | 436,892 |
| Beginning cash and investments | 3,073,563 |
| Ending cash and investments | $3,510,455 |

## NOTE 16 - RESTATEMENT

During fiscal year 2008 the City determined that deferred revenue in the General Fund totaling $7,484,889 had been earned in previous fiscal years. Therefore, beginning fund balance in the General Fund and beginning net assets in the Statement of Activities have been restated in that amount.





## NOTE 17 - COMMITMENTS AND CONTINGENCIES

### Commitments

The City occupies certain leased premises under the terms of a non-cancelable lease terminating in September 2009, which calls for minimum monthly lease payments of $121,000.

The Police Department occupies leased premises owned by DiCon Fiberoptics, Inc. under the terms of a non-cancelable lease terminating on December 31, 2009, which calls for minimum monthly lease payments of $81,034.

The City's future commitments under construction projects totaled approximately $10,746,034 at June 30, 2008 for projects including the West MacDonald Avenue street redesign, the general plan update and various paving projects.

### Litigation

The City is involved in various claims and litigation resulting from its normal operations. The ultimate outcome of these matters is not presently determinable. In City management's opinion these matters will not have significant adverse effect of the City's financial position.

### Housing Authority – Easter Hill Project

In June 2000, the Richmond Housing Authority received a $35 million grant (HOPE VI Grant) from the U.S. Department of Housing and Urban Development ("HUD") for the revitalization of the former Easter Hill Public Housing project. The original Easter Hill site, owned by the Richmond Housing Authority, included 300 units on 21 acres in the Cortez/Stege neighborhood of Richmond.

The California Tax Credit Committee, City of Richmond, Bank of America, Silicon Valley, Federal Home Loan Bank, California Housing Finance Agency, the Richmond Housing Authority along with the $35 million dollar HUD grant financed this $120 million revitalization effort. Physical costs are estimated to be approximately $108 million and life services, relocation, acquisition, administrative and other costs are estimated to be approximately $12 million. The physical development includes approximately 320 rental and homeownership units to replace the 300 rental units originally at the site and 273 remaining units at the time of grant approval. Amenities at the revitalized site include a pool and a 5,000 square feet community room with facilities for an after school program, computer center, gymnasium and conference room.

In addition, pursuant of the same agreement, the Authority is entitled to receive reimbursement for certain costs it has incurred in development of these projects. Upon completion of the project, the Authority recorded $8,628,540, representing reimbursement from the developer which has been recorded in the accompanying financial statements as due from developer.

### Other

As of June 30, 2008, a major property taxpayer filed an appeal with the County challenging the assessed valuation of their property, however as of December 22, 2008, the appeal process had not been completed and the impacts, if any, on City property tax revenues could not be determined.

## NOTE 18 - SUBSEQUENT EVENTS

### Richmond Variable Rate Wastewater Revenue Refunding Bonds, Series 2008 A

On October 17, 2008 the City of Richmond issued Series 2008 A Wastewater Revenue Refunding Bonds in the amount of $33,015,000. The proceeds from the Bonds will be used to refund the City's 2006 B Wastewater Revenue Bonds. The 2008 A Bonds were issued as variable rate Bonds. The rate fluctuates according to the market conditions. The City originally entered into an interest rate swap agreement for the entire amount of the 2006 B Bonds, and the City will maintain this interest rate swap agreement after the redemption of the 2006 B Bonds and the 2008 A Bonds, will be associated with the interest rate swap agreement. The combination of the variable rate bonds and a floating rate swap creates a synthetic fixed-rate debt for the City.

### Suntrust Capital Leases

On July 2, 2008 the City entered into three new capital leases in the amounts of $2,849,228, $1,473,600, and $1,704,800. The purpose of these leases is for the acquisition of street sweeping vehicles and trucks, fire vehicles and related equipment and various other vehicles. The leases bear interest rates that range from 3.90% to 4.35%. Principal and interest payments on the leases are due semi-annually on each June 26 and December 26 commencing on December 26, 2008.



CITY OF RICHMOND
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| REVENUES: | | | | |
| Property tax-current collections | $33,063,746 | $33,783,746 | $34,269,322 | $485,576 |
| Sales tax | 29,325,855 | 31,279,586 | 29,005,711 | (2,273,875) |
| Utility user fees | 30,712,812 | 30,712,812 | 29,553,243 | (1,159,569) |
| Other taxes | 13,264,250 | 8,551,122 | 7,659,207 | (891,915) |
| Licenses, permits and fees | 4,200,331 | 3,615,705 | 2,975,914 | (639,791) |
| Fines, forfeitures and penalties | 289,000 | 289,000 | 283,918 | (5,082) |
| Use of money and property | 1,900,000 | 3,000,000 | 756,288 | (2,243,712) |
| Intergovernmental | 5,267,670 | 5,382,670 | 5,101,207 | (281,463) |
| Charges for services | 2,989,020 | 2,989,020 | 2,314,495 | (674,525) |
| Rent | 389,600 | 389,600 | 308,946 | (80,654) |
| Other | 867,279 | 867,279 | 1,878,275 | 1,010,996 |
| Total Revenues | 122,269,563 | 120,860,540 | 114,306,526 | (6,754,014) |
| EXPENDITURES: | | | | |
| Current | | | | |
| General government | 15,553,084 | 16,102,064 | 17,794,828 | (1,692,764) |
| Public safety | 80,291,187 | 88,368,605 | 80,799,922 | 7,568,683 |
| Public works | 7,929,314 | 8,666,188 | 7,780,750 | 885,438 |
| Community development | 1,959,988 | 1,875,142 | 1,610,874 | 264,268 |
| Cultural and recreational | 21,893,167 | 22,252,259 | 20,165,663 | 2,086,596 |
| Capital outlay | | | 763,184 | (763,184) |
| Total Expenditures | 127,626,740 | 137,264,258 | 128,915,221 | 8,349,037 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (5,357,177) | (16,403,718) | (14,808,695) | 1,595,023 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of property | 4,025,000 | 4,025,000 | 4,008,197 | (16,803) |
| Transfers in | 7,600,000 | 14,941,555 | 5,503,497 | (9,438,058) |
| Transfers (out) | (8,828,890) | (9,211,890) | (10,183,160) | (971,270) |
| Total other financing sources (uses) | 2,796,110 | 9,754,665 | (671,466) | (10,426,131) |
| NET CHANGE IN FUND BALANCE | (2,561,067) | (6,649,053) | (15,480,161) | (8,831,108) |
| Fund balance, July 1 | 61,916,789 | 61,916,789 | 61,916,789 | |
| Fund balance, June 30 | $59,355,722 | $55,267,736 | $46,436,628 | ($8,831,108) |

CITY OF RICHMOND
REDEVELOPMENT AGENCY ADMINISTRATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

| | Budgeted Amounts | | | Variance with Final Budget |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Positive (Negative) |
| REVENUES | | | | |
| Licenses, permits and fees | | | $1,037,112 | $1,037,112 |
| Use of money and property | | | 774,359 | 774,359 |
| Intergovernmental | | | 1,500 | 1,500 |
| Other | | | 326,654 | 326,654 |
| Total Revenues | | | 2,139,625 | 2,139,625 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Housing and redevelopment | $8,268,803 | $8,268,803 | 6,893,357 | 1,375,446 |
| Debt service: | | | | |
| Interest and fiscal charges | 1,515,771 | 1,515,771 | 1,520,453 | (4,682) |
| Total Expenditures | 9,784,574 | 9,784,574 | 8,413,810 | 1,370,764 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (9,784,574) | (9,784,574) | (6,274,185) | 3,510,389 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 9,784,574 | 9,784,574 | 13,077,064 | 3,292,490 |
| Transfers (out) | (5,459,000) | (5,459,000) | (310,036) | 5,148,964 |
| Total other financing sources (uses) | 4,325,574 | 4,325,574 | 12,767,028 | 8,441,454 |
| NET CHANGE IN FUND BALANCE | (5,459,000) | (5,459,000) | 6,492,843 | 11,951,843 |
| Fund balance, July 1 | 2,392,604 | 2,392,604 | 2,392,604 | |
| Fund balance, June 30 | ($3,066,396) | ($3,066,396) | $8,885,447 | $11,951,843 |





## NOTES TO BUDGETARY COMPARISON SCHEDULES

### Budgets and Budgetary Accounting

The City adopts a budget annually to be effective July 1, for the ensuing fiscal year. Budgeted expenditures are adopted through the passage of a resolution. This resolution constitutes the maximum authorized expenditures for the fiscal year and cannot legally be exceeded except by subsequent amendments of the budget by the City Council.

The City uses an encumbrance system as an extension of normal budgetary accounting for the General Fund, special revenue funds, and capital projects funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund balance since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end.

An operating budget is adopted each fiscal year for the General Fund, certain Special Revenue Funds (Redevelopment Agency Administration, State Gas Tax, General Purpose, Paratransit Operations, Special Programs, Public Safety, Cost Recovery, Hilltop LMD, and Developer Impact Fees) and certain debt service funds (Redevelopment Agency Debt Service, 2005 Pension Obligation Bonds, and General Debt Service). Public hearings are conducted on the proposed budgets to review all appropriations and sources of financing. Capital projects funds are budgeted by the Mayor and City Council over the term of the individual projects. Since capital projects are not budgeted on an annual basis, they are not included in the budgetary data.

Expenditures are controlled at the fund level for all budgeted departments with in the City. This is the level at which expenditures may not legally exceed appropriations. Budgeted amounts for the Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual include budget amendments approved by City Council.

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## Major Governmental Fund Other than the General Fund and Major Special Revenue Funds

CITY OF RICHMOND
REDEVELOPMENT AGENCY DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| REVENUES | | | |
| Property taxes | $22,292,479 | $26,535,184 | $4,242,705 |
| Use of money and property | 168,074 | 746,990 | 578,916 |
| Total Revenues | 22,460,553 | 27,282,174 | 4,821,621 |
| EXPENDITURES | | | |
| Debt service: | | | |
| Principal | 2,280,000 | 2,345,000 | (65,000) |
| Interest and fiscal charges | 2,958,960 | 2,879,648 | 79,312 |
| Total Expenditures | 5,238,960 | 5,224,648 | 14,312 |
| EXCESS OF REVENUES OVER EXPENDITURES | 17,221,593 | 22,057,526 | 4,835,933 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 5,231,879 | 13,768,687 | 8,536,808 |
| Transfers (out) | (15,889,460) | (30,919,447) | (15,029,987) |
| Total Other Financing Sources (Uses) | (10,657,581) | (17,150,760) | (6,493,179) |
| NET CHANGE IN FUND BALANCE | 6,564,012 | 4,906,766 | (1,657,246) |
| Fund Balance, July 1 | 14,208,643 | 14,208,643 | |
| Fund Balance June 30 | $20,772,655 | $19,115,409 | ($1,657,246) |





## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

**State Gas Tax Fund** accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code. State gas taxes are restricted to uses for street construction activities including location of underground utilities, geotechnical work relating to identification of soil and groundwater contamination, materials sampling and testing.

**General Purpose Fund** accounts for other restricted monies that are to be used for the specific purposes for which the funds were set up.

**Paratransit Operations Fund** accounts for monies used to provide subsidized, accessible transportation to the seniors and disabled residents of the City of Richmond and the adjacent unincorporated areas of West Contra Costa County.

**Community Development Block Grant Fund** is set up to record the receipt of grant monies and the use of it. The grant is to be used to provide, within the City of Richmond, new affordable housing, improve existing housing conditions, assist homeless and disabled with housing, and to expand economic opportunities in business, and employment for low and moderate income residents.

**Special Programs** to account for monies received and expended from public donations earmarked for non-profit organizations, youth education and after school programs.

**Employment & Training Fund** is a fund set up to plan, administer and operate job training programs for the adult and youth residents of Richmond.

**Public Safety Fund** records the receipt and use of grant monies under the Local Law Enforcements Block Grant Program, Office of Traffic Safety Grants, OES Grants, FEMA Grants and various other grants.

**Cost Recovery Fund** records the receipt and use of monies for services provided to the public and developers.

**Hilltop Landscape Maintenance Fund** was set up to account for maintenance services in the nature of landscaping, lighting, cleaning provided to the Hilltop parking lot area and the Marina Way Development area.

**Developer Impact** Fees to account for monies received from fees levied by the City on new commercial and residential projects. These funds will be used to mitigate the additional public safety and infrastructure costs resulting from these development projects.

## DEBT SERVICE FUNDS

**2005 Pension Obligation Bonds Debt Service Fund** receives transfers from the General Fund and the Pension Tax Override Fund, and pays the debt service on the 2005 Pension Obligation Bonds.

**Joint Powers Financing Authority Debt Service Fund** accounts for the accumulation of resources from lease payments and the payment of long-term debt incurred by the Finance Authority.

**General Debt Service Fund** accounts for monies received in connection with Caltrans Homes, Viron Energy Debt Service, Hilltop Mall Exterior Renovation, 2001 Series A, 1995 Series A, and 1999 Series A General Obligation Bonds and the related payments on such debt. The Caltrans loan was for the purchase of 43 homes from them in order to provide housing to low income people. Viron Energy loan is for the purchase of energy efficient equipment, while the Hilltop Mall loan was to finance the City's share of capital improvement costs of the Hilltop Shopping Center. The 2001 Series A bonds were issued to finance improvements to City facilities including the street and storm water improvements, the 1995 Series A were to refinance the cost of public capital improvements, and the 1999 Series A bonds were issued to fund a portion of the unfunded accrued actuarial liability in the Pension Fund.

**Civic Center Debt Service Fund** accounts for principal and interest payments on the 2007 Lease Revenue Bonds.

## CAPITAL PROJECTS FUNDS

**General Capital Improvement Fund** accounts for monies designated for capital improvement projects.

**Measure C Fund** was set up when the voters of Contra Costa County approved Measure C providing for the creation of the Contra Costa County Transportation Authority. The Authority collects one-half of one percent sales and use tax. Twenty percent of this tax is allocated to the City of Richmond to be used for the improvement of local transportation, including streets and roads in accordance with Measure C compliance.

**Harbor Navigation Fund** records the expenses relating to the construction of certain public improvements relating to the Port of Richmond consisting of dredging and deepening of the Richmond Harbor.



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CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2008

| | SPECIAL REVENUE FUNDS | | | | |
|---|---|---|---|---|---|
| | State Gas Tax | General Purpose | Paratransit Operations | Community Development Block Grant | Special Programs |
| ASSETS | | | | | |
| Cash and investments | $3,969,340 | $6,440,981 | | | $950,082 |
| Restricted cash and investments | | | | $2,063,571 | |
| Receivables: | | | | | |
| Accounts, net | 449,279 | 89,722 | $5,863 | 8,440 | 163,065 |
| Interest | 11,176 | 12.983 | (1,092) | | 1,954 |
| Grants | | 125,941 | | 556,323 | |
| Loans | | | | 5,711,926 | |
| Due from other funds | | | | 2,457 | |
| Total Assets | $4,429,795 | $6,669,627 | $4,771 | $8,342,717 | $1,115,101 |
| LIABILITIES | | | | | |
| Accounts payable and accrued liabilities | $138,396 | $158,159 | $17,405 | $84,768 | $208 |
| Refundable deposits | | | | | |
| Due to other funds | | | 450,831 | 765,384 | |
| Advance from other funds | | | | | |
| Deferred revenue | | | | 5,715,316 | |
| Total Liabilities | 138,396 | 158,159 | 468,236 | 6,565,468 | 208 |
| FUND EQUITY | | | | | |
| Fund balances (deficits) | | | | | |
| Reserved for encumbrances | 651,236 | 281,135 | 279 | 10,139 | |
| Unreserved, undesignated | 3,640,163 | 6,230,333 | (463,744) | 1,767,110 | 1,114,893 |
| Total Fund Balances (Deficits) | 4,291,399 | 6,511,468 | (463,465) | 1,777,249 | 1,114,893 |
| Total Liabilities and Fund Balances | $4,429,795 | $6,669,627 | $4,771 | $8,342,717 | $1,115,101 |



| | SPECIAL REVENUE FUNDS | | | | | DEBT SERVICE FUNDS | | |
|---|---|---|---|---|---|---|---|---|
| | Employment and Training | Public Safety | Cost Recovery | Hilltop LMD | Developer Impact Fees | 2005 Pension Obligation Bonds | JPFA | General Debt Service |
| ASSETS | | | | | | | | |
| Cash and investments | $603,563 | $353,796 | $109,357 | $466,254 | $1,960,195 | | | $421,693 |
| Restricted cash and investments | | | | | | $6,291,336 | | 614,404 |
| Receivables: | | | | | | | | |
| Accounts, net | 30,269 | 174,722 | 2,513,005 | | $84,274 | | | |
| Interest | | 974 | 953 | 948 | 4,030 | | | 123 |
| Grants | 1,074,472 | 60,007 | | | | | | |
| Loans | | | | | | | | |
| Due from other funds | | | | | | 4,000,000 | | |
| Total Assets | $1,708,304 | $589,499 | $2,623,315 | $467,202 | $2,048,499 | $10,291,336 | | $1,036,220 |
| LIABILITIES | | | | | | | | |
| Accounts payable and accrued liabilities | $200,772 | $19,948 | $213,699 | $19,753 | $45,825 | | | |
| Refundable deposits | | | 3,556,233 | | | | | |
| Due to other funds | | | 1,631,880 | | | | | |
| Advance from other funds | | | | | 211,686 | | | |
| Deferred revenue | 70,289 | | | | | | | |
| Total Liabilities | 271,061 | 19,948 | 5,401,812 | 19,753 | 257,511 | | | |
| FUND EQUITY | | | | | | | | |
| Fund balances (deficits) | | | | | | | | |
| Reserved for encumbrances | | 9,621 | 468,547 | | 619,255 | | | |
| Unreserved, undesignated | 1,437,243 | 559,930 | (3,247,044) | 447,449 | 1,171,733 | $10,291,336 | | $1,036,220 |
| Total Fund Balances (Deficits) | 1,437,243 | 569,551 | (2,778,497) | 447,449 | 1,790,988 | 10,291,336 | | 1,036,220 |
| Total Liabilities and Fund Balances | $1,708,304 | $589,499 | $2,623,315 | $467,202 | $2,048,499 | $10,291,336 | | $1,036,220 |

(Continued)

CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2008

| | DEBT SERVICE FUND | CAPITAL PROJECTS FUNDS | | | |
|---|---|---|---|---|---|
| | Civic Center Debt Service | General Capital Improvement | Measure C | Harbor Navigation | Total Nonmajor Governmental Funds |
| **ASSETS** | | | | | |
| Cash and investments | | $7,444,454 | $2,719,491 | $657,728 | $26,096,934 |
| Restricted cash and investments | $9,614,532 | 2,771,108 | | 347,105 | 21,702,056 |
| Receivables: | | | | | |
| Accounts, net | | 800,000 | | | 4,318,639 |
| Interest | | 13,674 | 12,811 | 1,359 | 59,893 |
| Grants | | 1,075,809 | | | 2,892,552 |
| Loans | | | | | 5,711,926 |
| Due from other funds | | | | | 4,002,457 |
| Total Assets | $9,614,532 | $12,105,045 | $2,732,302 | $1,006,192 | $64,784,457 |
| **LIABILITIES** | | | | | |
| Accounts payable and accrued liabilities | | $381,202 | $112,472 | | $1,392,607 |
| Refundable deposits | | | | | 3,556,233 |
| Due to other funds | | | | | 2,848,095 |
| Advance from other funds | | | | | 211,686 |
| Deferred revenue | | 1,075,809 | | | 6,861,414 |
| Total Liabilities | | 1,457,011 | 112,472 | | 14,870,035 |
| **FUND EQUITY** | | | | | |
| Fund balances (deficits) | | | | | |
| Reserved for encumbrances | | 2,092,000 | 599,880 | | 4,732,092 |
| Unreserved, undesignated | $9,614,532 | 8,556,034 | 2,019,950 | $1,006,192 | 45,182,330 |
| Total Fund Balances (Deficits) | 9,614,532 | 10,648,034 | 2,619,830 | 1,006,192 | 49,914,422 |
| Total Liabilities and Fund Balances | $9,614,532 | $12,105,045 | $2,732,302 | $1,006,192 | $64,784,457 |



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CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

| | SPECIAL REVENUE FUNDS | | | | |
|---|---|---|---|---|---|
| | State Gas Tax | General Purpose | Paratransit Operations | Community Development Block Grant | Special Programs |
| REVENUES | | | | | |
| Property taxes | | | | | |
| Other taxes | | $674,602 | | | |
| Licenses, permits and fees | | 18,750 | | | $232,433 |
| Fines, forfeitures and penalties | | 25,627 | | | |
| Use of money and property | $332,518 | 302,585 | ($21,392) | | 45,348 |
| Intergovernmental | 1,854,090 | 1,040,888 | 489,280 | $2,324,645 | 65,031 |
| Charges for services | | | 38,144 | | |
| Pension stabilization revenue | | | | | |
| Other | | 22,750 | 4,579 | 206,045 | 154 |
| Total Revenues | 2,186,608 | 2,085,202 | 510,611 | 2,530,690 | 342,966 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | | | | | 67,978 |
| Public safety | | 26,038 | | | |
| Public works | 3,293 | 2,847,790 | 1,145,623 | | 12 |
| Community development | | 317,208 | | | |
| Cultural and recreational | | 654,889 | | | (5,854) |
| Housing and redevelopment | | | | 3,381,134 | |
| Capital outlay | 3,288,232 | 20,708 | | | |
| Debt Service: | | | | | |
| Principal | | | | | |
| Interest and fiscal charges | | | | | |
| Total Expenditures | 3,291,525 | 3,866,633 | 1,145,623 | 3,381,134 | 62,136 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (1,104,917) | (1,781,431) | (635,012) | (850,444) | 280,830 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Issuance of debt | | | | | |
| Payment to bond escrow agent | | | | | |
| Transfers in | | 4,166,840 | 400,000 | | |
| Transfers (out) | (1,633,140) | (1,200,000) | | | (6,269,168) |
| Total Other Financing Sources (Uses) | (1,633,140) | 2,966,840 | 400,000 | | (6,269,168) |
| NET CHANGE IN FUND BALANCE | (2,738,057) | 1,185,409 | (235,012) | (850,444) | (5,988,338) |
| BEGINNING FUND BALANCES (DEFICITS) | 7,029,456 | 5,326,059 | (228,453) | 2,627,693 | 7,103,231 |
| ENDING FUND BALANCES (DEFICITS | $4,291,399 | $6,511,468 | ($463,465) | $1,777,249 | $1,114,893 |



| | SPECIAL REVENUE FUNDS | | | | | DEBT SERVICE FUNDS | | |
|---|---|---|---|---|---|---|---|---|
| | Employment and Training | Public Safety | Cost Recovery | Hilltop LMD | Developer Impact Fees | 2005 Pension Obligation Bonds | JPFA | General Debt Service |
| REVENUES | | | | | | | | |
| Property taxes | | | | $751,800 | | $2,224,978 | | |
| Other taxes | | | | | | | | |
| Licenses, permits and fees | $48 | | $3,555,219 | 31 | $344,499 | | | |
| Fines, forfeitures and penalties | | | 3,161 | | | | | |
| Use of money and property | 32,582 | $27,239 | (7,413) | 14,931 | 218,279 | 493,365 | $203,526 | $217,983 |
| Intergovernmental | 2,223,104 | 926,217 | | | | | | |
| Charges for services | 393,830 | | 3,280,026 | | | | | |
| Pension stabilization revenue | | | | | | 4,256,500 | | |
| Other | 277,346 | 177,078 | 51,371 | 6,049 | | | | 37,491 |
| Total Revenues | 2,926,910 | 1,130,534 | 6,882,364 | 772,811 | 562,778 | 6,974,843 | 203,526 | 255,474 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | | | 8,159,830 | | | | | |
| Public safety | | 742,770 | | | | | | |
| Public works | | | 2,136,872 | 850,803 | 2,299,597 | | | |
| Community development | 3,268,778 | | | | | | | |
| Cultural and recreational | | | | | | | | |
| Housing and redevelopment | | | | | | | | |
| Capital outlay | 42,961 | 236,325 | 502,335 | 6,060 | 1,991,164 | | | |
| Debt Service: | | | | | | | | |
| Principal | | | | | | 1,575,000 | | 2,380,998 |
| Interest and fiscal charges | | | | | | 1,437,188 | 269,368 | 2,559,279 |
| Total Expenditures | 3,311,739 | 979,095 | 10,799,037 | 856,863 | 4,290,761 | 3,012,188 | 269,368 | 4,940,277 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (384,829) | 151,439 | (3,916,673) | (84,052) | (3,727,983) | 3,962,655 | (65,842) | (4,684,803) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Issuance of debt | | | | | | | | |
| Payment to bond escrow agent | | | | | | | | |
| Transfers in | 325,000 | 15,399 | 1,563,510 | 80,499 | 6,111,882 | | 4,151,203 | 5,633,864 |
| Transfers (out) | | (53,300) | | | (592,911) | (4,684,908) | (14,507,641) | (651) |
| Total Other Financing Sources (Uses) | 325,000 | (37,901) | 1,563,510 | 80,499 | 5,518,971 | (4,684,908) | (10,356,438) | 5,633,213 |
| NET CHANGE IN FUND BALANCE | (59,829) | 113,538 | (2,353,163) | (3,553) | 1,790,988 | (722,253) | (10,422,280) | 948,410 |
| BEGINNING FUND BALANCES (DEFICITS) | 1,497,072 | 456,013 | (425,334) | 451,002 | | 11,013,589 | 10,422,280 | 87,810 |
| ENDING FUND BALANCES (DEFICITS | $1,437,243 | $569,551 | ($2,778,497) | $447,449 | $1,790,988 | $10,291,336 | | $1,036,220 |

(Continued)

CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

| | DEBT SERVICE FUND | CAPITAL PROJECTS FUNDS | | | |
|---|---|---|---|---|---|
| | Civic Center Project | General Capital Improvement | Measure C | Harbor Navigation | Total Nonmajor Governmental Funds |
| REVENUES | | | | | |
| Property taxes | | | | | $2,976,778 |
| *Other taxes* | | $9,000 | | | 683,602 |
| Licenses, permits and fees | | | | | 4,150,980 |
| Fines, forfeitures and penalties | | | | | 28,788 |
| Use of money and property | $267,733 | 517,940 | $310,709 | $52,549 | 3,008,482 |
| Intergovernmental | | 1,511,161 | 1,231,636 | | 11,666,052 |
| Charges for services | | (330) | | | 3,711,670 |
| Pension stabilization revenue | | | | | 4,256,500 |
| Other | | 1,918 | | | 784,781 |
| Total Revenues | 267,733 | 2,039,689 | 1,542,345 | 52,549 | 31,267,633 |
| EXPENDITURES | | | | | |
| Current. | | | | | |
| General government | | | | | 8,227,808 |
| Public safety | | | | | 768,808 |
| Public works | | 879,095 | 128,336 | 880 | 10,292,301 |
| Community development | | | | | 3,585,986 |
| Cultural and recreational | | | | | 649,035 |
| Housing and redevelopment | | | | | 3,381,134 |
| Capital outlay | | 2,040,990 | 4,524,123 | | 12,652,898 |
| Debt Service: | | | | | |
| Principal | | | | | 3,955,998 |
| Interest and fiscal charges | 6,946,607 | | | | 11,212,442 |
| Total Expenditures | 6,946,607 | 2,920,085 | 4,652,459 | 880 | 54,726,410 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (6,678,874) | (880,396) | (3.110,114) | 51,669 | (23,458,777) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Issuance of debt | 97,790,000 | | | | 97,790,000 |
| Payment to bond escrow agent | (32,897,515) | | | | (32,897,515) |
| Transfers in | 18,039,783 | 7,172,316 | | 1,226 | 47,661,522 |
| Transfers (out) | (66,638,862) | (2,892,499) | (1,032,048) | | (99,505,128) |
| Total Other Financing Sources (Uses) | 16.293,406 | 4,279,817 | (1.032,048) | 1.226 | 13,048,879 |
| NET CHANGE IN FUND BALANCE | 9,614,532 | 3,399,421 | (4,142,162) | 52,895 | (10,409,898) |
| BEGINNING FUND BALANCES (DEFICITS) | | 7,248,613 | 6,761,992 | 953,297 | 60,324,320 |
| ENDING FUND BALANCES (DEFICITS | $9.614.532 | $10,648,034 | $2.619,830 | $1,006,192 | $49.914.422 |



