NET ISSUE–BOOK-ENTRY-ONLY Covers 2009-0690 thru 2009-0717 **RATING: S&P: SP-1+**

See "Rating" herein

$17,800,000
CALIFORNIA COMMUNITIES TAX AND REVENUE ANTICIPATION NOTE PROGRAM
NOTE PARTICIPATIONS
Series 2009A-8
(City of Richmond)

Dated: Date of Delivery **Due: As shown on inside cover**

The Note Participations are being executed and delivered pursuant to the terms of a Trust Agreement, dated as of October 1, 2009 (the "Trust Agreement") among the City of Richmond (the "Local Agency"), the California Statewide Communities Development Authority (the "Authority"), as sponsor of the Program (defined herein) and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Note Participations evidence and represent a proportionate and undivided interest in that certain tax and revenue anticipation note (the "Note") and debt service payments on the Note to be made by the Local Agency, in the same aggregate principal amount as the Note Participations. The Note Participations are payable solely by the Local Agency. In accordance with California law and the authorizing resolution (the "Note Resolution"), the Note of the Local Agency is payable only out of the taxes, income, revenue, cash receipts and other moneys which are received by the Local Agency for its general fund, attributable to the Fiscal Year 2009-10 and legally available for payment therefor. The Series 2009A-8 Note Participations are referred to as the "Note Participations."

Interest and principal evidenced by the Note Participations are payable as provided on the inside cover page. The Note Participations will be prepared in fully registered form and, when executed and delivered, will be registered in the name of CEDE & CO., as owner of the Note Participations and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Note Participations. Individual purchases and sales of the Note Participations may be made in book-entry form only, in Authorized Denominations. Purchasers will not receive certificates representing their interest in the Note Participations purchased. Principal and interest evidenced by the Note Participations will be payable by wire transfer to DTC, which in turn is required to remit such principal and interest to DTC Participants for subsequent disbursement to the Beneficial Owners of the Note Participations, as more fully described herein.

The Note Participations are not subject to prepayment or redemption prior to maturity.

The Note is being issued and sold pursuant to the Note Resolution to provide moneys to meet the Local Agency's anticipated cash flow needs for its Fiscal Year ending on June 30, 2010 ("Fiscal Year 2009-10") created by timing differences between its anticipated expenditures for Fiscal Year 2009-10 and its estimated receipt of certain revenues for Fiscal Year 2009-10. The Note is secured by a pledge of certain unrestricted revenues received by the Local Agency issuing such Note for its general fund attributable to the Fiscal Year 2009-10, and the Note shall constitute a first lien and charge thereon and shall be payable from the first moneys received by the Local Agency from such pledged revenues. To the extent not so paid, the Note shall be paid from any other taxes, income, revenue, cash receipts and other moneys of the Local Agency lawfully available therefor. The Note Resolution requires the Local Agency to set aside and deposit in a special fund to be established by the Local Agency certain amounts from the first such pledged revenues received by the Local Agency in those months described herein so that the amount on deposit in such fund on such dates as described herein, [taking into consideration anticipated investment earnings thereon to be received by the maturity date,] will be, following all such deposits, equal to all of the principal of and interest due on such Note, as more fully described herein. The Note Resolution also requires the Local Agency to deposit the principal and interest due on its Note by the Note Payment Deposit Date. See "Summary Schedule of Terms" on the inside front cover hereof.

THE NOTE PARTICIPATIONS EVIDENCE AND REPRESENT THE LIMITED OBLIGATIONS OF THE LOCAL AGENCY, PAYABLE SOLELY FROM CERTAIN FUNDS PLEDGED UNDER THE TRUST AGREEMENT RELATED TO THE NOTE PARTICIPATIONS. THE OBLIGATION OF THE LOCAL AGENCY TO PAY PRINCIPAL AND INTEREST EVIDENCED BY THE NOTE PARTICIPATIONS DOES NOT CONSTITUTE A DEBT OF THE LOCAL AGENCY, THE AUTHORITY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

This cover page contains certain information for general reference only. It is ***not*** intended as a summary of the transaction. Investors are advised to read the entire Official Statement to obtain information essential to making an informed investment decision.

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the Local Agency and the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Note represented by the Note Participations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. The amount treated as interest on the Note represented by the Note Participations and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Notice 94-84. In the further opinion of Special Counsel, interest on the Note represented by the Note Participations 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. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Note represented by the Note Participations. See "Tax Matters."

The Note Participations are offered when, as and if executed and delivered and accepted by the Underwriter, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Special Counsel. Certain legal matters will be passed upon for the Local Agency by the City Attorney and for the Local Agency and the Underwriter by Lofton & Jennings, San Francisco, California, Disclosure Counsel. The Note Participations in definitive form are expected to be available for delivery through the facilities of DTC in New York, New York on or about November 5, 2009.

WEDBUSH

Date of this Official Statement: October 27, 2009

$17,800,000
CALIFORNIA COMMUNITIES TAX AND REVENUE ANTICIPATION NOTE PROGRAM
NOTE PARTICIPATIONS
Series 2009A-8
(City of Richmond)

SUMMARY SCHEDULE OF TERMS

Series	Obligor	Par Amount	Maturity Date	Interest Payment Date	Coupon	Yield	CUSIP No.†
A-8	City of Richmond	$17,800,000	November 4, 2010	November 4, 2010	2.000%	0.780%	130137AU6

† 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. The CUSIP number is provided for convenience of reference only. None of the Local Agency, the Authority or the Underwriter take any responsibility for the accuracy of such CUSIP number.

CITY OF RICHMOND

MAYOR CITY COUNCIL

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

CITY ADMINISTRATION

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

SPONSOR

California Statewide Communities Development Authority

PROFESSIONAL SERVICES

Special Counsel
Orrick, Herrington & Sutcliffe LLP

Disclosure Counsel
Lofton & Jennings
San Francisco, California

Financial Advisor
Tamalpais Advisors, Inc.
Sausalito, California

Trustee
Wells Fargo Bank, National Association
Los Angeles, California

No broker, dealer, sales representative or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority, the Local Agency or the Underwriter. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the Local Agency since the date hereof. 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 Note Participations in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information contained in this Official Statement has been obtained from the Local Agency and other sources believed by the Authority and the Underwriter to be reliable. The Underwriter has reviewed the information in the Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement is not to be construed as a contract with the purchasers of the Note Participations. Statements contained in this Official Statement which involve estimates, forecasts or opinions, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE LOCAL AGENCY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Note Participations have not been registered with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. The registration or qualification of the Note Participations in accordance with applicable provisions of securities laws of the states in which these Note Participations have been registered or qualified, and the exemption from registration or qualification in other states, shall not be regarded as a recommendation thereof.

Certain statements in this Official Statement, which may be identified by the use of such terms as plan, project, expect, estimate, budget or other similar words, constitute forward-looking statements. Such forward-looking statements include, but are not limited to, statements contained in "LOCAL AGENCY INFORMATION–Cash Flow Projections" and APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND." Such forward-looking statements refer to the achievement of certain results or other expectations or performance which involved known and unknown risks, uncertainties and other factors. These risks, uncertainties and other factors may cause actual results, performance or achievements to be materially different from any projected results, performance or achievements described or implied by such forward-looking statements. Neither the Authority or the Local Agency plans to issue updates or revisions to such forward-looking statements if or when the expectations, or events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Note Participations at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Local Agency maintains a website. Unless specifically indicated otherwise, the information presented on that website is ***not*** incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Notes.

TABLE OF CONTENTS

	Page
INTRODUCTORY STATEMENT	1
THE AUTHORITY AND THE PROGRAM	2
The Authority	2
The Program	2
DESCRIPTION OF THE NOTE PARTICIPATIONS	3
Denominations; Payment of Principal and Interest	3
Registration and Transfer of Note Participations	4
ESTIMATED SOURCES AND USES OF PROCEEDS	4
SECURITY AND SOURCE OF PAYMENT	4
Note	4
Parity Note	5
Deposit of Note; Application of Note Participation Payment Fund	6
Defaulted Note	6
Investment of Note Proceeds and Pledged Revenues	6
RISK FACTORS	7
Limited Obligations of the Local Agency	7
Limited Sources of Repayment for Note and Defaulted Note	7
State Budget Finances	7
Bankruptcy	7
IRS Audit	8
Risk of State or Local Legislation	8
Assessment Appeals and Reductions in Assessed Valuation	9
Impact of the American Recovery and Reinvestment Act on the Local Agency	9
Security	10
Obligations of the Local Agency	10
Investment of Funds	10
Earthquakes, Floods, Fires, Drought or Other Natural Conditions	10
LOCAL AGENCY INFORMATION	11
General	11
Available Sources of Payment	11
Cash Flow Projections	12
CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS	18
Article XIII A of the California Constitution	18
Article XIII B of the California Constitution	18
Unitary Property	19
Proposition 218	19
Proposition 62	20
Proposition 1A of 2004	21
Future Initiatives	22
TAX MATTERS	22
LITIGATION	24
Local Agency	24
The Authority	25
FORWARD-LOOKING STATEMENTS	25
FINANCIAL ADVISOR	25
RATING	26
UNDERWRITING	26
MATERIAL EVENTS UNDERTAKING	26
CERTAIN LEGAL MATTERS	27
AUTHORIZATION AND APPROVAL	28

APPENDICES

APPENDIX A – CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND A-1
APPENDIX B – CITY OF RICHMOND AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2008 ..... B-1
APPENDIX C – DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF NOTE RESOLUTION AND SUMMARY OF TRUST AGREEMENT C-1
APPENDIX D – PROPOSED FORM OF BOND COUNSEL OPINION D-1
APPENDIX E – THE BOOK-ENTRY-ONLY SYSTEM E-1

LIST OF TABLES

Table 1 – California Communities Cash Flow Financing Program 3
Table 2 – Estimated Sources and Uses of Proceeds 4
Table 3 – Repayment Pledge Terms 5
Table 4 – City of Richmond Estimated General Fund Unrestricted Revenues 12
Table 5 – City of Richmond Intrafund Borrowing Capacity 13
Table 6 – City of Richmond Actual Cash Flows for Fiscal Year 2008-09 14
Table 7 – City of Richmond Projected Cash Flows for Fiscal Year 2009-10 16

OFFICIAL STATEMENT

$17,800,000
CALIFORNIA COMMUNITIES TAX AND REVENUE ANTICIPATION NOTE PROGRAM
NOTE PARTICIPATIONS
Series 2009A-8
(City of Richmond)

INTRODUCTORY STATEMENT

This Official Statement, including the cover page, through the appendices hereto (the "Official Statement"), sets forth certain information concerning the issuance, sale and delivery of $17,800,000 principal amount of California Communities Tax and Revenue Anticipation Note Program Note Participations, Series 2009A-8 (City of Richmond) and the California Statewide Communities Development Authority, as sponsor thereof (the "Authority"). The Series 2009A-8 Note Participations are referred to as the "Note Participations." The Note Participations will be executed and delivered in one series. The Authority serves as sponsor of the Program (defined below) and, for certain limited purposes, agent of the Local Agency participating in the Program. The principal amount, interest rate, interest payment date, maturity date and certain other summary information with respect to the Note Participations is provided on the inside cover page hereto.

Capitalized terms used herein and not otherwise defined, shall have the meanings give to such terms as set forth in APPENDIX C–"DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF NOTE RESOLUTION AND SUMMARY OF TRUST AGREEMENT."

Pursuant to the California Communities Tax and Revenue Anticipation Note Program (the "Program"), the City of Richmond (the "Local Agency") in the State of California (the "State"), is issuing the Note. The Note is deposited with Wells Fargo Bank, National Association, as trustee (the "Trustee"), and Note Participations are executed and delivered by the Trustee pursuant to a Trust Agreement, dated as of October 1, 2009 (the "Trust Agreement"), by and among the Local Agency, the Authority and the Trustee. The Local Agency is the issuer of its Note which shall be evidenced by the Note Participations, which evidence and represent a proportionate and undivided interest in the Note of the Local Agency.

The Note Participations will be executed and delivered in a principal amount equal to the principal amount of the Note. The Note will be delivered to and deposited with the Trustee for the benefit of the registered owners of the Note Participations, and the payments on such Note will be used for the payment of the principal of and interest on the Note evidenced by the Note Participations.

The Note is issued under the authority of Article 7.6, Chapter 4, Part I, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act") and pursuant to an Amended and Restated Resolution adopted by the legislative body of the Local Agency (the "Note Resolution"). The issuance of the Local Agency's Note will provide moneys to meet the anticipated cash flow needs of the Local Agency for its Fiscal Year ending on June 30, 2010 ("Fiscal Year 2009-10") created by timing differences between its anticipated expenditures for Fiscal Year 2009-10 and its estimated receipt of certain revenues for Fiscal Year 2009-10. The principal amount of the Note will equal the principal amount of the Note Participations. For information on the Local Agency and the Note of the Local Agency, see APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND" and APPENDIX B–"CITY OF RICHMOND AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2008."

Pursuant to State law, the Note and the interest thereon are general obligations of the Local Agency payable from and secured by a pledge of unrestricted taxes, income, revenue, cash receipts and other General Fund moneys received by the Local Agency attributable to Fiscal Year 2009-10 and lawfully available therefor. However, no taxing power of the Local Agency is pledged to the payment of the Note. See "LOCAL AGENCY INFORMATION–Available Sources of Payment."

The Note Participations evidence and represent a proportionate undivided interest in the Note and enjoy the benefits of a security interest in the money held in certain funds established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the disbursement thereof as set forth therein. NEITHER THE OBLIGATION OF THE LOCAL AGENCY TO PAY PRINCIPAL OF AND INTEREST ON ITS NOTE, NOR THE NOTE PARTICIPATION EVIDENCING THE OBLIGATIONS OF THE LOCAL AGENCY, CONSTITUTES A DEBT OF THE LOCAL AGENCY, THE AUTHORITY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Copies of the Trust Agreement and the Note Resolution summarized herein are available upon request from Wells Fargo Bank, National Association, Corporate Trust Services, 707 Wilshire Boulevard, 17th Floor, Los Angeles, California 90017.

THE AUTHORITY AND THE PROGRAM

The Authority

The Authority serves as sponsor of the California Communities Tax and Revenue Anticipation Note Program (the "Program") and as agent for the Local Agency for certain purposes related to the Program. The Authority is a public entity organized pursuant to an Amended and Restated Joint Exercise of Powers Agreement among a number of California counties, cities, and special districts, entered into pursuant to the provisions relating to the joint exercise of powers contained in Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code.