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CITY OF RICHMOND
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| | STATE GAS TAX | | | GENERAL PURPOSE | | |
|---|---|---|---|---|---|---|
| | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| **REVENUES** | | | | | | |
| Property taxes | | | | | | |
| Other taxes | | | | $41,188 | $674,602 | $633,414 |
| Licenses, permits and fees | | | | | 18,750 | 18,750 |
| Fines, forfeitures and penalties | | | | | 25,627 | 25,627 |
| Use of money and property | | $332,518 | $332,518 | | 302,585 | 302,585 |
| Intergovernmental | $4,758,500 | 1,854,090 | (2,904,410) | 1,408,225 | 1,040,888 | (367,337) |
| Charges for services | | | | | | |
| Pension stabilization revenue | | | | | | |
| Other | | | | | 22,750 | 22,750 |
| Total Revenues | 4,758,500 | 2,186,608 | (2,571,892) | 1,449,413 | 2,085,202 | 635,789 |
| **EXPENDITURES** | | | | | | |
| Current: | | | | | | |
| General government | | | | 5,977 | | 5,977 |
| Public safety | | | | 41,179 | 26,038 | 15,141 |
| Public works | | 3,293 | (3,293) | 5,812,241 | 2,847,790 | 2,964,451 |
| Community development | | | | | 317,208 | (317,208) |
| Cultural and recreational | | | | 374,894 | 654,889 | (279,995) |
| Capital outlay | 4,228,672 | 3,288,232 | 940,440 | | 20,708 | (20,708) |
| Debt Service: | | | | | | |
| Principal | | | | | | |
| Interest and fiscal charges | | | | | | |
| Total Expenditures | 4,228,672 | 3,291,525 | 937,147 | 6,234,291 | 3,866,633 | 2,367,658 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 529,828 | (1,104,917) | (1,634,745) | (4,784,878) | (1,781,431) | 3,003,447 |
| **OTHER FINANCING SOURCES (USES)** | | | | | | |
| Proceeds from sale of property | | | | | | |
| Transfers in | 150,000 | | (150,000) | 578,822 | 4,166,840 | 3,588,018 |
| Transfers (out) | | (1,633,140) | (1,633,140) | | (1,200,000) | (1,200,000) |
| Total Other Financing Sources (Uses) | 150,000 | (1,633,140) | (1,783,140) | 578,822 | 2,966,840 | 2,388,018 |
| NET CHANGE IN FUND BALANCES | $679 828 | (2,738,057) | ($3,417,885) | ($4,206,056) | 1,185,409 | $5,391,465 |
| BEGINNING FUND BALANCES (DEFICITS) | | 7,029,456 | | | 5,326,059 | |
| ENDING FUND BALANCES (DEFICITS | | $4,291,399 | | | $6,511,468 | |



| | PARATRANSIT OPERATIONS | | | SPECIAL PROGRAMS | | | PUBLIC SAFETY | | |
|---|---|---|---|---|---|---|---|---|---|
| | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| **REVENUES** | | | | | | | | | |
| Property taxes | | | | | | | | | |
| Other taxes | | | | | | | | | |
| Licenses, permits and fees | | | | | $232,433 | $232,433 | | | |
| Fines, forfeitures and penalties | | | | | | | | | |
| Use of money and property | | ($21,392) | ($21,392) | | 45,348 | 45,348 | | $27,239 | $27,239 |
| Intergovernmental | $555,634 | 489,280 | (66,354) | | 65,031 | 65,031 | $599,085 | 926,217 | 327,132 |
| Charges for services | 45,000 | 38,144 | (6,856) | | | | | | |
| Pension stabilization revenue | | | | | | | | | |
| Other | | 4,579 | 4,579 | | 154 | 154 | | 177,078 | 177,078 |
| Total Revenues | 600,634 | 510,611 | (90,023) | | 342,966 | 342,966 | 599,085 | 1,130,534 | 531,449 |
| **EXPENDITURES** | | | | | | | | | |
| Current: | | | | | | | | | |
| General government | 152,814 | | 152,814 | $161,968 | 67,978 | 93,990 | | | |
| Public safety | | | | | | | 764,644 | 742,770 | 21,874 |
| Public works | 1,429,427 | 1,145,623 | 283,804 | | 12 | (12) | | | |
| Community development | | | | | | | | | |
| Cultural and recreational | | | | 77,459 | (5,854) | 83,313 | | | |
| Capital outlay | | | | | | | | 236,325 | (236,325) |
| Debt Service: | | | | | | | | | |
| Principal | | | | | | | | | |
| Interest and fiscal charges | | | | | | | | | |
| Total Expenditures | 1,582,241 | 1,145,623 | 436,618 | 239,427 | 62,136 | 177,291 | 764,644 | 979,095 | (214,451) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (981,607) | (635,012) | 346,595 | (239,427) | 280,830 | 520,257 | (165,559) | 151,439 | 316,998 |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | | | |
| Proceeds from sale of property | | | | | | | | | |
| Transfers in | 400,000 | 400,000 | | | | | 188,153 | 15,399 | (172,754) |
| Transfers (out) | | | | | (6,269,168) | (6,269,168) | | (53,300) | (53,300) |
| Total Other Financing Sources (Uses) | 400,000 | 400,000 | | | (6,269,168) | (6,269,168) | 188,153 | (37,901) | (226,054) |
| NET CHANGE IN FUND BALANCES | ($581,607) | (235,012) | $346,595 | ($239,427) | (5,988,338) | ($5,748,911) | 522,594 | 113,538 | $90,944 |
| BEGINNING FUND BALANCES (DEFICITS) | | (228,453) | | | 7,103,231 | | | 456,013 | |
| ENDING FUND BALANCES (DEFICITS | | ($463,465) | | | $1,114,893 | | | $569,551 | |

(Continued)

CITY OF RICHMOND
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| | COST RECOVERY | | | HILLTOP LMD | | |
|---|---|---|---|---|---|---|
| | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | | | | |
| Property taxes | | | | $733,035 | $751,800 | $18,765 |
| Other taxes | | | | | | |
| Licenses, permits and fees | $4,088,634 | $3,555,219 | ($533,415) | | 31 | 31 |
| Fines, forfeitures and penalties | | 3,161 | 3,161 | | | |
| Use of money and property | | (7,413) | (7,413) | | 14,931 | 14,931 |
| Intergovernmental | | | | | | |
| Charges for services | 8,731,537 | 3,280,026 | (5,451,511) | | | |
| Pension stabilization revenue | | | | | | |
| Other | | 51,371 | 51,371 | 72,000 | 6,049 | (65,951) |
| Total Revenues | 12,820,171 | 6,882,364 | (5,937,807) | 805,035 | 772,811 | (32,224) |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 10,791,300 | 8,159,830 | 2,631,470 | 42,182 | | 42,182 |
| Public safety | | | | | | |
| Public works | 5,273,732 | 2,136,872 | 3,136,860 | 884,524 | 850,803 | 33,721 |
| Community development | | | | | | |
| Cultural and recreational | | | | | | |
| Capital outlay | | 502,335 | (502,335) | | 6,060 | (6,060) |
| Debt Service: | | | | | | |
| Principal | | | | | | |
| Interest and fiscal charges | | | | | | |
| Total Expenditures | 16,065,032 | 10,799,037 | 5,265,995 | 926,706 | 856,863 | 69,843 |
| *EXCESS (DEFICIENCY) OF REVENUES* OVER EXPENDITURES | (3,244,861) | (3,916,673) | (671,812) | (121,671) | (84,052) | 37,619 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds from sale of property | | | | | | |
| Transfers in | 512,700 | 1,563,510 | 1,050,810 | 80,499 | 80,499 | |
| Transfers (out) | | | | | | |
| Total Other Financing Sources (Uses) | 512,700 | 1,563,510 | 1,050,810 | 80,499 | 80,499 | |
| NET CHANGE IN FUND BALANCES | ($2,732,161) | (2,353,163) | $378,998 | ($41,172) | (3,553) | $37,619 |
| BEGINNING FUND BALANCES (DEFICITS) | | (425,334) | | | 451,002 | |
| ENDING FUND BALANCES (DEFICITS | | ($2,778,497) | | | $447,449 | |



| | DEVELOPER IMPACT FEES | | | 2005 PENSION OBLIGATION BONDS | | | GENERAL DEBT SERVICE | | |
|---|---|---|---|---|---|---|---|---|---|
| | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | | | | | | | |
| Property taxes | | | | $2,224,978 | $2,224,978 | | | | |
| Other taxes | | | | | | | | | |
| Licenses, permits and fees | $4,828,969 | $344,499 | ($4,484,470) | | | | | | |
| Fines, forfeitures and penalties | | | | | | | | | |
| Use of money and property | | 218,279 | 218,279 | 500,000 | 493,365 | ($6,635) | | $217,983 | $217,983 |
| Intergovernmental | | | | | | | | | |
| Charges for services | | | | | | | | | |
| Pension stabilization revenue | | | | 4,256,500 | 4,256,500 | | | | |
| Other | | | | | | | $40,398 | 37,491 | (2,907) |
| Total Revenues | 4,828,969 | 562,778 | (4,266,191) | 6,981,478 | 6,974,843 | (6,635) | 40,398 | 255,474 | 215,076 |
| EXPENDITURES | | | | | | | | | |
| Current: | | | | | | | | | |
| General government | | | | | | | | | |
| Public safety | | | | | | | | | |
| Public works | 5,618,787 | 2,299,597 | 3,319,190 | | | | | | |
| Community development | | | | | | | | | |
| Cultural and recreational | | | | | | | | | |
| Capital outlay | | 1,991,164 | (1,991,164) | | | | | | |
| Debt Service: | | | | | | | | | |
| Principal | | | | 1,575,000 | 1,575,000 | | 2,380,998 | 2,380,998 | |
| Interest and fiscal charges | | | | 1,437,188 | 1,437,188 | | 4,984,511 | 2,559,279 | 2,425,232 |
| Total Expenditures | 5,618,787 | 4,290,761 | 1,328,026 | 3,012,188 | 3,012,188 | | 7,365,509 | 4,940,277 | 2,425,232 |
| *EXCESS (DEFICIENCY) OF REVENUES* OVER EXPENDITURES | (789,818) | (3,727,983) | (2,938,165) | 3,969,290 | 3,962,655 | (6,635) | (7,325,111) | (4,684,803) | 2,640,308 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | |
| Proceeds from sale of property | | | | | | | | | |
| Transfers in | | 6,111,882 | 6,111,882 | | | | 6,858,325 | 5,633,864 | (1,224,461) |
| Transfers (out) | | (592,911) | (592,911) | | (4,684,908) | (4,684,908) | | (651) | (651) |
| Total Other Financing Sources (Uses) | | 5,518,971 | 5,518,971 | | (4,684,908) | (4,684,908) | 6,858,325 | 5,633,213 | (1,225,112) |
| NET CHANGE IN FUND BALANCES | ($789,818) | 1,790,988 | $2,580,806 | $3,969,290 | (722,253) | ($4,691,543) | ($466,786) | 948,410 | $1,415,196 |
| BEGINNING FUND BALANCES (DEFICITS) | | | | | 11,013,589 | | | 87,810 | |
| ENDING FUND BALANCES (DEFICITS | | $1,790,988 | | | $10,291,336 | | | $1,036,220 | |

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## NON-MAJOR ENTERPRISE FUNDS

**Richmond Marina Fund** records revenues collected from berth rentals and the use of the marina facilities. The fund also records expenses incurred for the operation of the facility and for the payment of the loan from the California Department of Boating and Waterways.

**Storm Sewer Fund** records the revenues from storm water fees and transfers from operations reserves. It also records the expenses of maintaining a clean storm sewer system so that the City is in compliance with the federally mandated Storm Water Pollution Prevention Program.

**Cable TV Fund** was set up for the administration and enforcement of the franchise agreements with two cable television systems, management of municipal cable channel, departmental video services, media and public information, and telecommunications planning. The fund records revenue received from franchise fees and indirect charges to other funds and administration expenses incurred in operating the system.

CITY OF RICHMOND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2008

| | Richmond Marina | Storm Sewer | Cable TV | Total |
|---|---|---|---|---|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and investments | $3,510,455 | $333,812 | $706,825 | $4,551,092 |
| Receivables: | | | | |
| Accounts | 63,393 | 2,279 | 254,618 | 320,290 |
| Interest | 7,219 | (2,862) | 1,452 | 5,809 |
| Total Current Assets | 3,581,067 | 333,229 | 962,895 | 4,877,191 |
| Noncurrent Assets | | | | |
| Capital assets: | | | | |
| Depreciable, net | 2,302,420 | 8,629,194 | 252,692 | 11,184,306 |
| Total Noncurrent Assets | 2,302,420 | 8,629,194 | 252,692 | 11,184,306 |
| Total Assets | 5,883,487 | 8,962,423 | 1,215,587 | 16,061,497 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts payable and accrued liabilities | | 86,000 | 38,416 | 124,416 |
| Interest payable | 136,999 | | | 136,999 |
| Compensated absences | | 50,612 | 47,280 | 97,892 |
| Current portion of long term debt | 57,362 | | | 57,362 |
| Total Current Liabilities | 194,361 | 136,612 | 85,696 | 416,669 |
| Noncurrent Liabilities: | | | | |
| Advance from other funds | | 1,758,342 | | 1,758,342 |
| Long-term debt | 3,263,820 | | | 3,263,820 |
| Total Noncurrent Liabilities | 3,263,820 | 1,758,342 | | 5,022,162 |
| Total Liabilities | 3,458,181 | 1,894,954 | 85,696 | 5,438,831 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | (1,018,762) | 8,629,194 | 252,692 | 7,863,124 |
| Unrestricted | 3,444,068 | (1,561,725) | 877,199 | 2,759,542 |
| Total Net Assets | $2,425,306 | $7,067,469 | $1,129,891 | $10,622,666 |



CITY OF RICHMOND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

| | Richmond Marina | Storm Sewer | Cable TV | Total |
|---|---|---|---|---|
| OPERATING REVENUES | | | | |
| Service charges | | $1,604,265 | $864,844 | $2,469,109 |
| Lease income | $484,212 | | | 484,212 |
| Other | | 32,886 | 110,080 | 142,966 |
| Total Operating Revenues | 484,212 | 1,637,151 | 974,924 | 3,096,287 |
| OPERATING EXPENSES | | | | |
| Salaries and benefits | | 1,059,340 | 529,236 | 1,588,576 |
| General and administrative | 136 | 2,627,415 | 277,774 | 2,905,325 |
| Depreciation | 90,747 | 999,041 | 46,433 | 1,136,221 |
| Other | | | 203 | 203 |
| Total Operating Expenses | 90,883 | 4,685,796 | 853,646 | 5,630,325 |
| Operating Income (Loss) | 393,329 | (3,048,645) | 121,278 | (2,534,038) |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest income | 156,895 | (27,532) | 37,645 | 167,008 |
| Interest (expense) | (149,659) | | | (149,659) |
| Total Nonoperating Revenues (Expenses) | 7,236 | (27,532) | 37,645 | 17,349 |
| Income (Loss) Before Transfers | 400,565 | (3,076,177) | 158,923 | (2,516,689) |
| Transfers in | | 540,285 | | 540,285 |
| Net Transfers | | 540,285 | | 540,285 |
| Change in Net Assets | 400,565 | (2,535,892) | 158,923 | (1,976,404) |
| BEGINNING NET ASSETS | 2,024,741 | 9,603,361 | 970,968 | 12,599,070 |
| ENDING NET ASSETS | $2,425,306 | $7,067,469 | $1,129,891 | $10,622,666 |

CITY OF RICHMOND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

| | Richmond Marina | Storm Sewer | Cable TV | TOTAL |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | $489,046 | $1,609,125 | $959,201 | $3,057,372 |
| Payments to suppliers | (136) | (2,550,661) | (266,278) | (2,817,075) |
| Payments to employees | | (1,053,387) | (531,161) | (1,584,548) |
| Cash Flows from Operating Activities | 488,910 | (1,994,923) | 161,762 | (1,344,251) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Interfund receipts | | 1,758,342 | | 1,758,342 |
| Transfer in | | 540,285 | | 540,285 |
| Cash Flows from Noncapital Financing Activities | | 2,298,627 | | 2,298,627 |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES: | | | | |
| Acquisition of capital assets | | 1 | (161,250) | (161,249) |
| Repayment of long-term borrowing | (54,891) | | | (54,891) |
| Interest paid | (151,923) | | | (151,923) |
| Cash flows from capital financing activities | (206,814) | 1 | (161,250) | (368,063) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Interest received | 154,796 | (24,715) | 37,477 | 167,558 |
| Cash Flows from Investing Activities | 154,796 | (24,715) | 37,477 | 167,558 |
| Net Cash Flows | 436,892 | 278,990 | 37,989 | 753,871 |
| Cash and investments at beginning of period | 3,073,563 | 54,822 | 668,836 | 3,797,221 |
| Cash and investments at end of period | $3,510,455 | $333,812 | $706,825 | $4,551,092 |
| Reconciliation of operating income (loss) to net cash flows from operating activities: | | | | |
| Operating income (loss) | $393,329 | ($3,048,645) | $121,278 | ($2,534,038) |
| Adjustments to reconcile operating income to net cash flows from operating activities: | | | | |
| Depreciation | 90,747 | 999,041 | 46,433 | 1,136,221 |
| Change in assets and liabilities: | | | | |
| Accounts receivable | 4,834 | (28,026) | (15,723) | (38,915) |
| Accounts payable and accrued liabilities and other accrued expenses | | 76,754 | 11,699 | 88,453 |
| Compensated absences | | 5,953 | (1,925) | 4,028 |
| Cash Flows from Operating Activities | $488,910 | ($1,994,923) | $161,762 | ($1,344,251) |





## 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.

**Insurance Reserves Fund** is used to report activities related to employee's claims due to industrial injuries and activities related to general claims against the City for damages incurred.

**Information Technology Fund** is used to report activities related to computer maintenance_services including networks, equipment leases and telephones.

**Equipment Services and Replacement Fund** is used to report activities related to maintenance and replacement of City vehicles.

**Police Telecommunications Fund** is used to report activities related to CAD dispatch, RMS records maintenance, and 800 MHz equipment expense.

**Facilities Maintenance Fund** is used to report activities related to the maintenance of the City's facilities.

## CITY OF RICHMOND
## INTERNAL SERVICE FUNDS
## COMBINING STATEMENT OF NET ASSETS
## JUNE 30, 2008

| | Insurance Reserves | Information Technology | Equipment Services and Replacement | Police Tele-communications | Facilities Maintenance | Total |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Current Assets | | | | | | |
| Cash and investments | $16,804,550 | $1,087,739 | $9,886,305 | $4,118,371 | $769,111 | $32,666,076 |
| Restricted cash and investments | | 2,496,123 | | | | 2,496,123 |
| Receivables: | | | | | | |
| Accounts | | | 8,403 | 40,531 | 38,538 | 87,472 |
| *Interest* | 34,555 | 2,242 | 20,345 | 10,120 | (595) | 66,667 |
| Prepaids and supplies | | | 322,303 | | 33,155 | 355,458 |
| Total Current Assets | 16,839,105 | 3,586,104 | 10,237,356 | 4,169,022 | 840,209 | 35,671,796 |
| Noncurrent Assets | | | | | | |
| Capital assets: | | | | | | |
| Nondepreciable | | 532,264 | 843,062 | | | 1,375,326 |
| Depreciable, net | | 336,353 | 4,447,990 | 695,381 | | 5,479,724 |
| Total Assets | 16,839,105 | 4,454,721 | 15,528,408 | 4,864,403 | 840,209 | 42,526,846 |
| LIABILITIES | | | | | | |
| Current Liabilities | | | | | | |
| Accounts payable and accrued liabilities | 130,004 | 561,454 | 2,048,968 | 19,308 | 220,813 | 2,980,547 |
| Interest payable | | 3,031 | | | | 3,031 |
| Accrued claims liabilities | 9,619,000 | | | | | 9,619,000 |
| Current portion of long-term debt | | 531,027 | | | | 531,027 |
| Total Current Liabilities | 9,749,004 | 1,095,512 | 2,048,968 | 19,308 | 220,813 | 13,133,605 |
| Noncurrent Liabilities | | | | | | |
| Compensated absences | 25,487 | 200,510 | 88,837 | 142,638 | 259,734 | 717,206 |
| Accrued claims liabilities | 10,645,000 | | | | | 10,645,000 |
| Long-term debt | | 1,133,369 | | | | 1,133,369 |
| Total Noncurrent Liabilities | 10,670,487 | 1,333,879 | 88,837 | 142,638 | 259,734 | 12,495,575 |
| Total Liabilities | 20,419,491 | 2,429,391 | 2,137,805 | 161,946 | 480,547 | 25,629,180 |
| NET ASSETS (DEFICIT) | | | | | | |
| Invested in capital assets | | 868,617 | 5,291,052 | 695,381 | | 6,855,050 |
| Unrestricted | (3,580,386) | 1,156,713 | 8,099,551 | 4,007,076 | 359,662 | 10,042,616 |
| Total Net Assets (Deficit) | ($3,580,386) | $2,025,330 | $13,390,603 | $4,702,457 | $359,662 | $16,897,666 |



## CITY OF RICHMOND
## INTERNAL SERVICE FUNDS
## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
## FOR THE YEAR ENDED JUNE 30, 2008

| | Insurance Reserves | Information Technology | Equipment Services and Replacement | Police Tele-communications | Facilities Maintenance | Total |
|---|---|---|---|---|---|---|
| OPERATING REVENUES | | | | | | |
| Charges for services-internal | $16,230,780 | $5,755,829 | $7,067,925 | $3,723,600 | $7,867,658 | $40,645,792 |
| Charges for services-external | | | | 1,437,396 | | 1,437,396 |
| Total Operating Revenues | 16,230,780 | 5,755,829 | 7,067,925 | 5,160,996 | 7,867,658 | 42,083,188 |
| OPERATING EXPENSES | | | | | | |
| Salaries and benefits | 600,132 | 1,626,858 | 1,538,130 | 3,326,414 | 3,964,821 | 11,056,355 |
| General and administrative | 2,619,113 | 1,584,315 | 788,623 | 360,246 | 2,860,168 | 8,212,465 |
| Maintenance | 1,269 | 758,650 | 2,410,497 | 302,063 | 721,998 | 4,194,477 |
| Depreciation | | 188,036 | 1,132,584 | 105,769 | | 1,426,389 |
| Claims losses | 7,574,820 | | | | | 7,574,820 |
| Other | 30,168 | 88,001 | 37,707 | | 282 | 156,158 |
| Total Operating Expenses | 10,825,502 | 4,245,860 | 5,907,541 | 4,094,492 | 7,547,269 | 32,620,664 |
| Operating Income (Loss) | 5,405,278 | 1,509,969 | 1,160,384 | 1,066,504 | 320,389 | 9,462,524 |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Gain from sale of property | | | 8,714 | | | 8,714 |
| Interest income | 717,496 | 247,831 | 430,025 | 150,865 | (654) | 1,545,563 |
| Interest expense | | (141,401) | | | | (141,401) |
| Total Nonoperating Revenues (Expenses) | 717,496 | 106,430 | 438,739 | 150,865 | (654) | 1,412,876 |
| Income Before Transfers | 6,122,774 | 1,616,399 | 1,599,123 | 1,217,369 | 319,735 | 10,875,400 |
| Transfers (out) | | (362,700) | | | | (362,700) |
| Net Transfers | | (362,700) | | | | (362,700) |
| Change in Net Assets | 6,122,774 | 1,253,699 | 1,599,123 | 1,217,369 | 319,735 | 10,512,700 |
| BEGINNING NET ASSETS (DEFICIT) | (9,703,160) | 771,631 | 11,791,480 | 3,485,088 | 39,927 | 6,384,966 |
| ENDING NET ASSETS (DEFICIT) | ($3,580,386) | $2,025,330 | $13,390,603 | $4,702,457 | $359,662 | $16,897,666 |

CITY OF RICHMOND
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

| | Insurance Reserves | Information Technology | Equipment Services and Replacement | Police Tele-communications | Facilities Maintenance | Total |
|---|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Receipts from customers | $16,230,780 | $5,756,011 | $7,084,870 | $5,897,122 | $7,832,355 | $42,801,138 |
| Payments to employees | (3,123,774) | (3,022,277) | (783,243) | (3,702,119) | (6,892,165) | (17,523,578) |
| Payments to suppliers | (31,437) | (846,651) | (2,448,204) | (302,063) | (722,280) | (4,350,635) |
| Insurance premiums and claims paid | (10,310,820) | | (85,489) | | (30,749) | (10,427,058) |
| Cash Flows from Operating Activities | 2,764,749 | 1,887,083 | 3,767,934 | 1,892,940 | 187,161 | 10,499,867 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Transfers (out) | | (362,700) | | | | (362,700) |
| Cash Flows from Noncapital Financing Activities | | (362,700) | | | | (362,700) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Acquisition of capital assets | | (611,115) | (2,933,503) | (615,734) | | (4,160,352) |
| Principal payments on capital debt | | (754,714) | | | | (754,714) |
| Proceeds from sale of property | | | 27,396 | | | 27,396 |
| Interest and fiscal charges paid | | (142,327) | | | | (142,327) |
| Cash Flows from Capital and Related Financing Activities | | (1,508,156) | (2,906,107) | (615,734) | | (5,029,997) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Interest | 713,132 | 247,304 | 429,370 | 145,505 | (78) | 1,535,233 |
| Cash Flows from Investing Activities | 713,132 | 247,304 | 429,370 | 145,505 | (78) | 1,535,233 |
| Net Cash Flows | 3,477,881 | 263,531 | 1,291,197 | 1,422,711 | 187,083 | 6,642,403 |
| Cash and investments at beginning of period | 13,326,669 | 3,320,331 | 8,595,108 | 2,695,660 | 582,028 | 28,519,796 |
| Cash and investments at end of period | $16,804,550 | $3,583,862 | $9,886,305 | $4,118,371 | $769,111 | $35,162,199 |
| Reconciliation of operating income (loss) to net cash flows from operating activities: | | | | | | |
| Operating income (loss) | $5,405,278 | $1,509,969 | $1,160,384 | $1,066,504 | $320,389 | $9,462,524 |
| Adjustments to reconcile operating income to net cash flows from operating activities: | | | | | | |
| Depreciation | | 188,036 | 1,132,584 | 105,769 | | 1,426,389 |
| Change in assets and liabilities: | | | | | | |
| Receivables, net | | 182 | 16,945 | 736,126 | (35,303) | 717,950 |
| Inventories | | | (85,489) | | (30,749) | (116,238) |
| Accounts and other payables | 99,215 | 254,047 | 1,521,592 | (10,706) | (121,517) | 1,742,631 |
| Compensated absences | (3,744) | (65,151) | 21,918 | (4,753) | 54,341 | 2,611 |
| Claims payable | (2,736,000) | | | | | (2,736,000) |
| Cash Flows from Operating Activities | $2,764,749 | $1,887,083 | $3,767,934 | $1,892,940 | $187,161 | $10,499,867 |





## PENSION TRUST FUNDS

**TRUST FUNDS** are used to account for assets held by the City as a trustee agent for individuals, private organizations, and other governments. These funds include the following:

**General Pension Fund** records the activity of the General Pension Plan, a defined benefit pension plan that covers 29 former City employees not covered by PERS, all of whom have retired.

**Police and Fireman's Pension Fund** records the activity of the Police and Fireman's Pension Plan, a defined benefit pension plan that covers 84 police and fire personnel employed prior to October 1964.

**Garfield Pension Fund** records the activity of the Garfield Pension Plan, a defined contribution pension plan that was set up for a retired police chief.

## CITY OF RICHMOND
## STATEMENT OF PENSION TRUST FUNDS NET ASSETS
## JUNE 30, 2008

| | PENSION TRUST FUNDS | | | |
|---|---|---|---|---|
| | General Pension | Police and Fireman's Pension | Garfield Pension | Total |
| ASSETS | | | | |
| Pension plan cash and investments: | | | | |
| City of Richmond investment pool | $2,109,990 | $1,904,191 | $150,291 | $4,164,472 |
| Local Agency Investment Fund | | | 182,596 | 182,596 |
| Mutual Fund Investments | | 20,274,545 | | 20,274,545 |
| Interest receivable | 4,336 | 3,863 | 1,569 | 9,768 |
| Total Assets | 2,114,326 | 22,182,599 | 334,456 | 24,631,381 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | | 65,192 | | 65,192 |
| NET ASSETS | | | | |
| Held in trust for employees' pension benefits | $2,114,326 | $22,117,407 | $334,456 | $24,566,189 |



## CITY OF RICHMOND
## PENSION TRUST FUNDS
## STATEMENT OF CHANGES IN PENSION TRUST FUNDS NET ASSETS
## FOR THE YEAR ENDED JUNE 30, 2008

| | General Pension | Police and Fireman's Pension | Garfield Pension | Total |
|---|---|---|---|---|
| ADDITIONS | | | | |
| Net investment income: | | | | |
| Net increase (decrease) in the fair value of investments | $9,647 | ($1,643,164) | | ($1,633,517) |
| Interest income | 89,129 | 803,739 | $13,127 | 905,995 |
| Investment management fees | | (213,314) | | (213,314) |
| Contribution from the City | 307,948 | | 72,484 | 380,432 |
| Contribution from Pension Reserve | | 5,000,000 | | 5,000,000 |
| Other | | 12,284 | | 12,284 |
| Total Additions | 406,724 | 3,959,545 | 85,611 | 4,451,880 |
| DEDUCTIONS | | | | |
| Pension benefits | 709,193 | 4,752,448 | 77,378 | 5,539,019 |
| Administrative expenses | 86 | | 5 | 91 |
| Total Deductions | 709,279 | 4,752,448 | 77,383 | 5,539,110 |
| Net Increase (Decrease) | (302,555) | (792,903) | 8,228 | (1,087,230) |
| NET ASSETS | | | | |
| Beginning of year | 2,416,881 | 22,910,310 | 326,228 | 25,653,419 |
| End of year | $2,114,326 | $22,117,407 | $334,456 | $24,566,189 |

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### *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 Assessment Fund** accounts for the monies collected and disbursed for land-based debt, where the City is not obligated for the debt.

**General Agency Fund** accounts for assets held by the City as an agent for individuals, private organizations, and other governments.

**Johnson Library Fund** accounts for nonexpendable trust funds to be used to provide funding for special library projects.

**Senior Center Fund** accounts for assets held by the City in an agent capacity for programs benefiting the senior citizens residing within the City.

**JPFA Reassessment Fund** receives secured tax payments (from assessment rolls), and makes payments on the JPFA Revenue Reassessment Bonds Series 2003-1.

**1999 Revenue Refunding Bonds Fund** receives payments of principal and interest on prior assessment bonds, and makes payments on the JPFA Revenue Refunding Bonds Series 1999-A.

**Payroll Benefits Fund** accounts for accumulation of monies relating to employee and employer payroll liabilities.

**2006 A&B Reassessment District Fund** receives payments of principal and interest on prior assessment bonds, and makes payments on the JPFA Reassessment Revenue Bonds Series A and B.

CITY OF RICHMOND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| | Balance June 30, 2007 | Additions | Reductions | Balance June 30, 2008 |
|---|---|---|---|---|
| **Special Assessment** | | | | |
| Cash and investments | $4,553,901 | $1,356,082 | $4,205,096 | $1,704,887 |
| Restricted cash and investments | 1,326,954 | | 675,192 | 651,762 |
| Interest receivable | 5,221 | 3,505 | 5,221 | 3,505 |
| Total Assets | $5,886,076 | $1,359,587 | $4,885,509 | $2,360,154 |
| Due to assessment district bondholders | $5,886,076 | $1,359,587 | $4,885,509 | $2,360,154 |
| Total Liabilities | $5,886,076 | $1,359,587 | $4,885,509 | $2,360,154 |
| **General Agency** | | | | |
| Cash and investments | $694,786 | $849,140 | $702,245 | $841,681 |
| Accounts receivable | 6,296 | 631 | 6,296 | 631 |
| Interest receivable | 1,163 | 1,730 | 1,163 | 1,730 |
| Total Assets | $702,245 | $851,501 | $709,704 | $844,042 |
| Accounts payable and accrued liabilities | $311 | $7,733 | $311 | $7,733 |
| Refundable Deposits | 701,934 | 843,768 | 709,393 | 836,309 |
| Total Liabilities | $702,245 | $851,501 | $709,704 | $844,042 |
| **Johnson Library** | | | | |
| Cash and investments | $8,596 | $9,101 | $8,679 | $9,018 |
| Interest receivable | 14 | 19 | 14 | 19 |
| Total Assets | $8,610 | $9,120 | $8,693 | $9,037 |
| Refundable deposits | $8,610 | $9,120 | $8,693 | $9,037 |
| **Senior Center** | | | | |
| Cash and investments | $54,000 | $6,282 | $1,425 | $58,857 |
| Interest receivable | 97 | 122 | 97 | 122 |
| Total Assets | $54,097 | $6,404 | $1,522 | $58,979 |
| Accounts payable and accrued liabilities | $1,425 | $3,664 | $1,425 | $3,664 |
| Refundable Deposits | 52,672 | 2,740 | 97 | 55,315 |
| Total Liabilities | $54,097 | $6,404 | $1,522 | $58,979 |

(Continued)



CITY OF RICHMOND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| | Balance June 30, 2007 | Additions | Reductions | Balance June 30, 2008 |
|---|---|---|---|---|
| **JPFA Reassessment** | | | | |
| Cash and investments | $1,196,645 | $4,953,600 | $4,845,300 | $1,304,945 |
| Restricted cash and investments | 1,251,591 | 4,478 | | 1,256,069 |
| Interest receivable | 4,412 | 2,683 | 4,412 | 2,683 |
| Investment in reassessment bonds | 8,115,000 | | 532,500 | 7,582,500 |
| Total Assets | $10,567,648 | $4,960,761 | $5,382,212 | $10,146,197 |
| Due to assessment district bondholders | $10,567,648 | $4,960,761 | $5,382,212 | $10,146,197 |
| **1999 Revenue Refunding Bonds** | | | | |
| Cash investments | | $4,795,429 | $3,498,363 | $1,297,066 |
| Restricted cash and investments | $1,777,464 | 699,367 | | 2,476,831 |
| Interest receivable | (52) | 2,667 | (52) | 2,667 |
| Total Assets | $1,777,412 | $5,497,463 | $3,498,311 | $3,776,564 |
| Due to assessment district bondholders | $1,777,412 | $5,497,463 | $3,498,311 | $3,776,564 |
| **Payroll Benefits** | | | | |
| Cash and investments | $4,967,073 | $5,605,882 | $5,088,938 | $5,484,017 |
| Accounts receivable | 66,050 | 121,865 | 66,050 | 121,865 |
| Total Assets | $5,033,123 | $5,727,747 | $5,154,988 | $5,605,882 |
| Accounts payable and accrued liabilities | $5,033,123 | $5,727,747 | $5,154,988 | $5,605,882 |
| **2006 A&B Reassessment District** | | | | |
| Cash and investments | $824,547 | $910,905 | $876,819 | $858,633 |
| Restricted cash and investments | 550,964 | 18,086 | | 569,050 |
| Interest receivable | 1,701 | 1,765 | 1,701 | 1,765 |
| Investment in reassessment bonds | 10,715,000 | | 195,000 | 10,520,000 |
| Total Assets | $12,092,212 | $930,756 | $1,073,520 | $11,949,448 |
| Due to assessment district bondholders | $12,092,212 | $930,756 | $1,073,520 | $11,949,448 |

(Continued)

CITY OF RICHMOND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| Total Agency Funds | Balance June 30, 2007 | Additions | Reductions | Balance June 30, 2008 |
|---|---|---|---|---|
| Cash and investments | $12,299,548 | $18,486,421 | $19,226,865 | $11,559,104 |
| Restricted cash and investments | 4,906,973 | 721,931 | 675,192 | 4,953,712 |
| Investment in reassessment bonds | 18,830,000 | | 727,500 | 18,102,500 |
| Accounts receivable | 72,346 | 122,496 | 72,346 | 122,496 |
| Interest receivable | 12,556 | 12,491 | 12,556 | 12,491 |
| Total Assets | $36,121,423 | $19,343,339 | $20,714,459 | $34,750,303 |
| Accounts payable and accrued liabilities | $5,034,859 | $5,739,144 | $5,156,724 | $5,617,279 |
| Refundable Deposits | 763,216 | 855,628 | 718,183 | 900,661 |
| Due to assessment district bondholders | 30,323,348 | 12,748,567 | 14,839,552 | 28,232,363 |
| Total Liabilities | $36,121,423 | $19,343,339 | $20,714,459 | $34,750,303 |





## STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

***Financial Trends***
These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time:

1. Net Assets by Component
2. Changes in Net Assets
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

***Revenue Capacity***
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed Value and Estimated Value of Taxable Property
2. Property Tax Rates, All Direct Overlapping Governments
3. Principal Property Tax Payers
4. Property Tax Levies and Collections

***Debt Capacity***
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Revenue Bond Coverage – 1999 and 2006 Wastewater Revenue Bonds
3. Revenue Bond Coverage – 1996, 1999, and 2004 Port Terminal Lease Revenue Bonds and Note
4. Bonded Debt Pledged Revenue Coverage –Redevelopment Tax Allocation Bonds
5. General Bonded Debt – Pension Obligation Bonds
6. Computation of Direct and Overlapping Debt
7. Computation of Legal Bonded Debt Margin

***Demographic and Economic Information***
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

***Operating Information***
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

***Sources***
Unless otherwise noted, the information in these schedules is derived from the Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

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**CITY OF RICHMOND**
**Net Assets by Component**
**Last Six Fiscal Years**
**(accrual basis of accounting)**


| | Fiscal Year Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| ***Governmental activities*** | | | | | | |
| Invested in capital assets, | | | | | | |
| net of related debt | $161,803,370 | $123,741,262 | $155,699,999 | $155,930,914 | $170,258,857 | $188,467,600 |
| Restricted | 90,011,285 | 45,358,192 | 16,193,394 | 49,291,795 | 60,271,169 | 188,950,882 |
| Unrestricted | (40,308,547) | 19,096,845 | 42,225,569 | 44,525,862 | 48,795,188 | (101,295,871) |
| Total governmental activities net assets | $211,506,108 | $188,196,299 | $214,118,962 | $249,748,571 | $279,325,214 | $276,122,611 |
| ***Business-type activities*** | | | | | | |
| Invested in capital assets, | | | | | | |
| net of related debt | $32,619,310 | $75,917,317 | $76,670,956 | $82,419,674 | $97,164,301 | $77,558,806 |
| Restricted | | 3,156,207 | 2,246,548 | 2,283,065 | 1,427,804 | 1,526,840 |
| Unrestricted | 17,733,546 | (19,724,085) | (8,865,682) | (1,351,641) | (8,084,756) | (519,625) |
| Total business-type activities net assets | $50,352,856 | $59,349,439 | $70,051,822 | $83,351,098 | $90,507,349 | $78,566,021 |
| ***Primary government*** | | | | | | |
| Invested in capital assets, | | | | | | |
| net of related debt | $194,422,680 | $199,658,579 | $232,370,955 | $238,350,588 | $267,423,158 | $266,026,406 |
| Restricted | 90,011,285 | 48,514,399 | 18,439,942 | 51,574,860 | 61,698,973 | 190,477,722 |
| Unrestricted | (22,575,001) | (627,240) | 33,359,887 | 43,174,221 | 40,710,432 | (101,815,496) |
| Total primary government net assets | $261,858,964 | $247,545,738 | $284,170,784 | $333,099,669 | $369,832,563 | $354,688,632 |

**CITY OF RICHMOND**
**Changes in Net Assets**
**Last Six Fiscal Years**
**(Accrual Basis of Accounting)**

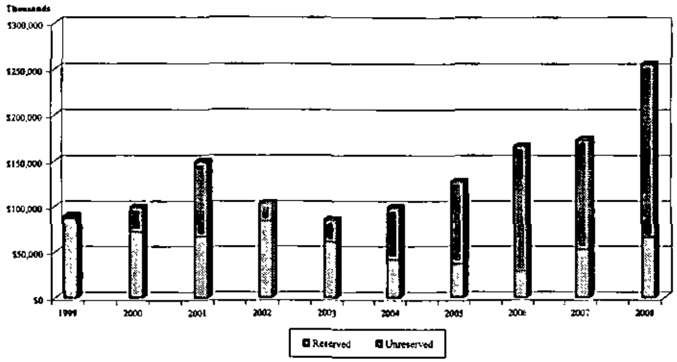
| | Fiscal Year Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| **Expenses** | | | | | | |
| Governmental Activities | | | | | | |
| General Government | $20,866,018 | $31,157,403 | $11,798,558 | $20,757,394 | $24,107,042 | $26,826,443 |
| Public Safety | 51,888,399 | 55,122,382 | 46,320,116 | 64,704,505 | 69,145,528 | 80,140,357 |
| Public Works | 32,986,223 | 39,509,425 | 36,743,774 | 40,119,182 | 25,265,766 | 31,252,681 |
| Community Development | 8,494,108 | 5,771,490 | 4,487,223 | 6,400,700 | 5,446,357 | 5,046,846 |
| Cultural and Recreational | 11,150,363 | 11,426,024 | 7,120,024 | 10,516,483 | 15,637,748 | 19,624,717 |
| Housing and Redevelopment | 26,645,808 | 9,610,845 | 10,883,850 | 14,587,522 | 11,338,512 | 17,471,811 |
| Other | 75,785 | | | | | |
| Unallocated Cost | 8,458,336 | | | | | |
| Interest and Fiscal Charges | 13,022,532 | 14,665,716 | 10,163,111 | 13,970,272 | 16,041,384 | 24,242,109 |
| Total Governmental Activities Expenses | 173,587,572 | 169,263,285 | 127,516,656 | 171,056,058 | 166,982,337 | 204,604,964 |
| Business-Type Activities | | | | | | |
| Richmond Housing Authority | 25,318,702 | 27,920,939 | 28,054,660 | 25,761,763 | 21,902,483 | 24,324,334 |
| Port of Richmond | 2,813,056 | 2,911,772 | 2,545,842 | 2,896,324 | 3,690,733 | 4,589,789 |
| Richmond Marina | 578,370 | 272,694 | 248,045 | 245,732 | 331,099 | 240,542 |
| Municipal Sewer | 10,035,988 | 10,047,198 | 9,020,928 | 9,599,570 | 12,236,185 | 15,084,727 |
| Storm Sewer | 2,446,743 | 2,461,223 | 2,142,358 | 2,953,974 | 3,590,975 | 4,685,796 |
| Cable TV | 763,738 | 699,809 | 646,770 | 702,849 | 798,758 | 853,646 |
| Convention Center | 319,066 | 291,078 | 269,595 | 274,542 | | |
| Total Business-Type Activities Expenses | 42,473,663 | 44,604,713 | 42,928,198 | 42,434,754 | 42,550,233 | 49,778,834 |
| Total Primary Government Expenses | $216,061,235 | $213,867,998 | $170,444,854 | $213,490,812 | $209,532,570 | $254,383,798 |
| **Program Revenues** | | | | | | |
| Governmental Activities | | | | | | |
| Charges for Services | | | | | | |
| General Government | $5,509,407 | $12,779,067 | $6,395,631 | $9,579,562 | $12,500,031 | $13,061,289 |
| Public Safety | 697,659 | 22,300 | 1,061,832 | 2,674,213 | 3,337,186 | 3,435,021 |
| Public Works | 3,848,741 | 5,133,200 | 6,829,231 | 2,017,908 | 1,641,139 | 952,330 |
| Community Development | 1,682,781 | 17 | 1,488,832 | 2,488,628 | 562,647 | 193,878 |
| Cultural and Recreational | 364,665 | 234,308 | 230,187 | 1,230,022 | 277,523 | 257,258 |
| Housing and Redevelopment | (680) | 26 | 54 | 3,145,276 | 320,165 | 1,037,112 |
| Operating Grants and Contributions | 11,485,157 | 10,143,316 | 9,035,667 | 10,737,556 | 11,310,497 | 9,642,093 |
| Capital Grants and Contributions | 20,454,780 | 2,409,429 | 2,502,038 | 4,584,637 | 8,659,910 | 4,066,710 |
| Total Government Activities Program Revenues | 44,042,510 | 30,721,663 | 27,343,472 | 36,457,802 | 38,609,098 | 32,845,691 |
| Business-Type Activities: | | | | | | |
| Charges for Services | | | | | | |
| Richmond Housing Authority | 2,064,716 | 2,234,580 | 1,822,316 | 1,663,345 | 1,630,745 | 1,776,252 |
| Port of Richmond | 2,265,785 | 2,491,147 | 5,913,472 | 6,130,166 | 5,392,626 | 5,900,126 |
| Richmond Marina | 366,288 | 458,473 | 456,142 | 579,581 | 448,630 | 484,212 |
| Municipal Sewer | 8,020,968 | 10,008,499 | 9,099,788 | 11,009,699 | 12,410,236 | 13,864,120 |
| Storm Sewer | 1,477,853 | 1,478,790 | 1,546,345 | 1,545,977 | 1,635,799 | 1,617,151 |
| Cable TV | 677,314 | 911,227 | 840,773 | 944,693 | 930,168 | 974,924 |
| Convention Center | 172,793 | 202,246 | 273,008 | 326,715 | 37,659 | |
| Operating Grants and Contributions | 24,072,750 | 9,498 | | | | |
| Capital Grants and Contributions | | 33,845,368 | 32,707,460 | 33,223,130 | 23,789,008 | 24,675,667 |
| Total Business-Type Activities Program Revenue | 39,118,467 | 51,639,828 | 52,659,304 | 55,423,306 | 46,294,871 | 49,312,452 |
| Total Primary Government Program Revenues | $83,160,977 | $82,361,491 | $80,002,776 | $91,881,108 | $84,903,969 | $82,158,143 |
| **Net (Expense)/Revenue** | | | | | | |
| Governmental Activities | ($129,545,062) | ($138,541,622) | ($100,173,184) | ($134,598,256) | ($128,373,239) | ($171,759,273) |
| Business-Type Activities | (3,355,196) | 7,035,115 | 9,731,106 | 12,988,552 | 3,744,638 | (466,382) |
| Total Primary Government Net Expense | ($132,900,258) | ($131,506,507) | ($90,442,078) | ($121,609,704) | ($124,628,601) | ($172,225,655) |



**CITY OF RICHMOND**
**Changes in Net Assets**
**(continued)**
**Last Six Fiscal Years**
**(Accrual Basis of Accounting)**

| | Fiscal Year Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| **General Revenues and Other Changes in Net Assets** | | | | | | |
| Governmental Activities: | | | | | | |
| Taxes | | | | | | |
| Property Taxes-Current Collections | $39,816,120 | $36,475,512 | $39,806,022 | $58,637,096 | $73,496,915 | $77,012,808 |
| Property Taxes-Released from Pension Reserve Fund | | | 8,342,849 | 17,315,525 | | |
| Sales Tax | | 12,352,198 | 20,273,363 | 25,402,253 | 28,217,895 | 29,005,711 |
| Utility user taxes | | 29,322,850 | 29,721,091 | 30,199,338 | 27,007,410 | 29,553,243 |
| Other Taxes | 44,665,215 | 9,421,142 | 13,847,030 | 14,690,034 | 12,042,215 | 8,802,995 |
| Use of Money and Property | | 2,597,233 | 2,993,086 | 5,490,761 | 7,895,609 | 9,990,413 |
| Unrestricted Intergovernmental | 978,228 | 4,357,098 | 3,001,587 | 954,905 | 438,625 | 4,330,572 |
| Investment Income | 6,568,865 | | | | | |
| Rental Revenue | 2,819,462 | | | | | |
| Lease Revenue | 3,017,547 | | | | | |
| Repayment of Principal | 1,940,375 | | | | | |
| Miscellaneous | 3,433,249 | 18,778,396 | 152,775 | 3,144,463 | 3,253,446 | 3,301,841 |
| Gain (Loss) on Sales of Capital Assets | (175,225) | | 11,361,312 | 2,361,410 | 3,113,487 | 4,008,197 |
| Pension stabilization revenue | | | | 4,175,381 | 4,240,115 | 4,256,500 |
| Developer revenue sharing | | | | 3,254,620 | 591,051 | 201,270 |
| Settlement reimbursement | | | | 4,226,289 | | |
| Transfers | (2,116,594) | 49,486 | 167,153 | 375,740 | (2,346,906) | (1,706,880) |
| Reimbursement from Pension Fund | 3,928,959 | | | | | |
| Total Government Activities | 104,876,201 | 113,153,915 | 129,696,268 | 170,227,865 | 157,949,882 | 168,556,670 |
| Business-Type Activities: | | | | | | |
| Taxes | | | | | | |
| Property Taxes | | | 10,193 | 10,867 | 10,576 | 10,382 |
| Use of Money and Property | | 1,809,249 | 1,222,413 | 1,247,868 | 1,618,432 | 919,679 |
| Investment Income | 2,281,921 | | | | | |
| Other | | | 1,956,342 | | | 113,863 |
| Gain (Loss) on Sales of Capital Assets | (9,527) | | | | 41,000 | |
| Special Item | | | | | | (14,425,750) |
| Transfers | 2,116,594 | (49,486) | (167,153) | (375,740) | 2,346,906 | 1,706,880 |
| Total Business-Type Activities | 4,388,988 | 1,759,763 | 3,021,795 | 882,995 | 4,016,914 | (11,474,946) |
| Total Primary Government | $109,265,189 | $114,913,678 | $132,718,063 | $171,110,860 | $161,966,796 | $157,081,724 |
| **Change in Net Assets** | | | | | | |
| Governmental Activities | ($24,668,861) | ($25,387,707) | $29,523,084 | $35,629,609 | $29,576,643 | ($3,202,603) |
| Business-Type Activities | 1,033,792 | 8,794,878 | 12,752,901 | 13,871,547 | 7,761,552 | (11,941,328) |
| Total Primary Government | ($23,635,069) | ($16,592,829) | $42,275,985 | $49,501,156 | $37,338,195 | ($15,143,931) |

**CITY OF RICHMOND**
**Fund Balances of Governmental Funds**
**Last Ten Fiscal Years**
**(Modified Accrual Basis of Accounting)**




| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| General Fund | | | | | | | | | | |
| Reserved | $42,392,000 | $41,937,449 | $40,004,328 | $39,572,550 | $36,921,700 | $23,334,569 | $17,061,473 | $9,638,843 | $22,090,540 | $27,048,978 |
| Unreserved | 854,000 | 3,840,804 | 8,150,386 | 6,284,507 | (4,420,944) | 32,440,443 | 26,530,417 | 38,590,926 | 32,341,360 | 19,387,650 |
| Total General Fund | $43,246,000 | $45,778,253 | $48,154,714 | $45,857,057 | $32,500,756 | $55,775,012 | $43,591,890 | $48,229,769 | $54,431,900 | $46,436,628 (a) |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | $44,975,000 | $30,231,155 | $77,405,012 | $44,654,025 | $24,081,816 | $18,402,465 | $19,734,505 | $19,716,191 | $30,517,337 | $39,341,789 |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 1,244,000 | 2,572,653 | 698,121 | 805,201 | 2,399,416 | 7,730,927 | 9,644,237 | 22,266,931 | 23,291,973 | 69,189,158 |
| Debt service funds | | | | (3,264,769) | (37,671,008) | (1,555,799) | 462,267 | 6,647,877 | 11,101,399 | 20,942,088 |
| Capital project funds | 350,000 | 20,733,706 | 23,207,473 | 15,279,062 | 53,902,260 | 38,672,895 | 53,792,412 | 69,561,861 | 54,143,312 | 79,535,430 |
| Total all other governmental funds | $46,569,000 | $53,537,514 | $101,310,606 | $57,473,519 | $42,813,484 | $63,250,488 | $83,633,421 | $118,192,860 | $119,054,021 | $209,008,465 |

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis

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# CITY OF RICHMOND
## Changes in Fund Balance of Governmental Funds
### Last Ten Fiscal Years
### (Modified Accrual Basis of Accounting)

| | Fiscal Year Ended June 30, | | | | | | Fiscal Year Faded June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| **Revenues** | | | | | | | | | | |
| Property taxes | $29,420,000 | $37,211,425 | $37,220,187 | $37,152,483 | $39,816,120 | $36,475,512 | $48,148,871 | $76,431,421 | $73,983,141 | $77,764,608 |
| Sales taxes | 10,736,000 | 12,431,034 | 14,255,927 | 13,199,899 | 12,282,691 | 12,352,198 | 20,273,363 | 25,402,253 | 28,217,895 | 29,005,711 |
| Utility user fees | 18,142,000 | 18,330,503 | 21,094,681 | 21,144,888 | 23,463,409 | 29,322,850 | 29,721,093 | 30,199,388 | 27,007,410 | 29,553,243 |
| Other taxes | 6,351,000 | 6,660,722 | 9,755,617 | 7,578,673 | 10,810,643 | 9,421,142 | 13,847,030 | 14,690,014 | 12,042,215 | 8,342,809 |
| Licenses, permits and fees | 2,502,000 | 2,954,637 | 3,854,140 | 6,459,773 | 5,267,568 | 8,414,668 | 8,347,868 | 14,272,801 | 8,379,660 | 8,164,006 |
| Developer revenue sharing | | | | | | | | 3,254,620 | 591,051 | 201,270 |
| Fines, forfeitures and penalties | 630,000 | 804,157 | 759,782 | 454,786 | 570,823 | 435,057 | 522,015 | 396,257 | 312,723 | 312,706 |
| Use of money and property | 6,117,000 | 5,561,947 | 8,521,642 | 11,950,076 | 9,710,818 | 2,628,566 | 2,496,624 | 5,149,718 | 6,879,814 | 10,360,029 |
| Intergovernmental | 18,663,000 | 13,669,018 | 19,539,385 | 15,391,035 | 26,727,129 | 15,892,578 | 15,980,671 | 16,303,188 | 24,439,246 | 18,092,672 |
| Charges for services | 5,511,000 | 8,546,061 | 4,824,336 | 6,158,955 | 6,775,124 | 6,775,449 | 3,864,491 | 4,421,803 | 4,488,092 | 6,026,165 |
| Pension stabilization revenue | | | | | | | | 4,175,381 | 4,240,135 | 4,256,500 |
| Settlement reimbursement | | | | | | | | 4,226,289 | | |
| Lease income | | | 1,306,391 | 3,013,488 | 3,017,548 | | | | | |
| Reimbursement from pension fund | | | | 4,017,246 | 3,928,959 | | | | | |
| Rent | 2,576,000 | 3,659,066 | 2,793,821 | 4,244,780 | 2,629,861 | 2,560,987 | 237,568 | 414,716 | 605,207 | 336,617 |
| Proceeds from sale of land | 322,000 | | | | | | | | | |
| Other | 2,036,000 | 2,362,505 | 3,971,315 | 2,364,500 | 6,184,893 | 23,152,912 | 3,191,685 | 3,496,107 | 3,009,820 | 3,407,481 |
| **Total Revenues** | 102,806,000 | 122,191,575 | 127,897,624 | 133,130,632 | 151,185,786 | 147,431,939 | 146,631,277 | 202,833,978 | 194,196,409 | 195,823,817 |
| **Expenditures** | | | | | | | | | | |
| Current | | | | | | | | | | |
| General government | 18,824,000 | 25,213,454 | 19,657,294 | 17,316,203 | 17,981,557 | | 12,871,884 | 18,986,723 | 22,646,791 | 26,022,760 |
| Public safety | 37,515,000 | 38,812,146 | 40,336,645 | 44,309,105 | 53,169,844 | | 52,859,724 | 64,006,470 | 72,869,340 | 86,716,916 |
| Public works | | | | | | | 20,947,719 | 20,371,718 | 12,207,805 | 18,121,576 |
| Highway and streets | 5,124,000 | 5,575,459 | 7,793,120 | 24,689,873 | 18,345,397 | | | | | |
| Health and sanitation | | 295,890 | 955,873 | | | | | | | |
| Community development | 6,969,000 | 8,571,962 | 9,600,033 | 6,339,781 | 8,556,636 | | 4,542,606 | 6,306,343 | 5,449,106 | 5,196,860 |
| Cultural and recreational | 8,625,000 | 9,876,807 | 9,740,773 | 10,707,305 | 11,585,860 | | 7,362,852 | 10,300,456 | 15,142,703 | 20,814,698 |
| Housing and redevelopment | 5,829,000 | 7,820,872 | 1,990,502 | 9,861,172 | 24,940,122 | | 11,971,460 | 20,778,294 | 11,345,178 | 22,828,774 |
| Salaries and wages | | | | | | 86,240,536 | | | | |
| General and administrative | | | | | | 40,886,151 | | | | |
| Maintenance | | | | | | 2,182,381 | | | | |
| Other | 901,000 | 1,429,324 | 11,165,647 | 81,095 | 75,785 | 601,026 | | | | |
| Capital outlay | 16,629,000 | 17,492,266 | 15,894,297 | 8,461,827 | 13,170,857 | 12,570,471 | 10,630,365 | 17,479,290 | 34,281,457 | 62,742,853 |
| Debt service | | | | | | | | | | |
| Principal repayment | 5,671,000 | 14,827,335 | 13,436,978 | 12,988,661 | 6,245,552 | 7,989,730 | 7,639,995 | 6,515,045 | 9,079,459 | 6,300,998 |
| Interest and fiscal charges | 6,586,000 | 7,796,012 | 12,003,575 | 13,939,372 | 13,930,315 | 12,102,434 | 9,206,783 | 11,257,775 | 10,129,575 | 15,612,543 |
| Total Expenditures | 112,673,000 | 137,711,527 | 142,574,737 | 148,494,394 | 168,001,925 | 162,572,729 | 138,033,388 | 176,002,114 | 191,151,414 | 264,357,978 |
| Excess (deficiency) of revenues over (under) expenditures | (9,867,000) | (15,519,952) | (14,677,113) | (15,363,762) | (16,816,139) | (15,140,790) | 8,597,889 | 26,831,864 | 1,044,995 | (68,534,161) |
| **Other Financing Sources (Uses)** | | | | | | | | | | |
| Transfers in | 24,272,000 | 33,409,953 | 52,731,159 | 29,129,749 | 37,541,392 | 66,659,138 | 27,587,164 | 53,092,947 | 33,071,479 | 184,513,795 |
| Transfers out | (20,684,000) | (33,692,040) | (52,846,008) | (30,137,487) | (42,657,986) | (69,609,652) | (34,410,933) | (54,131,970) | (31,800,296) | (185,857,975) |
| Sale of property | 322,000 | 4,882,030 | 308,775 | 223,115 | 61,624 | 578,907 | 9,071,591 | 3,167,685 | 4,747,114 | 4,287,517 |
| Payment to refund bond escrow agent | | | | | 6,556,686 | | | | | (12,897,515) |
| Proceeds of long-term debt | | 23,277,689 | 60,720,000 | 7,437,213 | | 29,145,759 | 13,356,100 | 124,111,809 | | 172,962,632 |
| Payment to retirement plan | | | | | | | | (113,877,017) | | |
| Total other financing sources (uses) | 3,910,000 | 27,877,632 | 60,913,926 | 6,652,590 | 1,501,716 | 26,774,152 | 19,603,922 | 12,363,454 | 6,018,297 | 143,908,444 |
| Net Change in fund balances | ($5,957,000) | $12,357,680 | $46,236,813 | ($8,711,172) | ($15,314,423) | $11,633,362 | $28,201,811 | $39,195,318 | $7,061,292 | $74,474,283 |
| Debt service as a percentage of noncapital expenditures | (a) | (a) | (a) | 23.8% | 15.0% | 15.5% | 15.2% | 12.6% | 11.5% | 12.0% |

NOTE:
(a) The City implemented GASB Statement 34 in fiscal year 2002. Therefore this calculation is included only for fiscal years subsequent to that date.

## CITY OF RICHMOND
## ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
## LAST TEN FISCAL YEARS
*(In Thousands)*

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| **ASSESSED VALUE [1]** | | | | | | | | | | |
| Land | $1,691,023 | $1,772,263 | $1,918,926 | $2,111,424 | $2,324,645 | $2,627,744 | $2,959,317 | $3,418,224 | $4,039,890 | $4,514,200 |
| Improvements | 4,498,749 | 4,591,723 | 4,784,954 | 5,616,334 | 5,626,587 | 5,738,751 | 6,621,854 | 7,266,076 | 7,862,708 | 8,395,671 |
| Total Real Property | 6,189,772 | 6,363,986 | 6,703,880 | 7,727,758 | 7,951,232 | 8,366,495 | 9,581,171 | 10,684,300 | 11,902,598 | 12,909,871 |
| Personal Property | 375,648 | 453,809 | 491,488 | 496,737 | 522,772 | 558,698 | 563,253 | 538,693 | 572,948 | 333,505 |
| **TOTAL** | $6,565,420 | $6,817,795 | $7,195,368 | $8,224,495 | $8,474,004 | $8,925,193 | $10,144,424 | $11,222,993 | $12,475,546 | $13,243,376 |
| **EXEMPTIONS [2]** | | | | | | | | | | |
| Homeowners [a] | $111,686 | $112,543 | $114,012 | $115,472 | $116,607 | $116,687 | $115,580 | $117,722 | $111,746 | $113,417 |
| Other [b] | 198,631 | 209,783 | 208,302 | 240,583 | 245,704 | 243,788 | 267,660 | 317,429 | 332,611 | 338,751 |
| **TOTAL** | $310,317 | $322,326 | $322,314 | $356,055 | $362,311 | $360,475 | $383,240 | $435,151 | $444,357 | $452,168 |
| **ASSESSED VALUE** | | | | | | | | | | |
| (Net of Exemptions) | $6,255,103 | $6,495,469 | $6,873,054 | $7,868,440 | $8,111,693 | $8,564,718 | $9,761,184 | $10,787,842 | $12,031,189 | $12,791,208 |
| Less: Redevelopment Tax Increments [3] | 714,929 | 729,227 | 792,046 | 903,230 | 1,020,387 | 1,102,499 | 1,200,250 | 1,346,439 | 1,982,930 | 2,333,771 |
| **NET ASSESSED VALUE** | $5,540,174 | $5,766,242 | $6,081,008 | $6,965,210 | $7,091,306 | $7,462,219 | $8,560,934 | $9,441,403 | $10,048,259 | $10,457,437 |
| **NET INCREASE (DECREASE)** | $17,130 | $226,068 | $314,766 | $884,202 | $126,096 | $370,913 | $1,098,715 | $880,469 | $606,856 | $409,178 |
| **% OF INCREASE (DECREASE)** | -3.54% | 4.08% | 5.46% | 14.54% | 1.81% | 5.23% | 14.72% | 10.28% | 6.43% | 4.07% |
| Total Direct Tax Return | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |

[1] Assessed value (full cash value) of taxable property represents all property within the City. For the fiscal year 1981-82 and thereafter, the assessed value is 100% of the full cash value in accordance with State legislation. The maximum tax rate is 1% of the full cash value or $1/$100 of the assessed value, excluding the tax rate for debt service.

[2] Exemptions are summarized as follows:
(a) Homeowners' exemption arises from Article XIII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3)(k).
(b) Other exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).

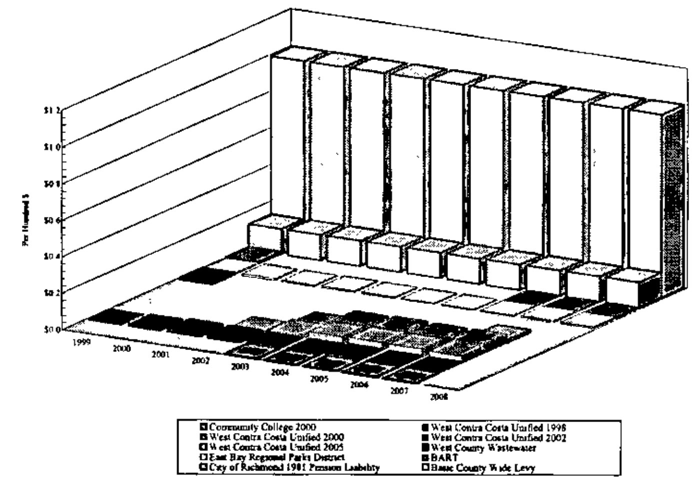
[3] Tax increments are allocations made to the Redevelopment Agency under authority of California Constitution, Article XVI.