The Program

The Program began in 1993. The Program provides cash flow financing for California counties, cities and other local agencies meeting certain criteria. Since its inception, the Program has served over 163 local agencies and helped to finance approximately $7.8 billion in tax and revenue anticipation obligations. Typically, note participations of the Program have evidenced the payments on notes issued by several participants on a pooled basis. The local agencies participating in the Program have never defaulted in their obligations under the notes issued under the Program.

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The Note, including as evidenced and represented by the Note Participations related thereto, is an obligation of the Local Agency. As to the Note Participations, the Program should not imply in any way that any participant therein has any obligation to pay the principal of or interest on a note of any other participant therein or any note participations relating to any note or notes issued by any other participant.

Table 1
California Communities Cash Flow Financing Program

Historical Information

Year	Par Value Issued	Number of Local Agencies
2008	$854,070,000	29
2007	700,220,000	28
2006	597,530,000	32
2005	811,145,000	32
2004	803,750,000	41
2003	404,295,000	32
2002	445,345,000	48
2001	483,640,000	62
2000	513,095,000	74
1999	594,160,000	73
1998	301,120,000	65
1997	302,165,000	63
1996	275,125,000	64
1995	198,400,000	56
1994	232,085,000	69
1993	295,515,000	74

DESCRIPTION OF THE NOTE PARTICIPATIONS

Denominations; Payment of Principal and Interest

The Note Participations will be prepared in fully registered form and, when executed and delivered, will be registered in the name of CEDE & Co., as registered Owner of the Note Participations and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Note Participations. Individual purchases may be made in book-entry form only in Authorized Denominations. Purchasers will not receive certificates representing their interest in the Note Participations purchased. So long as CEDE & Co. is the registered Owner of the Note Participations, as nominee of DTC, references herein to the Owners of the Note Participations shall mean CEDE & Co. and shall not mean the actual purchasers (the "Beneficial Owners") of the Note Participations.

The Note Participations will be dated the date of initial execution and delivery thereof and will evidence and represent principal of the Note and interest accrued thereon from the date of initial issuance of the Note and execution and delivery of the Note Participations, at the rate per annum set forth on the inside cover page hereof. The Note Participations mature on November 4, 2010. Interest and principal of the Note Participations is payable as provided on the inside cover page.

So long as CEDE & Co. is the registered Owner of the Note Participations, the principal and interest evidenced by the Note Participations will be payable by wire transfer by the Trustee to CEDE & Co., as nominee for DTC, which is expected, in turn, to remit such amounts to DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See APPENDIX E–"THE BOOK-

ENTRY-ONLY SYSTEM." Interest payable with respect to the Note Participations will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Registration and Transfer of Note Participations

So long as the Note Participations are subject to the DTC book-entry system, they will be registered, and may be transferred, as described in APPENDIX E–"THE BOOK-ENTRY-ONLY SYSTEM."

ESTIMATED SOURCES AND USES OF PROCEEDS

The following table lists the estimated sources and uses of proceeds in connection with the Note Participations.

Table 2
Estimated Sources and Uses of Proceeds

Sources:	
Principal Amount	$17,800,000
Original Issue Premium	214,846
TOTAL SOURCES	$18,014,846
Uses:	
Deposit to Proceeds Fund[1]	$17,900,352
Costs of Issuance[2]	114,494
TOTAL USES	$18,014,846

(1) Available to be withdrawn by the Local Agency on or after the closing date.
(2) Includes Underwriter's discount. For details regarding the Underwriter's discount, see "UNDERWRITING."

SECURITY AND SOURCE OF PAYMENT

Note

The Note Participations evidence and represent proportionate and undivided interests in the Note, and in debt service payments attributable to the Note to be made thereon by the Local Agency. The Note is the limited obligation of the Local Agency and, to the extent not paid from moneys pledged pursuant to the Note Resolution of the Local Agency, will be paid from other moneys of the Local Agency legally available therefor. However, except for such Pledged Revenues as described herein, the Local Agency is not prohibited from pledging, encumbering and utilizing its moneys for other purposes, and there can be no assurance that such moneys will be available for the payment of the principal of and interest on the Note represented by the Note Participations.

The principal amount of the Local Agency's Note, together with the interest thereon, will be payable from taxes, income, revenue (including, but not limited to, revenues from the State and federal governments), cash receipts and other moneys which are to be received by the Local Agency for its general fund and are attributable to Fiscal Year 2009-10 and which generally are available for the payment of current expenses and other obligations of the Local Agency ("Unrestricted Revenues"). As security for the payment of the principal of and interest on its Note, the Local Agency pledges certain Unrestricted Revenues legally available for payment thereof (as further described below, the "Pledged Revenues"). See "LOCAL AGENCY INFORMATION–Cash Flow Projections." The principal of the Local Agency's Note, and the interest thereon, constitute a first lien and charge on such Pledged Revenues and

are payable from the first moneys received by the Local Agency from such Pledged Revenues and, to the extent not so paid, will be paid from any other taxes, income, revenue, cash receipts and other moneys of the Local Agency lawfully available therefor.

In order to effect the pledge of such revenues, the Local Agency agrees under its Note Resolution to fund a special payment account (the "Payment Account") within the Note Participation Payment Fund to be established by the Trustee pursuant to the Trust Agreement (the "Note Participation Payment Fund"). The Local Agency agrees under the Note Resolution to cause to be deposited directly in its Payment Account, by the dates identified as the Local Agency's Repayment Dates, as shown below, such amounts equal to the percentages of the principal and interest due on the Local Agency's Note required on each Repayment Date.

Any moneys placed in the Local Agency's Payment Account will be for the benefit of the Owners of the Note Participations. The moneys in the Payment Account will be applied only for the purposes for which such Payment Account is created until the principal of the Local Agency's Note and all interest thereon are paid or until provision has been made for the payment of the principal of and interest on the Note.

The following table lists the repayment pledge terms in connection with the Note Participations.

Table 3
Repayment Pledge Terms

Repayment Pledge Date	Repayment Pledge Percent	Repayment Pledge Amount† ($ in millions)
December 31, 2009	30%	$5.340
February 26, 2010	20	3.560
April 30, 2010	25	4.450
May 28, 2010	25	4.806
TOTAL	100%	$18.156

† Amounts of set-asides include estimated principal and estimated interest.

On or before the date specified in the Trust Agreement (the "Note Payment Deposit Date"), the moneys in the Local Agency's Payment Account will be transferred to the Note Participation Payment Fund to pay the interest on and principal of the Local Agency's Note when due. See "SUMMARY SCHEDULE OF TERMS" on the inside cover.

Parity Note

Notwithstanding the foregoing, the Local Agency may at any time during Fiscal Year 2009-10 (the "Repayment Fiscal Year") issue an additional parity note (the "Parity Note"), in an amount not in excess of the principal amount of the Local Agency's Note, secured by a first lien and charge on Pledged Revenues; provided that such Parity Note will have the same Repayment Months as the Note, shall be payable as to principal and interest on such Repayment Months in amounts corresponding on a pro rata basis to the schedule of principal and interest payable in such Repayment Months on the Note and the rating on such Parity Note (or related series of note participations if sold into a pool) shall not be less than the rating on the Note Participations related to the Note. In the event that the Local Agency issues a Parity Note, the Local Agency shall make appropriate deposits into the Payment Account with respect to such Parity Note, and in such event, the Payment Account shall also be held for the benefit of the Holders of the Parity Note.

Deposit of Note; Application of Note Participation Payment Fund

Under the Trust Agreement, the Note, as evidenced and represented by the Note Participations related thereto, is irrevocably deposited with and pledged and transferred to the Trustee for the benefit of the Owners of the Note Participations and the payments on the Note will be used for the punctual payment of the interest on and principal evidenced and represented by the Note Participations. Such deposit, pledge and transfer constitutes a first and exclusive lien on the principal and interest payments of and all other rights under the Note in accordance with the terms of the Trust Agreement.

All principal and interest payments on the Local Agency's Note will be paid directly by the Local Agency to the Trustee. All principal and interest payments on the Local Agency's Note received by the Trustee will be deposited by the Trustee, as and when received, in the applicable Payment Account within the Note Participation Payment Fund and will be held in trust by the Trustee for the benefit and security of the Owners of the Note Participations to the extent provided in the Trust Agreement.

Pursuant to the Trust Agreement, the Trustee is required to deposit the moneys contained in the Note Participation Payment Fund created by the Trust Agreement at the following respective times in the following respective funds in the manner hereinafter provided, each of which funds the Trustee agrees to maintain so long as any Note Participations are Outstanding, and the money in each of such funds will be disbursed only for the purposes and uses authorized.

Interest Fund. The Trustee shall deposit in the Interest Fund that amount of money representing the interest due and payable on the Note on such date; and such money shall be used and withdrawn by the Trustee solely for the purpose of paying interest evidenced and represented by the Note Participations on such date.

Principal Fund. The Trustee, on the related principal payment date, shall deposit in the Principal Fund that amount of money representing the principal becoming due and payable on the Note on such principal payment date. All moneys in the Principal Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by the Note Participations on the principal payment date thereof.

Defaulted Note

If the Local Agency fails to pay any of the principal of or interest on its Note on the due date thereof, such Note will become a Defaulted Note. See "RISK FACTORS–Limited Sources of Repayment for Note and Defaulted Note."

Investment of Note Proceeds and Pledged Revenues

The Note proceeds, or an amount related to the Note proceeds, less amounts used to pay costs of issuance, and the Pledged Revenues may be invested either in an investment agreement that is a Permitted Investment (the "Investment Agreements") to be held by the Trustee or in one or more the Permitted Investment to be held by or on behalf of the Local Agency. For further information on the criteria for Investment Agreements, see the definition of "Permitted Investments" in APPENDIX C. For certain risk factors related to Investment Agreements, see "RISK FACTORS–Investment of Funds."

The Local Agency intends to invest the Note proceeds in the City's investment portfolio. Pledged Revenues will be invested in Permitted Investments. See APPENDIX C–"DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF NOTE RESOLUTION AND SUMMARY OF TRUST AGREEMENT."

RISK FACTORS

In evaluating a purchase of the Note Participations, potential investors should consider the following factors, together with all other information in this Official Statement. *The following information does not purport to be an exhaustive listing of the risks and other considerations which may be relevant to an investment in the Note Participations and the order in which they are presented is not intended to reflect the relative important of such risks. There can be no assurance made that other risk factors will not become relevant in the future.*

Limited Obligations of the Local Agency

The Note Participations are limited obligations of the Local Agency, payable solely from payments with respect to the Note related thereto as provided in the Trust Agreement. The obligation of the Local Agency to pay principal of and interest on the Note evidenced by the Note Participations does not constitute a debt of the Local Agency or the Authority or of any member thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Limited Sources of Repayment for Note and Defaulted Note

The primary sources of repayment of the Note Participations are payments on the Note related to such Note Participations. The Local Agency is liable on its Note (even in the event that such Note becomes a Defaulted Note) only to the extent of its unrestricted revenues attributable to Fiscal Year 2009-10. If such unrestricted revenues are not sufficient to pay its Note or Defaulted Note, as the case may be, the Local Agency is not obligated to pay such Note or Defaulted Note from any other sources (including subsequent fiscal years' revenues).

State Budget Finances

Approximately 44.1% of the City's General Fund revenues for Fiscal Year 2008-09 consisted 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. Approximately 46.3% of the City's General Fund revenues for Fiscal Year 2009-10 are expected to come from such sources. 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 Lease Agreement. See APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND–FINANCIAL OPERATIONS–State Budgets."

Bankruptcy

General. The rights of the Owners of the Note Participations are subject to certain limitations in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the Owners of the Note Participations, and the obligations incurred by the Local Agency, respectively, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Note Participations to judicial discretion and interpretation of

their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

As described herein, the Local Agency agrees under its Note Resolution to fund its Payment Account within the Note Participation Payment Fund until the payment of the principal of its Note and the interest thereon. The Local Agency further agrees under its Note Resolution to cause to be deposited directly in its Payment Account, by the dates identified as the Local Agency's Repayment Dates, as shown in "SECURITY AND SOURCE OF PAYMENT–Note," such amounts equal to the percentages of the principal and interest due on the Local Agency's Note required on each Repayment Date. See "LOCAL AGENCY INFORMATION–Cash Flow Projections." Any filing of bankruptcy by the Local Agency could delay or impair the timely deposit of Pledged Revenues into the Payment Account and payment of the Note Participations. Further, the opinion of Special Counsel as to the enforceability of the Note is expressly qualified by the declaration of bankruptcy.

Lien in Bankruptcy. On January 24, 1996, the United States Bankruptcy Court for the Central District of California held in the case of *County of Orange v. Merrill Lynch* that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county, but was not required to directly address the State statute that provides for the lien in favor of holders of tax and revenue anticipation notes. The Local Agency is not in possession of all of the taxes and other revenues that will be set aside and pledged to repay the Note evidenced by the Note Participations, and these funds and other funds held by the Trustee may be invested in various commingled investment pools or other instruments. In the event of a petition for the adjustment of debts of the Local Agency under Chapter 9 of the federal bankruptcy code, a court might hold that the Owners of the Note evidenced by the Note Participations do not have a valid and/or prior lien on the Pledged Revenues where such amounts are deposited in a commingled investment pool.

IRS Audit

The IRS has an ongoing program of examining tax-exempt obligations to determine whether, in the view of the IRS, interest on such obligations is properly excluded from gross income for federal income tax purposes, and it is possible that the Note Participations may be selected for examination under such program. There is no assurance that an IRS examination of the Note Participations or the Note will not adversely affect the market value of the Note Participations. See "TAX MATTERS."

Risk of State or Local Legislation

The Local Agency relies on a number of revenue sources that could be borrowed, reduced or eliminated by State or local legislation, including, among others, property taxes, sales taxes and use taxes, license and permit fees, fines and penalties, and motor vehicle license fees. There can be no assurance that the State or local government will not adopt legislation to borrow, reduce or eliminate one or more of these revenue sources. See APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND–FINANCIAL OPERATIONS–State Budgets."

In addition, a number of statutes and constitutional amendments have been adopted as measures that qualified for the ballot through California's initiative process as described under "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." There can be no assurance that other initiative measures will not be adopted affecting the revenues of the Local Agency.

Assessment Appeals and Reductions in Assessed Valuation

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county assessment appeals board (a "Proposition 8" appeal). In addition to reductions in assessed value resulting from Proposition 8 appeals, Proposition 8 also allows assessors to reduce assessed value unilaterally to reflect reductions in market value.

Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as "ongoing hardship"), a county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. In a similar manner, a county assessor may reassert the pre-appeal level of assessed value depending on the county assessor's determination of current value.

In addition to reductions in assessed value resulting from Proposition 8 appeals, California law also allows assessors to reduce assessed value unilaterally based on a general decline in market value of an area. Although Proposition 8 reductions are temporary only for those property that are not sold to new owners, and are otherwise expected to be eliminated under Proposition 13 if and when market conditions improve, no assurance is given that such reductions will be eliminated.

Property tax revenues, which comprise approximately 20% of the revenues of the Local Agency, have been and are expected to be significantly affected by a reduction in taxable property assessed values due to successful property owner appeals and/or unilateral reductions by the county assessor. See APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND."

Impact of the American Recovery and Reinvestment Act on the Local Agency

On February 17, 2009, the President of the United States signed the American Recovery and Reinvestment Act ("ARRA") into law. The ARRA intends to stimulate the economy by reducing taxes and creating jobs directly and indirectly through the funding of various infrastructure projects and other programs by up to $828 billion. One of the stated purposes of the ARRA is to stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and increases in state and local taxes.

The Local Agency has benefited directly and indirectly from the ARRA. The ARRA includes a variety of funding mechanisms including block grants, competitive grants and loans. The ARRA also includes increases to some existing formula-based grants and payments. To date, the Local Agency has received $20.329 million from the ARRA.

The ARRA provides funds for the Energy Efficiency and Conversation Block Grant program, which would help state and local governments implement innovative practices to improve energy efficiency, lower energy usage, and reduce greenhouse gas emissions. Additional energy-efficiency programs funded by the ARRA that may benefit the Local Agency include grants to encourage electric transportation, federal aid to help state and local governments purchase efficient alternative fuel vehicles, and various grants and loans to state and local governments for diesel emissions reduction projects.

The ARRA also includes funding for road, highway and transit infrastructure improvements, including funding for upgrades and repairs to modernize existing transit systems.

The ARRA also provides funding for health information technology projects, including projects to computerize health records to cut costs and reduce medical errors.

States and local governments are also expected to receive financial aid under the ARRA. The ARRA includes a temporary increase in the Federal Matching Assistance Program for Medicaid, funds for training and employment services, expansion of the Food Stamp Program, funds for child support enforcement, funds for block grants for the Temporary Assistance for Needy Families, and an increase to local law enforcement grants. While some of these funds will go directly to the State and not to the Local Agency, the ARRA may provide some relief to the State's current budget crisis, which, in turn, may help prevent some of the cuts proposed to County-operated health and welfare programs.

Security

Military conflicts and terrorist activities may adversely impact the operation of the Local Agency. In addition, the Local Agency may experience a decrease with respect to its revenues because of any change in economic circumstances as a result of future military conflicts or terrorist activities. Such a reduction in revenues may include, but is not limited to, a decline in transient occupancy tax, parking tax, business tax and sales tax revenues.

The Local Agency is subject to safety and security measures and inspections on a continuing basis. The Local Agency does not represent that any existing or additional safety and security measures will be adequate in the event that terrorist activities are directed against the Local Agency or that costs of security measures will not be greater than presently anticipated.

Obligations of the Local Agency

The Local Agency has a significant amount of obligations payable from the same revenues of the Local Agency that are sources to fund the Payment Fund, including but not limited to labor contracts, debt obligations, pension obligations and other obligations related to post employment retirement benefits as well as certain other liabilities. See APPENDIX A–"CERTAIN FINANCIAL DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY OF RICHMOND–FINANCIAL OPERATIONS–Pension Plans" and "–Post Employment Health Care Benefits."

Investment of Funds

All investments, including the Permitted Investments and other investments made by the Local Agency, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, loss of market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Trust Agreement or by the Local Agency could have a material adverse effect on the security of the Note.

Earthquakes, Floods, Fires, Drought or Other Natural Conditions

Earthquakes, floods, fires or other natural disasters in the jurisdiction of the Local Agency could negatively impact the operations and finances of the Local Agency. Generally, throughout the State, some level of seismic activity occurs on a regular basis. Periodically, the magnitude of a single seismic event can cause significant ground shaking and potential for damage to property located at or near the center of such seismic activity. 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 Local Agency. In addition to the San Andreas Fault, faults that could affect the Local Agency include the Hayward Fault and the Calaveras Fault in the central and eastern

portions of Alameda County. As of the date of this Official Statement, the Local Agency is not insured as to earthquake risk.

LOCAL AGENCY INFORMATION

Certain information regarding the Local Agency participating in the Program is included in the appendices hereto. Certain general information and a summary of certain budget and financial information for the Local Agency, are included in APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND." The Local Agency's Audited Financial Statements for Fiscal Year Ended June 30, 2008 are set forth in APPENDIX B–"CITY OF RICHMOND AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2008."

The information contained herein regarding the Local Agency has been derived from information provided by the Local Agency, unless otherwise noted. The Authority, the Financial Advisor and the Underwriter have no reason to believe that any such information is incorrect; however, they have not verified the accuracy of such information and take no responsibility therefor. The Local Agency has represented that the information included herein does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements about the Local Agency contained herein, in light of the circumstances under which they were made, not misleading. The information regarding the Local Agency contained in the Appendices hereto is essential to making an informed investment decision with respect to the Note Participations. Investors are advised to thoroughly and carefully review such information.

General

The Local Agency 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. The Local Agency is a charter city, which means the Local Agency, 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 Local Agency is subject to State law.

The Local Agency 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 Local Agency also operates a downtown parking facility and the Richmond Memorial Convention Center.

The Local Agency 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.

Available Sources of Payment

The Note, in accordance with California law, is a general obligation of the Local Agency, but is payable only out of the unrestricted taxes, income, revenue, cash receipts and other moneys received for the General Fund of the Local Agency attributable to Fiscal Year 2009-10 and legally available for payment thereof. Under the Act, no obligations, including the Note, may be issued thereunder if the principal thereof and interest thereon exceeds 85% of the estimated amount of the then-uncollected taxes,

income, revenue, cash receipts and other moneys which will be available for payment of such principal and interest. The principal amount of Note and interest thereon equals $18.156 million which represents approximately 17.2% of the estimated sources available for payment of the Note and the Note Participations.

The Local Agency estimates that the total moneys available for payment of the Note will be in excess of $105 million as indicated in Table 4. Except for pledged amounts, these moneys will be expended during the remainder of the Fiscal Year 2009-10, and no assurance can be given that any moneys, other than the pledged amounts, will be available to pay the Note and the interest thereon.

Table 4
City of Richmond
Estimated General Fund Unrestricted Revenues
November 1, 2009 through June 30, 2010†

Sources	**Amount ($ in 000's)**
Property Taxes	$30,917
Sales and Use Taxes	21,104
Utility Users Tax	30,537
Other Taxes	6,414
Licenses, Permits and Franchises	6,143
Use of Money and Property	821
Charges for Services	2,433
Other Revenue	4,364
Operating Transfers In	3,000
Total	$105,734
Less amount pledged for payment of the Note	(18,156)
Net Total in excess of pledged revenues	$87,578

† The budgeted revenues of the Local Agency are set forth in the Fiscal Year 2009-10 Adopted Budget which was approved on June 16, 2009 and adjusted on October 13, 2009; the estimated cash flows related to said revenues are presented in Table 6–"Projected Cash Flows for Fiscal Year 2009-10," with the amounts in Table 6 reflecting estimated cash from November 1, 2009 through the accounting period ending June 30, 2010.

Source: City of Richmond Finance Department.

Cash Flow Projections

The Finance Department of the Local Agency (the "Finance Department") has prepared cash flow and the projected cash flow for Fiscal Year 2009-10 for the General Fund of the Local Agency. The cash flow projections are based on the Fiscal Year 2009-10 Adopted Budget, as adjusted. The estimated test coverage factors (with and without inclusion of alternate liquidity sources) for the Note Participations are shown at the bottom of Table 7. The cash flows for Fiscal Year 2009-10 incorporate the expected receipt of $3.6 million from the Proposition 1A Securitization of property taxes. See APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND–FINANCIAL OPERATIONS–City Budget Process" and "–State Budgets–*City Responses to the Amended 2009 State Budget Act*."

A maximum cumulative cash flow deficit (the "Deficit") of approximately $12.6 million is anticipated to occur in the unrestricted portion of the General Fund of the Local Agency during the Fiscal Year 2009-10. Adding an estimated $7.074 million working capital reserve to the Deficit results in a maximum permissible size of approximately $19.7 million for the tax exempt cash flow borrowing of the Local Agency. Taking into account: (a) any unrestricted monies that are expected to be available from sources other than the General Fund of the Local Agency to address the projected deficit and (b) the likelihood that the projected cash flows are susceptible to forecast error, the Local Agency has elected to issue the Note in a principal amount that is equal to approximately 90% of such maximum sizing.

The estimates of amounts and timing of receipts and disbursements in the cash flow tables are based on certain assumptions and should not be construed as statements of fact. The assumptions are based on present circumstances and currently available information and are believed to be reasonable. The assumptions may be affected by numerous factors and there can be no assurance that such estimates will be achieved.

The Local Agency could borrow, for General Fund purposes, funds held by the Local Agency outside the General Fund ("intrafund borrowing"). The intrafund borrowing capacity (the "Intrafund Borrowing Capacity") of the Local Agency is estimated to be approximately $43.5 million as of June 30, 2010. The Local agency has used intrafund borrowing to address temporary cash shortfalls in years in which it has not issued tax and revenue anticipation notes, such as in Fiscal Year 2008-09. Table 5 sets forth the estimated borrowable cash resources of the Local Agency as of June 30, 2009 and projected borrowable cash resources as of June 30, 2010.

Table 5
City of Richmond
Intrafund Borrowing Capacity

Fund	Actual Balance at June 30, 2009 ($ in millions)	Projected Minimum Balance in Fiscal Year 2009-10
Governmental Funds	$22.1	$14.1
Insurance Reserves and Information Technology Fund	21.3	29.4
	$43.4	$43.5

Source: City of Richmond Finance Department.

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Table 6
City of Richmond
Actual Cash Flows for Fiscal Year 2008-09
($ in thousands)

ACCOUNTING PERIOD ENDING	July 2008	August 2008	September 2008	October 2008	November 2008	December 2009
BEGINNING BALANCES	$14,910.7	$ 9,757.9	$ 4,987.7	$ 1,688.6	$ 2,873.7	$ 2,763.7
RECEIPTS:						
Property Taxes	$ –	$ –	$ –	$ 1,196.1	$ –	$16,925.5
Sales & Use Tax	807.9	673.8	672.9	810.8	945.2	–
Utility Users Tax	1,338.8	2,973.7	2,841.8	2,980.4	674.1	3,561.8
Other Taxes	259.9	247.6	320.2	496.6	235.2	68.7
Licenses, Permits & Fees	112.1	387.4	258.9	366.7	277.9	789.5
Use Of Money And Property	0.3	9.8	44.9	45.2	0.1	4.7
Charges For Services	358.4	359.1	358.4	362.1	358.3	44.4
Other Revenue	100.1	89.6	199.6	373.3	935.6	86.2
Operating Transfers In	–	74.9	–	–	2.2	783.1
Notes Sold	–	–	–	–	–	–
Intra Fund Borrowing	–	–	3,000.0	5,000.0	5,000.0	–
TOTAL RECEIPTS	$ 2,977.5	$ 4,815.8	$ 7,696.6	$ 11,631.2	$ 8,428.6	$22,263.7
EXPENDITURES:						
Salaries And Benefits	$ 6,936.3	$ 6,829.4	$ 6,879.4	$ 6,900.9	$ 6,809.3	$ 6,602.6
Prof & Admin	207.6	402.7	281.4	373.9	329.9	446.6
Other Operating	134.3	350.7	422.8	359.3	327.3	426.9
Other Expenditures	614.4	1,989.1	3,162.2	2,811.9	1,072.2	1,981.2
Operating Transfers Out	237.7	14.0	250.0	–	–	1,063.5
Interest Expense - Note	–	–	–	–	–	–
Notes: Principal Repay	–	–	–	–	–	–
Intra Fund Borrow Repay	–	–	–	–	–	–
TOTAL EXPENDITURES	$ 8,130.3	$ 9,585.9	$ 10,995.8	$ 10,446.0	$ 8,538.6	$ 10,520.7
ENDING BALANCE	$ 9,757.9	$ 4,987.7	$ 1,688.6	$ 2,873.7	$ 2,763.7	$ 14,506.7

January 2009	February 2009	March 2009	April 2009	May 2009	June 2009	Total
$ 14,506.7	$ 6,206.1	$ 10,044.6	$ 8,580.7	$ 14,460.0	$ 12,431.9	$ 14,910.7
$ –	$ –	$ –	$ 12,600.7	$ –	$ 2,574.3	$ 33,296.4
1,574.6	8,748.8	1,223.3	1,019.2	7,002.0	2,953.9	26,432.4
2,207.4	5,357.0	15,950.4	2,748.0	3,005.0	5,314.5	48,952.8
750.0	429.6	19.7	3,510.1	198.1	1,569.3	8,105.0
465.4	256.1	187.7	244.4	287.5	1,434.8	5,068.1
5.7	0.2	53.0	37.5	20.7	48.1	270.2
23.7	9.8	27.3	45.6	2.1	5.8	1,954.9
4,102.7	108.0	313.9	363.4	124.7	2,250.2	9,047.1
–	5,316.6	–	–	41.0	1,944.2	8,162.0
–	–	–	–	–	–	–
–	–	–	–	–	–	13,000.0
$ 9,129.4	$ 20,226.0	$ 17,775.2	$ 20,568.7	$ 10,681.1	$ 18,095.1	$ 154,289.0
$ 8,608.1	$ 7,830.2	$ 7,961.7	$ 7,912.9	$ 8,195.1	$ 8,859.5	$ 90,325.3
712.7	474.4	763.1	965.6	806.4	1,343.8	7,108.0
401.7	427.2	907.9	509.4	406.1	997.1	5,670.8
2,219.5	2,127.1	2,394.0	2,301.5	2,750.0	565.3	23,988.4
487.9	528.7	7,212.4	–	551.7	4,039.4	14,385.4
–	–	–	–	–	–	–
–	–	–	–	–	–	–
5,000.0	5,000.0	–	3,000.0	–	–	13,000.0
$ 17,429.9	$ 16,387.5	$ 19,239.1	$ 14,689.4	$ 12,709.3	$ 15,805.2	$ 154,477.9
$ 6,206.1	$ 10,044.6	$ 8,580.7	$ 14,460.0	$ 12,431.9	$ 14,721.8	$ 14,721.8