[4] California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

Source: County of Contra Costa, Office of the Auditor-Controller



## CITY OF RICHMOND
## PROPERTY TAX RATES
## ALL OVERLAPPING GOVERNMENTS
## LAST TEN FISCAL YEARS




| Fiscal Year | Basic County Wide Levy | City of Richmond 1981 Pension Liability (1) | BART | East Bay Regional Parks District | West County Wastewater | West Contra Costa Unified 1998 | West Contra Costa Unified 2000 | West Contra Costa Unified 2002 | West Contra Costa Unified 2005 | Community College 2000 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1999 | $1.0000 | $0.1400 | $0.0167 | $0.0092 | $0.0113 | $0.0061 | | | | | $1.1833 |
| 2000 | 1.0000 | 0.1400 | | 0.0088 | | 0.0125 | | | | | 1.1613 |
| 2001 | 1.0000 | 0.1400 | | 0.0065 | | 0.0204 | | | | | 1.1669 |
| 2002 | 1.0000 | 0.1400 | | 0.0072 | | 0.0181 | $0.0069 | | | | 1.1722 |
| 2003 | 1.0000 | 0.1400 | | 0.0065 | | 0.0161 | 0.0250 | $0.0115 | | $0.0040 | 1.2031 |
| 2004 | 1.0000 | 0.1400 | | 0.0057 | | 0.0123 | 0.0454 | 0.0487 | | 0.0038 | 1.2559 |
| 2005 | 1.0000 | 0.1400 | | 0.0057 | | 0.0161 | 0.0469 | 0.0523 | | 0.0042 | 1.2652 |
| 2006 | 1.0000 | 0.1400 | 0.0048 | 0.0057 | | 0.0115 | 0.0437 | 0.0489 | | 0.0047 | 1.2593 |
| 2007 | 1.0000 | 0.1400 | 0.0050 | 0.0085 | | 0.0105 | 0.0386 | 0.0487 | $0.0165 | 0.0043 | 1.2721 |
| 2008 | 1.0000 | 0.1400 | 0.0053 | 0.0080 | | 0.0090 | 0.0342 | 0.0442 | 0.0161 | 0.0038 | 1.2606 |

(1) Voter approved debt

Source: County of Contra Costa, Office of the Auditor Controller

CITY OF RICHMOND
**Principal Property Tax Payers**
**Current Year and Nine Years Ago**
(In Thousands)

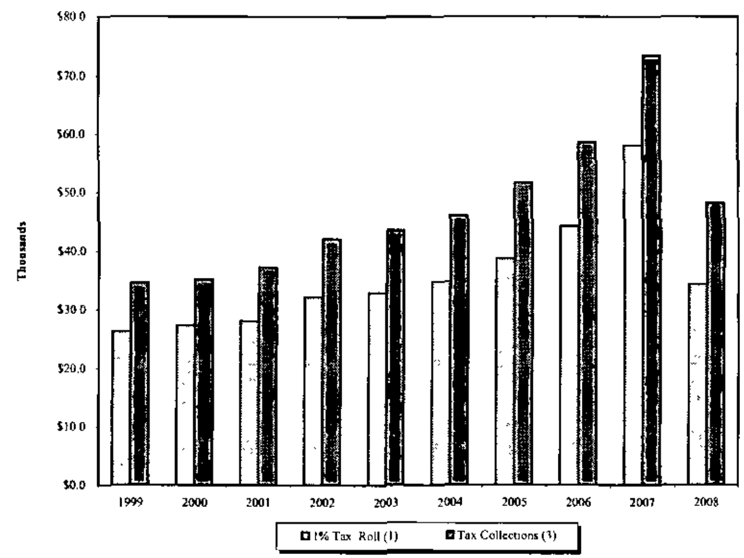
| | | 2007-08 | | | 1998-99 | | |
|---|---|---|---|---|---|---|---|
| Taxpayer | Type of Business | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value |
| Chevron USA | Petroleum/Coal Products | $15,820,737 | 1 | 21 27% | $7,807,533 | 1 | 24 57% |
| Lennar Emerald Marina Shores | Apartments | 1,387,125 | 2 | 1 86% | N/A | | N/A |
| Berlex Laboratories | Chemical Production | 582,391 | 3 | 0 78% | 534,928 | 2 | 1.68% |
| Dicon Fiberoptics | Semiconductors | 471,928 | 4 | 0 63% | 117,493 | | N/A |
| Richmond Parkway Associates | Property Management | 435,383 | 5 | 0 59% | N/A | | N/A |
| California Fats & Oils Inc. | Food Manufacturer | 433,867 | 6 | 0 58% | 337,832 | 6 | 1 06% |
| Foss Maritime | Marine Transportation | 385,793 | 7 | 0 52% | N/A | | N/A |
| Stephens & Stephens LLP | Rental Properties | 376,483 | 8 | 0 51% | N/A | | N/A |
| Kaiser Foundation Hospitals | Medical Center | 363,102 | 9 | 0.49% | N/A | | N/A |
| BP West Coast Products | Petroleum Products | 317,946 | 10 | 0 43% | N/A | | N/A |
| Chronicle Publishing Company | Media Company | N/A | | N/A | 433,965 | 3 | 1 37% |
| ICI Americas, Inc | Chemical Manufacturer | N/A | | N/A | 367,833 | 5 | 1 16% |
| Security Capital Pacific Trust | Real Estate Investment Trust | N/A | | N/A | 430,698 | 4 | 1 36% |
| Safeway Stores | Retail warehouse | N/A | | N/A | 463,480 | 7 | 0.83% |
| Levin Metals Corporation | Metal Products | N/A | | N/A | 251,732 | 8 | 0 79% |
| Richmond Marina Shores | Marina | N/A | | N/A | 227,447 | 9 | 0 72% |
| Gillette, Rafanelli, & Nahas | Petroleum and Chemicals Storage and Distribution | N/A | | N/A | 227,329 | 10 | 0 72% |
| Subtotal | | $20,574,755 | | 27 66% | $11,200,270 | | 34 24% |

Total Net Assessed Valuation:
Fiscal Year 2007-2008 $13,674,612
Fiscal Year 1998-1999 6,366,199

Source: Contra Costa County Assessor Fiscal Year Combined Tax Rolls



# CITY OF RICHMOND
## PROPERTY TAX LEVIES AND COLLECTIONS
## LAST TEN FISCAL YEARS
## (In Thousands)

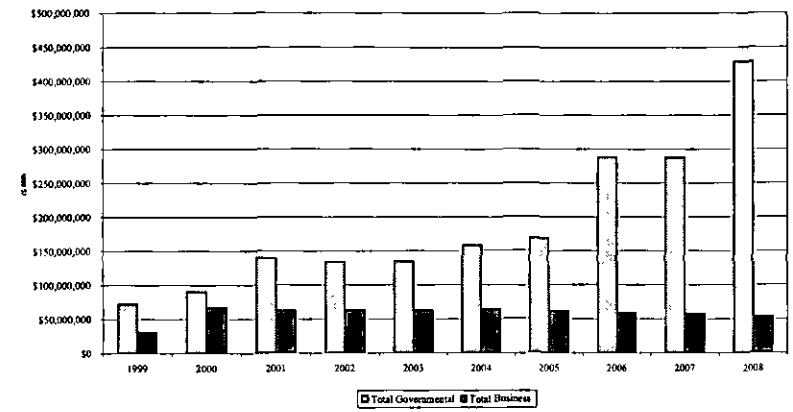



| Fiscal Year | 1% Tax Roll (1) | Voter Approve Debt Tax Rolls (2) | Total Tax Collections (3) | Percent of Total Tax Collections to Tax Levy |
|---|---|---|---|---|
| 1999 | $26,379 | $8,202 | $34,581 | 100% |
| 2000 | 27,341 | 7,782 | 35,123 | 100% |
| 2001 | 28,125 | 9,129 | 37,254 | 100% |
| 2002 | 32,193 | 9,867 | 42,060 | 100% |
| 2003 | 32,890 | 10,656 | 43,546 | 100% |
| 2004 | 34,721 | 11,282 | 46,003 | 100% |
| 2005 | 38,687 | 13,009 | 51,696 | 100% |
| 2006 | 44,209 | 14,426 | 58,635 | 100% |
| 2007 | 58,024 | 15,473 | 73,497 | 100% |
| 2008 | 34,269 | 13,983 | 48,252 | 100% |

Source: City of Richmond Records

NOTES:
(1) The maximum tax rate is 1% of the assessed value or $1/$100 of the assessed value, excluding the tax rate for debt.
(2) Voter approved tax roll for debt is in addition to the 1% rate shown in not(1).
(3) During fiscal year 1995, the County began providing the City 100% of its tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.

## CITY OF RICHMOND
### Ratio of Outstanding Debt by Type
### Last Ten Fiscal Years




| Fiscal Year | Governmental Activities: Tax Allocation Bonds | Pension Obligation Bonds | Revenue Bonds | Loans and Notes Payable | Capital Leases | Special Assessments | Total |
|---|---|---|---|---|---|---|---|
| 1999 | $24,408,000 | | $19,363,000 | $4,326,000 | | $24,585,000 | $72,682,000 |
| 2000 | 24,032,779 | $36,280,000 | 18,303,815 | 3,461,435 | $8,124,760 | | 90,202,789 |
| 2001 | 55,162,779 | 33,040,000 | 42,445,000 | 2,850,650 | 6,551,646 | | 140,050,075 |
| 2002 | 54,487,779 | 31,360,000 | 40,845,002 | 2,655,597 | 5,150,251 | | 134,498,629 |
| 2003 | 53,877,779 | 29,660,000 | 39,530,000 | 2,683,222 | 9,058,762 | | 134,809,763 |
| 2004 | 82,965,168 | 27,945,000 | 38,155,000 | 2,963,702 | 6,500,204 | | 158,529,074 |
| 2005 | 98,578,513 | 26,225,000 | 36,715,000 | 3,204,394 | 4,045,158 | | 168,768,065 |
| 2006 | 96,801,090 | 140,799,775 | 35,205,000 | 12,200,843 | 3,195,340 | | 288,202,048 |
| 2007 | 95,079,118 | 143,575,313 | 33,630,000 | 10,518,963 | 5,111,871 | | 287,915,265 |
| 2008 | 168,838,368 | 146,453,616 | 99,619,143 | 10,578,390 | 3,964,298 | | 429,453,815 |

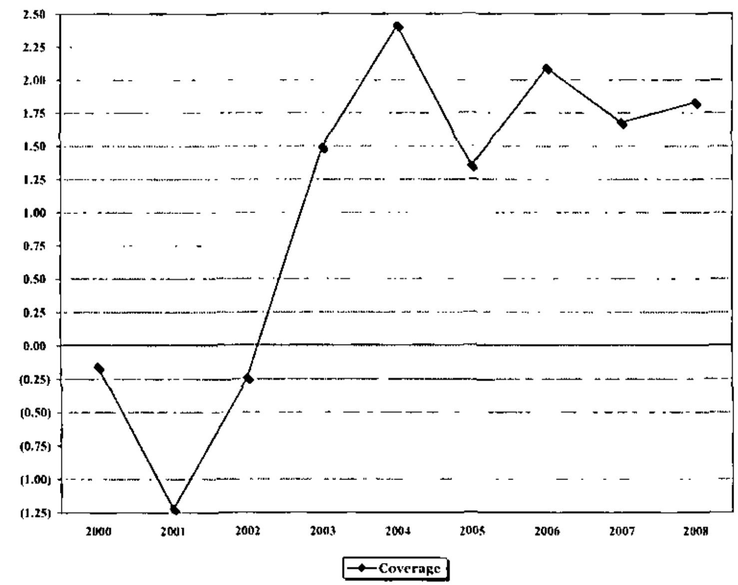
| Fiscal Year | Business-Type Activities: Wastewater Revenue Bonds | Port Lease Revenue Bonds | Loans and Notes Payable | Total | Total Primary Government | Percentage of Personal Income (B) | Per Capita (B) |
|---|---|---|---|---|---|---|---|
| 1999 | | $17,008,000 | $13,902,000 | $30,910,000 | $103,592,000 | 2 67% | $1,059 |
| 2000 | $37,516,082 | 16,814,541 | 12,994,659 | 67,325,282 | 157,528,071 | 3 57% | 1,587.73 |
| 2001 | 38,345,972 | 15,680,703 | 8,418,185 | 62,444,860 | 202,494,935 | 4 47% | 1,990 79 |
| 2002 | 38,904,150 | 14,501,865 | 9,682,769 | 63,088,784 | 197,587,413 | 4 46% | 1,954 84 |
| 2003 | 39,422,497 | 13,273,027 | 9,704,142 | 62,399,666 | 197,209,429 | 4 40% | 1,945 38 |
| 2004 | 39,903,191 | 11,989,189 | 12,543,740 | 64,436,120 | 222,965,194 | 4 75% | 2,193 35 |
| 2005 | 39,218,632 | 10,650,351 | 11,877,513 | 61,746,496 | 230,514,561 | (A) | 2,237.74 |
| 2006 | 38,516,264 | 9,251,513 | 11,195,682 | 58,963,459 | 347,165,507 | (A) | 3,355 29 |
| 2007 | 41,857,327 | 7,782,675 | 7,419,009 | 57,059,011 | 344,974,276 | (A) | 3,334 12 |
| 2008 | 42,152,480 | 5,933,813 | 5,427,429 | 53,513,722 | 482,967,537 | (A) | 4,662 88 |

Notes: Debt amounts exclude any premiums, discounts, or other amortization amounts
(A) Data not available
(B) See Demographic Statistics for personal income and population data

Sources: City of Richmond
State of California, Department of Finance (population)
U S Department of commerce, Bureau of the Census (income)



## CITY OF RICHMOND
### REVENUE BOND COVERAGE
### 1999 AND 2006 WASTEWATER REVENUE BONDS
### LAST NINE FISCAL YEARS

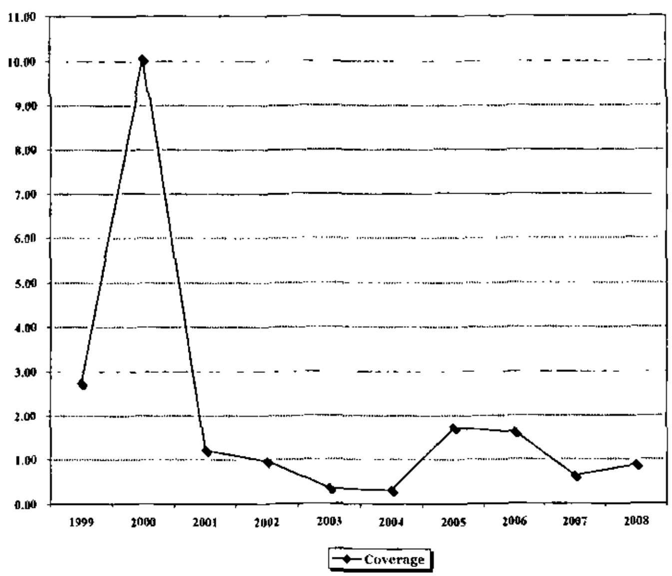



| Fiscal Year | Gross Revenue (1) | Operating Expenses (2) | Net Revenue Available for Debt Service | Debt Service Requirements: Principal | Interest | Total | Coverage |
|---|---|---|---|---|---|---|---|
| 2000 | $7,431,700 | $7,478,491 | ($46,791) | | $294,584 | $294,584 | (0.16) |
| 2001 | 7,765,103 | 9,665,875 | (1,900,772) | | 1,559,561 | 1,559,561 | (1.22) |
| 2002 | 9,690,868 | 10,059,777 | (368,909) | | 1,559,561 | 1,559,561 | (0.24) |
| 2003 | 10,163,012 | 7,727,467 | 2,435,545 | $75,000 | 1,557,874 | 1,632,874 | 1.49 |
| 2004 | 11,825,418 | 7,715,459 | 4,109,959 | 150,000 | 1,552,811 | 1,702,811 | 2.41 |
| 2005 | 10,180,595 | 6,291,348 | 3,889,247 | 1,355,000 | 1,518,949 | 2,873,949 | 1.35 |
| 2006 | 11,922,340 | 5,918,001 | 6,004,339 | 1,415,000 | 1,455,916 | 2,870,916 | 2.09 |
| 2007 | 13,687,290 | 8,799,108 | 4,888,182 | 1,480,000 | 1,422,950 | 2,902,950 | 1.68 |
| 2008 | 14,421,345 | 9,991,039 | 4,430,306 | | 2,414,409 | 2,414,409 | 1.83 |

Notes: (1) Includes all Municipal Sewer Operating Revenues, Non-operating Interest Revenue, Connection Fe and other Non-operating Revenu
(2) Includes all Municipal Sewer Operating Expenses less Depreciation and Intere

Source: City of Richmond Annual Financial Statements

## CITY OF RICHMOND
## REVENUE BOND COVERAGE
## 1996, 1999, 2004, AND 2007 PORT TERMINAL LEASE REVENUE BONDS AND NOTE
## LAST TEN FISCAL YEARS



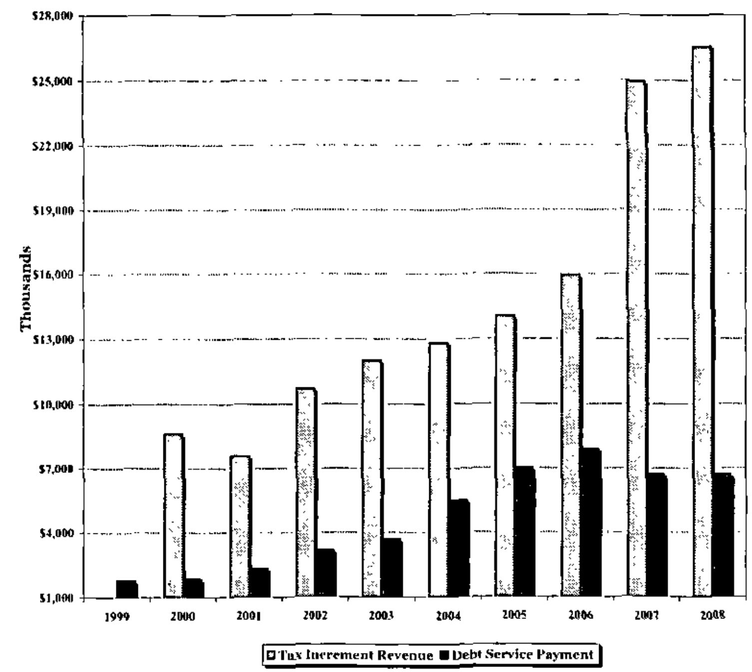

| Fiscal Year | Gross Revenue (1) | Operating Expenses (2) | Net Revenue Available for Debt Service | Debt Service Requirements Principal | Interest | Total | Coverage |
|---|---|---|---|---|---|---|---|
| 1999 | $4,448,000 | $2,862,000 | $1,586,000 | $190,000 | $389,486 | $579,486 | 2.74 |
| 2000 | 12,401,285 | 1,630,356 | 10,770,929 | 200,000 | 871,211 | 1,071,211 | 10.05 |
| 2001 | 5,078.601 | 2,664,299 | 2,414,302 | 1,140,000 | 836,379 | 1,976,379 | 1.22 |
| 2002 | 3,698,781 | 1,785,720 | 1,913,061 | 1,185,000 | 790.037 | 1,975,037 | 0.97 |
| 2003 | 2,319,180 | 1,618,331 | 700,849 | 1,235,000 | 739,776 | 1,974,776 | 0.35 |
| 2004 | 2,491,147 | 1,879,276 | 611,871 | 1,290,000 | 686,057 | 1,976,057 | 0.31 |
| 2005 | 5,944,719 | 1,655,877 | 4,288,842 | 1,603,385 | 878,851 | 2,482,236 | 1.73 |
| 2006 | 6,237,708 | 2,209,972 | 4,027,736 | 1,672,140 | 808,267 | 2,480,407 | 1.62 |
| 2007 | 5,621,400 | 2,106,307 | 3,515,093 | 4,823,787 | 643,463 | 5,467,250 | 0.64 |
| 2008 | 6,061,660 | 3,024,733 | 3,036,927 | 3,094,865 | 362,194 | 3,457,059 | 0.88 |

Notes: (1) Includes all Port of Richmond Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenue, excluding grants.
(2) Includes all Port of Richmond Operating Expenses, less Depreciation.

Source: City of Richmond Annual Financial Statements



## CITY OF RICHMOND
## BONDED DEBT PLEDGED REVENUE COVERAGE
## TAX ALLOCATION BONDS (1)
## LAST TEN FISCAL YEARS

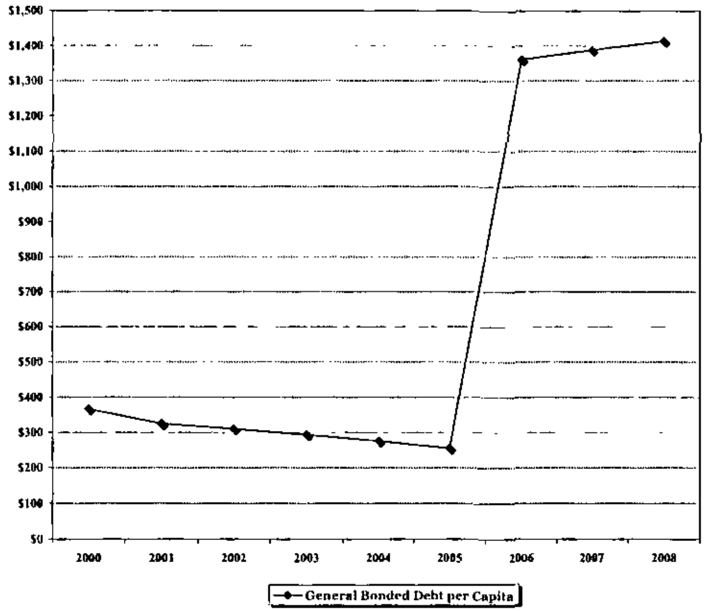



| Fiscal Year | Tax Increment Revenue | Debt Service Requirements Principal | Interest | Total | Coverage |
|---|---|---|---|---|---|
| 1999 | $922,000 | $615,000 | $1,173,299 | $1,788,299 | 0.52 |
| 2000 | 8,616,916 | 605,000 | 1,251,512 | 1.856,512 | 4.64 |
| 2001 | 7,583,609 | 630,000 | 1,711,896 | 2,341,896 | 3.24 |
| 2002 | 10,699,505 | 346,000 | 2,850,068 | 3,196,068 | 3.35 |
| 2003 | 12,010,629 | 895,000 | 2,794,504 | 3,689,504 | 3.26 |
| 2004 | 12,835,207 | 2,035,000 | 3,491,256 | 5,526,256 | 2.32 |
| 2005 | 14,065,091 | 2,610,000 | 4,404,180 | 7,014,180 | 2.01 |
| 2006 | 15,925,961 | 3,075,000 | 4,817,908 | 7,892,908 | 2.02 |
| 2007 | 24,953,805 | 2,250,000 | 4,463,106 | 6,713,106 | 3.72 |
| 2008 | 26,535,184 | 2,345,000 | 4,359,236 | 6,704,236 | 3.96 |

Note: (1) Includes the 1991, 1998, 2000, 2003, 2004 and 2007 Bonds.

Source. City of Richmond Annual Financial Statements

## CITY OF RICHMOND
## GENERAL BONDED DEBT
## PENSION OBLIGATION BONDS (1)
## LAST NINE FISCAL YEARS




| Fiscal Year | Bonds Outstanding | Net Assessed Value of Property | Ratio of General Bonded Debt to Net Assessed Value of Property | General Bonded Debt per Capita |
|---|---|---|---|---|
| 2000 | $36,280,000 | $5,766,242,000 | 0.63% | $366 |
| 2001 | 33,040,000 | 6,081,008,000 | 0.54% | 325 |
| 2002 | 31,360,000 | 6,965,210,000 | 0.45% | 310 |
| 2003 | 29,660,000 | 7,091,306,000 | 0.42% | 293 |
| 2004 | 27,945,000 | 7,462,219,000 | 0.37% | 275 |
| 2005 | 26,225,000 | 8,560,934,000 | 0.31% | 255 |
| 2006 | 140,799,775 | 9,441,403,000 | 1.49% | 1,361 |
| 2007 | 143,575,313 | 10,048,259,000 | 1.43% | 1,388 |
| 2008 | 146,453,616 | 13,679,073,000 | 1.07% | 1,414 |

Note: (1) Includes the 1999 Bonds issued in fiscal year 2000, and the 2005 Bonds issued in fiscal year 2006.

Source: City of Richmond Annual Financial Statements



## CITY OF RICHMOND
## COMPUTATION OF DIRECT AND OVERLAPPING DEBT
## JUNE 30, 2008

2007-2008 Assessed Valuation.
$13,679,073,249

| | % Applicable | Debt as of June 30, 2008 | |
|---|---|---|---|
| OVERLAPPING TAX AND ASSESSMENT DEBT: | | | |
| Bay Area Rapid Transit District | 2.672% | $12,486,790 | |
| Contra Costa Community College District | 8.224% | 15,205,354 | |
| West Contra Costa Unified School District 1998, 2000, 2002 and 2005 | 56.473% | 297,621,989 | |
| West Contra Costa Healthcare District Parcel Tax Obligations | 52.200% | 12,851,640 | |
| East Bay Municipal Utility District | 0.912% | 293,345 | |
| East Bay Regional Park District | 3.881% | 5,799,960 | |
| City of Richmond Community Facilities District No 1998-1 | 100.000% | 3,875,000 | |
| City of Richmond 1915 Act Bonds | 100.000% | 21,100,000 | |
| TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT | | 369,234,078 | |
| Less. East Bay Municipal Utility District (100% self-supporting) | | 293,345 | |
| TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT | | 369,527,423 | |
| DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT | | | |
| City of Richmond Port Terminal Authority | 100.000% | 2,385,000 | |
| City of Richmond General Fund Obligations | 100.000% | 101,420,000 | |
| City of Richmond Pension Obligations | 100.000% | 133,280,133 | |
| Contra Costa County General Fund Obligations | 8.197% | 29,666,992 | |
| Contra Costa County Pension Obligations | 8.197% | 40,409,980 | |
| Contra Costa County Board of Education COP | 8.197% | 38,526 | |
| Alameda-Contra Costa Transit District COP | 8.008% | 1,081,080 | |
| Contra Costa Community College District COP | 8.224% | 91,286 | |
| West Contra Costa Unified School District COP | 56.473% | 13,979,891 | |
| TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT | | 322,352,888 | |
| GROSS COMBINED TOTAL DEBT | | $691,586,966 | (1) |
| NET COMBINED TOTAL DEBT | | $691,880,311 | |

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2007-08 Assessed Valuation.

| | |
|---|---|
| Total Net Overlapping Tax and Assessment Debt | 2.70% |

Ratios to Adjusted Assessed Valuation.

| | |
|---|---|
| Gross Combined Total Debt | 5.06% |
| Net Combined Total Debt | 5.06% |

Source: HdL Coren & Cone, Contra Costa County Assessor and Auditor

## CITY OF RICHMOND
## COMPUTATION OF LEGAL BONDED DEBT MARGIN
## JUNE 30, 2008

| | | |
|---|---|---|
| ASSESSED VALUATION: | | |
| Secured property assessed value, net of exempt real property | $12,791,208,000 | |
| BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a) | | $479,670,300 |
| AMOUNT OF DEBT SUBJECT TO LIMIT: | | |
| Total Bonded Debt | $0 | |
| 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 | | $479,670,300 |

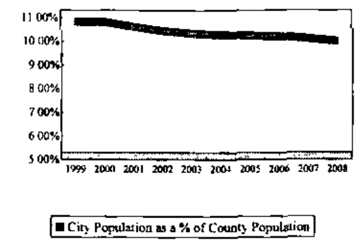
| Fiscal Year | Debt Limit | Total Net Debt Applicable to Limit | Legal Debt Margin | Total net debt applicable to the limit as a percentage of debt limit |
|---|---|---|---|---|
| 1999 | $234,566,363 | 0 | $234,566,363 | 0.00% |
| 2000 | 243,580,088 | 0 | 243,580,088 | 0.00% |
| 2001 | 257,739,525 | 0 | 257,739,525 | 0.00% |
| 2002 | 295,066,500 | 0 | 295,066,500 | 0.00% |
| 2003 | 304,188,488 | 0 | 304,188,488 | 0.00% |
| 2004 | 321,176,925 | 0 | 321,176,925 | 0.00% |
| 2005 | 366,044,400 | 0 | 366,044,400 | 0.00% |
| 2006 | 404,544,075 | 0 | 404,544,075 | 0.00% |
| 2007 | 451,169,588 | 0 | 451,169,588 | 0.00% |
| 2008 | 479,670,300 | 0 | 479,670,300 | 0.00% |

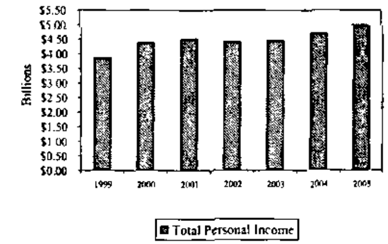
NOTE:

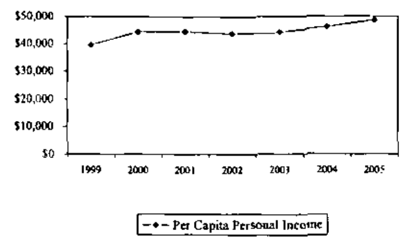
(a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

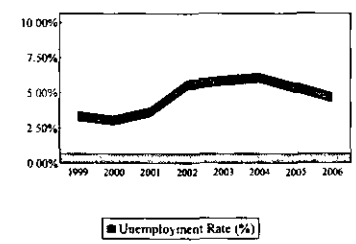


## CITY OF RICHMOND
## DEMOGRAPHIC AND ECONOMIC STATISTICS
## LAST TEN FISCAL YEARS




| Fiscal Year | City Population | Total Personal Income | Per Capita Personal Income | Unemployment Rate (%) | Contra Costa County Population | City Population % of County |
|---|---|---|---|---|---|---|
| 1999 | 97,800 | $3,875,129,400 (A) | $39,623 (B) | 3.0% (B) | 915,793 | 10.68% |
| 2000 | 99,216 | 4,413,028,464 (A) | 44,479 (B) | 2.7% (B) | 930,025 | 10.67% |
| 2001 | 101,716 | 4,527,277,444 (A) | 44,509 (B) | 3.3% (B) | 972,103 | 10.46% |
| 2002 | 101,076 | 4,428,442,788 (A) | 43,813 (B) | 5.2% (B) | 981,600 | 10.30% |
| 2003 | 101,373 | 4,479,875,616 (A) | 44,192 (B) | 5.5% (B) | 994,900 | 10.19% |
| 2004 | 101,655 | 4,697,579,205 (A) | 46,211 (B) | 5.7% (B) | 1,003,900 | 10.13% |
| 2005 | 103,012 | 5,008,237,416 (A) | 48,618 (B) | 5.0% (B) | 1,020,898 | 10.09% |
| 2006 | 103,468 | (C) | (C) | 4.3% (B) | 1,029,377 | 10.05% |
| 2007 | 103,828 | (C) | (C) | (C) | 1,042,341 | 9.96% |
| 2008 | 103,577 | (C) | (C) | (C) | 1,051,674 | 9.85% |

Notes: (A) Data not available. Calculated by multiplying City Population by Per Capital Personal Income.
(B) Data not available for the City therefore data presented is for Contra Costa County.
(C) Data not yet available.