Table 7
City of Richmond
Projected Cash Flows for Fiscal Year 2009-10
($ in thousands)

ACCOUNTING PERIOD ENDING	July 2009	August 2009	September 2009	October 2009	November 2009	December 2009
BEGINNING BALANCES	$ 14,910.7	$ 9,757.9	$ 4,987.7	$ 1,688.6	$ 2,873.7	$ 2,763.7
RECEIPTS:						
Property Taxes	$ –	$ –	$ –	$ 1,196.1	$ –	$ 16,925.5
Sales & Use Tax	807.9	673.8	672.9	810.8	945.2	–
Utility Users Tax	1,338.8	2,973.7	2,841.8	2,980.4	674.1	3,561.8
Other Taxes	259.9	247.6	320.2	496.6	235.2	68.7
Licenses, Permits & Fees	112.1	387.4	258.9	366.7	277.9	789.5
Use Of Money And Property	0.3	9.8	44.9	45.2	0.1	4.7
Charges For Services	358.4	359.1	358.4	362.1	358.3	44.4
Other Revenue	100.1	89.6	199.6	373.3	935.6	86.2
Operating Transfers In	–	74.9	–	–	2.2	783.1
Notes Sold	–	–	–	–	–	–
Intra Fund Borrowing	–	–	3,000.0	5,000.0	5,000.0	–
TOTAL RECEIPTS	$ 2,977.5	$ 4,815.8	$ 7,696.6	$ 11,631.2	$ 8,428.6	$ 22,263.7
DISBURSEMENTS:						
Salaries And Benefits	$ 6,936.3	$ 6,829.4	$ 6,879.4	$ 6,900.9	$ 6,809.3	$ 6,602.6
Prof & Admin	207.6	402.7	281.4	373.9	329.9	446.6
Other Operating	134.3	350.7	422.8	359.3	327.3	426.9
Other Expenditures	614.4	1,989.1	3,162.2	2,811.9	1,072.2	1,981.2
Operating Transfers Out	237.7	14.0	250.0	–	–	1,063.5
Interest Expense – Note	–	–	–	–	–	–
Notes: Principal Repay	–	–	–	–	–	–
Intra Fund Borrow Repay	–	–	–	–	–	–
TOTAL EXPENDITURES	$ 8,130.3	$ 9,585.9	$ 10,995.8	$ 10,446.0	$ 8,538.6	$ 10,520.7
ENDING BALANCE	$ 9,757.9	$ 4,987.7	$ 1,688.6	$ 2,873.7	$ 2,763.7	$ 14,506.7
TRANs REPAYMENT FUND						
Beginning Balance	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Receipts	0.0	0.0	0.0	0.0	0.0	5,340.0
Disbursements	0.0	0.0	0.0	0.0	0.0	0.0
Ending Balance	$0.0	$0.0	$0.0	$0.0	$0.0	$5,340.0
					Coverage Factors (without Alternate Liquidity Sources):	3.91
					Coverage Factors (with Alternate Liquidity Sources):	12.05

January 2010	February 2010	March 2010	April 2010	May 2010	June 2010	Total
$ 14,506.7	$ 6,206.1	$ 10,044.6	$ 8,580.7	$1 4,460.0	$ 12,431.9	$ 14,910.7
$ –	$ –	$ –	$ 12,600.7	$ –	$ 2,574.3	$ 33,296.4
1,574.6	8,748.8	1,223.3	1,019.2	7,002.0	2,953.9	26,432.4
2,207.4	5,357.0	15,950.4	2,748.0	3,005.0	5,314.5	48,952.8
750.0	429.6	19.7	3,510.1	198.1	1,569.3	8,105.0
465.4	256.1	187.7	244.4	287.5	1,434.8	5,068.1
5.7	0.2	53.0	37.5	20.7	48.1	270.2
23.7	9.8	27.3	45.6	2.1	5.8	1,954.9
4,102.7	108.0	313.9	363.4	124.7	2,250.2	9,047.1
–	5,316.6	–	–	41.0	1,944.2	8,162.0
–	–	–	–	–	–	–
–	–	–	–	–	–	13,000.0
$ 9,129.4	$ 20,226.0	$ 17,775.2	$ 20,568.7	$ 10,681.1	$ 18,095.1	$ 154,289.0
$ 8,608.1	$ 7,830.2	$ 7,961.7	$ 7,912.9	$ 8,195.1	$ 8,859.5	$ 90,325.3
712.7	474.4	763.1	965.6	806.4	1,343.8	7,108.0
401.7	427.2	907.9	509.4	406.1	997.1	5,670.8
2,219.5	2,127.1	2,394.0	2,301.5	2,750.0	565.3	23,988.4
487.9	528.7	7,212.4	–	551.7	4,039.4	14,385.4
–	–	–	–	–	–	–
–	–	–	–	–	–	–
5,000.0	5,000.0	–	3,000.0	–	–	13,000.0
$ 17,429.9	$ 16,387.5	$ 19,239.1	$ 14,689.4	$ 12,709.3	$ 15,805.2	$ 154,477.9
$ 6,206.1	$ 10,044.6	$ 8,580.7	$ 14,460.0	$ 12,431.9	$ 14,721.8	$ 14,721.8
$5,340.0	$5,340.0	$8,900.0	$8,900.0	$13,350.0	$18,156.0	$0.0
0.0	3,560.0	0.0	4,450.0	4,806.0	0.0	18,156.0
0.0	0.0	0.0	0.0	0.0	0.0	18,156.0
$5,340.0	$8,900.0	$8,900.0	$13,350.0	$18,156.0	$18,156.0	$0.0
Coverage Factors (without Alternate Liquidity Sources):	5.19		4.36	4.77		2.04
Coverage Factors (with Alternate Liquidity Sources):	17.41		14.14	14.54		4.48

For more information on the Local Agency, see APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND."

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the California Constitution

In 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A was subsequently amended in 1986, as discussed below. Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the Fiscal Year 1975-76 tax bill under 'full cash' or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to the Local Agency continues as part of its allocation in future years.

Article XIII B of the California Constitution

On November 6, 1979, California voters approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the California Constitution. Propositions 98 and 111, approved by the California voters in 1988 and 1990, respectively, substantially modified Article XIII B. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority, or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living and population. The initial version of Article XIII B provided that the "base year" for establishing an appropriations limit was the 1978-79 Fiscal Year, which was then adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Proposition 111 revised the method for making annual adjustments to the appropriations limit by redefining changes in the cost of living and in population. It also required that beginning in Fiscal Year 1990-91, each appropriations limit must be recalculated using the actual 1986-87 appropriations limit and making the applicable annual adjustments as if the provisions of Proposition 111 had been in effect.

Appropriations subject to limitation of a local government under Article XIII B include generally any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity, exclusive of refunds of taxes. Proceeds of taxes include, but are not limited to, all tax revenues plus the proceeds to an entity of government from (1) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), (2) the investment of tax revenues, and (3) certain subventions received from the State. Article XIII B permits any government entity to change the appropriations limit by a vote of the electors in conformity with statutory and constitutional voting effective for a maximum of four years.

As amended by Proposition 111, Article XIII B provides for testing of appropriations limits over consecutive two-year periods. If an entity's revenues in any two-year period exceed the amounts permitted to be spent over such period, the excess has to be returned by revising tax rates or fee schedules over the subsequent two years. As amended by Proposition 98, Article XIII B provides for the payment of a portion of any excess revenues to a fund established to assist in financing certain school needs.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the Fiscal Year 1988-89, will be allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (ii) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, the valuation of which continues to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of local agencies to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Proposition 218 (Article XIII C) requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the Local Agency require a majority vote and taxes for specific purposes, even if deposited in the Local Agency's General Fund, require a two-thirds vote. Further, any general purpose tax which a Local Agency imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election which must be held within two years of November 5, 1996.

Proposition 218 (Article XIII D) also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which

exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIII D, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services where the service is available to the public at large in substantially the same manner as it is to property owners.

Proposition 218 (Article XIII C) also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of any Local Agency will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the Local Agency's General Fund.

In connection with the sale of the Note Participations, the Local Agency has represented that Proposition 218 will not materially impact any existing or future taxes, fees and assessments collected by the Local Agency. See APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND" for more information.

Proposition 62

Proposition 62, a statutory initiative that was adopted by the voters voting in the State at the November 4, 1986 general election, (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities be approved by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires 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 of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, (f) required that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the voters voting in an election on the tax within two years of November *5,* 1986 or be terminated by November 15, 1988 (a requirement that was subsequently declared unconstitutional, as described below) and (g) requires a reduction of *ad valorem* property taxes allocable to the jurisdiction imposing a tax not in compliance with its provisions equal to one dollar for each dollar of revenue attributable to the invalid tax, for each year that the tax is collected.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. For example, in *City of Woodlake v. Logan,* 230 Cal.App.3d 1058 (1991) (the "Woodlake Case"), the Court of Appeal held portions of Proposition 62 unconstitutional as a referendum on taxes prohibited by the California Constitution. In reliance on the Woodlake Case, numerous taxes were imposed or increased after the adoption of Proposition 62 without satisfying the voter approval requirements of Proposition 62.

On September 28, 1995, the California Supreme Court, in *Santa Clara County Local Transportation Authority v. Guardino,* 11 Cal. 4th 220 (1995) (the "Santa Clara Case"), upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax, and, by implication, upheld a parallel provision requiring a

majority vote in order for a local government or district to impose any general tax. In deciding the Santa Clara Case on Proposition 62 grounds, the Court disapproved the decision in the Woodlake Case.

The decision in the Santa Clara Case did not address the question of whether it should be applied retroactively. On June 4, 2001, the California Supreme Court released *Howard Jarvis Taxpayers Association v. City of La Habra, et al. ("La Habra").* In this decision, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

In connection with the sale of the Note Participations, the Local Agency has represented that Proposition 62 will not materially impact any existing or future taxes, fees and assessments collected by the Local Agency. See APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND" for more information.

Proposition 1A of 2004

Proposition 1A, proposed by the Legislature in connection with the 2004-05 Budget Act, approved by the voters in November 2004 and generally effective in Fiscal Year 2007-08 ("Proposition 1A of 2004"), 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 of 2004 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 of 2004 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 of 2004 also provides that if the State reduces the VLF rate currently in effect, 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A of 2004 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 of 2004 may result in increased and more stable Local Agency revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A of 2004 could also result in decreased resources being available for Local Agency and 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, including borrowing a portion of the property tax receipts of the Local Agency, some of which could be adverse to the finances of the Local Agency.

In response to the worsening fiscal situation confronting the State, pursuant to the Amended 2009 State Budget Act (defined herein), the State is in the process of borrowing local property tax receipts from local governments, including $3.6 million from the Local Agency. To mitigate the impact this borrowing the Local Agency expects to participate in the California Statewide Communities Development Authority

Proposition 1A Pooled Securitization Program. See APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND–FINANCIAL OPERATIONS–State Budgets–*City Responses to the Amended 2009 State Budget Act.*"

Future Initiatives

Article XIIIA, Article XIIIB, Propositions 218, 62 and lA were each adopted as measures that qualified for the ballot through California's initiative process. From time to time other initiative measures could be adopted, further affecting Local Agency revenues.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the Local Agency and the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Note represented by the Note Participations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. The amount treated as interest on the Note represented by the Note Participations and excluded from gross income may depend on the taxpayer's election under Internal Revenue Service Notice 94-84. In the further opinion of Special Counsel, interest on the Note represented by the Note Participations 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. A complete copy of the proposed form of opinion of Special Counsel is set forth in APPENDIX D hereto.

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the "IRS") is studying whether the amount of the payment at maturity on short-term debt obligations (i.e., debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) that is excluded from gross income for federal tax purposes is (i) the stated interest payable at maturity or (ii) the difference between the issue price of short-term debt obligations and the aggregate amount to be paid at maturity of the short-term debt obligations (the "original issue discount"). The Note Participations may be executed as short-term debt obligations. For this purpose, the issue price of the short-term debt obligations is the first price at which a substantial amount of the short-term debt obligations is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the IRS provides further guidance with respect to tax-exempt short-term debt obligations, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes.

However, taxpayers must treat the amount to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of the Note Participations if the Note Participations are executed as short-term debt obligations and if the taxpayer elects original issue discount treatment.

The Note Participations purchased, whether at original issuance or otherwise, for an amount higher than their principal amount on the Note represented by such Note Participations payable at maturity ("Premium Note") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Note, 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 Note, will be reduced by

the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of a Premium Note 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 Note Participations. The Local Agency has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Note Participations 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 Note Participations being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Note Participations. The opinion of Special Counsel assumes the accuracy of these representations and compliance with these covenants. Special 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 Special Counsel's attention after the date of issuance of the Note Participations may adversely affect the value of, or the tax status of interest on, the Note Participations. Accordingly, the opinion of Special Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

One of the covenants of the Local Agency referred to above requires the Local Agency to reasonably and prudently calculate the amount, if any, of excess investment earnings on the proceeds of the Note Participations which must be rebated to the United States, to set aside from lawfully available sources sufficient moneys to pay such amounts and to otherwise do all things necessary and within its power and authority to assure that interest on the Note Participations is excluded from gross income for federal income tax purposes. Under the Code, if the Local Agency spends 100% of its pro rata share of the proceeds of the Note Participations within six months after initial delivery, there is no requirement that there be a rebate of investment profits in order for interest on the Note Participations to be excluded from gross income for federal income tax purposes. The Code also provides that such proceeds are not deemed spent until all other available moneys (less a reasonable working capital reserve) are spent. The Local Agency expects to satisfy this expenditure test or, if it fails to do so, to make any required rebate payment from moneys received or accrued during the 2009-10 fiscal year. To the extent that any rebate cannot be paid from such moneys, the law of California is unclear as to whether such covenant would require the Local Agency to pay any such rebate. This would be an issue only if it were determined that the Local Agency's calculations of expenditures of Note Participations proceeds or of rebatable arbitrage profits, if any, were incorrect.