Source: California State Department of Finance

## CITY OF RICHMOND
### Principal Employers
### Current Year

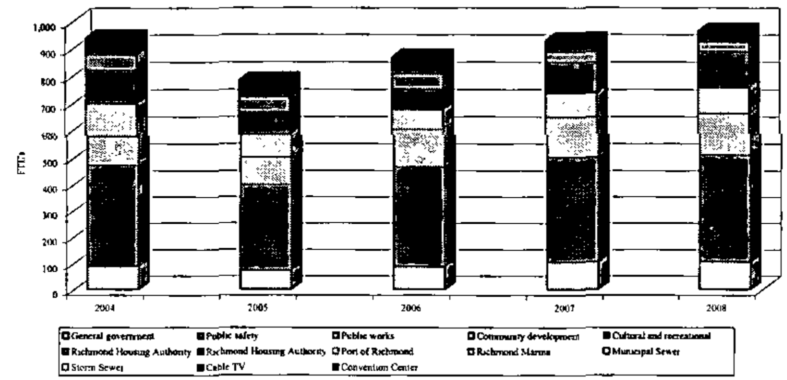
| Employer | Number of Employees (2007-08) | Rank (2007-08) | Percentage of Total City Employment (2007-08) |
|---|---|---|---|
| Chevron U.S.A., Inc. | 2,461 | 1 | 2.5% |
| The Permanente Medical Group | 786 | 2 | 0.8% |
| Wal-Mart Store 3455 | 350 | 3 | 0.4% |
| Costco Wholesale #482 | 278 | 4 | 0.3% |
| California Autism Foundation, Inc. | 250 | 5 | 0.3% |
| Macy's Hilltop | 242 | 6 | 0.2% |
| The Home Depot #643 | 209 | 7 | 0.2% |
| Veriflo Division | 185 | 8 | 0.2% |
| Sealy Mattress Co. | 184 | 9 | 0.2% |
| TPMG Regional Laboratory | 176 | 10 | 0.2% |
| Subtotal | 5,121 | | 5.3% |
| Total City Day Population | 97,391 | | |

Source: City of Richmond Community Development Department

Notes: The City of Richmond did not prepare a Comprehensive Annual Financial Report prior to fiscal year 2006, therefore, information for fiscal year 1998/99 is not available.
Employers exclude governmental employees.



## CITY OF RICHMOND
### Full-Time Equivalent City Government Employees by Function
### Last Five Fiscal Years




| Function | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| General government | 89.0 | 71.5 | 87 2 | 104 0 | 105 5 |
| Public safety | 382.0 | 327.0 | 378.5 | 396.5 | 405 0 |
| Public works | 109 0 | 103.0 | 139 5 | 150.0 | 154 0 |
| Community development | 120 9 | 84 9 | 73.0 | 88.0 | 96 0 |
| Cultural and recreational | 121 6 | 80.8 | 74 4 | 113.2 | 130 4 |
| Housing and redevelopment | 38 2 | 39.2 | 39.0 | 39.0 | 41.0 |
| Richmond Housing Authority and RHA Properties | 56.0 | 56.0 | 56 0 | 36 5 | 34.0 |
| Port of Richmond | 6.1 | 5.1 | 5.0 | 6.0 | 6.0 |
| Richmond Marina | (1) | (1) | (1) | (1) | (1) |
| Municipal Sewer | (1) | (1) | (1) | (1) | (1) |
| Storm Sewer | (1) | (1) | (1) | (1) | (1) |
| Cable TV | (1) | (1) | (1) | (1) | (1) |
| Convention Center | (1) | (1) | (1) | (2) | (2) |
| Total | 922 80 | 767.50 | 852 60 | 933.20 | 971.90 |

Adopted for Fiscal Year Ended June 30,

Source: City of Richmond Budget
Notes:
Data prior to fiscal year 2004 was not available
(1) These services are provided by outside contractors.
(2) Convention Center closed during renovation and staff moved under cultural and recreational

## CITY OF RICHMOND
### Operating Indicators by Function/Program
### Fiscal Year Ended June 30

| | 2006 | 2007 | 2008 |
|---|---|---|---|
| **Function/Program** | | | |
| Public safety: | | | |
| Fire: | | | |
| Fire calls for service | 10,068 | 11,006 | 10,677 |
| Primary fire inspections conducted | 5,502 | 9,795 | 5,581 |
| Number of firefighters | 93 | 99 | 99 |
| Number of firefighters and civilians per thousand population | 0.9 | 1.0 | 1.0 |
| Police: | | | |
| Number of police officers per thousand population | 1.7 | 1.7 | 1.7 |
| Number of sworn officers | 179 | 179 | 187 |
| Water | | | |
| Daily average consumption in gallons per family | 250 | 250 | 250 |

Source: City of Richmond

**Notes:**

The City of Richmond did not prepare a Comprehensive Annual Financial Report prior to fiscal year 2006, therefore, information prior to that year is not available.



## CITY OF RICHMOND
### Capital Asset Statistics by Function/Program
### Fiscal Year Ended June 30

| | 2006 | 2007 | 2008 |
|---|---|---|---|
| Function/Program | | | |
| Public safety: | | | |
| Fire stations | 7 | 7 | 7 |
| Police stations | 6 | 6 | 6 |
| Library (#) of Locations | 1 | 1 | 3 * |
| (* two branch library sites were refurbished and opened in January 2008) | | | |
| Public works | | | |
| Miles of streets | 280 | 280 | 280 |
| Street lights | 7,000 | 7,000 | 7,000 |
| Urban Forest (trees) | 39,900 | 40,200 | 40,200 |
| Culture and recreation | | | |
| Community services | | | |
| City parks | 53 | 55 | 55 |
| City parks acreage | 280.0 | 336.6 | 336.6 |
| Open Space & Public Landscapes acreage | 562.0 | 510.0 | 510.0 |
| Lawn bowling | 1 | 1 | 1 |
| Recreation centers | 8 | 8 | 8 |
| Auditorium/Theater | 1 | 1 | 1 |
| Gymnasiums | 3 | 3 | 3 |
| Senior centers | 2 | 2 | 2 |
| Headstart centers/day cares | 10 | 6 | 6 |
| Putting green | 1 | 1 | 1 |
| Basketball courts | 28 | 28 | 28 |
| Swimming pools | 1 | 1 | 1 |
| Tennis courts | 17 | 20 | 20 |
| Baseball/softball diamonds | 26 | 26 | 26 |
| Soccer/football fields | 17 | 17 | 17 |
| Cricket fields | 2 | 2 | 2 |
| Water | | | |
| Fire hydrants | 3,153 | 3,153 | 3,153 |
| Wastewater | | | |
| Miles of sanitary sewers | 230 | 230 | 230 |
| Miles of storm sewers | 310 | 310 | 310 |
| Land Area (square miles) | 33.7 | 33.7 | 33.7 |
| Miles of waterfront | 32 | 32 | 32 |

Source: City of Richmond

**Note:**

The City of Richmond did not prepare a Comprehensive Annual Financial Report prior to fiscal year 2006, therefore, information prior to that year is not available.

## APPENDIX C

## THE PORT OF RICHMOND

### Description and Location

Immediately prior to the turn of the century, the Richmond area was selected as the western terminus by the Santa Fe Railroad because of the availability of deepwater access to San Francisco Bay. During the first half of the 20th century, the Port of Richmond (the "Port") was developed and expanded by private interests, the federal government and the City of Richmond (the "City"). The Port consists of and comprises five City owned terminals, five dry docks and 11 privately owned terminals. There are of 32 deep water berths with piers, wharves and docks in the Port area, and extensive on shore facilities to store, service and handle inbound and outbound cargoes.

At the City-owned facilities the principal cargoes handled are petroleum products, chemicals, petro-chemicals, vegetable oils and molasses, steel products, and foreign automobiles. In addition, the Port operates layberthing activities, ship repairs, and scrapping operations, and accommodates a number of specialized maritime activities. Chevron U.S.A. ("Chevron") operates extensive petroleum shipping and terminal operations at its own facilities on a portion of the City's waterfront.

The Port facilities are located on approximately 600 acres of land immediately adjacent to the Richmond harbor channels. The City owns approximately 200 acres landside, which include the seven marine terminals which are leased and operated by private lessors under lease contract with the Port. While the leases provide monthly rental income, revenues derived by the Port come primarily from dockage and wharfage fees. See also "–Rates and Charges." In addition to the six City owned terminals, the Port of Richmond has 11 privately owned and operated terminals. The largest privately owned and operated terminal in terms of volume is the Chevron terminal which handles more than 20.8 million metric tons of general, liquid and dry bulk commodities each year. The Port of Richmond does not charge any wharfage or dockage fees for cargo loaded or unloaded at the privately owned terminals. However, the privately owned terminals do contribute to the local Richmond economy, and provide revenue to the City and County through the levy of property taxes and other fees.

Water access from the entrance to San Francisco Bay to Richmond is provided by the federally-maintained John F. Baldwin Ship Channel and the Richmond Harbor Channel. The Baldwin Channel and the Long Wharf maneuvering area at the entrance to the Richmond Harbor Channel are maintained at 45 feet Mean Lower Low Water ("MLLW"). The Richmond Inner Harbor was deepened from 35 to 38 feet in 1998. Land Access is provided by the interstate highway system. Transcontinental Interstate 80 leads to Sacramento, Reno, and eastward, and connects with north-south, Canada-to-Mexico, Interstate 5. The John T. Knox Freeway, designated Interstate 580, passes through the port area and connects Interstate 80 with the Richmond-San Rafael Bridge, which leads to north-south U.S. Highway 101. On-dock rail service is provided to many port terminals by the BNSF Railway Company ("BNSF") and the Union Pacific Southern Pacific railways and can be quickly reached by low-cost truck service. It is only three days to or from Chicago by rail, and five days by truck.

The Port handles a widely varied assortment of cargoes, although over 90% of the annual tonnage is in liquid bulk cargo, most of which is shipped through the private Chevron USA Long Wharf facility. Principal liquid bulk cargoes are petroleum and petroleum products, chemicals and petrochemicals, coconut oil and other vegetable oils, tallow and molasses. Dry bulk commodities include coal, gypsum, iron ore, cement, logs and various mineral products. Automobiles, agricultural vehicles, steel products, scrap metals, and other diversified break bulk cargoes are also a significant part of the Port's business. The City is currently undertaking a 10-year Port expansion plan that is designed to increase the capacity and profitability of the Port.

Since 2004, the City has had a lease agreement with Auto Warehousing Co. ("AWC") for the operation on City property of an auto importation business, which handles upwards of 100,000 automobiles per year arriving on ships from South Korea. The City is amending that lease agreement to include additional operations that will handle upwards of 145,000 automobiles per year from Japan. Private terminals are responsible for almost 95% of the Port's annual tonnage. On dock rail service is provided to many port terminals by BNSF and the Union Pacific. The Port, together with the BNSF operations, serves as an intermodal rail facility. Interstate 580 has enhanced truck access to the Port. See also "THE 2009 PROJECT."

**Administration**

The Port of Richmond is a public enterprise fund established by the City and is administered as a department of the City. Operations include the marine terminal facilities and commercial property rentals. The financial statements are included as an enterprise fund in the general purpose financial statement of the City. The City Council acts as the governing board of the Port, and sets the Tariff which details the rates, charges, rules and regulations applying at the Port owned municipal terminals. Resumes of the key administrative staff of the Port are set forth below.

The Port Department is managed by the Port Director who reports to the City Manager, who in turn reports to the City Council. The City Council is comprised of a directly elected Mayor and eight City Councilmembers. The Mayor and Councilmembers are elected by the voters of the City of Richmond for four-year terms with the Mayor and four Councilmembers elected at one election and the three other Councilmembers elected at elections two years after (mid-term) the Mayor's election. The Port Department administers the City of Richmond owned marine terminal facilities on the City shoreline by acting as the landlord to the terminal lessees. The City Council in effect acts as a Board of Port Commissioners.

***James C. Matzorkis, Executive Director.*** James C. Matzorkis became Port Director in 2001. He is responsible for the overall management and operation of the Port. From 1998 to 2001, Mr. Matzorkis served as the Marketing Manager at the Port. Mr. Matzorkis has been in the Maritime Industry since 1981. His experience includes management of stevedoring and terminal operations, international and domestic vehicle distribution, sales and marketing, and business planning and development. Mr. Matzorkis has a Bachelor of Arts degree in Business Administration from the University of Maryland, is on the Board of Directors of the Bay Planning Coalition and is on the Executive Advisory Committee of the California Association of Port Authorities.

***Norman K. Chan, Port Administrator.*** Norman K. Chan has over 25 years of engineering experience related to marine construction. He received his Associate Degree from City College of San Francisco in Architectural Technology and a Bachelor's Degree from California State University, Sacramento in Construction Engineering. Prior to joining the Port, Mr. Chan worked for a private construction company in Sacramento. His current responsibilities include budgeting, property management, engineering, maintenance and capital improvements.

***Tom Wilson*, *Port Maintenance Manager*.** Tom Wilson is responsible for the maintenance of five City-owned marine terminals. He also acts as the field project manager and Port Security Officer. Mr. Wilson has a Bachelor of Science in Electrical Engineering from the Virginia Military Institute. His professional experience spans eight years as a Surface Warfare Officer in the United States Navy, nine years as Port Captain at Marin Tug and Barge based out of Richmond California and since February 1997 has been at the Port.

**Facilities**

***Terminals and Dry Docks.*** Richmond has 32 miles of shoreline along the northern and eastern reaches of San Francisco Bay. There are six City-owned terminals and five dry docks. These tenant operated terminals handle a wide range of liquid commodities, automobiles, steel products and other diversified cargoes. The Port of Richmond also encompasses 10 privately owned terminals handling bulk liquid, dry bulk materials, metals, and break-bulk cargoes. A description of the City-owned terminals follows:

Terminal 2. This Terminal is comprised of approximately eight acres located at 1145 Harbour Way South and docking with berthing depth of approximately 35 feet below MLLW for vessels up to 720 feet in length. Terminal 2 is equipped with a 50 foot by 45 foot concrete wharf, a 225 foot by 45 foot timber wharf and two warehouses with a total of approximately 140,000 square feet for storage and distribution of liquid bulk commodities. This Terminal also features a rail connection to the BNSF railway line.

Terminal 3. This Terminal is comprised of approximately 20 acres located at 1411 Harbour Way South and docking with berthing depth of approximately 35 feet below MLLW for vessels up to 1,000 feet in length. Terminal 3 is equipped with a 1,009 foot by 105 foot concrete wharf and an approximately 80,000 square foot warehouse for import, storage and distribution of break bulk, project cargo, and containers. This Terminal also features two 37 short ton wharf-side container cranes.

Terminal 4. This Terminal is comprised of approximately 37 acres located at 2101 Western Drive and is has berthing facilities for vessels up to 1,000 feet at a MLLW of 28 feet at dockside. Terminal 4 is equipped with a 1,000 foot by 25 foot concrete wharf and an approximately 12,000 square foot transit shed. This terminal also features a rail connection to the BNSF railway line

Point Potrero Marine Terminal (Terminals 5, 6 and 7). This terminal is comprised of approximately 130 acres located at 1301 Canal Boulevard and has docking facilities for vessels up to 500 feet at Terminal 5, 400 feet at Terminal 6 and 1,000 feet at Terminal 7 with berthing depths varying from 20 to 35 feet below MLLW. The Point Potrero facility consists of two 2,300 foot by 135 foot concrete wharves, two 550 foot by 50 foot concrete piers, one 750 foot by 100 foot and four 575 foot by 100 foot graving docks and two warehouses with a total of approximately 140,000 square feet for import, storage and distribution of autos, break bulk and dry bulk. This Terminal also features a rail connection to the BNSF railway line with 11 rail car spots.

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The following tables set forth the principal customers of the Port for the last five Fiscal Years by revenue and by tonnage.

**Table C-1**
**Port of Richmond**
**City Owned Terminals**
**Principal Customers by Revenue**

| Name | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|---|---|---|---|---|---|
| AutoWarehousing Co. | N/A | $2,525,108 | $2,827,750 | $2,564,484 | $2,301,471 |
| SSA/Matson | 484,201 | 78,690 | 2,216,094† | 1,085,305 | 1,105,415 |
| ISS Marine Service | 143,728 | 203,387 | 290,408 | 317,836 | 400,290 |
| Foss Marine | 118,050 | 111,117 | 111,963 | 168,223 | 289,849 |
| Marine Spill Response | 254,780 | 207,442 | 217,019 | 248,707 | 260,156 |
| California Oils | 283,010 | 230,612 | 204,216 | 206,145 | 206,808 |
| Translogix, LLC | N/A | 201,292 | 147,970 | 197,480 | 161,874 |
| Barwill | N/A | 142,822 | 114,745 | 145,376 | 161,239 |
| Tutor-Saliba Corporation | 255,560 | 314,892 | N/A | N/A | N/A |
| Agra Foundations | 393,347 | 160,549 | N/A | N/A | N/A |
| SUBTOTAL | 1,539,329 | 4,175,911 | 6,130,166 | 4,933,555 | 4,887,102 |
| All Other | 951,818 | 1,737,561 | 0 | 459,071 | 1,347,526 |
| TOTAL | $2,491,147 | $5,913,472 | $6,130,166 | $5,392,626 | $6,234,628 |
| Percent change | – | 137% | 4% | (12%) | 16% |

† Includes revenues collected from prior years
*Source: Port of Richmond.*

**Table C-2**
**Port of Richmond**
**City Owned Terminals**
**Principal Customers by Tonnage**
**(Metric Tons)**

| Name | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|---|---|---|---|---|---|
| California Oils | 82,975 | 94,670 | 82,508 | 116,165 | 128,402 |
| Stevedoring Services | 38,723 | 115,654 | 60,742 | 32,707 | 43,850 |
| Auto Warehousing Co. | 580 | 151,166 | 174,874 | 182,732 | 174,330 |
| TOTAL | 122,278 | 361,490 | 318,124 | 331,604 | 346,582 |
| Percent Change | – | 66% | (14.0%) | 4% | 5% |

*Source: Port of Richmond*

***Privately Owned Terminals.*** There are also 10 privately owned terminals for handling bulk liquid, dry bulk materials, metals and break-bulk cargo located at the Port from which the Port collects tariffs. See "–Rates and Charges." These terminals are owned by: BP-West Coast Product Co., Chevron U.S.A. Products Co., Conoco Phillips Richmond Terminal, International Matex Tank Terminals, Kinder Morgan, Levin-Richmond Terminal, Manson Construction Co., National Gypsum Co., Pacific Atlantic Terminals and Sims America.

## Cargo

The Port of Richmond handles bulk liquid, break bulk and vehicles as its primary cargoes. Bulk liquid cargo includes petroleum products, chemicals and petro-chemicals, coconut oil, vegetable oils, tallow and molasses. Dry bulk commodities include coal bauxite, gypsum, iron, ore, cement logs, and mineral products. Automobiles, agricultural vehicles, steel products, scrap metals are also significant. The following table shows a five year history of cargo tonnage and vessel landings for the Port of Richmond City owned terminals.

**Table C-3**
**Port of Richmond**
**City Owned Terminals**
**Cargo Tonnage and Vessel Landings**
**Fiscal Years**
**(Metric Tons)**

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|---|---|---|---|---|---|
| Vegetable Oils | 82,975 | 94,670 | 82,508 | 116,165 | 128,402 |
| Vehicles and Parts | 39,303 | 266,820 | 235,616 | 215,439 | 118,180 |
| TOTAL | 122,278 | 361,490 | 318,124 | 331,604 | 346,581 |
| Number of Vessel Landings | 42 | 108 | 127 | 103 | 101 |

*Source: Port of Richmond.*

## Rates and Charges

***Overview.*** While each of the 11 State public ports, including the Port, control their individual charges and tariff structures, these ports cooperate in setting tariff rates through membership in the California Association of Port Authorities ("CAPA"). CAPA was established in 1940 to promote the interests of the State's ports, maintain the formal agreements on behalf its member ports with the Federal Maritime Commission (the "FMC") and provides regular communication with the FMC and other national interests. CAPA strives to establish and maintain reasonable ad, as far as practicable, uniform terminal rates, charges, classifications, rules and regulations for the handling and movements of domestic and foreign waterborne cargo. Tariffs cover assignment of marine terminal facilities as well as other rate and provisions for vessel dockage, wharfage, wharf storage, wharf demurrage (the detention in port of a vessel by the shipowner, as in loading or unloading, beyond the time allowed or agreed upon), container crane rental and other miscellaneous charges necessary for the orderly movement of cargo. CAPA is exempt from federal antitrust laws in connection with its cooperative rate-setting. If CAPA declines approval of any member's proposed rate, such member may still act independently with regard to its specific tariff structure by giving a written 10 day notice to CAPA. Upon receipt of such notice CAPA may consult with other CAPA members and make advisory, but purely non-binging recommendations. Federal, State and local governmental entities also have the ability to impose additional charges on various port activities.

In addition to the tariffs, the Port negotiates other charges (*i.e.* rentals and leases of Port property) that are not within the purview of CAPA but must be fixed and filed with the FMC, on a case-by-case basis. The Port sets such charges based on its labor costs, competition, the amount of equipment and investment required and long-term business considerations.

Management of the Port estimates that the tariff charges constitute approximately 78% of the Port's revenues from cargo operations.

## Grant Funding

The Port receives grants from federal, State and local entities for various port related projects, including security projects relating to federal and State requirements. The Port, along with the ports of Oakland, San Francisco and Stockton is part of the Tier One Port Area for purposes of allocating federal Port Security Grants, which are granted in a series of rounds. The Port has received grants from the Office of Homeland Security, the Transportation Security Administration, the State, Association of Bay Area Governments and the Bay Conservation and Development Commission in the aggregate amount of $3.8 million to implement increased security measures, bay trail design and expansion, and wharf removal.

## Master Planning

***Strategic Business Plan.*** In May 2007, TransDevelopment Group prepared a strategic business plan (the "Business Plan") analyzing the Port in relationship to the growing global markets The Business Plan was presented The Business Plan and contains recommendations for maximizing the strengths and infrastructure of the Port, addresses the current state of the Port and recommends future opportunities for handling local and regional cargos. The recommendations contained in the Business Plan, include, among other recommendations, expanding rail access within the Point Potrero facility and leveraging the existing business base to expand the capacity of the Port as a point of entry for import vehicles (see "THE PROJECT"), guiding the private sector investment toward "green" operations, and promoting planned development of land-side and terminal resources.

***Capital Improvement Plan.*** The Port maintains multi-year capital plans for budgeting and planning purposes. These plans are periodically revised by Port staff and approved by the City based upon available funding sources, anticipated capital needs, and project priority.

The most recent revision to the five-year Capital Plan corresponds to the period between Fiscal Year 2009-10 through Fiscal Year 2012-13 and includes an aggregate of approximately $74.9 million in projects. Of this total, approximately $5.9 million is expected to be funded with grants, $31 million is expected to be funded from operating revenues and approximately $38 million is expected to be financed through the issuance of new debt. The Capital Plan includes the 2009 Project, land and Terminal improvements, wharf improvements, paving and improvements to Port office facilities.

## Competition

The Port competes for cargo with the other ports in the San Francisco Bay Area located in Benicia, Oakland, Redwood City, Sacramento, San Francisco and Stockton and with other modes of transportation. This principally occurs when shippers modify distribution systems to integrate an intermodal segment more efficiently, principally rail and truck.

## Budgetary and Financial Procedures

Maintenance, operations and capital expenditures costs and debt service requirements of the Port are developed annually by the Port Director. These estimates/projects are submitted as expenditures plan to the City Council prior to June 1 of the fiscal year. The City Council then conducts a public hearing to receive comments regarding the proposed expenditure plan. The City Council also holds an in-depth study session of the proposed expenditures plan with management of the Port. Prior to July 1, the City Council adopts the expenditure plan, as adjusted in the study session, as the budget of the Port.

The City Manager is authorized by the City Council to transfer budget amounts as needed between expenditure categories within the Port enterprise fund. However, revisions that increase the total budgeted expenditures of such fund must be taken to the City Council for approval.

**Outstanding Port Obligations**

The Port has outstanding $2,385,000 principal amount of Port Terminal Lease Revenue Refunding Bonds, Series 1999A which mature on June 1, 2009. Funds sufficient to repay these bonds are on deposit with the bond trustee. These bonds will be repaid prior to the delivery of the Series 2009 Bonds and the pledge of subordinated Net Revenues will have terminated. The Port also owes the General Fund $17.04 million for advances made by the City to fund Port obligations in the past.

**Financial Statements**

The financial statements of the Port are included as a Major Proprietary Fund of the City.

The Port allocates to each of its revenue divisions (Aviation, Maritime and Commercial Real Estate) expenses directly related to their respective operations. In addition, the Port annually allocates indirect costs to those divisions based on a cost allocation plan. Allocated indirect costs include general operating expenses, maintenance, advertising and promotion, administrative expenses, depreciation and amortization and interest expense.

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### Historical Net Port Revenues

The following table sets forth the statements of revenues and expenses of the Port for the last five Fiscal Years, which have been summarized from the financial statements of the City.

**Table C-4**
**Historical Net Port Revenues**
**Fiscal Years Ending June 30**

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|---|---|---|---|---|---|
| Operating Revenues | | | | | |
| Marina Berth Rentals | $268,368 | $119,844 | $136,200 | $186,216 | $170,331 |
| Service Charges | 2,051,026 | 5,793,628 | 4,611,293 | 3,469,371 | 4,321,085 |
| Lease Income | 100,653 | – | 1,372,664 | 1,737,039 | 1,444,088 |
| Reimbursement for Dredging | – | – | – | – | – |
| Other | 71,100 | – | 10,009 | – | (35,378) |
| TOTAL OPERATING REVENUES | $2,491,147 | $5,913,472 | $6,130,166 | $5,392,626 | $5,900,126 |
| | | | | | |
| Operating Expenses | | | | | |
| Salaries and Wages | $659,414 | $595,137 | $682,846 | $735,394 | $837,443 |
| General and Administrative | 939,548 | 677,074 | 855,095 | 1,345,398 | 2,129,592 |
| Maintenance | 17,685 | 1,287 | 2,988 | 22,075 | 50,661 |
| Depreciation | 262,629 | 382,379 | 686,352 | 908,726 | 919,326 |
| Other | – | – | 1,350 | 3,440 | 7,037 |
| TOTAL OPERATING EXPENSES | $1,879,276 | $1,655,877 | $2,228,631 | $3,015,033 | $3,944,059 |
| | | | | | |
| Operating Income (Loss) | $611,871 | $4,257,595 | $3,901,535 | $2,377,593 | $1,956,067 |
| | | | | | |
| Net Revenues (excludes depreciation) | $874,500 | $4,639,974 | $4,587,887 | $3,286,319 | $2,875,393 |

† Amounts paid to settle a dispute with respect to a lease agreement.

*Sources: Audited Financial Statements of the City–Major Enterprise Funds–Port of Richmond for periods ending June 30, 2004 through June 30, 2008.*

## APPENDIX D

## SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

*Certain provisions of the Facilities Lease, the Site Lease and the Trust Agreement, not previously discussed in this Official Statement, are summarized below. These summaries do not purport to be complete or definitive and are qualified in their entirety by reference to the full terms of the documents.*

### CERTAIN DEFINITIONS

The following are definitions of certain of the terms defined in the Facilities Lease or the Trust Agreement, to which reference is hereby made. The following definitions are equally applicable to both the singular and plural forms of the terms defined herein. Capitalized terms not otherwise defined herein will have the meaning assigned to such term in the Trust Agreement or, if not defined therein, in the Facilities Lease.

"Act" means the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto.

"Additional Payments" means all amounts payable to the Authority or the Trustee or any other person from the City as Additional Payments pursuant to the Facilities Lease.

"AHM" means the American Honda Motors Co., Inc.

"AHM MAG Agreement" means that certain Minimum Annual Guaranty Agreement, dated as of June 12, 2009, by and among the City, AHM, and AWC.

"AWC" means the Auto Warehousing Co., a corporation organized and existing under and by virtue of the laws of the State of Washington.

"AWC Payments" means payments payable to the City under the Operating Lease.

"Annual Debt Service" means, for each Bond Year, the sum of (1) the interest (including any compound interest) payable on all Outstanding Bonds in such Bond Year, assuming that all Outstanding Serial Bonds are retired as scheduled, (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Bond Year (together with the redemption premiums, if any, thereon), and (3) the minimum amount of such Outstanding Term Bonds required to be paid or called and redeemed in such Bond Year.

"Average Annual Debt Service" means the average Bond Year Annual Debt Service over all Bond Years.

"Authority" means the Richmond Joint Powers Financing Authority created pursuant to the Act and its successors and assigns in accordance herewith.

"Base Rental Payments" means all amounts payable to the Authority from the City as Base Rental Payments pursuant to the Facilities Lease.

"Base Rental Payment Date" means the dates on which the Base Rental Payments shall be due as set forth in the schedule of Base Rental Payments attached to the Facilities Lease.

"Base Rental Payment Schedule" means the schedule of Base Rental Payments payable to the Authority from the City pursuant to the Facilities Lease and attached thereto.

"BNSF Agreement" means that certain Reimbursement Agreement, dated as of May 15, 2009, by and between the City and BNSF Railway Company providing for the construction of a portion of the BNSF Rail Improvements and continuing rail service to the Facilities.

"BNSF Rail Improvements" means those certain improvements to rail facilities owned by BNSF Railway Company that are to be funded with a portion of the proceeds of the Series B Bonds pursuant to the Operating Lease and the BNSF Agreement.

"Bond Counsel" means a firm of recognized standing in the field of obligations, the interest on which is excluded from gross income for purposes of federal income taxation.

"Bond Year" means the twelve-month period ending on July 1 of each year to which reference is made.

"Bonds" means, collectively, the Richmond Joint Powers Financing Authority Point Potrero Lease Revenue Bonds, Series 2009A and the Richmond Joint Powers Financing Authority Point Potrero Taxable Lease Revenue Bonds, Series 2009B issued and so designated by the Authority under and pursuant to the Trust Agreement.

"Business Day" means any day other than a Saturday or Sunday or day upon which the Trustee is authorized by law to remain closed.

"Certificate of the Authority" means an instrument in writing signed by or on behalf of the Authority by its President, Vice President, Executive Director or Treasurer/Auditor, or by any other officer of the Authority duly authorized by the governing board of the Authority to sign documents on its behalf of the Trust Agreement.

"City" means the City of Richmond, a municipal corporation duly organized and existing pursuant to its charter and the Constitution of the State.

"City Site Lease" means that lease, entitled "Site Lease" dated as of July 1, 2009, by and between the City, as lessor, and the Authority, as lessee, as originally executed and recorded or as it may from time to time be supplemented, modified or amended pursuant to the provisions thereof and of the Trust Agreement.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor statute thereto, and any regulations promulgated thereunder.

"Continuing Disclosure Agreement" means that Continuing Disclosure Agreement dated as of the date of issuance of the Bonds, as originally executed or as it may from time to time be supplemented, modified or amended pursuant to the provisions thereof.

"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 Site Lease, the Facilities Lease, the Trust Agreement, the Continuing Disclosure Agreement and the sale of the Bonds, 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, consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the Bonds, fees of the Authority and any other cost, charge or fee in connection with the original execution and delivery of the Bonds.