Although Special Counsel is of the opinion that interest on the Note Participations is excluded from gross income for federal income tax purposes and that interest on the Note Participations is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Note Participations 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. Special 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 Note represented by the Note Participations to be subject, directly or indirectly, to federal income taxation or 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 Note Participations. Prospective purchasers of the Note Participations should consult their own tax advisors regarding any pending or

proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

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

Special Counsel's engagement with respect to the Note Participations ends with the issuance of the Note Participations, and, unless separately engaged, Special Counsel is not obligated to defend the Local Agency or the Beneficial Owners regarding the tax-exempt status of the Note Participations in the event of an audit examination by the IRS. Under current procedures, parties other than the Local Agency and their appointed counsels, 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 Local Agency legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Note Participations 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 Note Participations, and may cause the Local Agency or the Beneficial Owners to incur significant expense.

The form of proposed opinion of Special Counsel is set forth in APPENDIX D of this Official Statement. Special Counsel expresses no opinion therein on the accuracy, completeness or sufficiency of this Official Statement or other offering material related to the Note Participations.

LITIGATION

Local Agency

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the execution or delivery of the Note Participations, the Trust Agreement or the Note or in any way contesting or affecting the validity of the foregoing or, any action of the Local Agency taken with respect to any of the foregoing.

There is no litigation pending or, to the knowledge of the Local Agency, threatened, questioning the existence of the Local Agency, or the title of the officers of the Local Agency to their respective offices, or the power and authority of the Local Agency to issue and deliver the Note or the Trustee to execute and deliver the related Note Participations.

For information on litigation concerning the Local Agency, see APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND–FINANCIAL OPERATIONS–Litigation."

The Authority

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

There is no litigation pending or, to the knowledge of the Authority, threatened, questioning the existence of the Authority, or the title of the officers of the Authority to their respective offices.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "intend," "projection" or other similar words. Projections, forecasts, expressions of opinions, estimates and other forward-looking 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 CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR OR DO NOT OCCUR.

FINANCIAL ADVISOR

The Local Agency has retained Tamalpais Advisors, Inc., Sausalito, California, as Financial Advisor (the "Financial Advisor") in connection with the execution and delivery of the Local Agency's Note and certain other financial matters. The Financial Advisor has is not obligated to undertake and 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.

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RATING

Standard & Poor's Rating Services ("S&P") has assigned the rating of "SP-1+" to the Note Participations. The Local Agency supplied certain information to the rating agencies to be considered in evaluating the Note Participations. The rating reflects only the views of S&P, and any explanation of the significance of such rating on the Note Participations should be obtained from S&P. There is no assurance that the rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. The Authority undertakes no responsibility to oppose any downward revision or withdrawal of any rating. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price of the Note Participations.

UNDERWRITING

The Local Agency, the Authority, and Wedbush Securities Inc. (the "Underwriter"), have entered into a Note Participation Purchase Agreement (the "Note Participation Purchase Agreement") pursuant to which the Note Participations are to be purchased by the Underwriter at a price of $17,989,932 (representing the principal amount of the Note Participations of $17,800,000 plus an original issue premium of $214,846, less the Underwriter's discount of $24,914). The Note Participation Purchase Agreement provides that the Underwriter will purchase all of the Note Participations if any are purchased, the obligations to make such purchase being subject to certain terms and conditions set forth in the Note Participation Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell the Note Participations to certain dealers and others at a price lower than the offering price stated on the inside cover hereof. The Underwriter may change the offering price from time to time.

MATERIAL EVENTS UNDERTAKING

Pursuant to the Trust Agreement, the Local Agency has agreed to give, or cause to be given, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA"), in a timely manner, notice of the following "Listed Events" with respect to the Local Agency's Note and the Note Participations if determined by the Local Agency to be material: (1) principal and interest payment delinquencies; (2) non-payment related defaults, (3) modification to the rights of the Owners; (4) contingent or unscheduled Note or Note Participation calls; (5) defeasances; (6) rating changes; (7) adverse tax opinions or events adversely affecting the tax-exempt status of the Note or the Note Participations; (8) unscheduled draws on any debt service reserves reflecting financial difficulties; (9) unscheduled draws on a Credit Instrument (as defined in a Trust Agreement); (10) substitution of a Credit Provider (as defined in a Trust Agreement) or any failure by a Credit Provider to perform on the Credit Instrument reflecting financial difficulties; and (11) any release, substitution, or sale of property securing repayment of the Note or Note Participations. These covenants have been made in order to assist the Underwriter in complying with SEC Rule l5c2-l2(b)(5) (the "Rule").

The undertakings regarding material event disclosure set forth in the Trust Agreement may be amended, and any provision thereof may be waived, by written agreement of the parties thereto, without the consent of the Owners of the Note Participations (except to the extent required under clause (3)(ii) below), if all of the following conditions are satisfied: (1) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Local Agency or the type of business conducted thereby; (2) the undertakings therein as so amended or waived would, in the opinion of nationally recognized Special Counsel or counsel expert in federal securities laws addressed to the Local Agency and the Trustee, have complied with the requirements of the Rule at the time of the primary offering of the Note Participations, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) the proposed amendment or waiver either (i) is approved by the Owners in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of the Owners, or (ii) does not, in the opinion of the nationally recognized Special Counsel or counsel expert in federal securities laws addressed to the Local Agency and the Trustee, materially impair the interests of the owners of Note Participations; and (4) the Local Agency shall have delivered copies of such opinions and amendment to EMMA.

The Local Agency's obligations under the Trust Agreement shall terminate upon the defeasance or payment in full of the Note and the Note Participations. The undertakings in the Trust Agreement relating to continuing disclosure shall inure solely to the benefit of the Local Agency, the Trustee, the, Dissemination Agent, the Underwriter and the Owners and Beneficial Owners, from time to time of the Note Participations, and shall create no rights in any other person or entity.

See also APPENDIX C–"DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF NOTE RESOLUTION AND SUMMARY OF TRUST AGREEMENT–SUMMARY OF TRUST AGREEMENT–Continuing Disclosure."

CERTAIN LEGAL MATTERS

At the time of the delivery of the Note Participations, Orrick, Herrington & Sutcliffe LLP, Special Counsel to the Local Agency and the Authority, Los Angeles, California, will deliver its final approving opinion in the form set forth in APPENDIX D. A copy of such approving opinion will be available for delivery with each certificate representing a beneficial interest in the Note Participations.

Certain legal matters will be passed upon for the Local Agency by the City Attorney and for the Local Agency and the Underwriter by Lofton & Jennings, San Francisco, California, Disclosure Counsel.

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AUTHORIZATION AND APPROVAL

This Official Statement, and its distribution and use by the Underwriter, have been duly authorized by the Authority as agent for and on behalf of the Local Agency and approved by the Local Agency.

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY, as agent for and on behalf of the Local Agency

By: /s/ Kelli L. Osborne
Authorized Signatory

Approved:

CITY OF RICHMOND, Local Agency

By: /s/ William A. Lindsay
City Manager

APPENDIX A

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

TABLE OF CONTENTS

PAGE

FINANCIAL OPERATIONS A-1
- Financial Statements A-1
- City Budget Process A-4
- Financial and Accounting Information A-6
- City's Recovery from Past Financial Difficulties A-8
- Financial Policies A-9
- State Budgets A-14
- Major General Fund Revenue Sources A-22
- Pension Plans A-32
- Post Employment Health Care Benefits A-39
- City Employees; Collective Bargaining A-41
- Capital Planning A-43
- Risk Management A-43
- Litigation A-43

CITY DEBT SUMMARY A-44
- General Obligation Bond Debt A-44
- General Fund and Lease Obligation Debt A-44
- City Overlapping and Bonded Debt A-45

DEMOGRAPHIC AND ECONOMIC INFORMATION A-46
- Introduction A-46
- Population A-46
- Economy A-46
- Employment A-50
- Effective Buying Income A-52
- Construction Activity A-52
- Community Facilities A-53
- Transportation A-53
- Utilities A-54
- Education A-54

INDEX OF TABLES

PAGE

Table A-1 - General Fund Balance Sheet A-2
Table A-2 - Summary of General Fund Revenues, Expenditures, and Change in Fund Balance A-3
Table A-3 - Summary of Budgeted General Fund Revenues and Expenditures A-5
Table A-4 - Schedule of Investments A-11
Table A-5 - Summary of Interest Rate Swap Agreements A-13
Table A-6 - General Fund Revenues Subject to State Suspension of Proposition 1A of 2004 ..... A-21
Table A-7 - Assessed Valuation of Taxable Property A-23
Table A-8 - Property Tax Receipts A-24
Table A-9 - Secured Tax Levies and Delinquencies A-25
Table A-10 - Secured Tax Levies, Delinquencies and Tax Losses Reserve Balances A-25
Table A-11 - Summary of Foreclosure Activity A-26
Table A-12 - Largest Property Tax Payers A-27
Table A-13 - Utility Users Tax Receipts A-28
Table A-14 - Composition of Sales Tax Rate A-29
Table A-15 - Taxable Sales A-30
Table A-16 - Sales Tax Receipts A-30
Table A-17 - Documentary Transfer Tax Receipts A-31
Table A-18 - Revenue from the State A-32
Table A-19A-1 Schedule of Funding Progress - Safety Plan A-34
Table A-19A-2 Schedule of Funding Progress - Miscellaneous Plan A-34
Table A-19B-1 Schedule of Funding Progress - Safety Plan A-35
Table A-19B-2 Schedule of Funding Progress - Miscellaneous Plan A-36
Table A-20A - Pension Plan Contributions A-37
Table A-20B-1 Schedule of Funding Progress - Police and Firemen's Plan A-37
Table A-20B-2 Schedule of Funding Progress -General Pension Plan A-38
Table A-21A-1 Schedule of Funding Progress - Garfield Plan A-38
Table A-21A-2 Schedule of Funding Progress - Garfield Plan A-39
Table A-22 - Post Employment Benefit Summary A-40
Table A-23 - Budgeted Positions A-41
Table A-24 - Summary of Labor Agreements A-42
Table A-25 - General Fund Lease Obligations A-44
Table A-26 - Statement of Direct and Overlapping Debt A-45
Table A-27 - City, County and State Population Statistics A-46
Table A-28 - Principal Employers in the City A-50
Table A-29 - Civilian Labor Force, Employment and Unemployment A-51
Table A-30 - City of Richmond, Contra Costa County and the State of California Total Effective Buying Income A-52
Table A-31 - Building Permit Valuations A-52

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.

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.

Fiscal Year 2007-08. The financial results for Fiscal Year 2007-08 showed an operating deficit in the General Fund for the first time in the last four most recent 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 and transfers in for Fiscal Year 2007-08 increased by approximately 2.0%, while the City's expenditures and transfers out increased by approximately 24.7% over the same time period.

Fiscal Year 2008-09. The City "soft closed" its books for Fiscal Year 2008-09 on October 16, 2009. Complete unaudited results are not yet available, although the City has provided unaudited estimates of its General Fund Balance Sheet in Table A-1.

The unrestricted General Fund cash was approximately $10.7 million as of June 30, 2009, a decrease of $4.2 million from the prior year. However, post-closing adjustments will increase General Fund cash to $17.8 million. The City is maintaining its $10.0 million contingency fund in its reserved fund balance and has reserved the entire amount of its Advances to other funds. Post-closing adjusted cash of $17.8 million is sufficient to cover the entire Unreserved, Undesignated General Fund balance.

Table A-1 presents the City's Audited General Fund Balance Sheet, including assets, liabilities, and fund equity for Fiscal Years 2004-05 through 2007-08 and the unaudited results for Fiscal Year 2008-09.

Table A-1
City of Richmond
General Fund Balance Sheet
Fiscal Years 2004-05 through 2007-08 and Unaudited Results for Fiscal Year 2008-09

	2004-05	2005-06	2006-07	2007-08	(Unaudited) 2008-09
ASSETS					
Assets:					
Cash and investments[1]	$14,170,749	$30,326,744	$30,020,859	$14,910,701	$10,720,322
Cash and investments - Measure T[2]	–	–	–	–	20,964,716
Restricted cash and investments	21,303	17,020	19,014	15,961	5,154
Receivables:					
Accounts, net	11,127,767	6,640,872	9,751,511	8,126,501	3,638,409
Accrued, net	–	–	–	–	5,709,644
Interest	63,639	84,483	67,605	33,206	206
Grants	60,000	-	-	3,840	3,840
Loans	922,351	1,055,124	1,276,861	1,376,940	1,367,538
Other	–	–	–	–	–
Due from other funds	9,174,306	5,263,031	3,217,051	12,580,755	5,775,601
Advances to other funds[3]	23,812,555	17,139,855	22,179,884	24,353,654	22,733,282
Inventories	–	–	–	–	–
Prepaids, supplies and other assets	260,216	247,048	310,466	211,792	470,411
Other	–	–	–	–	–
TOTAL ASSETS	$59,612,886	$60,774,177	$66,843,251	$61,613,350	$71,389,123
LIABILITIES AND FUND BALANCES					
Liabilities:					
Cash overdraft	–	–	–	–	–
Accounts payable and accrued liabilities	$2,445,779	$1,046,498	$1,959,984	$3,404,146	$2,361,010
Refundable deposits	3,536,574	1,504,483	399,164	595,211	90,538
Due to pension trust	–	–	–	–	–
Due to other funds	–	–	–	8,706,778	395,902
Advances from other funds	105,685	103,685	101,685	99,685	99,685
Deferred revenue	9,930,958	9,889,742	9,950,518	2,370,902	811,305
Deferred revenue - Measure T	–	–	–	–	20,949,305
Deferred revenue - Measure T interest	–	–	–	–	28,064
TOTAL LIABILITIES	$16,018,996	$12,544,408	$12,411,351	$15,176,722	$24,735,809
Fund Balances:					
Reserved for:					
Encumbrances	$286,787	$926,760	$2,919,795	$1,824,308	$1,824,308
Prepaids, supplies and other assets	260,216	247,048	310,466	211,792	470,411
Advance to other funds	16,327,666	8,108,231	18,316,706	24,353,654	22,733,282
Loans receivable	208,804	356,804	543,573	659,224	649,823
Unreserved, designated for:					
Contingencies[4]	2,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Unreserved, reported in:					
General fund[1]	24,510,417	28,590,926	22,341,360	9,387,650	10,975,489
Undesignated	–	–	–	–	–
TOTAL FUND BALANCES	43,593,890	48,229,769	54,431,900	46,436,628	46,653,313
TOTAL LIABILITIES AND FUND BALANCES	$59,612,886	$60,774,177	$66,843,251	$61,613,350	$71,389,122

(1) Totals for Fiscal Year 2008-09 do not include a $5.6 million transfer from the Redevelopment Agency to the General Fund for repayment of a prior advance to fund the 2007 Series A Reserve Fund with cash following the downgrade of an MBIA surety policy and a $1.7 million payment by the Richmond Housing Authority. Those transfers would bring the cash total in the General Fund to $18 million and the General Fund unreserved balance to $18.275 million.

(2) Measure T, approved by the voters on November 4, 2008, imposes a tax on manufacturing businesses effective January 1, 2009. On February 26, 2009, Chevron Corp. filed a lawsuit alleging that Measure T violates State and federal law. The City continues to collect the tax pursuant to Measure T, however such amounts are being held in reserve until the litigation is resolved. See "–Litigation–*Measure T.*"

(3) 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."

(4) The City has deposited an additional approximately $10.0 million into the Contingency Reserve in each of Fiscal Years 2005-06 through 2008-09 per the City's 15% cash reserve policy. See "–Financial Policies–*Budget and Contingency Reserves Policy*."

Sources: *Comprehensive Annual Financial Report for Fiscal Years 2004-05, 2005-06, 2006-07, 2007-08 and the City of Richmond for Fiscal Year 2008-09 (unaudited).*

Table A-2 presents the City's Audited General Fund Statement of Revenues, Expenditures and Change in Fund Balance for Fiscal Years 2004-05 though 2007-08.

Table A-2
City of Richmond
Summary of General Fund Revenues, Expenditures, and Change in Fund Balance
Fiscal Years 2004-05 through 2007-08

	2004-05	2005-06	2006-07	2007-08
Revenues:				
Property taxes	$30,368,311[1]	$28,284,861	$33,069,812	$34,296,322
Sales taxes	20,273,363	25,402,253	28,217,895	29,005,711
Utility user fees	29,721,235	30,199,388	27,007,410	29,553,243
Other taxes	13,849,935	14,590,884	11,517,437	7,659,207
Licenses, permits and fees	2,837,431	3,028,837	3,221,612	2,975,914
Fines, forfeitures and penalties	496,528	*372,951*	286,759	283,918
Use of money and property	–	693,463	1,707,627	756,288[4]
Investment earnings	354,540	–	–	–
Intergovernmental	3,876,578	1,854,613	4,596,113	5,101,207
Charges for services	313,292	1,153,341	2,760,033	2,314,495
Other	597,658	726,503	1,153,406	1,878,275
Rent	108,941[2]	161,382	383,319	308,946
Total Revenues	$102,797,812	$106,468,476	$113,915,423	$114,106,526
Expenditures:				
Current:				
General government	$12,299,968	$12,686,072	$15,032,093	$17,794,828
Salaries and wages	–	–	–	–
Maintenance	–	–	–	–
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	-	–	–	–
Capital outlay	837,634	21,750	1,084,802	763,184
Total Expenditures	$79,088,273	$93,589,536	$103,715,972	$128,915,221
Excess (Deficiency) of Revenues Over (Under) Expenditures	$23,709,539	$12,878,940	$10,199,451	($14,808,695)
Other Financing Sources (Uses):				
Proceeds of sale of property	$ 1,000,613	$ 869,880	$ 116,037	$ 4,008,197
Transfers in	765,993	12,101,059[3]	3,706,920	5,503,497
Transfers out	(17,657,267)	(21,214,000)	(7,820,277)	(10,183,160)
Total Other Financing Sources (Uses)	($15,890,661)	($8,243,061)	($3,997,320)	($671,466)
Revenues and other financing sources over (under) expenditures and other financing uses	$7,818,878	$4,635,879	$6,202,131	($15,480,161)
Net Change in Fund Balances				
Fund Balances:				
Beginning of year	$35,775,012	$43,593,890	$48,229,769	$61,916,789[5]
Prior period adjustments	–	–	–	–
Equity transfers	–	–	–	–
End of year	$43,593,890	$48,229,769	$54,431,900	$46,436,628

(footnotes on the following page)

(1) Includes a one-time release of $4,627,380 from Pension Reserve Account.
(2) 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.
(3) 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.
(4) 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.
(5) 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: Comprehensive Annual Financial Report for Fiscal Years 2004-05, 2005-06, 2006-07 and 2007-08.

City 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 FOR THE PERIOD ENDING JUNE 30, 2008."

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.

The City's budget results for Fiscal Year 2007-08 were discussed above. The estimated Fiscal Year 2008-09 results show an operating deficit of about $6.0 million. The deficit and operating transfers out were addressed through the use of one-time settlement revenues and operating transfers in. In addition, certain expenditures were reduced in the General Fund as other sources of funds were used to pay them. On balance, a small positive net change in fund balance is expected for Fiscal year 2080-09.

Fiscal Year 2009-10. The City adopted its Fiscal Year 2009-10 budget on June 16, 2009, and adjusted the budget on September 8, 2009, and again on October 13, 2009 (the "Revised Fiscal Year 2009-10 Budget") in response to an approximately 18% decline in property taxes due to declines in assessed valuations and sales taxes due to the weak economy. The City closed an estimated $7.6 million decline in revenue through elimination of unfilled positions and reductions of police operations, layoffs and departmental operating costs. The City currently expects a small increase in fund balance from operations in Fiscal Year 2009-10. See also "–Litigation–*Measure T*."

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

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

	Actual FY 2007-08	Adjusted Budget 2008-09	Projected Actual 2008-09 as of 8/18/09	Adopted Budget 2009-10	Adjusted Budget 2009-10	Revised 2009-10 October 13
Revenue						
Property Taxes	$34,269,322	$33,076,490	$33,296,446	$33,076,490	$27,051,717	$27,051,717
Property Taxes - PTORS	4,700,000	6,400,000	5,266,577	3,774,648	3,865,112	3,865,112
Sales & Use Tax	29,005,711	30,167,142	26,432,436	29,463,739	26,617,520	26,617,520
Utility Users Tax	29,553,243	34,085,105	48,952,752	39,935,044	34,935,044	34,935,044
Franchise Taxes, Licenses and Fees	7,659,207	9,770,781	7,955,347	8,379,575	9,937,590	8,713,470
Charges for Services	4,479,189	2,242,765	918,740	3,144,613	6,052,117	12,526,657
All Other Revenues	9,171,835	20,857,567	16,620,145	23,741,009	9,806,413	7,906,413
TOTAL REVENUE	118,838507	136,599,850	139,442,443	141,515,118	118,265,513	121,615,933
Proceeds from Sale of Property	4,008,197	5,065,294	40,000	25,000	25,000	25,000
Operating Transfers-In	803,497	2,281,000	2,980,062	2,479,403	2,479,403	7,089,804
Chevron UUT Settlement	0	3,000,000	0	0	5,000,000	5,000,000
TOTAL OTHER FINANCING SOURCES	4,811,694	10,346,294	3,020,062	2,504,403	7,504,403	12,114,804
TOTAL FUNDS AVAILABLE	123,650,201	146,946,144	142,462,505	144,019,521	125,769,916	133,730,737
Expenditures						
Salaries and Benefits	$84,775,682	$97,581,011	$90,325,331	$102,186,833	$86,571,710	$96,575,214
Total Operating Expenditures	43,907,202	41,882,855	36,445,439	38,554,272	34,875,804	33,519,650
Total Operating and Payroll	128,682,884	139,463,865	126,770,770	140,741,105	121,447,514	130,094,864
Operating Transfers Out and Debt Service	10,414,596	9,223,134	15,240,452	3,278,416	3,278,416	3,744,458
Transfer out Sale of Property	4,000,000	3,500,000	0	0	0	0
TOTAL OTHER FINANCING USES	10,183,160	9,223,134	13,507,000	3,278,416	3,278,416	4,322,000
TOTAL FUNDS REQUIRED	139,097,480	148,686,999	142,011,222	144,019,521	124,725,930	133,869,322
Net Change in Fund Balance from Operations	($15,447,279)	($1,740,855)	$451,283	$0	$1,043,986	($138,585)

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 FOR THE PERIOD ENDING JUNE 30, 2008." 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 one exception relating to budgetary accounting in 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.

This accounting treatment does not affect 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. The Certificate of occupancy for this project is expected to be issued on or before November 25, 2009 and this fund is expected to be closed on or before November 30, 2009.

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 B–"AUDITED FINANCIAL STATEMENTS OF THE CITY OF RICHMOND FOR THE PERIOD ENDING JUNE 30, 2008–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:

Pension Trust Funds. 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 Employees' Retirement System ("PERS"). PERS manages all of the financial activities related to the pension plans offered by the City to current and future City employees. **PERS does not manage any of the three separate City-administered pension plans.**

Agency Funds. 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 layoffs. 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. However, the City has had to close significant operating deficits in Fiscal Years 2007-08, 2008-09 and 2009-10 through the use of certain unique flexibility sources such as settlement revenues, pension stabilization reserves and property tax override revenues. For a discussion of the City's current financial status, see "–Financial Statements," "–Financial Policies" and "–City Budget Process–*Fiscal Year 2009-10*."

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.

On July 27, 2009, the Finance Department was formally recognized for having its written Investment Policy certified by the Association of Public Treasurers of the United States and Canada (the "Association"). The Finance Department is one of 21 governments to have its investment policy certified by the Investment Policy Certification Program (the "Program") of the Association. The Program was instituted in 1990 in an effort to assisting State and local governments interested in drafting or imposing upon an existing investment policy.

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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 September 30, 2009, are set forth in Table A-4.

Table A-4
City of Richmond
Schedule of Investments
as of September 30, 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	$1,561,630.66	$1,561,630.66	$1,561,630.66	1.78%	1	1	0.740	0.750
Money Markets	25,367,941.28	25,367,941.28	25,367,941.28	28.84	1	1	0.628	0.637
Federal Agency Issues - Coupon	57,270,000.00	57,480,311.80	57,203,814.79	65.03	1,735	674	3.100	3.143
Sweep Account	3,836,395.35	3,836,395.35	3,836,395.35	4.36	1	1	0.612	0.620
	$88,035,967.29	$88,246,279.09	$87,969,782.08	100.00%	1,129	439	2.237	2.268
Cash and Accrued Interest		21,526.39	21,526.39					
Total Cash and Investments	$88,035,967.29	$88,267,805.48	$87,991,308.47		1,129	439	2.237	2.268

Total Earnings	September 30, 2009 Month Ending	Fiscal Year to Date
Current Year	$173,731.03	$559,678.22
Average Daily Balance	92,099,890.00	105,399.891.83
Effective Rate of Return	2.30%	2.11%

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. Due to the impact of the weak economy on City revenues, the City has not yet increased the reserve beyond $10.0 million. 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 is in compliance with the Debt Policy for Fiscal Year 2009-10.

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 has not been in compliance with the Structural Balance Policy since Fiscal Year 2006-07 but expects to be in compliance with the Structural Balance Policy in Fiscal Year 2010-11.

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 as of October 8, 2009 is set forth in Table A-5.

Table A-5
Summary of Interest Rate Swap Agreements

Associated Bonds	Effective Date	Initial/Current 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/ 75,230,476	Bear Stearns Capital Markets Inc./ JPMorgan Chase Co.	Aa1/AA-/AA-	–	5.712%	($4,979,905)	August 1, 2023
City of Richmond Taxable Pension Funding Bonds Series 2005B-2(1)	August 1, 2023	$127,990,254/ 127,990,254	Bear Stearns Capital Markets Inc./ JPMorgan Chase Co.	Aa1/AA-/AA-	–	5.730	(5,463,587)	August 1, 2034
Richmond Community Redevelopment Agency Series 2007A(2)	July 12, 2007	$65,400,000/ 64,275,000	Royal Bank of Canada	AA-/Aaa/AA	MBIA	3.990	(10,372,500)	September 1, 2036
Joint Powers Financing Authority Bonds (Civic Center) Series 2007(3)	September 19, 2007	$101,420,000/ 97,740,000	Royal Bank of Canada	AA-/Aaa/AA	Ambac	3.657	(13,712,561)	August 1, 2037
Joint Powers Financing Authority Bonds (Civic Center) Series 2007(3)	May 28, 2008	$101,420,000/ 97,740,000	Royal Bank of Canada	AA-/Aaa/AA	–	SIFMA	287,058	November 25, 2009
City of Richmond Variable Rate Wastewater Revenue Refunding Bonds, Series 2008A(4)	October 26, 2006	$32,260,000/ 32,260,000	Bear Stearns Capital Markets Inc./ JPMorgan Chase Co.	Aa1/AA-/AA-	Ambac	3.661	(5,009,835)	August 1, 2037
TOTAL		$503,720,730/ 495,235,730					(39,251,330)	

† As of October 8, 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.

State Budgets

Approximately 46.3% of the City's General Fund revenues for Fiscal Year 2009-10 is 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. The financial condition of the State has an impact on the level of these revenues. In past years the State has reduced revenues to cities and counties to help solve the State's budget problems.

The level of intergovernmental revenues that the City will receive from the State in Fiscal Year 2009-10 and in subsequent Fiscal Years will be affected by the financial condition of the State. See "RISK FACTORS–State Budget Finances."

The following information concerning the State's the Fiscal Year 2008-09 State Budget and the Fiscal Year 2009-10 State Budget has been obtained from publicly available information on the State Department of Finance, the State Treasurer and the California Legislative Analyst Office websites. The estimates and projections provided below are based upon various assumptions, 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, reflecting a reduction of $850 million from the proposed 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-Budget Act reported that the State General Fund began Fiscal Year 2008-09 with a balance of $4 billion. The 2008 State Budget Act projected State General Fund revenues and transfers for Fiscal Year 2008-09 of $102 billion, a decrease of approximately 1% from the anticipated revenues and transfers for Fiscal Year 2007-08, and State General Fund expenditures of $103.4 billion, an increase of approximately 0.06% above the anticipated expenditures for Fiscal Year 2007-08. The 2008 State Budget Act projected ending Fiscal Year 2008-09 with a State General Fund balance of $2.6 billion, of which $885 million would be reserved for the liquidation of encumbrances and $1.7 billion would be deposited in a reserve for economic uncertainties.