"Costs of Issuance Fund" means the fund by that name established pursuant to the Trust Agreement.

"Demised Premises" means that certain real property situated in the City, described in Exhibit A-1 attached to the Facilities Lease and made a part thereof, or any real property substituted for all or any portion of such property in accordance with the Facilities Lease and the Trust Agreement; subject, however, to any conditions, reservations and easements of record known to the City.

"Enterprise" means the City's entire port and harbor property, facilities and equipment, including the Port Enterprise Facilities and all additions, extensions and improvements which may be thereafter made thereto, but excluding any Special Facilities.

"Event of Default" shall have the meaning specified in the Facilities Lease.

"Facilities" means, collectively, (i) the buildings and other facilities existing on the Demised Premises described in Exhibit A-2 attached to the Facilities Lease, and (ii) the portions of the 2009 Project located on the Demised Premises.

"Facilities Lease" means the Facilities Lease, dated as of July 1, 2009, between the Authority and the City, as originally executed and as it may from time to time be amended or supplemented pursuant to the provisions thereof and any such amendment or supplement.

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

"Holder" means any person who shall be the registered owner of any Outstanding Bond.

"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 or a comparable successor, appointed and paid by the Authority, 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 Authority;

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

(3) is not connected with the Authority as a member, officer or employee of the Authority, but who may be regularly retained to audit the accounting records of and make reports thereon to the Authority.

"Information Services" means Financial Information, Inc., Daily Called Bond Service, 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Mergent/FIS, Inc., 5250 77 Center Drive, Suite 150, Charlotte, NC 28217, Attn: Called Bond Department; and Standard & Poor's J.J. Kenny Drake, Inc., 55 Water Street, New York, NY 10041-0001, Attention: Notification Department; and, in accordance with then current guidelines of the Securities and Exchange Commission, any other information services providing information with respect to called bonds that the Authority may designate in a Certificate of the Authority delivered to the Trustee.

"Insurance Consultant" means an individual or firm employed by the City, including the Risk Manager of the City, that has personnel experienced in actuarial methodology in the field of risk management.

"Interest Payment Date" means a date on which interest is due on the Bonds, being January 1 and July 1 of each year to which reference is made, commencing on January 1, 2010.

"Joint Powers Agreement" means the Joint Exercise of Powers Agreement by and between the City and the Redevelopment Agency of the City of Richmond, dated December 1, 1989, as originally executed and as it may from time to time be amended or supplemented pursuant to the Trust Agreement and thereof.

"Maximum Annual Debt Service" means the largest Annual Debt Service during the period from the date of such determination through the final maturity date of any Outstanding Bonds.

"Net Port Revenues" means Net Revenues as defined in the Ordinance; provided that "Net Port Revenues" shall expressly exclude Special Facility Revenue.

"Operating Lease" means the operating lease, entitled "Second Amended and Restated Lease Agreement" and dated as of May 19, 2009, by and between the City and AWC.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority or an opinion signed by an attorney or firm of attorneys (who may be counsel to the City) selected by the City.

"Ordinance" means Ordinance No. 27-08 N.S. of the City, as adopted on November 25, 2008.

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

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

(2) Bonds paid or deemed to have been paid within the meaning of the provisions of the Trust Agreement; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Authority pursuant to the Trust Agreement.

"Permitted Encumbrances" means (1) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the City may, pursuant to the Facilities Lease, permit to remain unpaid; (2) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of the Facilities Lease in the office of the City Recorder of the City and which the City certifies in writing will not materially impair the use of the Demised Premises; (3) the Site Lease, as it may be amended from time to time; (4) the Facilities Lease, as it may be amended from time to time; (5) the Trust Agreement, as it may be amended from time to time; (6) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (7) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions to which the Authority and the City consent in writing and certify to the Trustee will not materially impair the leasehold interests of the Authority or use of the Facilities by the City; and (8) subleases and assignments of the City which will not adversely affect the exclusion from gross income of interest on the Series A Bonds.

"Permitted Investments" means to the extent permitted by State law, the following obligations which may be used as permitted investments for all purposes, including defeasance investments in refunding escrow accounts:

(1) Cash deposits (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in the next paragraph).

(2) Direct obligations of (including obligations issued or held in book entry form on the books of the Department of Treasury) the United States of America. In the event these securities are used for defeasance, they shall be non-callable and non-prepayable.

(3) Obligations of the following federal agencies so long as such obligations are backed by the full faith and credit of the United States of America.

a. U.S. Export-Import Bank (Eximbank)
b. Rural Economic Community Development Administration
c. Federal Financing Bank
d. General Services Administration
e. U.S. Maritime Administration
f. U.S. Department of Housing and Urban Development (PHAs)
g. General Services Administration
h. Small Business Administration
i. Government National Mortgage Association (GNMA)
j. Federal Housing Administration
k. Farm Credit System Financial Assistance Corporation

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

a. Senior debt obligations rated in the highest long-term rating category by at least two nationally recognized rating agencies issued by Fannie Mae or Federal Home Loan Mortgage Corporation (FHLMC).

b. Senior debt obligations of the Federal Home Loan Bank System.

(5) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which either (a) have a rating on their short-term debt obligations rated in the highest short-term rating category of at least two nationally recognized rating agencies, (b) are insured at all times by the Federal Deposit Insurance Corporation, or (c) are collateralized with direct obligations of the United States of America at 102% valued daily. All such certificates must mature no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank).

(6) Commercial paper which is rated at the time of purchase in the highest short-term rating category of at least two nationally recognized rating agencies and which matures not more than 270 days after the date of purchase.

(7) Investments in (a) money market funds subject to SEC Rule 2a-7 and rated in the highest short-term rating category of at least two nationally recognized rating agencies including any such funds for which the Trustee or an affiliate provides investment management or other services and (b) public sector investment pools operated pursuant to SEC Rule 2a-7 in which the Authority's deposit shall not exceed 5% of the aggregate pool balance at any time and such pool is rated in one of the two highest short-term rating categories of at least two nationally recognized rating agencies.

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

a. which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest long-term rating category of at least two nationally recognized rating agencies; or

b. which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or direct obligations of the United States of America, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(9) General obligations of states with a short-term rating in one of the two highest rating categories and a long-term rating in one of the two highest rating categories of at least two nationally recognized rating agencies. In the event such obligations are variable rate obligations, the interest rate on such obligations must be reset not less frequently than annually.

(10) The Local Agency Investment Fund administered by the State of California.

The value of the above investments, other than cash, shall be determined as follows:

"Value," which shall be determined as of the end of the month, means "fair market value," which may be determined using a computer pricing service including any service contained in the

Trustee's accounting system, provided that the Trustee shall not be liable for any error made by any such service.

"Port Revenue Fund" means the fund by that name established pursuant to the Trust Agreement.

"Port Obligations" means Port Obligations as defined in the Ordinance.

"Port Enterprise Facilities" means those certain facilities, including wharves, warehouses, cranes and other equipment, support buildings, fencing and security improvements, lighting, rail improvements and appurtenant and ancillary facilities owned by the City and operated by or under contract from the City as a part of the Enterprise.

"Project Fund" means the fund by that name established pursuant to the Trust Agreement.

"Rebate Fund" shall have the meaning given in the Tax Certificate.

"Record Date" means with respect to an Interest Payment Date, the fifteenth calendar day of the month immediately preceding such Interest Payment Date.

"Rental Payment Period" means the twelve month period commencing June 15 of each year and ending the following June 14; provided, that the first Rental Payment Period shall commence on the date of issuance of the Bonds and end on June 14, 2010.

"Representation Letter" means the blanket letter of representations dated December 5, 1995 to The Depository Trust Company, New York, New York.

"Reserve Fund" means the fund by that name established pursuant to the Trust Agreement.

"Reserve Requirement" means, as of any date of calculation by the Authority, an amount equal to the lesser of (i) ten percent (10%) of the initial aggregate principal amount of the Bonds, (ii) one hundred twenty-five percent (125%) of the Average Annual Debt Service on all Outstanding Bonds, or (iii) Maximum Annual Debt Service on all Outstanding Bonds.

"Revenues" shall mean, as the case may be, each or all of the revenues in the Section entitled "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS – Pledge of Revenues" in the Official Statement.

"Securities Depositories" means: The Depository Trust Company, 55 Water Street, 50th Floor, New York, N.Y. 10041-0099 Attn. Call Notification Department, Fax (212) 855-7232, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories, or no such depositories, as designated by the Authority to the Trustee.

"Serial Bonds" means the Bonds, maturing in specified years, for which no Sinking Fund Payments are provided.

"Series A Bonds" means Richmond Joint Powers Financing Authority Point Potrero Lease Revenue Bonds, Series 2009A issued pursuant to the Trust Agreement.

"Series A Capitalized Interest Subaccount" means the account by that name established pursuant to the Trust Agreement.

"Series A Costs of Issuance Account" means the account by that name established pursuant to the Trust Agreement.

"Series A Project Account" means the account by that name established pursuant to the Trust Agreement.

"Series A Term Bonds" means the Series A Bonds which are payable on or before their specified maturity date or dates from Sinking Fund Payments established for that purpose and calculated to retire such Series A Bonds on or before their specified maturity date or dates.

"Series B Bonds" means Richmond Joint Powers Financing Authority Point Potrero Taxable Lease Revenue Bonds, Series 2009B issued pursuant to the Trust Agreement.

"Series B Capitalized Interest Subaccount" means the account by that name established pursuant to the Trust Agreement.

"Series B Costs of Issuance Account" means the account by that name established pursuant to the Trust Agreement.

"Series B Project Account" means the account by that name established pursuant to the Trust Agreement.

"Series B Term Bonds" means the Series B Bonds which are payable on or before their specified maturity date or dates from Sinking Fund Payments established for that purpose and calculated to retire such Series B Bonds on or before their specified maturity date or dates.

"Site Lease" means, collectively, the City Site Lease and the SPA Site Lease.

"Special Facilities" shall have the meaning specified in the Trust Agreement.

"Special Facility Revenue" shall have the meaning specified in the Trust Agreement.

"SPA" means the Richmond Surplus Property Authority, a public agency organized and validly existing under California Government Code Section 40500 et. seq.

"SPA Site Lease" means that lease, entitled "Site Lease" dated as of July 1, 2009, by and between the SPA, as lessor, and the Authority, as lessee, as originally executed and recorded or as it may from time to time be supplemented, modified or amended pursuant to the provisions thereof and of the Trust Agreement.

"State" means the State of California.

"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 the Trust Agreement or supplemental thereto, but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

"Tax Certificate" means the Tax Certificate delivered by the City and the Authority at the time of the issuance and delivery of the Series A Bonds, as the same may be amended or supplemented in accordance with its terms.

"Term Bonds" means, collectively, the Series A Term Bonds and the Series B Term Bonds.

"Trust Agreement" means the Trust Agreement, dated as of July 1, 2009, between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented by any Supplemental Trust Agreements executed pursuant to the Trust Agreement.

"Trustee" means Union Bank, N.A., or any other association or corporation which may at any time be substituted in its place as provided in the Trust Agreement.

"2009 Project" means those certain improvements to the Demised Premises required to be funded by the City under the terms of the Operating Lease and the BNSF Rail Improvements.

"Written Request of the Authority" means an instrument in writing signed by or on behalf of the Authority by its President, Vice President, Executive Director or Treasurer/Auditor, or by any other officer of the Authority duly authorized by the governing board of the Authority to sign documents on its behalf under the Trust Agreement.

"Written Request of the City" means an instrument in writing signed by the City Manager, any Assistant City Manager or the Director of Finance of the City or any such official's duly authorized designee, or by any other officer or employee of the City duly authorized by the City for that purpose.

## FACILITIES LEASE

### Lease of Demised Premises and Facilities; Term; Substitution

***Lease of Demised Premises and Facilities.*** The Authority leases to the City and the City accepts any real property interest conveyed under the Facilities Lease and leases from the Authority the Demised Premises and the Facilities. The City agrees and covenants during the term of the Facilities Lease that it will use the Facilities as a part of the Enterprise or for other public purposes so as to afford the public the benefits contemplated by the Facilities Lease.

The leasing by the SPA or the City to the Authority of the respective portions of the Demised Premises and the respective portions of the Facilities shall not affect the City's leasehold estate pursuant to the Facilities Lease, and the Authority shall continue to have and hold a leasehold estate in said Demised Premises pursuant to the respective Site Lease throughout the term thereof. As to said Demised Premises, the Facilities Lease shall be deemed and constitute a sublease.

***Term; Occupancy.*** The term of the Facilities Lease shall commence on the date of issuance of the Bonds and shall end on July 1, 2024, unless such term is extended or sooner terminated as provided in the Facilities Lease.

If on July 1, 2024, all amounts due under the Facilities Lease and under the Trust Agreement shall not be fully paid, or if the rental or other amounts payable under the Facilities Lease shall have been abated at any time and for any reason, then the term of the Facilities Lease shall be extended until all amounts due thereunder and under the Trust Agreement shall be fully paid, except that the term of the Facilities Lease shall in no event be extended beyond July 1, 2034. If prior to July 1, 2034, the Bonds and all amounts due under the Facilities Lease and under the Trust Agreement shall be fully paid, or provision therefor made in accordance with the terms and provisions of the Trust Agreement, the term of the Facilities Lease shall end immediately.

***The Facilities.*** The City and the Authority agree to lease the Facilities under the Facilities Lease. The annual Base Rental Payments for the Facilities as set forth therein shall be the fair rental value for the Facilities, as determined by the City. The Base Rental Payments for the Facilities shall be due and payable on the dates set forth in the Facilities Lease.

***Substitution.*** The City may substitute real property as part of the Demised Premises and the Facilities for purposes of the respective Site Lease and the Facilities Lease, but only after the City shall have filed with the Authority and the Trustee all of the following:

(i) Executed copies of the respective Site Lease and the Facilities Lease or amendments thereto containing the amended description of the Demised Premises and the Facilities, including the legal description of the Demised Premises and the Facilities as modified if necessary.

(ii) A Certificate of the City with copies of the respective Site Lease and the Facilities Lease, if needed, or amendments thereto containing the amended description of the Demised Premises and the Facilities stating that such documents have been duly recorded in the official records of the County Recorder of Contra Costa County.

(iii) A Certificate of the City, accompanied by a written appraisal, from a qualified appraiser, who may but need not be an employee of the City, evidencing that the annual fair rental value of the

Demised Premises and the Facilities which will constitute the Demised Premises and the Facilities after such substitution will be at least equal to 100% of the maximum annual amount of Base Rental Payments becoming due for the remaining term of the Facilities Lease.

(iv) A CLTA leasehold owner's policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing policy or policies resulting in title insurance with respect to the Demised Premises and the Facilities after such substitution in an amount at least equal to the amount of such insurance provided with respect to the Demised Premises and the Facilities prior to such substitution; each such insurance instrument, when issued, shall name the Trustee as the insured, and shall insure the leasehold estate of the Authority in such substituted property subject only to such exceptions as do not substantially interfere with the City's right to use and occupy such substituted property and as will not result in an abatement of Base Rental Payments payable by the City under the Facilities Lease, as evidenced by a Certificate of the City.

(v) A Certificate of the City stating (i) that the City has beneficial use and occupancy of the Demised Premises and the Facilities, (ii) that the essentiality to the City of the Demised Premises and the Facilities after such substitution is comparable to its essentiality before the substitution, (iii) the remaining useful life of the Demised Premises and the Facilities, and (iv) the remaining term of the Bonds.

(vi) An Opinion of Counsel (as such term is defined in the Trust Agreement) stating that such amendment or modification (i) is authorized or permitted by laws of the State and the Facilities Lease; (ii) complies with the terms of the Facilities Lease; (iii) will, upon the execution and delivery thereof, be valid and binding upon the Authority and the City in accordance with its terms; and (iv) will not cause the interest on the Series A Bonds to be included in gross income for federal income tax purposes.

The Authority will provide written notification of any substitution to any rating agency then rating the Bonds.

**Base Rental Payments; Use of Proceeds**

***Base Rental Payments.*** The City agrees to pay to the Authority, as Base Rental Payments for the use and occupancy of the Facilities and the Demised Premises (subject to the provisions of the Facilities Lease), rental payments on each Base Rental Payment Date, all in accordance with the Base Rental Payment Schedule attached to the Facilities Lease. Base Rental Payments shall be calculated on an annual basis, for the twelve (12) month period commencing on June 15 and ending on June 14, except that the first Rental Payment Period shall commence on the date of issuance of the Bonds and shall end on June 14, 2010. After the first Rental Payment Period, each Base Rental Payment shall be for the use of the Demised Premises and the Facilities for the twelve (12) month period commencing on June 15 of the period in which such installments are payable.

If the term of the Facilities Lease shall have been extended pursuant to the Facilities Lease, Base Rental Payment installments shall continue to be due on each Base Rental Payment Date, and payable as described in the Facilities Lease, continuing to and including the date of termination of the Facilities Lease, in an amount equal to the amount of Base Rental payable for the Rental Payment Period commencing June 15, 2024. Upon such extension of the Facilities Lease, Base Rental Payments shall be established in an amount sufficient to pay all unpaid principal of and interest on the Bonds plus interest on the extended principal and interest at a rate equal to the rate of interest on the Bonds so extended.

***Additional Payments.*** The City shall also pay such amounts (called the "Additional Payments") as shall be required by the Authority for the payment of all amounts, costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Facilities Lease or any assignment thereof, the Trust Agreement, its interest in the Demised Premises and the Facilities and the lease of the Demised Premises and the Facilities to the City, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Authority related to the Bonds, the Demised Premises and the Facilities, including, without limiting the generality of the foregoing, salaries and wages of employees, all expenses, compensation and indemnification payable by the Authority to the Trustee under the Trust Agreement, fees of auditors, accountants, attorneys or architects, and all other necessary administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Bonds or of the Trust Agreement; but not including in such Additional Payments amounts required to pay the principal of or interest on the Bonds.

Such Additional Payments shall be billed to the City by the Authority or the Trustee from time to time. Amounts so billed shall be paid by the City within sixty (60) days after receipt of the bill by the City. The City reserves the right to audit billings for Additional Payments although exercise of such right shall in no way affect the duty of the City to make full and timely payment for all Additional Payments.

The fees of the Trustee under the Trust Agreement, and any other expenses directly attributable to the Facilities shall be included in the Additional Payments payable under the Facilities Lease. The fees of any trustee or paying agent under any indenture securing obligations of the Authority or any trust agreement other than the Trust Agreement, and any other expenses directly attributable to any facilities other than the Facilities, shall not be included in the administrative costs of the Facilities and shall not be paid from the Additional Payments payable under the Facilities Lease. In the event of any question or dispute as to such allocation, the written opinion of an independent firm of certified public accountants, employed by the Authority to consider the question and render an opinion thereon, shall be a final and conclusive determination as to such allocation. The Trustee may conclusively rely upon the Written Request of the Authority, in making any determination that costs relating to the Authority are payable as Additional Payments under the Facilities Lease, and shall not be required to make any investigation as to whether or not the items so requested to be paid are expenses of operation of the Facilities.

***Fair Rental Value.*** Such payments of Base Rental Payments and Additional Payments for each Rental Payment Period during the term of the Facilities Lease shall constitute the total rental for said Rental Payment Period and shall be paid by the City in each Rental Payment Period for and in consideration of the right of use and occupancy of the Demised Premises and the Facilities during each such period for which said rental is to be paid. The parties to the Facilities Lease have agreed and determined that such total rental payable for each Rental Payment Period represents no more than the fair rental value of the Demised Premises and the Facilities for each such period. In making such determination, consideration has been given to costs of acquisition, design, construction and financing of the Facilities, other obligations of the parties under the Facilities Lease, the uses and purposes which may be served by the Facilities and the benefits therefrom which will accrue to the City and the general public.

***Payment Provisions.*** Each Base Rental Payment installment or Additional Payment payable under the Facilities Lease shall be paid in lawful money of the United States of America to or upon the order of the Authority at the corporate trust office of the Trustee or such other place as the Authority shall designate. Any such Base Rental Payment installment or Additional Payment accruing under the Facilities Lease which shall not be paid when due and payable under the terms of the Facilities Lease shall bear interest at the rate of twelve percent (12%) per annum, or such lesser rate of interest as may be the maximum rate permitted by law, from the date when the same is due thereunder until the same shall be paid. Notwithstanding any dispute between the Authority and the City, the City shall make all Base Rental Payments, Additional Payments and other payments when due without deduction or offset of any kind and shall not withhold any rental or other payments pending the final resolution of such dispute. In the event of a determination that the City was not liable for said payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent payments due under the Facilities Lease or refunded at the time of such determination. Amounts required to be deposited by the City with the Trustee pursuant to this section for payment of Base Rental Payments on any date shall be reduced to the extent of amounts assigned under the Facilities Lease to and received by the Trustee from AHM pursuant to the AHM MAG Agreement or AWC pursuant to the Operating Lease.

Nothing contained in the Facilities Lease shall prevent the City from making from time to time contributions or advances to the Authority for any purpose now or thereafter authorized by law, including the making of repairs to, or the restoration of, the Facilities in the event of damage to or the destruction of the Facilities.

***Appropriations Covenant; Base Rental Payments and Additional Payments to Constitute a Current Expense of the City; Pledge of Net Port Revenues.*** The City covenants to take such action as may be necessary to make annual appropriations for all Base Rental Payments and Additional Payments. The covenants on the part of the City in the Facilities Lease contained shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Facilities Lease agreed to be carried out and performed by the City. The City waives notice of acceptance by the Trustee of the assignment as set forth in the Facilities Lease.

The Authority and the City understand and intend that the obligation of the City to pay Base Rental Payments and Additional Payments under the Facilities Lease shall constitute a current expense of the City and shall not in any way be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, nor shall anything contained in the Facilities Lease constitute a pledge of the general tax revenues, funds or moneys of the City. Base Rental Payments and Additional Payments due under the Facilities Lease shall be payable only from current funds which are appropriated or otherwise legally available for the purpose of paying Base Rental Payments and Additional Payments or other payments due under the Facilities Lease as consideration for the use of the Demised Premises and Facilities. The City has not pledged the full faith and credit of the City, the State or any agency or department thereof to the payment of the Base Rental Payments and Additional Payments or any other payments due under the Facilities Lease.

Pursuant to the Ordinance, the City pledges the Net Port Revenues to the payment of the Base Rental Payments and Additional Rental under the Facilities Lease, and the City thereby confirms such pledge and grants a first lien on such Net Port Revenues for the payment of said rental under the Facilities Lease; provided, that (i) the City may (a) designate an existing or planned facility, structure, equipment or other property, real or personal, which is located within the Enterprise or part of any facility or structure at the Enterprise as a "Special Facility," (b) provide that revenues earned by the City from or with respect to such Special Facility shall constitute "Special Facility Revenue" and shall not be included as Net Port Revenues, and (c) issue Port Obligations secured in whole or in part by Special Facility Revenues primarily for the purpose of acquiring, constructing, renovating or improving, or providing financing to a third party to acquire, construct, renovate or improve, such Special Facility as provided in the Ordinance; (ii) the City may grant a lien on and security interest in the Net Port Revenues subordinate to the lien and security interest granted under the Facilities Lease, and (iii) the City may enter into additional Port Obligations that shall have a parity lien on Net Port Revenues with the Base Rental Payments so long as the City certifies that either (a) at the time of entering into such additional Port Obligations, the Net Port Revenues shall be equal to at least 125% of the maximum annual debt service related to the Port Obligations or (b) at the time of entering into such additional Port Obligations, the projected Net Port Revenues for each of the first three (3) Fiscal Years immediately following the completion date of the project being financed from the proceeds of such additional Port Obligations will be at least 125% of the maximum annual debt service related to the Port Obligations then outstanding for each such Fiscal Year, taking into account the issuance of the additional Port Obligations then proposed to be issued.

For purposes of subsection (iii)(b) above, in estimating Net Port Revenues, the City may take into account: (i) reasonable Net Port Revenues from facilities reasonably expected to become available during the period for which the estimates are provided; (ii) any increase in fees, rates, charges, rentals or other sources of Net Port Revenues which have been approved by the City and will be in effect during the period for which the estimates are provided; and (iii) any other increases in Net Port Revenues which the City believes to be a reasonable assumption for such period. The City will include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Port Revenues and will also set forth the calculations of the maximum annual debt service related to the Port Obligations.

For purposes of preparing the certificates described in subsection (iii)(b) above, the City may rely upon financial statements prepared by the City which have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that the City Manager, any Assistant City Manager or the Director of Finance of the City or any such official's duly authorized designee, or by any other officer or employee of the City duly authorized by the City for that purpose will certify as to the accuracy of such financial statements and that such financial statements were prepared substantially in accordance with generally accepted accounting principles, subject to year-end adjustments.

The City shall pay all rental under the Facilities Lease from Net Port Revenues; provided, however, that if Net Port Revenues are insufficient to make any payment of rental thereunder, such rental shall nevertheless be paid out of the general funds of the City.

In order to facilitate the transfer of Net Port Revenues to the Trustee, the City shall arrange to have all AWC Payments and payments made by AHM under the AHM MAG Agreement paid directly to the Trustee for deposit in the Port Revenue Fund pursuant to the Trust Agreement.

***Rental Abatement.*** The Base Rental Payments and Additional Payments shall be abated proportionately, during any period in which by reason of any material damage or destruction (other than by condemnation which is thereinafter provided for) there is substantial interference with the use and occupancy of the Demised Premises and the Facilities, by the City, in the proportion in which the cost of that portion of the Demised Premises and the Facilities rendered unusable bears to the cost of the whole of the Demised Premises and the Facilities. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Facilities Lease shall continue in full force and effect and the City waives the benefits of California Civil Code Section 1932(2) and 1933(4) and of Title 11 of the United States Code, Section 365(h) and any and all other rights to terminate the Facilities Lease by virtue of any such damage or destruction or interference. Notwithstanding the foregoing, to the extent that moneys are available for the payment of Base Rental Payments from the Net Port Revenues (including the AHM Payments and the AWC Payments) or in any of the funds and accounts established under the Trust Agreement (except the Reserve Fund), Base Rental Payments shall not be abated as provided above but, rather, shall be payable by the City as a special obligation payable solely from said funds and accounts.

***Use of Proceeds.*** The parties to the Facilities Lease agree that the net proceeds of the Bonds will be used to pay the costs of the 2009 Project.

**Maintenance; Alterations and Additions to the Facilities**

***Maintenance and Utilities.*** Throughout the term of the Facilities Lease, all maintenance and repair, both ordinary and extraordinary, of the Demised Premises and the Facilities shall be the responsibility of the City (which may be performed by AWC under the Operating Lease), which shall at all times maintain or otherwise arrange for the maintenance of the Demised Premises and the Facilities in first class condition, and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Demised Premises and the Facilities, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services, and shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the Demised Premises and the Facilities resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof or any other cause and shall pay for or otherwise arrange for the payment of all insurance policies required to be maintained with respect to the Demised Premises and the Facilities.

***Changes to the Facilities.*** Subject to the Facilities Lease and Operating Lease, the City shall, at its own expense, have the right to remodel the Facilities or to make additions, modifications and improvements to the Facilities and the Demised Premises. All such additions, modifications and improvements shall thereafter comprise part of the Facilities and the Demised Premises and be subject to the provisions of the Facilities Lease. Such additions, modifications and improvements shall not in any way damage the Facilities or cause either to be used for purposes other than those authorized under the provisions of State and federal law; and the Facilities, upon completion of any additions, modifications and improvements made pursuant to this section, shall be of a value which is at least equal to the value of the Facilities immediately prior to the making of such additions, modifications and improvements.

***Installation of City's Equipment.*** The City and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Facilities and the Demised Premises. All such items shall remain the sole property of such party, in which neither the Authority nor the Trustee shall have any interest, and may be modified or removed by such party at any time provided that such party shall repair and restore any and all damage to the Facilities resulting from the installation, modification or removal of any such items. Nothing in the Facilities Lease shall prevent the City from purchasing items to be installed pursuant to this section under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Facilities or Demised Premises.

**Insurance**

***Fire and Extended Coverage and Earthquake Insurance.*** Subject to the Operating Lease and MAG Agreement, the City shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facilities Lease, insurance against loss or damage to any structures constituting any part of the Demised Premises and the Facilities by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance and sprinkler system leakage insurance, flood insurance, but only with respect to such portions of the Demised Premises and the Facilities that are situated in any zone designated by the U.S. Government as a flood zone, and earthquake insurance, if available on the open market from reputable insurance companies at a reasonable cost, as determined by the City. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Demised Premises and the Facilities, excluding the cost of excavations, of grading and filling, and of the land (except that such insurance may be subject to deductible clauses for any one loss of not to exceed five hundred thousand dollars ($500,000) or a comparable amount adjusted for inflation or more in the case of earthquake insurance), or, in the alternative, shall be in an amount and in a form sufficient (together with moneys held under the Trust Agreement), in the event of total or partial loss, to enable all outstanding Bonds to be redeemed.

In the event of any damage to or destruction of any part of the Facilities caused by the perils covered by such insurance, the Authority, except as thereinafter provided in the Facilities Lease, shall cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Demised Premises or the Facilities, and the Trustee shall hold said proceeds separate and apart from all other funds, in a special fund to be designated the "Insurance and Condemnation Fund," to the end that such proceeds shall be applied to the repair, reconstruction or replacement of the Facilities to at least the same good order, repair and condition as they were in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee shall permit withdrawals of said proceeds from time to time upon receiving the Written Request of the Authority, stating that the Authority has expended moneys or incurred liabilities in an amount equal to the amount therein requested to be paid over to it for the purpose of repair, reconstruction or replacement, and specifying the items for which such moneys were expended, or such liabilities were incurred. Any balance of said proceeds not required for such repair, reconstruction or replacement shall be treated by the Trustee as Base Rental Payments and applied in the manner provided by the provisions of the Trust Agreement. Alternatively, the Authority, at its option, with the written consent of the City, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to redeem an aggregate principal amount of outstanding Bonds, equal to the amount of Base Rental Payments attributable to the portion of the Facilities so destroyed or damaged (determined by reference to the proportion which the cost of such portion of the Facilities bears to the cost of the Facilities), may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Facilities and thereupon shall cause said proceeds to be used for the redemption of outstanding Bonds pursuant to the Trust Agreement.

The Authority and the City shall promptly apply for federal disaster aid or State disaster aid in the event that the Facilities are damaged or destroyed as a result of an earthquake or any other cause for which federal disaster aid or State disaster aid is available occurring at any time. Any proceeds received as a result of such disaster aid shall be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Facilities, or, at the option of the City and the Authority, to redeem outstanding Bonds if such use of such disaster aid is permitted.

As an alternative to providing the insurance required by the first paragraph of this section, or any portion thereof, the City may provide a self insurance method or plan of protection if and to the extent such self insurance method or plan of protection shall afford reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City. So long as such method or plan is being provided to satisfy the requirements of the Facilities Lease, there shall be filed annually with the Trustee a statement of an Insurance Consultant or other qualified person (which may not be an officer or employee of the City), stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of this section and, when effective, would afford reasonable coverage for the risks required to be insured against. There shall also be filed a certificate of the City setting forth the details of such substitute method or plan. In the event of loss covered by any such self insurance method, the liability of the City under the Facilities Lease shall be limited to the amounts in the self insurance reserve fund or funds created under such method.