The Governor's economic forecasts for Fiscal Year 2008-09 reflected weaker economic performance throughout the country and the State. The 2008 State Budget Act addressed a projected $24.3 billion budget shortfall which was identified in the Governor's May Revision to the Proposed 2008 Budget with a combination of cuts in expenditures and projections of increased revenues. The 2008 State Budget Act included vetoes on behalf of the Governor in the amount of $510 million of spending approved by the State legislature. The 2008 State Budget Act included a proposal to increase the Budget Stabilization Account (the "BSA") from 5% of State General Fund expenditures to 12.5%. In addition, the 2008 State Budget Act proposed an annual transfer to the BSA of 3% of the General Fund and the elimination of the ability to suspend such annual transfers. The State would only be permitted to transfer funds from the BSA if (1) actual revenues during such fiscal year are below a specified level and (2) funds transferred from the BSA to the State General Fund are appropriated in a stand-alone bill.

Certain of the features of the 2008 State Budget Act affecting local governments included the following:

1. The 2008 State Budget Act proposed to fully fund the Proposition 1A of 2004 loan repayment for Fiscal Year 2008-09 in the amount of $83 million and the Proposition 42 transfer in the amount of $1.4 billion, which allocation included $573 million to the State Transportation Improvement Program and $286 million to the Public Transportation Account.

2. The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 ("Proposition 1B") authorized $19.92 billion over the next nine years to fund existing and new Statewide transportation-related infrastructure programs and projects. Such amount included appropriations in Fiscal Year 2008-09 of $350 million for local transit, $250 million for local streets and roads, $201 million for the State & Local Partnership Program and $21 million for local seismic funding. In addition, AB 1252, enacted in June 2008, provided $149 million from Proposition 1B to accelerate funding for local streets and roads projects.

3. Chapter 72 of the Statutes of 2005 requires the payment of mandated costs incurred prior to Fiscal Year 2004-05 to begin in Fiscal Year 2006-07 and paid over a term of fifteen years. The 2008 State Budget Act included the elimination of $75 million in estimated reimbursement claims. The 2008 State Budget Act delayed the third payment of these claims by one year. The 2008 State Budget Act projected that the mandated costs incurred prior to 2004-05 is $956 million.

4. The 2008 State Budget Act included a veto from the Governor reducing proposed Department of Social Services funding for the California Work Opportunity and Responsibility to Kids ("CalWORKs") program in the amount of $70 million. Prior to this veto, such funding would have been available to counties as part of their single allocation and available for county administration, employment services, and child care.

5. The 2008 State Budget Act permanently suspended provision of the June 2008 and June 2009 State Supplementary Payment program cost of living adjustment ("COLA"). The 2008 State Budget Act provided the State Director of Finance with mid-year authority to freeze the COLA, rate increases or increases in State participation in local costs for up to 120 days and require the Governor to submit urgency legislation to permanently suspend the COLA and other rate increases; provided, however, if the Governor fails to act within 120 days, or the State legislature fails to adopt the suspension, the COLA and other rate increases are reinstated.

6. The 2008 State Budget Act reflected savings to the State of $107.2 million, of which $53.4 million was attributed to the General Fund, in funding for counties to determine eligibility for Medi-Cal services.

7. The 2008 State Budget Act included $1.49 billion in Mental Health Services Act ("MHSA") funds for Proposition 63, of which $100 million was committed by counties to the MHSA Housing Program. This funding was in addition to $300 million identified by counties in Fiscal Year 2007-08. This program makes funding available through the California Housing Finance Agency to develop permanent supportive housing serving persons with serious mental illness who are homeless or at risk of homelessness.

8. The 2008 State Budget Act included a veto from the Governor, which reduced proposed funding for the Department of Social Services for County Administration and Automation Projects to $1,192,736,000 from $1,194,774,000. By eliminating funding for the Work Incentive Nutritional Supplement program in the amount of by $2,038,000, the Governor delayed implementation of this program for one year in order to allow the Department of Social Services to study this program and ensure it is consistent with federal rules.

9. The 2008 State Budget Act included a veto from the Governor reducing proposed Department of Corrections funding for Adult Corrections and Rehabilitation Operations by approximately $28 million to approximately $4.9 billion.

Legislative Analyst's Office Analysis of the 2008 State Budget Act; November Special Session Proposals; Projections Through 2013-14. In November 2008, the Legislative Analyst's Office (the "LAO") released a report entitled "California Spending Plan 2008-09; The Budget Act and Related Legislation" (the "LAO Spending Plan Report"), which provides an analysis by the LAO of the 2008 State Budget Act. The LAO Spending Plan Report and other reports of the LAO are available on the LAO website at www.lao.ca.gov. Information on the website is not incorporated herein by reference. The LAO stated that the 2008 Budget Act, combined with proposals set forth in the November Special Session, contained approximately $24 billion in one-time solutions to close the budget gap and projected a General Fund reserve of $1.7 billion. Key revenue solutions included, among other things, the sale of an additional $3.3 billion in Economic Recovery Bonds during the spring of 2008, acceleration of tax payments (estimated payments and limited liability company fee payments), changes to the State's accounting practices to accrue $1.9 billion earlier, enforcement of new penalties on corporations for underpayment of taxes, suspension of net-operating loss deductions for two years for larger companies and restrictions on larger companies on the use of specified business-related tax credits in 2008 and 2009. The LAO stated that the budget solutions are one-time in nature and the State will continue to face multibillion dollar operating shortfalls in the coming years absent corrective action. Further, the LAO stated that the effects of economic slowdown which has occurred throughout the United States threaten the viability of the 2008 Budget Act. On November 11, 2008 the LAO released a report entitled "Overview of the Governor's Special Session Proposals" (the "LAO Special Session Overview"), which provided an analysis of the Governor's proposals made during the November Special Session, which included tax increases, spending reductions and modifications related to cash management, stimulating the economy, unemployment insurance and mortgages. The LAO stated that, absent corrective action, the State will face annual budget shortfalls in the range of $22 billion through 2013-14. According to the LAO, the revenue assumptions underlying the 2008 Budget Act were overly optimistic, and State revenues were projected to decline $25 billion over the next two years. The Governor proposed spending reductions to, among other things, Proposition 98 funding, Medi-Cal, social services such as CalWORKS and higher education. According to the LAO, the Governor's November Special Session proposals could decrease the projected budget gap in Fiscal Year 2008 09 and Fiscal Year 2009 10 and leave $169 million in reserve. However, the LAO projected that the State's budget deficit will grow again after programs such as the Governor's proposed three-year sales tax increase terminate. According to the LAO Special Session Overview, the Governor's proposals, if enacted, could reduce the State's budget deficit through Fiscal Year 2013-14 by roughly 50%.

Fiscal Year 2009-10. On February 20, 2009, the Governor signed into law the budget for Fiscal Year 2009-10 (the "2009 State Budget Act"). The 2009 State Budget Act proposes to address the State's projected $41 billion deficit and contains mid-year reductions to the 2008 State Budget Act.

The following are some of the major impacts of the 2009 State Budget Act on local governments throughout the State, including the City:

1. The 2009 State Budget Act includes deferrals of payments to counties for social services and transportation. For February, March and April 2009, monthly transfers of fuel excise tax allocations to cities and counties will be deferred. Payments are scheduled to resume and deferred payments will be paid in May 2009. The 2009 State Budget Act also authorizes two-month deferrals of health and social services payments to counties from July and August to September 2009. Counties are scheduled to receive deferred payments from the State by September 30, 2009. Counties with populations under 40,000 persons are exempt from the deferral of payments for social services.

2. The 2009 State Budget Act also includes a number of reductions and revenues tied to the American Recovery and Reinvestment Act of 2009 (the "ARRA"). Certain reductions to CalWORKS grants, Medi-Cal benefits and reimbursements, SSI/SSP grants, IHSS, the judicial branch and higher education are scheduled to be enacted in statute and could be suspended if expected revenues from the ARRA are certified by the Department of Finance to equal $10 billion, including revenues anticipated to be received by June 30, 2010. If revenues from the ARRA are not sufficient to meet the $10 billion target, the reductions would be permanent. If revenues from the ARRA reach $10 billion, the reductions would not go into effect. Future statutes would be required to enact the reductions should they become necessary. On March 4, 2009, the Department of Finance released a preliminary estimate that the State would receive approximately $8 billion in federal economic stimulus funds, $2 billion short of what is required to prevent the cuts.

3. The 2009 State Budget Act increases personal income tax liability by 0.25% in each personal income tax bracket, although the rate will drop to 0.125% if revenues from the ARRA reach $10 billion.

4. The 2009 State Budget Act increases the VLF rate from 0.65% to 1.15%, 0.15% of which will be dedicated to local public safety programs. The remaining 0.35% of the increase will be deposited into the State's General Fund. The 2009 State Budget Act also imposes a 0.65% rate on commercial vehicles effective May 19, 2009 through July 1, 2011 with a possible two-year extension under certain circumstances.

5. Under the 2009 State Budget Act, the State's portion of the sales and use taxes would increase by 1%, beginning April 1, 2009 through July 1, 2011, with a possible one-year extension under certain circumstances.

6. Generation of approximately $6 billion in revenues for Fiscal Year 2009-10 based on voter approval of three propositions on the ballot for the May 19, 2009 special election, including a proposed $5 billion borrowing from future lottery revenues (Proposition 1C). Each of these measures was defeated.

Impact of the American Recovery and Reinvestment Act of 2009 on the State. The 2009 State Budget Act also includes a number of reductions and revenues tied to the ARRA. Certain reductions to Ca1WORKS grants, Medi-Cal benefits and reimbursements, SSI/SSP grants, in-home support services ("IHSS"), the judicial branch and higher education are scheduled to be enacted in statute and could be suspended if expected revenues from the ARRA are certified by the Department of Finance to equal $10 billion, including revenues anticipated to be received by June 30, 2010. If revenues from the ARRA are not sufficient to meet the $10 billion target, the reductions would be permanent. If revenues from the ARRA reach $10 billion, the reductions would not go into effect. A future statute would be required to enact the reductions should they become necessary. On March 4, 2009, the Department of Finance released a preliminary estimate that the State would receive approximately $8 billion in federal economic stimulus funds, $2 billion short of what is required to prevent the cuts. The Department of Finance and the State Treasurer's Office are working with various interested entities to analyze the Department of Finance's preliminary estimates.

May Revision to the 2009 State Budget Act. On May 14, 2009, the Governor released the May Revision to the 2009 State Budget Act (together with the contingency proposals referenced therein, the "2009 May Revision"). The 2009 May Revision projected a budget gap of $21.3 billion through the remainder of Fiscal Year 2008-09 and Fiscal Year 2009-10 due to continued shortfalls in revenue collections and increased costs and the failure of five budget-related propositions included in the May 19, 2009 special election, which the 2009 May Revision proposed to address through program reductions and additional borrowings. The 2009 May Revision estimated Fiscal Year 2008-09 revenues and transfers of $85.95 billion, total expenditures of $91.89 billion and a year-end deficit of $3.63 billion, which includes a $2.31 billion prior-year State General Fund balance, a $4.71 billion withdrawal from the reserve for

economic uncertainties and an allocation of $1.08 billion to the reserve for the liquidation of encumbrances. The 2009 May Revision projected Fiscal Year 2009-10 revenues and transfers of $92.22 billion, total expenditures of $85.46 billion and a year-end surplus of 53.13 billion (net of the $3.63 billion deficit from Fiscal Year 2008-09), of which $1.08 billion would be reserved for the liquidation of encumbrances and $2.05 billion would be deposited in a reserve for economic uncertainties. The 2009 May Revision indicated that the State's economic outlook included negative growth for calendar year 2009, followed by weak growth in calendar year 2010 and increased growth in calendar year 2011.

Features of the 2009 May Revision affecting local government included the following:

1. The 2009 May Revision proposed to reduce program expenditures by approximately $2.64 billion in Fiscal Year 2008-09 and $6.36 billion in Fiscal Year 2009-10, primarily through reductions in education funding and health and social services programs, including in-home support services, CalWORKS, immigrant assistance programs, child welfare services and SSI/SSP.

2. The 2009 May Revision proposed that the State borrow 8% of property tax revenues from counties, cities and special districts for Fiscal Year 2009-10, totaling approximately $2 billion, which amount would be repaid within three years, all in accordance with Proposition 1A of 2004. The manner in which the borrowing would be allocated (*i.e.,* the amount to be borrowed from particular local agencies), and whether the property taxes paid to local agencies by the State in-lieu of vehicle license fees and in-lieu of sales tax, remained subject to determination. The 2009 May Revision proposed to create a joint powers entity to allow local agencies to borrow against the State repayment as a group.

3. The 2009 May Revision proposed $750 million in reductions to the federal Medi-Cal program, subject to receipt of a federal waiver.

4. The 2009 May Revision proposed to redirect $60 million in cigarette and tobacco products surtax revenues from county health programs.

5. The 2009 May Revision proposed to change sentencing options for low-level offenders such that an offense that could be charged as a misdemeanor or felony would be punishable only by a term in county jail. The 2009 May Revision estimated that the State would save approximately $100 million from such shift. The potential impact of this proposal on counties is currently unknown as the details of the proposal have not yet been disclosed.

LAO May Overview of the 2009 May Revision. On May 21, 2009, the Legislative Analyst's Office, the State's nonpartisan fiscal and policy advisor (the "LAO") released an analysis of the 2009 May Revision entitled Overview of the 2009-10 May Revision (the "LAO 2009 May Overview"). The LAO 2009 May Overview stated that the economic and revenue forecasts and assessments of the State's budgetary problems set forth in the 2009 May Revision were generally reasonable in light of the effects of the economic slowdown throughout the United States, but indicated that State General Fund expenditures across Fiscal Year 2008-09 and Fiscal Year 2009-10 could exceed revenues by approximately $3 billion more than the amount estimated in the 2009 May Revision.

The LAO 2009 May Overview stated that the 2009 May Revision relied on a number of proposals that could return the budget to balance and result in a State General Fund reserve at the end of Fiscal Year 2009-10 of $2.1 billion, but that the largest proposals carried the largest risks. The LAO also noted that many of the proposals contained in the 2009 May Revision were one-time in nature and recommended that the State Legislature reduce its reliance on one-time measures, which could contribute to long-term negative effects for taxpayers and programs. The LAO 2009 May Overview set forth several budget recommendations for the State Legislature, including eliminating certain duplicative, inefficient, ineffective or over-budgeted education programs, borrowing additional transportation funds, increasing community college fees, reconsidering the dedication of certain vehicle license fees to local public safety programs, implementing additional user fees for government services, modifying the proposed property

tax revenues borrowing to target specific agencies and reconsidering the use of revenue anticipation warrants for budget balancing and reserve building purposes, which, according to the LAO, sets a bad precedent and presents serious legal concerns.