***Liability Insurance.*** Subject to the Operating Lease and MAG Agreement and except as thereinafter provided in the Facilities Lease, the City shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facilities Lease, a standard comprehensive general liability insurance policy or policies in protection of the Authority and its members, directors, officers, agents and employees and the Trustee, indemnifying said parties against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the operation of the Demised Premises and the Facilities, with minimum liability limits of one million dollars ($1,000,000) for personal injury or death of each person and three million dollars ($3,000,000) for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of two hundred thousand dollars ($200,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of three million dollars ($3,000,000) covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the City.

As an alternative to providing the insurance required by the first paragraph of this section, or any portion thereof, the City may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection shall afford reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City. So long as such method or plan is being provided to satisfy the requirements of the Facilities Lease, there shall be filed annually with the Trustee a certificate of an Insurance Consultant or other qualified person (which may not be an officer or employee of the City), stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of this section and, when effective, would afford reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee against loss and damage from the hazards and risks covered thereby. There shall also be filed a certificate of the City setting forth the details of such substitute method or plan.

***Rental Interruption or Use and Occupancy Insurance.*** The City shall procure or cause to be procured and maintain or cause to be maintained, rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Demised Premises and the Facilities as the result of any of the hazards covered by the insurance required by the Facilities Lease (provided with respect to earthquake insurance, only if available on the open market from reputable insurance companies at a reasonable cost, as determined by the City, and provided further that such rental interruption insurance coverage may not be provided by a plan of self insurance), in an amount sufficient to pay the part of the total rent under the Facilities Lease attributable to the portion of the Facilities rendered unusable (determined by reference to the proportion which the cost of such portion bears to the cost of the Facilities) for a period of at least two years, except that such insurance may be subject to a deductible clause of not to exceed two hundred fifty thousand dollars ($250,000) or a comparable amount adjusted for inflation (or more in the case of earthquake coverage). Any proceeds of such insurance shall be used by the Trustee to reimburse to the City any rental theretofore paid by the City under the Facilities Lease attributable to such structure for a period of time during which the payment of rental under the Facilities Lease is abated, and any proceeds of such insurance not so used shall be applied as provided in the provisions of the Facilities Lease regarding Pledge of Revenues (to the extent required for the payment of Base Rental Payments) and in the provisions of the Facilities Lease regarding Additional Payments (to the extent required for the payment of Additional Payments) and any remainder shall be treated as Revenue under the Trust Agreement.

***Worker's Compensation.*** The City shall also maintain worker's compensation insurance issued by a responsible carrier authorized under the laws of the State to insure its employees against liability for compensation under the Worker's Compensation Insurance and Safety Act now in force in California, or any act thereafter enacted as an amendment or supplement thereto. As an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the City. Such insurance may be maintained by the City in the form of self-insurance.

***Title Insurance.*** The City shall obtain, for the benefit of the Authority and the Trustee, upon the execution and delivery of the Facilities Lease, title insurance on the Demised Premises in an amount equal to the aggregate principal amount of the Bonds less the Reserve Requirement, issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances. Such policy shall be endorsed so as to be payable to the Trustee. All proceeds received by the Trustee under said policy shall be applied and disbursed by the Trustee in the same order and priority and for the same purposes as provided in the Facilities Lease.

***Insurance Proceeds; Form of Policies.*** All policies of insurance required by the provisions of the Facilities Lease regarding (i) Fire and Extended Coverage and Earthquake Insurance and (ii) Rental Interruption or Use and Occupancy Insurance shall name the City, the Authority and the Trustee as insured and shall contain a lender's loss payable endorsement in favor of the Trustee substantially in accordance with the form approved by the Insurance Services Office and the California Bankers Association. The Trustee shall, to the extent practicable, collect, adjust and receive all moneys which may become due and payable under any such policies, may compromise any and all claims thereunder and shall apply the proceeds of such insurance as provided in the provisions of the Facilities Lease regarding (i) Fire and Extended Coverage and Earthquake Insurance and (ii) Rental Interruption or Use and Occupancy Insurance. All policies of insurance required by the Facilities Lease shall provide that the Trustee shall be given thirty (30) days' notice of each expiration thereof or any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee shall not be responsible for the sufficiency of any insurance required in the Facilities Lease and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the City. The City shall pay when due the premiums for all insurance policies required by the Facilities Lease, and shall promptly furnish evidence of such payments to the Authority.

The City will deliver to the Authority and the Trustee on or before September 15 in each year, commencing on September 15, 2010 a written certificate of an officer of the City stating whether such policies satisfy the requirements of the Facilities Lease, setting forth the insurance policies then in force pursuant to the Facilities Lease regarding Insurance, the names of the insurers which have issued the policies, the amounts thereof and the property and risks covered thereby, and, if any self-insurance program is being provided, the annual report of an Insurance Consultant or other qualified person containing the information required for such self-insurance program and described in the provisions of the Facilities Lease regarding Fire and Extended Coverage and Earthquake Insurance, Liability Insurance, and Workers Compensation. Delivery to the Trustee of the certificate under the provisions of this section shall not confer responsibility upon the Trustee as to the sufficiency of coverage or amounts of such policies. If so requested in writing by the Trustee, the City shall also deliver to the Trustee, certificates or duplicate originals or certified copies of each insurance policy described in such schedule.

Any policies of insurance provided by a commercial insurer to satisfy the requirements of the Facilities Lease regarding Fire and Extended Coverage and Earthquake Insurance, Liability Insurance, or Rental Interruption or Use and Occupancy Insurance shall be provided by a commercial insurer rated A or better by A.M. Best or in one of the two highest rating categories by S&P and by Moody's.

**Eminent Domain; Prepayment**

***Eminent Domain.*** If the whole of the Demised Premises and the Facilities or so much thereof as to render the remainder unusable for the purposes for which it was used by the City shall be taken under the power or threat of eminent domain, the term of the Facilities Lease shall cease as of the day that possession shall be so taken. If less than the whole of the Demised Premises and the Facilities shall be taken under the power or threat of eminent domain and the remainder is usable for the purposes for which it was used by the City at the time of such taking, then the Facilities Lease shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the rental due under the Facilities Lease in an amount equivalent to the amount by which the annual payments of principal of and interest on the Bonds then Outstanding will be reduced by the application of the award in eminent domain to the redemption of Outstanding Bonds. So long as any of the Bonds shall be Outstanding, any award made in eminent domain proceedings for taking the Demised Premises and the Facilities or any portion thereof shall be paid to the Trustee and applied to the prepayment of the Base Rental Payments as provided in the Facilities Lease. Any such award made after all of the Base Rental Payments and Additional Payments have been fully paid, or provision therefor made, shall be paid to the City.

***Prepayment.*** (a) The City shall prepay on any date from insurance and eminent domain proceeds, to the extent provided in the provisions of the Facilities Lease regarding Fire and Extended Coverage and Earthquake Insurance, Liability Insurance and Eminent Domain (provided, however, that in the event of partial damage to or destruction of the Facilities caused by perils covered by insurance, if in the judgment of the Authority the insurance proceeds are sufficient to repair, reconstruct or replace the damaged or destroyed portion of the Facilities, such proceeds shall be held by the Trustee and applied as set forth in the Facilities Lease, all or any part (in an integral multiple of $5,000 principal component) of Base Rental Payments then unpaid so that the aggregate annual amounts of Base Rental Payments which shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual amounts of Base Rental Payments unpaid prior to the prepayment date, at a prepayment amount equal to the principal of and interest on the Bonds to the date of redemption of the Bonds.

(b) The City may prepay, from any source of available funds, all or any portion of Base Rental Payments by (i) depositing with the Trustee moneys or securities as provided in the Trust Agreement sufficient to retire or redeem Bonds corresponding to such Base Rental Payments when due or redeemable, and (ii) satisfying the other requirements of the Trust Agreement. The City agrees that if following such prepayment the Facilities and the Demised Premises are damaged or destroyed or taken by eminent domain, it is not entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and shall not be entitled to any reimbursement of such Base Rental Payments.

(c) Before making any prepayment pursuant to the Facilities Lease, the City shall, within five (5) days following the event creating such right or obligation to prepay, give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be made, which date shall be not less than forty-five (45) days from the date such notice is given.

When (1) there shall have been deposited with the Trustee at or prior to the due dates of the Base Rental Payments in trust for the benefit of the Bondholder and irrevocably appropriated and set aside to the payment of the Base Rental Payments, sufficient moneys and Permitted Investments described in subsection (1) of the definition thereof in the Trust Agreement, not redeemable prior to maturity, the principal of and interest on which when due will provide money sufficient to pay all principal of and interest on the Bonds to the due date of the Bonds and the payment in full of all other amounts due under the Facilities Lease or under the Trust Agreement; (2) all of the requirements set forth in the Trust Agreement; and (3) an agreement shall have been entered into with the Trustee for the payment of its fees and expenses so long as any of the principal and interest payable under the Bonds shall remain unpaid; then and in that event the right, title and interest of the Authority in the Facilities Lease and the obligations of the City under the Facilities Lease shall thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Authority and the obligation of the City to have such moneys and such Permitted Investments applied to the payment of the Base Rental Payments). In such event, the Authority shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the Authority (and accompanied by a verification report of a certified public accountant) and evidence such discharge and satisfaction, and the Authority shall pay over to the City as an overpayment of Base Rental Payments all such moneys or Permitted Investments held by it pursuant to the Facilities Lease other than such moneys and such Permitted Investments as are required for the payment or prepayment of the Base Rental Payments and the fees and expenses of the Trustee, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of Base Rental Payments and the fees and expenses of the Trustee, and shall be applied by the Authority to the payment and retirement of the Bonds and the fees and expenses of the Trustee.

**Defaults and Remedies**

***Defaults and Remedies.*** (a) If the City shall fail to pay any Base Rental Payment, Additional Payment or other amount payable under the Facilities Lease when the same becomes due and payable, time being expressly declared to be of the essence under the Facilities Lease, or the City shall fail to keep, observe or perform any other term, covenant or condition contained therein or in the Trust Agreement to be kept or performed by the City for a period of thirty (30) days after notice of the same has been given to the City by the Authority, or the Trustee or for such additional time as is reasonably required, in the discretion of the Trustee, to correct the same, or upon the happening of any of the events specified in subsection (b) of this section (any such case above being an "Event of Default"), the City shall be deemed to be in default under the Facilities Lease and it shall be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to the Facilities Lease. Upon any such default, the Authority, in addition to all other rights and remedies it may have at law, may do any of the following:

(i) Terminate the Facilities Lease in the manner thereinafter provided on account of default by the City, notwithstanding any re-entry or re-letting of the Demised Premises and the Facilities as thereinafter provided for in subparagraph (2) thereof, and to re-enter the Demised Premises and the Facilities and remove all persons in possession thereof and all personal property whatsoever situated upon the Demised Premises and the Facilities and place such personal property in storage in any warehouse or other suitable place located within the City. In the event of such termination, the City agrees to surrender immediately possession of the Demised Premises and the Facilities, without let or hindrance, and to pay the Authority all damages recoverable at law that the Authority may incur by reason of default by the City, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Demised Premises and the Facilities and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Facilities Lease. Neither notice to pay rent or to deliver up possession of the Demised Premises or the Facilities given pursuant to law nor any entry or re-entry by the Authority nor any proceeding in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Demised Premises and the Facilities nor the appointment of a receiver upon initiative of the Authority to protect the Authority's interest under the Facilities Lease shall of itself operate to terminate the Facilities Lease, and no termination of the Facilities Lease on account of default by the City shall be or become effective by operation of law or acts of the parties thereto, or otherwise, unless and until the Authority shall have given written notice to the City of the election on the part of the Authority to terminate the Facilities Lease. The City covenants and agrees that no surrender of the Demised Premises and the Facilities or of the remainder of the term of the Facilities Lease or any termination thereof shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.

(ii) Without terminating the Facilities Lease, (i) collect each Base Rental Payment installment and other amounts as they become due and enforce any other terms or provision thereof to be kept or performed by the City, regardless of whether or not the City has abandoned the Facilities, or (ii) exercise any and all rights of re-entry upon the Demised Premises and the Facilities. In the event the Authority does not elect to terminate the Facilities Lease in the manner provided for in subparagraph (1) thereof, the City shall remain liable and agrees to keep or perform all covenants and conditions contained in the Facilities Lease to be kept or performed by the City and, if the Demised Premises and the Facilities are not re-let, to pay the full amount of the Base Rental Payments, Additional Payments and other amounts to the end of the term of the Facilities Lease or, in the event that the Demised Premises and the Facilities are re-let, to pay any deficiency in rent and other amounts that result therefrom; and further agrees to pay said rent and other amounts and/or deficiency rent and other amounts punctually at the same time and in the same manner as provided in the Facilities Lease for the payment of Base Rental Payments, Additional Payments and other amounts under the Facilities Lease (without acceleration), notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years rental or other amounts in excess of the rental or other amounts specified in the Facilities Lease, and notwithstanding any entry or re-entry by the Authority or suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such entry or re-entry or obtaining possession of the Demised Premises and the Facilities. Should the Authority elect to enter or re-enter as provided in the Facilities Lease, the City thereby irrevocably appoints the Authority as the agent and attorney-in-fact of the City to re-let the Demised Premises and the Facilities, or any part thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable, and to remove all persons in possession thereof and all personal property whatsoever situated upon the Demised Premises and the Facilities and to place such personal property in storage in any warehouse or other suitable place located in the City, for the account of and at the expense of the City, and the City exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Demised Premises and the Facilities and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Facilities Lease. The City agrees that the terms of the Facilities Lease constitute full and sufficient notice of the right of the Authority to re-let the Demised Premises and the Facilities and to do all other acts to maintain or preserve the Demised Premises and the Facilities as the Authority deems necessary or desirable in the event of such re-entry without effecting a surrender of the Facilities Lease, and further agrees that no acts of the Authority in effecting such re-letting shall constitute a surrender or termination of the Facilities Lease irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate the Facilities Lease shall vest in the Authority to be effected in the sole and exclusive manner provided for in sub-paragraph (1) thereof. The City further waives the right to any Base Rental Payment or other amounts obtained by the Authority in excess of such rental and other amounts specified in the Facilities Lease and thereby conveys and releases such excess to the Authority as compensation to the Authority for its services in re-letting the Demised Premises and the Facilities or any part thereof. The City further agrees to pay the Authority the cost of any alterations or additions to the Demised Premises and the Facilities necessary to place the Demised Premises and the Facilities in condition for re-letting immediately upon notice to the City of the completion and installation of such additions or alterations.

The City waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Demised Premises and the Facilities as provided in the Facilities Lease and all claims for damages that may result from the destruction of the Demised Premises and the Facilities and all claims for damages to or loss of any property belonging to the City, or any other person, that may be in or upon the Demised Premises and the Facilities.

(b) If (1) the City's interest in the Facilities Lease or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, or (2) the City or any assignee shall file any petition or institute any proceeding under any act or acts, State or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or obligations, or offers to the City's creditors to effect a composition or extension of time to pay the City's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the City, or if a receiver of the business or of the property or assets of the City shall be appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the City shall make a general or any assignment for the benefit of the City's creditors, or if (3) the City shall abandon or vacate the Demised Premises and the Facilities, then the City shall be deemed to be in default under the Facilities Lease.

(c) The Authority shall in no event be in default in the performance of any of its obligations under the Facilities Lease or imposed by any statute or rule of law unless and until the Authority shall have failed to perform such obligations within thirty (30) days or such additional time as is reasonably required to correct any such default after notice by the City to the Authority properly specifying wherein the Authority has failed to perform any such obligation. In the event of default by the Authority, the City shall be entitled to pursue any remedy provided by law.

(b) In addition to the other remedies set forth in this section upon the occurrence of an event of default as described in this section, the Authority shall proceed to protect and enforce the rights vested in the Authority by the Facilities Lease or by law. In addition to the other remedies available to the Authority, the Authority has the remedy described in California Civil Code Section 1951.4 (Authority may continue the Facilities Lease in effect after the City's breach and abandonment and recover rent as it becomes due, if the City has the right to sublet or assign the Facilities or any portion thereof, subject to the consent of seventy-five percent (75%) of the Holders of the Bonds). The provisions of the Facilities Lease and the duties of the City and of its trustees, officers or employees shall be enforceable by the Authority by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority may, bring the following actions:

(i) Accounting. By action or suit in equity to require the City and its trustees, officers and employees and its assigns to account as the trustee of an express trust.

(ii) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Authority.

(iii) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the Authority's rights against the City (and its council, officers and employees) and to compel the City to perform and carry out its duties and obligations under the law and its covenants and agreements with the Authority as provided in the Facilities Lease.

The exercise of any rights or remedies under the Facilities Lease shall not permit acceleration of Base Rental Payments.

Each and all of the remedies given to the Authority under the Facilities Lease or by any law now or thereafter enacted are cumulative and the single or partial exercise of any right, power or privilege under the Facilities Lease shall not impair the right of the Authority to other or further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as used in this section shall include, but not be limited to, re-letting by means of the operation by the Authority of the Demised Premises and the Facilities. If any statute or rule of law validly shall limit the remedies given to the Authority under the Facilities Lease, the Authority nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

In the event the Authority shall prevail in any action brought to enforce any of the terms and provisions of the Facilities Lease, the City agrees to pay a reasonable amount as and for attorney's fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority under the Facilities Lease, whether or not a lawsuit has been filed and whether or not any lawsuit culminates in a judgment.

***Waiver.*** Failure of the Authority to take advantage of any default on the part of the City shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this instrument be construed to waive or to lessen the right of the Authority to insist upon performance by the City of any term, covenant or condition of the Facilities Lease, or to exercise any rights given the Authority on account of such default. A waiver of a particular default shall not be deemed to be a waiver of the same or any subsequent default. The acceptance of rent under the Facilities Lease shall not be, or be construed to be, a waiver of any term, covenant or condition thereof.

**Covenants**

***Right of Entry.*** The Authority and its assignees shall have the right (but not the duty) to enter upon and to examine and inspect the Facilities and the Demised Premises during reasonable business hours (and in emergencies at all times) (a) to inspect the same, (b) for any purpose connected with the Authority's or the City's rights or obligations under the Facilities Lease, and (c) for all other lawful purposes.

***Liens.*** In the event the City shall at any time during the term of the Facilities Lease cause any changes, alterations, additions, improvements or other work to be done or performed or materials to be supplied, in or upon the Demised Premises or the Facilities, the City shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon or about the Demised Premises or the Facilities and shall keep the Demised Premises and the Facilities free of any and all mechanics' or materialmen's liens or other liens against the Demised

Premises or the Facilities or the Authority's interest therein. In the event any such lien attaches to or is filed against the Demised Premises or the Facilities or the Authority's interest therein, the City shall 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 in good faith. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the City shall forthwith pay and discharge said judgment. The City agrees to and shall, to the maximum extent permitted by law, indemnify and hold the Authority and the Trustee and their respective members, directors, agents, successors and assigns, harmless from and against, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorney's fees) as a result of any such lien or claim of lien against the Demised Premises or the Facilities or the Authority's interest therein.

***Quiet Enjoyment.*** The parties to the Facilities Lease mutually covenant that the City, by keeping and performing the covenants and agreements therein contained and if not in default thereunder, shall at all times during the term of the Facilities Lease peaceably and quietly have, hold and enjoy the Demised Premises and the Facilities without suit, trouble or hindrance from the Authority.

***Authority Not Liable.*** The Authority and its members, directors, officers, agents, employees and assignees shall not be liable to the City or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the Demised Premises and the Facilities.

The City, to the extent permitted by law, shall indemnify and hold the Authority and its members, directors, officers, agents, employees and assignees, harmless from, and defend each of them against, any and all claims, liens and judgments arising from (i) the construction or operation of the Demised Premises or the Facilities, including, without limitation, death of or injury to any person or damage to property whatsoever occurring in, on or about the Demised Premises or the Facilities regardless of responsibility for negligence, but excepting the active negligence of the person or entity seeking indemnity, and (ii) the issuance of the Bonds and any other action of the Authority taken pursuant to the Trust Agreement.

***Assignment and Subleasing.*** The Facilities Lease or any interest of the City thereunder may be mortgaged, pledged, assigned, sublet or transferred by the City, provided, such subletting shall not cause interest on the Series A Bonds to be included in gross income for federal income tax purposes. No such mortgage, pledge, assignment, sublease or transfer shall in any event affect or reduce the obligation of the City to make the Base Rental Payments and Additional Payments required under the Facilities Lease.

***Title to Facilities.*** During the term of the Facilities Lease, the SPA or the City, as the case may be, shall hold title to the respective portions of the Facilities and any and all additions which comprise fixtures, repairs, replacements or modifications thereof, except for those fixtures, repairs, replacements or modifications which are added thereto by the City and which may be removed without damaging the Facilities, and except for any items added to the Facilities by the City pursuant to the Facilities Lease. During the term of the Facilities Lease, the Authority shall have a leasehold interest in the Demised Premises pursuant to the Site Lease.

Upon the termination or expiration of the Facilities Lease (other than as provided in the Facilities Lease), title to the Facilities shall remain in the SPA or the City pursuant to the respective Site Lease. Upon any such termination or expiration, the Authority shall execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

***Tax Covenants.*** The City and the Authority shall at all times do and perform all acts and things permitted by law which are necessary or desirable in order to assure that the interest on the Series A Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code and shall take no action that would result in such interest not being excluded from gross income for federal income tax purposes.

If at any time the Authority is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on or change in any way the investment of any moneys held by the Trustee or the City or the Authority under the Facilities Lease or the Trust Agreement, the Authority shall so instruct the Trustee or the appropriate officials of the City in writing, and the Trustee or the appropriate officials of the City, as the case may be, shall take such actions as may be necessary in accordance with such instructions.

In furtherance of the covenants of the City set forth above, the City and the Authority will comply with the Tax Certificate and will cause the Trustee to comply with the Tax Certificate. The Trustee and the Authority may conclusively rely on any such written instructions, and the City agrees to hold harmless the Trustee and the Authority for any loss, claim, damage, liability or expense incurred by the Authority or Trustee for any actions taken by the Authority or the Trustee in accordance with such instructions.

***Purpose of Facilities Lease.*** The City covenants that during the term of the Facilities Lease, (a) it will use, or cause the use of, the Demised Premises and the Facilities for public purposes and for the purposes for which the Facilities are customarily used, (b) it will not vacate or abandon the Facilities or any part thereof, and (c) it will not make any use of the Demised Premises and the Facilities which would jeopardize in any way the insurance coverage required to be maintained pursuant to the Facilities Lease.

***Net-Net-Net Lease.*** The Facilities Lease shall be deemed and construed to be a "net-net-net lease" and the City agrees that the rentals and other payments provided for in the Facilities Lease shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever.

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

The City shall also pay directly such amounts, if any, in each year as shall be required by the Authority for the payment of all license and registration fees and all taxes (including, without limitation, income, excise, license, franchise, capital stock, recording, sales, use, value-added, property, occupational, excess profits and stamp taxes), levies, imposts, duties, charges, withholdings, assessments and governmental charges of any nature whatsoever, together with any additions to tax, penalties, fines or interest thereon, including, without limitation, penalties, fines or interest arising out of any delay or failure by the City to pay any of the foregoing or failure to file or furnish to the Authority or the Trustee for filing in a timely manner any returns, thereinafter levied or imposed against the Authority or the Facilities, the rentals and other payments required under the Facilities Lease or any parts thereof or interests of the City or the Authority or the Trustee therein by any governmental authority.

The City may, at the City's expense and in its name, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the City that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Authority in the Facilities and the Demised Premises will be materially endangered or the Facilities and the Demised Premises, or any part thereof, will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

***Continuing Disclosure.*** The City covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Facilities Lease, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default under the Facilities Lease; however, any Holder or Beneficial Owner 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 section. For purposes of this section, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

**Disclaimer of Warranties; Vendor's Warranties; Use of the Facilities; Sublease**

***Disclaimer of Warranties.*** THE ISSUER MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY, FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE FACILITIES, OR WARRANTY WITH RESPECT THERETO. THE CITY ACKNOWLEDGES THAT THE ISSUER IS NOT A MANUFACTURER OF THE FACILITIES OR A DEALER THEREIN, THAT THE CITY LEASES THE FACILITIES AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE CITY. In no event shall the Authority and Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Facilities Lease or the existence, furnishing, functioning or the City's use of any item or products or services provided for in the Facilities Lease.

***Vendor's Warranties.*** The Authority irrevocably appoints the City its agent and attorney-in-fact during the term of the Facilities Lease, so long as the City shall not be in default under the Facilities Lease, to assert from time to time whatever claims and rights, including warranties of the Facilities, which the Authority may have against the manufacturers, vendors and contractors of the Facilities. The City's sole remedy for the breach of such warranty, indemnification or representation shall be against the manufacturer or vendor or contractor of the Facilities, and not against the Authority, nor shall such matter have any effect whatsoever on the rights and obligations of the Authority with respect to the Facilities Lease, including the right to receive full and timely payments under the Facilities Lease. The City expressly acknowledges that the Authority makes, and has made, no representation or warranties whatsoever as to the existence or availability of such warranties of the manufacturer, vendor or contractor.

***Use of the Facilities.*** The City will not install, use, operate or maintain the Facilities improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Facilities Lease. The City shall provide all permits and licenses, if any, necessary for the installation and operation of the Facilities. In addition, the City agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the Facilities) with all laws of the jurisdictions in which its operations may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Facilities; provided, however, that the City may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not adversely affect the estate of the Authority in and to the Facilities or its interest or rights under the Facilities Lease.

***Sub-sublease of the Facilities.*** The Authority acknowledges that the City has entered into the Operating Lease, which is a sub-sublease of the Facilities. With the prior written consent of the Trustee pursuant to the Trust Agreement, the City may enter into any extension of the term of other amendment of the Operating Lease or the AHM MAG Agreement or, in the event the Operating Lease is terminated, any additional sub-lease of the Facilities or similar agreement with any new user of the Facilities.

## SITE LEASE

**Demised Property**

The SPA and the City leases to the Authority and the Authority accepts any real property interest conveyed under the Facilities Lease and hires from the SPA and the City on the terms and conditions thereinafter set forth in the Trust Agreement, the real property situated in the County of Contra Costa, State of California, and described in the Site Lease and made a part thereof, together with any additional real property added thereto by any supplement or amendment thereto, or any real property substituted for all or any portion of such property in accordance with the Site Lease and the Trust Agreement (as thereinafter defined); subject, however, to any conditions, reservations, and easements of record or known to the SPA or the City, as the case may be (therein collectively called the "Demised Premises") and the buildings and all other facilities located on the Demised Premises and described in the Site Lease (the "Facilities").

**Purpose**

The Authority shall use the Demised Premises solely for the purpose of leasing the Demised Premises and the Facilities thereon to the City pursuant to the Facilities Lease and for such purposes as may be incidental thereto; provided, that in the event of default by the City under the Facilities Lease the Authority may exercise the remedies provided in the Facilities Lease or in the Trust Agreement.

**Assignments and Subleases**

Unless the City shall be in default under the Facilities Lease, the Authority may not assign its rights under the Site Lease or sublet the Demised Premises and the Facilities, except pursuant to the Facilities Lease, without the written consent of the SPA or the City, as the case may be, which consent may be withheld in the SPA or the City's sole and absolute discretion, as the case may be. Upon the occurrence of a default by the City under the Facilities Lease, the Authority may assign or sell its rights under the Site Lease or sublet the Demised Premises and the Facilities, without the consent of the SPA or the City, as the case may be. Nothing in this section shall limit assignment of the Site Lease pursuant to the Trust Agreement, or any other exercise of the rights of the Trustee under the Trust Agreement.

**Default**

In the event the Authority shall be in default in the performance of any obligation on its part to be performed under the terms of the Site Lease, which default continues for one hundred and eighty (180) days following notice and demand for correction thereof to the Authority and the Trustee, the SPA or the City, as the case may be, may exercise any and all remedies granted by law, except that no merger of the Site Lease and of the Facilities Lease shall be deemed to occur as a result thereof; provided, however, that the SPA or the City, as the case may be, shall have no power to terminate the Site Lease by reason of any default on the part of the Authority if such termination would affect or impair any assignment or sublease of all or any part of the Demised Premises then in effect between the Authority and any assignee or subtenant of the Authority. So long as any such assignee or subtenant of the Authority shall duly perform the terms and conditions of the Site Lease, such assignee or subtenant shall be deemed to be and shall become the tenant of the SPA or the City under the respective Site Lease and shall be entitled to all of the rights and privileges granted under any such assignment; provided, further, that so long as any Bonds are outstanding and unpaid in accordance with the terms thereof, the rentals or any part thereof payable to the Authority or Trustee shall continue to be paid to the Trustee on behalf of the Bondholder (as defined in the Trust Agreement).

## TRUST AGREEMENT

The Trust Agreement provides for, among other things, the issuance, execution and delivery of the Bonds and sets forth the terms thereof, the creation of certain of the funds and accounts described in the Facilities Lease, certain covenants of the Authority, defines events of default and remedies therefor, and sets forth the rights and responsibilities of the Trustee.

Certain provisions of the Trust Agreement setting forth the terms of the Bonds, the redemption provisions thereof and the use of the proceeds of the Bonds are set forth elsewhere in this Official Statement. See "THE SERIES 2009 BONDS."

**Revenues**

***Pledge of Revenues.*** All Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund) are thereby irrevocably pledged to the payment of the interest and premium, if any, on and principal of the Bonds as provided therein, and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted under the Trust Agreement. This pledge shall constitute a first pledge of and charge and lien upon the Revenues and all other moneys on deposit in the funds and accounts established under the Trust Agreement (other than amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the Bonds in accordance with the terms of the Trust Agreement and the Bonds. In the Trust Agreement, the Authority assigned to the Trustee all of the Authority's rights and remedies under the Facilities Lease; such assignment shall confer no duties or obligations of the Authority upon the Trustee and shall be subject to the provisions of the Trust Agreement.

***Receipt and Deposit of Revenues in the Revenue Fund.*** In order to carry out and effectuate the pledge, charge and lien contained in the Trust Agreement, the Authority agrees and covenants that all Revenues when and as received shall be received by the Authority in trust under the Trust Agreement for the benefit of the Holders and shall be transferred when and as received by the Authority to the Trustee for deposit in the Revenue Fund (the "Revenue Fund"), which fund is created and which fund the Authority agrees and covenants to maintain with the Trustee so long as any Bonds shall be Outstanding under the Trust Agreement. All Revenues shall be accounted for through and held in trust in the Revenue Fund, and the Authority shall have no beneficial right or interest in any of the Revenues except only as provided in the Trust Agreement. All Revenues, whether received by the Authority in trust or deposited with the Trustee as provided, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses thereinafter as set forth in the Trust Agreement, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority.

***Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund.*** Subject to the Trust Agreement, all money in the Revenue Fund shall be set aside by the Trustee in the following respective special accounts or funds within the Revenue Fund (each of which is created and each of which the Authority covenants and agrees to cause to be maintained) in the following order of priority:

(a) Interest Account,

(b) Principal Account, and

(c) Reserve Fund.

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

***Interest Account.*** On each January 1 and July 1, commencing January 1, 2010, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest becoming due and payable on all Outstanding Bonds on such January 1 and July 1, as the case may be.

There are established within the Interest Account the Series A Capitalized Interest Subaccount and the Series B Capitalized Interest Subaccount. Amounts on deposit in the Series A Capitalized Interest Subaccount shall be applied to the payment of the interest on the Series A Bonds until exhausted and amounts in the Series B Capitalized Interest Subaccount shall be applied to the payment of interest on the Series B Bonds until exhausted.

No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such interest payment date.

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

***Principal Account.*** On each July 1, the Trustee shall set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the principal amount of all Outstanding Serial Bonds maturing or becoming subject to mandatory sinking account redemption on such July 1.

No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing or becoming subject to mandatory sinking account redemption by their terms on such July 1.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as they shall become due and payable, whether at maturity or redemption.

***Reserve Fund.*** After making the deposit to the Interest Account as required by the Trust Agreement, the Trustee shall transfer from the Revenue Fund to Reserve Fund the amount, if any, by which the amount then on deposit in the Reserve Fund is less than the Reserve Requirement. All money in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account or the Principal Account, in that order, in the event of any deficiency at any time in either of such accounts, but solely for the purpose of paying the interest or principal of or redemption premiums, if any, on the Bonds or for the retirement of all Bonds then Outstanding, except that so long as the Authority is not in default under the Trust Agreement, any cash amounts in the Reserve Fund in excess of the amount required by this subsection to be on deposit therein shall be withdrawn from the Reserve Fund and deposited in the Revenue Fund on each January 1 and July 1. For purposes of determining the amount on deposit in the Reserve Fund, the Trustee shall value on the last Business Day of each June and December those amounts invested in Permitted Investments at the market value thereof.

***Application of Insurance Proceeds.*** In the event of any damage to or destruction of any part of the Facilities covered by insurance, the Authority, except as provided by the Trust Agreement, shall cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Facilities, and the Trustee shall hold said proceeds in a fund established when required by the Trustee for such purpose separate and apart from all other funds, to the end that such proceeds shall be applied to the repair, reconstruction or replacement of the Facilities to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee shall invest said proceeds in Permitted Investments pursuant to the Written Request of the Authority, as agent for the Authority under the Facilities Lease, and withdrawals of said proceeds shall be made from time to time upon the filing with the Trustee of a certification of the City, stating that the City has expended moneys or incurred liabilities in an amount equal to the amount therein stated for the purpose of the repair, reconstruction or replacement of the Facilities, and specifying the items for which such moneys were expended, or such liabilities were incurred, in reasonable detail. The City shall file a Certification with the Trustee that sufficient funds from insurance proceeds or from any funds legally available to the City, or from any combination thereof are available in the event it elects to repair, reconstruct or replace the Facilities. Any balance of such proceeds not required for such repair, reconstruction or replacement and the proceeds of use and occupancy insurance shall be treated by the Trustee as Base Rental Payments and applied in the manner provided by the Trust Agreement Alternatively, the City, at its option, if the proceeds of such insurance together with any other moneys then available for such purpose are sufficient to prepay all, in case of damage or destruction in whole of the Facilities, or that portion, in the case of partial damage or destruction of the Facilities, of the Base Rental Payments relating to the damaged or destroyed portion of the Facilities, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Facilities and thereupon shall cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the applicable provisions of the Trust Agreement. The City shall not apply the proceeds of insurance to redeem the Bonds in part due to damage or destruction of a portion of the Facilities unless the Base Rental Payments on the undamaged portion of the Facilities will be sufficient to pay the initially-scheduled principal and interest on the Bonds remaining unpaid after such redemption.

***Deposit and Investments of Money in Accounts and Funds.*** Subject to the Trust Agreement, all money held by the Trustee in any of the accounts or funds established pursuant to the Trust Agreement shall be invested in Permitted Investments at the Written Request of the Authority. Such investments shall, 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. Moneys in the Reserve Fund shall be invested in Permitted Investments with a term to maturity not exceeding five (5) years from the date of investment; provided, however, that any Permitted Investment with a nominal term greater than five years but which permits withdrawal of the entire principal amount of such investment at par, without penalty and at such times as shall be required hereunder, shall be deemed to have a maturity for purposes of this sentence of the first such permitted withdrawal date. Moneys in the Reserve Fund shall not be invested in the obligations described in clause (10) of the definition of Permitted Investments. Subject to the Trust Agreement, all interest or profits received shall be deposited first in the Reserve Fund, to the extent necessary to make amounts on deposit in the Reserve Fund equal to the Reserve Fund Requirement, and then in the Revenue Fund.

The Trustee may commingle the funds and accounts established under the Trust Agreement for investment purposes, but shall account for each separately. The Trustee or an affiliate may act as principal or agent in the acquisition or disposition of any investment and shall be entitled to its customary fees therefor. In the absence of written investment instructions from the Authority, the Trustee shall (i) notify the Authority in writing that it does not have investment instructions, and (ii) until such instructions are received, invest in those investments described in clause (7) of the definition of Permitted Investments. The Trustee shall not be liable for any loss for any investment made in accordance with this section.

***Port Revenue Fund.*** The Trustee shall establish and maintain the Port Revenue Fund for the purpose of receiving and applying AWC Payments and payments made by AHM under the AHM MAG Agreement in accordance with the Facilities Lease. Amounts in the Port Revenue Fund shall be applied in the following order of priority:

(a) Upon request of the City, the Trustee shall withdraw amounts from the Port Revenue Fund to pay Expenses of the Enterprise (as defined in the Ordinance); provided that the City certifies that other Revenues (as defined in the Ordinance) are not sufficient therefore and provided that the City certifies that the Expenses of the Enterprise are as defined in the Ordinance.

(b) On each January 1 and July 1, commencing on January 1, 2010, the Trustee shall withdraw an amount from the Port Revenue Fund equal to the lesser of (i) the amount on deposit therein or (ii) the amount of interest and principal, if any, on the Bonds payable on such date and transfer such amount to the Revenue Fund. Notwithstanding the foregoing, in the event that additional Port Obligations (as defined in the Ordinance) are issued on a parity with the Facilities Lease, the Trustee shall only apply amounts pursuant to this subsection (b) to the extent that the City or any fiduciary for such parity Port Obligations has not notified the Trustee they are not otherwise payable to satisfy such parity Port Obligations.

(c) On each July 2, commencing July 2, 2010, the Trustee shall transfer any amounts remaining in the Port Revenue Fund to the City for its use pursuant to the Ordinance.

**Covenants of the Authority; Assignment to Trustee**

***Punctual Payment and Performance.*** The Authority will punctually pay out of the Revenues the interest on and the principal of and redemption premiums, if any, to become due on every Bond issued under the Trust Agreement in strict conformity with the terms of the Trust Agreement and of the Bonds, and will faithfully observe and perform all the agreements and covenants to be observed or performed by the Authority contained in the Trust Agreement and in the Bonds.

***Against Encumbrances.*** The Authority will not make any pledge of or place any charge or lien upon the Revenues except as provided in the Trust Agreement, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except the Bonds.

***Tax Covenants.*** The Authority covenants that it shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on the Series A Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Authority covenants that it will comply with the requirements of the Tax Certificate, which is incorporated into the Trust Agreement as if fully set forth therein. This covenant shall survive payment in full or defeasance of the Series A Bonds.

(a) In the event that at any time the Authority is of the opinion that for purposes of this section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee under the Trust Agreement, the Authority shall so instruct the Trustee under the Trust Agreement in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(b) Notwithstanding any provisions of this section, if the Authority shall provide to the Trustee an Opinion of Counsel of recognized standing in the field of law relating to municipal financing that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Series A Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of this section and of the Tax Certificate, and the covenants under the Trust Agreement shall be deemed to be modified to that extent.

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

***Prosecution and Defense of Suits.*** The Authority will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the Revenues or to the extent involving the failure of the Authority to fulfill its obligations under the Trust Agreement; provided that the Trustee or any affected Holder at its election may appear in and defend any such suit, action or proceeding. The Authority will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of 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 or willful misconduct of the Trustee. Notwithstanding any contrary provision of the Trust Agreement, this covenant shall remain in full force and effect even though all Bonds secured may have been fully paid and satisfied.

***Further Assurances.*** Whenever and so often as reasonably requested to do so by the Trustee or any Holder, 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 Holders all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them under the Trust Agreement.

***Assignment to Trustee; Enforcement of Obligations.*** (a) The Authority, for good and valuable consideration, the receipt of which is acknowledged, does unconditionally grant, transfer and assign to the Trustee, without recourse, all of its rights, title and interest under the Facilities Lease and the Site Lease, except, prior to any Event of Default under the Trust Agreement or under the Facilities Lease or the Site Lease, (i) the Authority's rights to receive any notices under the Trust Agreement, the Site Lease or the Facilities Lease, (ii) the Authority's right to receive payments, if any, with respect to fees, expenses and indemnification and certain other purposes under the Facilities Lease or the Site Lease and (iii) the Authority's rights to give approvals or consents pursuant to the Facilities Lease or the Site Lease, but including, without limitation, the right to collect and receive directly all of the Revenues and the right to hold and enforce any security interest, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and shall forthwith be paid by the Authority to the Trustee.

(b) Subject to the terms of the Trust Agreement, the Trustee also shall be entitled to take all steps, actions and proceedings reasonably necessary in its judgment (1) to enforce the terms, covenants and conditions of, and preserve and protect the priority of its interest in and under, the Facilities Lease, the Site Lease and any other security agreement in favor of the Trustee with respect to the 2009 Project or the Bonds, and (2) to assure compliance with all covenants, agreements and conditions on the part of the Authority contained in the Trust Agreement with respect to the Revenues. The Trustee shall give all notices which the Authority requests that the Trustee give under the Facilities Lease.

**Amendment of the Trust Agreement**

***Amendment of the Trust Agreement.*** The Trust Agreement and the rights and obligations of the Authority and of the Holders may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Trust Agreement are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, on any Bond without the express written consent of the Holder of such Bond, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Revenues as provided in the Trust Agreement superior to or on a parity with the pledge, charge and lien created thereby for the benefit of the Bonds, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify any rights or obligations of the Trustee, the Authority or the City without their prior written assent thereto, respectively.

The Trust Agreement and the rights and obligations of the Authority and of the Holders may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of the Holders, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel, for any purpose that will not materially adversely affect t the interests of the Holders, including (without limitation) for any one or more of the following purposes --

(a) 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 therein to or conferred therein on the Authority;

(b) 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 thereunder which the Authority may deem desirable or necessary and not inconsistent herewith;

(c) to provide for the issuance of any Bonds; or

(d) 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.

***Disqualified Bonds.*** Bonds owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in the Trust Agreement, and shall not be entitled to consent to or take any other action provided in the Trust Agreement.

***Endorsement or Replacement of Bonds After Amendment.*** After the effective date of any action taken as provided in the Trust Agreement, the Authority may determine that the Bonds may bear a notation by endorsement in form approved by the Authority as to such action, and in that case upon demand of the Holder of any Outstanding Bonds and presentation of this Bond for such purpose at the office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Authority shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Holder of any Outstanding Bond a new Bond or Bonds shall be exchanged at the office of the Trustee without cost to each Holder for its Bond or Bonds then Outstanding upon surrender of such Outstanding Bonds.

***Amendment by Mutual Consent.*** The Trust Agreement shall not prevent any Holder from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

**Events of Default and Remedies**

***Events of Default and Acceleration of Maturities.*** If one or more of the following events (therein called "events of default") shall happen, that is to say:

(a) if default shall be made by the Authority in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(b) if default shall be made by the Authority in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

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

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

(e) if an Event of Default has occurred under the Facilities Lease;

then and in each and every such case during the continuance of such event of default the Trustee may, and upon the written request of the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding shall, by notice in writing to the Authority, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become due and payable, anything contained in the Trust Agreement or in the Bonds to the contrary *notwithstanding. The Trustee shall promptly notify all Holders of any such event of default which is continuing.*

This provision, however, is subject to the condition that if at any time after the principal of the Bonds then Outstanding shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the Authority shall deposit with the Trustee a sum sufficient to pay all matured interest on all the Bonds and all principal of Bonds matured prior to such declaration, with interest at the rate borne by such Bonds on such overdue interest and principal, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of interest on and principal of the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding, by written notice to the Authority and to the Trustee, may on behalf of the Holders of all the Bonds then Outstanding rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

***Application of Funds Upon Acceleration.*** All moneys in the accounts and funds of Sections 2.11, 3.02, and 3.03 of the Trust Agreement, upon the date of the declaration of acceleration by the Trustee and all Revenues (other than Revenues on deposit in the Rebate Fund) thereafter received by the Authority under the Trust Agreement shall be transmitted to the Trustee and shall be applied by the Trustee in the following order--

First, to the payment of the costs and expenses of the Holders in providing for the declaration of such event of default, including reasonable compensation to their accountants and counsel, and to the payment of the fees, costs and expenses of the Trustee, if any, in carrying out the provisions of Article VII of the Trust Agreement, including reasonable compensation to its accountants and counsel; and

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

***Institution of Legal Proceedings by Trustee.*** If one or more of the events of default shall happen and be continuing, the Trustee may, and upon the written request of the Holders of a majority in principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Holders of Bonds under the Trust Agreement by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained therein, or in aid of the execution of any power granted in the Trust Agreement or therein, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties under the Trust Agreement.

***Non-Waiver.*** Nothing in the Trust Agreement or in any other provision thereof or in the Bonds shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Holders of the Bonds at the respective dates of maturity or upon prior redemption as provided in the Trust Agreement from the Revenues as provided therein pledged for such payment, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Trust Agreement and in the Bonds.

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

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

***Actions by Trustee as Attorney-in-Fact.*** Any action, proceeding or suit which any Holder shall have the right to bring to enforce any right or remedy under the Trust Agreement may be brought by the Trustee for the equal benefit and protection of all Holders, whether or not the Trustee is a Holder, and the Trustee is appointed (and the any successive Holders, by taking and holding the Bonds issued under the Trust Agreement, shall be conclusively deemed to have so appointed it) the true and lawful attorney-in-fact of the Holders for the purpose of bringing any such action, proceeding or suit and for the purpose of doing and performing any and all acts and things for and on behalf of the Holders as a class or classes as may be advisable or necessary in the opinion of the Trustee as such attorney-in-fact.

***Remedies Not Exclusive.*** No remedy conferred in the Trust Agreement upon or reserved to the Holders is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or now or thereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

***Limitation on Bondholders' Right to Sue.*** No Holder of any Bond issued under the Trust Agreement shall have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Trust Agreement, unless (a) such Holder shall have previously given to the Trustee written notice of the occurrence of an event of default; (b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers therein before granted or to institute such suit, action or proceeding in its own name; (c) said Holders shall have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any owner of Bonds of any remedy under the Trust Agreement; it being understood and intended that no one or more owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Trust Agreement, except in the manner provided in the Trust Agreement, and that all proceedings at law or in equity to enforce any provision of the Trust Agreement shall be instituted, had and maintained in the manner therein provided and for the equal benefit of all Holders of the Outstanding Bonds.

**Defeasance**

***Discharge of Bonds.*** *(a)* If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated in the Trust Agreement and therein, then the Holders of such Bonds shall cease to be entitled to the pledge of and charge and lien upon the Revenues as provided in the Trust Agreement, and all agreements, covenants and other obligations of the Authority to the Holders of such Bonds under the Trust Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant to the Trust Agreement which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the provisions of the Trust Agreement, (2) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) Permitted Investments of the type described in clause (1) of the definition of Permitted Investments and which are not subject to redemption prior to maturity (including any such Permitted Investments issued or held in book-entry form on the books of the City or the Treasury of the United States of America) or tax exempt obligations of a state or political subdivision thereof which have been defeased under irrevocable escrow instructions by the deposit of such money or Permitted Investments and which are then rated in the highest rating category by each rating agency then rating the Bonds, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Independent Certified Public Accountant, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

***Unclaimed Money.*** Anything contained in the Trust Agreement to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds or interest thereon which remains unclaimed for two (2) years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such Bonds have become due and payable, shall at the Written Request of the Authority be repaid by the Trustee to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Holders shall not look to the Trustee for the payment of such Bonds; *provided*, that before the Trustee shall be required to make any such repayment the Authority shall mail a notice to the Holders of all Outstanding Bonds and to such securities depositories and securities information services selected by it pursuant to the Trust Agreement that such money remains unclaimed and that after a date named in such notice, which date shall not be less than thirty (30) days after the date of the first publication of each such notice, the balance of such money then unclaimed will be returned to the Authority.

**Miscellaneous**

***Liability of Authority Limited to Revenues.*** Notwithstanding anything contained in the Trust Agreement, the Authority shall not be required to advance any money derived from any source other than the Revenues as provided in the Trust Agreement for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds or for the performance of any agreements or covenants therein contained. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring an indebtedness.

The Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof, solely from the Revenues as provided in the Trust Agreement, and the Authority is not obligated to pay them except from the Revenues. All the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the Bonds as provided in the Trust Agreement. The Bonds are not a debt of the Authority, the State of California or any of its political subdivisions, and neither the Authority, said State nor any of its political subdivisions is liable thereon, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Authority as provided therein. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.

***Benefits of the Trust Agreement Limited to Parties.*** Nothing contained in the Trust Agreement, expressed or implied, is intended to give to any person other than the Authority, the Trustee and the Holders any right, remedy or claim under or by reason thereof. Any agreement or covenant required therein to be performed by or on behalf of the Authority or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee and the Holders.

## APPENDIX E

## FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the City of Richmond (the "City") and Union Bank, N.A., as trustee (the "Trustee") in connection with the issuance of $26,830,000 principal amount of Richmond Joint Powers Financing Authority Point Potrero Lease Revenue Bonds, Series 2009A (the "Series 2009A Bonds") and $20,280,000 principal amount of Richmond Joint Powers Financing Authority Point Potrero Taxable Lease Revenue Bonds, Series 2009B (the "Taxable Series 2009B Bonds" and together with the Series 2009A Bonds, the "Series 2009 Bonds"). The Series 2009 Bonds are being issued pursuant to the terms of a Trust Agreement, dated as of July 1, 2009 (the "Trust Agreement"), by and between the Authority and Trustee. Pursuant to the Facilities Lease, dated as of July 1, 2009 (the "Facilities Lease"), by and between the City and the Richmond Joint Powers Financing Authority (the "Authority"), the City has covenanted to comply with its obligations hereunder and to assume all obligations for continuing disclosure with respect to the Series 2009 Bonds. The City and the Trustee hereby covenant and agree as follows:

SECTION 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City and the Trustee for the benefit of the Owners and Beneficial Owners of the Series 2009 Bonds and in order to assist the Participating Underwriter (as defined below) in complying with the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms have the following meanings:

*"Annual Report"* means any Annual Report of the City provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

*"Beneficial Owner"* means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2009 Bonds (including persons holding Series 2009 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2009 Bonds for federal income tax purposes.

*"Commission"* means the Securities and Exchange Commission.

*"Disclosure Representative"* means the Director of Finance of the City or any designee, or such other officer of employee as the City may designate in writing to the Trustee and the Dissemination Agent from time to time.

*"Dissemination Agent"* means initially the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed a written acceptance of such designation with the Trustee.

*"Listed Events"* means any of the events listed in Section 5(a) of this Disclosure Agreement.

*"Participating Underwriter"* means the original underwriter of the Series 2009 Bonds required to comply with the Rule in connection with the offering of the Series 2009 Bonds.

*"Repository"* means the Electronic Municipal Market Access site maintained by Municipal Securities Rulemaking Board at http://emma.msrb.org or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule.

"*Rule*" means paragraph (b) (5) of Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"*State*" means the State of California.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than two hundred seventy (270) days after the end of the City's fiscal year (currently June 30), commencing with the report for the City's Fiscal Year ended June 30, 2009, provide to the Repository copies of an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the Repository, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of such Annual Report and later than the date required above for the filing of such Annual Report if they are not available by that date. If the City's fiscal year changes, the City shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to the date specified in Section 3(a) for providing each Annual Report to the Repository, the City shall provide such Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent); provided, however, that the City my distribute the Annual Report to the Repository itself after providing written notice to the Trustee and the Dissemination Agent. If by said date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the City of such failure to receive the Annual Report.

(c) If the City is unable to provide to the Dissemination Agent an Annual Report by the date required in subsection (a), the Dissemination Agent is irrevocably instructed to file a notice, in electronic format, to the Repository in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided.

SECTION 4. Content of Annual Reports. The Annual Report of the City shall contain or include by reference the following:

(a) The audited financial statements of the City, including the Port of Richmond, for the fiscal year most recently ended, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Reports are required to be filed pursuant to subsection 3(a) of this Disclosure Agreement, the Annual Reports shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Series 2009 Bonds, and the audited financial statements shall be filed in the same manner as the Annual Reports when they become available.

(b) To the extent not included in the financial statements, the following types of information will be provided in one or more reports:

(i) a summary financial information on revenues, expenditures and fund balances for the City's general fund for the fiscal year of the City most recently ended, similar to the information presented in Table A-2;

(ii) a summary financial information on the proposed and adopted budgets of the City for the current fiscal year and any changes in the adopted budget, similar to the information presented in Table A-3;

(iii) a summary of assessed valuation of taxable property of the City for the current fiscal year , similar to the information presented in Table A-6;

(iv) a summary of property tax receipts of the City for the current fiscal year , similar to the information presented in Table A-7;

(v) a summary of secured tax levies and delinquencies in the City for the current fiscal year , similar to the information presented in Table A-8;

(vi) a summary of the largest secured taxpayers in the City for the current fiscal year, similar to the information presented in Table A-11;

(vii) a summary of sales tax receipts in the City for the current fiscal year, similar to the information presented in Table A-15;

(viii) principal customers by revenue for the Port of Richmond for the fiscal year of the City most recently ended, similar to the information presented in Table C-1;

(ix) principal customers by tonnage for the Port of Richmond for the fiscal year of the City most recently ended, similar to the information presented in Table C-2;

(x) cargo tonnage/vessel landings for the Port of Richmond for the fiscal year of the City most recently ended, similar to the information presented in Table C-3; and

(xi) historical Net Port Revenues for the fiscal year of the City most recently ended, similar to the information presented in Table C-4.

(c) Prior to the completion of the 2009 Project, a summary on the status of construction of the 2009 Project.

Any or all of the items listed above may be included by specific reference to other documents, including official statements or other disclosure documents of debt issues of the City or related public entities, which have been filed with the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Repository. The City shall clearly identify each such other document so included by reference.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the City to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the City or to reflect changes in the business, structure, operations, legal form of the City or any mergers, consolidations, acquisitions or dispositions made by or affecting the City; provided that any such modifications shall comply with the requirements of the Rule.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2009 Bonds, 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 status of the Series 2009 Bonds;
(vii) modifications to the rights of Owners of the Series 2009 Bonds;
(viii) bond calls other than mandatory sinking fund redemptions;
(ix) defeasances;
(x) release, substitution, or sale of property, if any, securing repayment of the Series 2009 Bonds; and
(xi) rating changes.

(b) The Trustee shall, promptly upon obtaining actual knowledge at its principal corporate trust office as specified in Section 12 hereof of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Section (5); *provided*, that failure by the Trustee to so notify the Disclosure Representative and make such request shall not relieve the City of its duty to report Listed Events as required in this Section 5.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event, whether due to a notice from the Trustee or pursuant to Section 5(b) or otherwise, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly file, or cause to be filed, a notice of such event with the Repository. Notwithstanding the foregoing, notice of Listed Events described in Sections 5(a)(viii) and (ix) need not be given under this subsection any earlier than when the notice, if any, of the underlying event is given to Owners of affected Series 2009 Bonds pursuant to the Trust Agreement.

(e) If in response to a request under Section 5(b), the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify the Trustee in writing and instruct the Dissemination Agent not to report the occurrence.

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing, notice of Listed Events described in Section 5(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 Series 2009 Bonds pursuant to the Trust Agreement.

(g) The Dissemination Agent may conclusively rely on an opinion of counsel that the City's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2009 Bonds. If such termination occurs prior to the final maturity of the Series 2009 Bonds, 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 Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing sixty (60) days written notice to the City. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement (and the Trustee and the Dissemination Agent shall consent to any amendment so requested by the City provided such amendment does not impose any greater duties, or risk of liability on the Trustee, as the case may be) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), Section 4, or Section 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 Series 2009 Bonds, or the type of business conducted;

(b) The undertakings, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2009 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Series 2009 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners of the Series 2009 Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Series 2009 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, including the information then contained in the City's official statements or other disclosure documents relating to debt issuances, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. 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 Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Agreement, the Trustee may (and upon written request of at least 25% aggregate principal amount of Outstanding Series 2009 Bonds shall) or any Owner or Beneficial Owner of the Series 2009 Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City, the Trustee or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture with respect to the Series 2009 Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the City, the Trustee or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Disclosure Agreement.

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 Agreement, and the City agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent and the Trustee, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Series 2009 Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

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| To the City: | City of Richmond<br>Richmond City Hall<br>1401 Marina Way South<br>Richmond, California 94804<br>Attention: Director of Finance<br>Telephone: 510-620-6740<br>Fax: 510-620-6522 |
| If to the Trustee: | Union Bank, N.A.<br>350 California Street, 11th Floor<br>San Francisco, California 94104<br>Attention: James Myers<br>Telephone: 415-273-2519<br>Fax: 415-273-2492 |

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter, the Owners and Beneficial Owners from time to time of the Series 2009 Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: _____________, 2009

CITY OF RICHMOND

By:___________________________
Finance Director

UNION BANK, N.A., as Trustee

By:___________________________
Authorized Officer

EXHIBIT A

FORM OF NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

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| Obligated Person: | City of Richmond, California |
| Name of Bond Issue: | Richmond Joint Powers Financing Authority Point Potrero Lease Revenue Bonds, Series 2009A *and*<br><br>Richmond Joint Powers Financing Authority Point Potrero Taxable Lease Revenue Bonds, Series 2009B |
| Issuance Date: | _______, 2009 |

NOTICE IS HEREBY GIVEN that the CITY OF RICHMOND (the "City") has not provided an Annual Report with respect to the above-named Series 2009 Bonds as required by Section 8.11 of the Facilities Lease dated as of July 1, 2009, executed and delivered by the City. [The City anticipates the Annual Report will be filed by ___________________]

Dated:______________

CITY OF RICHMOND

By:_________________________
Title:_______________________

cc: Trustee and Dissemination Agent

## APPENDIX F

## PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

Richmond Joint Powers Financing Authority
Richmond, California

Richmond Joint Powers Financing Authority
Point Potrero Lease Revenue Bonds, Series 2009A
and
Richmond Joint Powers Financing Authority
Point Potrero Taxable Lease Revenue Bonds, Series 2009B
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Richmond Joint Powers Financing Authority (the "Authority") in connection with the issuance of its $26,830,000 Richmond Joint Powers Financing Authority Point Potrero Lease Revenue Bonds, Series 2009A (the "Series 2009A Bonds") and its $20,280,000 Richmond Joint Powers Financing Authority Point Potrero Taxable Lease Revenue Bonds, Series 2009B (the "Series 2009B Bonds" and, together with the Series 2009A Bonds, the "Bonds") issued pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code of the State of California and a trust agreement, dated as of July 1, 2009 (the "Trust Agreement"), between the Authority and Union Bank, N.A., as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed a facilities lease, dated as of July 1, 2009 (the "Facilities Lease"), between the City of Richmond (the "City"), as lessee, the Authority, as lessor, a site lease, dated as of July 1, 2009 (the "SPA Site Lease"), between the Authority, as lessee, and the Richmond Surplus Property Authority (the "SPA"), as lessor, a site lease, dated as of July 1, 2009 (the "City Site Lease" and, together with the SPA Site Lease, the "Site Lease"), between the Authority, as lessee, and the City, as lessor, the Trust Agreement, a tax certificate of the Authority, dated as of the date hereof (the "Tax Certificate"), an opinion of counsel to the Authority, the City and the SPA, an opinion of counsel to the Trustee, certificates of the Authority, the City, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority, the SPA, and the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Facilities Lease, the Site Lease, the Trust Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2009A Bonds to be included in gross income for federal income tax purposes.

In addition, we call attention to the fact that the rights and obligations under the Bonds, the Facilities Lease, the Site Lease, the Trust Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers agencies, surplus property authorities, and cities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or subject to the lien of the Site Lease, Facilities Lease or Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.

2. The Trust Agreement has been duly executed and delivered by the Authority and, assuming due authorization, execution and delivery by the Trustee, constitutes the valid and binding obligation of the Authority. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Trust Agreement (except the Rebate Fund), subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.

3. The Facilities Lease has been duly executed and delivered by, and constitutes the valid and binding obligation of, the City and the Authority, respectively.

4. The Site Lease has been duly executed and delivered by, and constitutes the valid and binding obligation of, the SPA, the City, and the Authority, respectively.

5. The Bonds are not a debt of the City or of any of the public agencies that are parties to the joint powers agreement creating the Authority. Neither the faith and credit nor the taxing powers of the City, the State of California, or of any political subdivision thereof is pledged to the payment of the principal of, or redemption premium, if any, or interest on, the Bonds.

6. Interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Series 2009A Bond for any period that such Series 2009A Bond is held by a "substantial user" of the facilities financed by the proceeds of the Series 2009A Bonds, or by a "related person" within the meaning of Section 147(a) of the Code. Interest on the Series 2009A Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Bonds is exempt from State of California personal income taxes. Interest on the Series 2009B Bonds is not excluded from gross income for federal income tax purposes under the Code. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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## APPENDIX G

## DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix G concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from DTC and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2009 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2009 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2009 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2009 Bonds. The Series 2009 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each Series of the Series 2009 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTTC is owned by users of its regulated subsidiaries. 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 and www.dtc.org.

Purchases of the Series 2009 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2009 Bonds are to be accomplished by entries made on the books of

Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2009 Bonds, except in the event that use of the book-entry system for the Series 2009 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2009 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2009 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2009 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Trust Agreement. For example, Beneficial Owners of the Series 2009 Bonds may wish to ascertain that the nominee holding the Series 2009 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC, if less than all of the Series 2009 Bonds within a maturity are being redeemed. DTC's practice is to determine by lot the amount of the interest of each Direct Participant in each issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2009 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 Series 2009 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Series 2009 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City 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, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the Series 2009 Bonds to Cede (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City 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 Series 2009 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The foregoing information concerning DTC concerning and DTC's book-entry system has been provided by DTC, and neither the City nor the Trustee take any responsibility for the accuracy thereof.

NEITHER THE CITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.

Neither the City nor the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Series 2009 Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

In the event that the book-entry system is discontinued as described above, the requirements of the Trust Agreement will apply.

The City and the Trustee cannot and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Series 2009 Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the City nor the Trustee are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Series 2009 Bonds or an error or delay relating thereto.

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