The LAO 2009 May Overview stated that the State Legislature would face a significant challenge to address the projected budget deficit in Fiscal Year 2008-09 and projected revenue shortfalls in Fiscal Year 2009-10 and must pay particular attention to closing the State's ongoing structural mismatch between revenues and spending for future years. The LAO 2009 May Overview reiterated that the State Legislature should avoid proposed solutions that do not prioritize program reductions, add additional borrowing or debt and lead to a diminution of the State Legislature's authority.

Governor's Update to the 2009 May Revision. On May 26, 2009 and May 29, 2009, the Governor released updates to the 2009 May Revision (collectively, the "2009 May Revision Update"). The 2009 May Revision Update projected a budget deficit of $3.10 billion through the remainder of Fiscal Year 2008-09 due to shortfalls in revenue collections and increased costs and the failure of five of the six budget-related propositions included in the May 19, 2009 special election ballot. The 2009 May Revision Update estimated Fiscal Year 2008-09 General Fund revenues and transfers of $85.95 billion, total General Fund expenditures of $91.35 billion and a year-end deficit of $3.10 billion, which included a $2.31 billion prior-year State General Fund balance and an allocation of $1.08 billion to the reserve for the liquidation of encumbrances. The 2009 May Revision Update projected Fiscal Year 2009-10 revenues and transfers of $92.22 billion, total expenditures of $83.52 billion and a year-end surplus of $5.60 billion (net of the $3.10 billion deficit from Fiscal Year 2008-09), of which $1.08 billion would be reserved for the liquidation of encumbrances and $4.52 billion would be deposited in a reserve for economic uncertainties. The 2009 May Revision and the 2009 May Revision Update collectively included proposals to reduce State General Fund spending in the amount of $3.12 billion during the remainder of Fiscal Year 2008-09 and $20.85 billion during Fiscal Year 2009-10. The 2009 May Revision Update withdrew the Governor's 2009 May Revision proposal to issue revenue anticipation warrants in the amount of $5.6 billion to address a portion of the State General Fund deficit.

Features of the 2009 May Revision Update affecting local governments include the following:

1. The 2009 May Revision Update proposed to eliminate CalWORKS, which was expected to reduce State General Fund spending by approximately $1.31 billion in Fiscal Year 2009-10. In the event the State eliminated CalWORKS, federal matching funds for the program would be eliminated.

2. The 2009 May Revision Update proposed to eliminate General Fund expenditures for county programs relating to the Healthy Families Programs, Maternal, Child, and Adolescent Health, Mental Health Managed Care Services and the Early and Periodic Screening, Diagnosis, and Treatment Services program. The proposals were expected to reduce General Fund expenditures by $424.2 million.

3. The 2009 May Revision Update proposed to reduce the local share of the gasoline tax from $1.05 billion to $300 million. Pursuant to this proposal, the State would apply the $750 million to pay current and prior year debt service on highway bonds.

Issuance of Registered Warrants. On June 24, 2009, the State Controller announced that the State would issue registered warrants ("IOUs") beginning July 2, 2009 to local governments for social services, private contractors, State vendors, taxpayers entitled to income and corporate tax refunds, and for payments for other State operations if immediate budget and cash solutions were not quickly adopted by the Governor and the State Legislature. The City has not determined the impact of the issuance of IOUs on the financial condition of the City at this time.

Amendment of the 2009 State Budget Act. From July 23, 2009 through July 24, 2009, the State Legislature voted on, and passed, a majority of the budget solutions amending the 2009 State Budget Act to address the combined $60 billion budget deficit over Fiscal Years 2008-09 and 2009-10 that resulted

from the deepening recession. The amendments included spending cuts, borrowing, redirecting revenues from local governments, accounting maneuvers, and a $921 million reserve.

On July 28, 2009, the Governor signed an amendment to the 2009 State Budget Act (the "Amended 2009 State Budget Act") to include an additional $24.2 billion in budget solutions to address the further deterioration of the fiscal situation of the State identified in the 2009 May Revision. Because the State Legislature did not adopt budget solutions that eliminated the entire projected deficit, the Governor used his veto power to eliminate an additional $489 million in spending, leaving the State with a $500 million reserve.

Under the Amended 2009 State Budget Act, State general fund revenues and transfers are projected to increase 6.4% from a revised $84.1 billion in Fiscal Year 2008-09 to $89.5 billion in Fiscal Year 2009-10, appropriations are projected to decrease 7.5% to $84.6 billion in Fiscal Year 2009-10 compared to $91.5 billion in Fiscal Year 2008-09, and the June 30, 2010 total reserve is projected to be $500 million compared to the revised June 30,2009 reserve of negative $4.5 billion.

The $24.2 billion in budget solutions contained in the Amended 2009 State Budget include: (i) expenditure reductions of $8.5 billion from K-12 education and additional cuts to the State colleges and university systems (just under $2 billion total for Fiscal Year 2008-09 and Fiscal Year 2009-10); $785 million from the Department of Corrections, with specific program reforms to be determined upon the return of the State Legislature in August 2009, $1.7 billion from General Government, by suspending COLAs; leveraging State assets, consolidating and reorganizing boards and commissions ($50 million in Fiscal Year 2009-10) and IT procurement reform ($100 million); $820 million from State Employee Compensation by adopting third furlough day ($425 million), eliminating rural health care, and scoring health care savings; $3.0 billion from Health and Human Services by adopting long-term reforms to CalWORKs ($510 million in Fiscal Year 2009-10), changes and improvements to Medi-Cal eligibility and improved care coordination ($1.4 billion); reducing In-Home Supportive Services (IHSS) services for all but the most severely disabled and implementing anti-fraud initiatives ($264 million), funding to counties for Child Welfare Services ($80 million), changes to eligibility in the Healthy Families program and freezing of COLAs for IHSS and the Department of Developmental Services long-term care providers ($76 million) and elimination of funding for the Williamson Act Program which backfills property tax revenues that local governments forego when property is preserved for agriculture or open space uses; (ii) $1.0 billion in fund shifts, including a shift of redevelopment agency funds to schools ($1.7 billion) with the same amount of base school property tax shifted to the county-level Supplemental Revenue Augmentation Funds, from which $850 million will be used to fund courts, prisons, Medi-Cal, hospital, and K-12 school bond expenses that would otherwise be funded from the State General Fund and the remaining $850 million used to fund K-12 school costs offsetting Proposition 98 State General Fund costs; (iii) $3.5 billion in revenue augmentations, including optional personal income tax withholding changes; tax enforcement; permitting the State Compensation Insurance Fund (the "SCIF") to invest in bonds issued by the State Treasurer to raise cash, and special fund transfers; (iv) $2.2 billion in borrowing, including suspension of Proposition 1A of 2004 ($1.9 billion), a loan from the State Highway Account ($135 million) and various loans and fund shifts to keep State parks open; and (v) pushing the last State worker payday of the Fiscal Year from June 30, 2010, to July 1, 2010, the start of the next Fiscal Year ($1.4 billion) and (vi) receipt of at least $8 billion from the American Recovery and the American Recovery and Reinvestment Act of 2009 to offset expenditures in Fiscal Years 2008-09 and 2009-10.

The Amended 2009 State Budget Act reflects the harsh reality of diminished resources forced by the recession and the impact of the cuts are across the board. It expected that there will be a number of lawsuits by local governments resulting from the passage of the Amended 2009 State Budget Act over the suspension of Prop 1A of 2004, the redevelopment fund shift, securitization and other issues.

City Responses to the Amended 2009 State Budget Act. Pursuant to Proposition 1A of 2004 approved by the voters of the State in November 2004, the State may shift up to eight percent of local government property tax revenues to schools and community colleges during severe State financial hardship. Because the State choose to shift local government property tax revenues as allowed by Proposition 1A of 2004, the City will likely experience a reduction in its revenues in Fiscal Year 2009-10, as discussed below. The City has estimated the potential effect of the State budget adopted in July, particularly the Proposition 1A of 2004 borrowing proposal. The City currently projects that up to approximately $3.6 million of its General Fund revenues in Fiscal Year 2009-10 may be subject to State suspension of Proposition 1A of 2004:

Disruptions in payments to the City from the State, whether temporary or permanent, may require adjustments in the General Fund budget. Deferrals in State payments may jeopardize the City's ability to maintain core discretionary programs that could require suspension of such programs. As a result, the City expects to mitigate the $3.6 million impact related to the Proposition 1A of 2004 suspension/borrowing by participating in the California Statewide Communities Development Authority Proposition 1A Pooled Securitization Program that will issue two series of bonds, each of which will fund one-half of the amount of property taxes borrowed by the State. The first securitization will include $1.8 million in property tax that will be borrowed by the State in January 2010. The City expects to receive funds as a result of this securitization on or about January 15, 2010. The second securitization will include $1.8 million in property tax that will be borrowed by the State in May 2010. The City expects to receive funds as a result of this securitization on or about May 3, 2010. If the securitization does not timely occur, the City will finance this property tax shortfall from available reserves.

Table A-6
City of Richmond
General Fund Revenues Subject to State Suspension of Proposition 1A of 2004
Fiscal Year 2009-10

		Fiscal Year 2009-10		
Component	Fiscal Year 2008-09 Actual	Forecast	*Less* 8% Amount	Revised Forecast
Secured Taxes	$30,559,760	$25,639,639	($2,444,781)	$23,194,858
Unsecured Taxes	1,285,593	1,078,612	(102,847)	975,765
Secured - Homeowner	397,456	333,466	(31,796)	301,670
Floating Lien	766,382	–	(61,311)	(61,311)
Property Tax In Lieu of VLF	8,259,439	3,865,112	(660,755)	3,204,357
Sales Tax Triple Flip	3,606,231	3,515,848	(288,498)	3,227,350
TOTAL	$44,874,861	$34,432,677	($3,589,989)	$30,842,688

Source: City of Richmond.

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

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.

Property Taxes and Assessed Valuations. The City uses 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.

In 1978, the voters of the State passed Proposition 8, a constitutional amendment to Article XIII A that allows a *temporary* reduction in assessed value when real property suffers a decline in value. A decline in value occurs when the *current market* value of real property is less than the *current assessed* (taxable) factored base year value as of the lien date, January 1. See also *"–Decline in Fiscal Year 2009-10 Assessed Valuation."*

"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 2005-06 through 2009-10.

Table A-7
City of Richmond, California
Assessed Valuation of Taxable Property

Fiscal Year	Local Secured	Utility	Unsecured	Total Before Redevelopment Increment	Total After Redevelopment Increment
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
2009-10†	10,777,113,225	9,957,443	966,599,138	11,753,669,806	10,017,123,741

† Adopted Budget.
Sources: California Municipal Statistics, Inc. for Fiscal Years 2005-06 through 2006-07 and Contra Costa County Assessor for Fiscal Years 2007-08 through 2009-10.

Decline in Fiscal Year 2009-10 Assessed Valuation. On July 14, 2009, the City received a copy of a letter dated July 1, 2009 from the County Assessor to the County Board of Supervisors to the effect that the Fiscal Year 2009-10 assessment roll had been prepared and reflected a 7.2% decline Countywide in assessed valuation from the prior Fiscal Year. The letter further stated that the effect to the City would be a 13.8% decline in assessed valuation. The City assumed a higher percentage decline (16.1%) in preparing the Adjusted Fiscal Year 2009-10 Budget to account for anticipated declines in the supplemental tax roll. Absent any supplemental property tax receipts, property taxes will be approximately $6.0 million lower than the amounts assumed when the Fiscal Year 2009-10 Adopted Budget was adopted in June 2009, and the City was required to make adjustments to the Adopted Budget to address this expected reduction in revenues. See "FINANCIAL OPERATIONS–Financial Statements–*Fiscal Year 2009-10.*

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 appeals of its Fiscal Year 2004-05, 2005-06 and 2006-07 assessed values. On September 3, 2009, the Assessment Appeals Board ruled that the assessments were too high by a combined $1.2 billion for those three Fiscal Years and Chevron had overpaid property taxes by at least $12.6 million. The City's portion of such amount is approximately $312,000. Although the City is not aware of any plan on the part of Chevron to appeal its assessed valuation for the current 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.

Property tax receipts collected for the City by the County are set forth in Table A-8 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-8
City of Richmond
Property Tax Receipts[1]

	Property Tax		Percentage of General Fund
Fiscal Year	Receipts	% Change	Revenues
2004-05	$30,368,311[2]	28.46%	29.54%
2005-06	28,284,861	(6.86)	26.57
2006-07	33,069,812	6.92	29.03
2007-08	34,269,322	3.63	30.03
2008-09[3]	34,096,000	(0.51)	20.66
2009-10[4]	27,051,174	(18.76)	22.24

(1) Excludes property tax override receipts of which approximately $3.8 million are budgeted for Fiscal Year 2009-10.
(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) Unaudited.
(4) Revised Fiscal Year 2009-10 Budget.
Sources: City of Richmond, Comprehensive Annual Financial Report for Fiscal Years, 2004-05 through 2007-08, Unaudited Financial Statements for Fiscal Year 2008-09 and the Revised Fiscal Year 2009-10 Budget.

Property tax receipts for Fiscal Year 2008-09 were $33.1 million, representing approximately 24.0% of General Fund revenues and transfers in and an estimated 3.5% decrease from Fiscal Year 2007-08. Property tax receipts in the Fiscal Year 2009-10 Budget are budgeted to be $27.0 million, representing approximately 24.0% of budgeted General Fund revenues and transfers in and a projected 18% decrease from Fiscal Year 2008-09.

The Governor has proposed borrowing property tax receipts from local governments (including approximately $3.6 million from the City) to help balance the State budget. See "FINANCIAL OPERATIONS–State Budgets–*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-9 and the entire County tax levies with delinquencies and tax losses reserve fund balances for the same period are shown in Table A-10 as reported annually by the County Auditor-Controller.

Table A-9
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	38,286,630	1,529,548	3.99

† 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-10
Contra Costa County
Secured Tax Levies, Delinquencies and
Tax Losses Reserve Balances
Fiscal Years 2004-05 through 2008-09

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
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
2008-09	2,061,930,220	86,035,461	4.17	129,971,278	66,209,174	51

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. Based on information provided by an independent data collection service, 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. During the first half (January through June) of calendar year 2009, mortgage holders sent 1,186 notices of default and recorded 396 trustee deeds compared to 1,223 notices of default sent and 563 trustee deeds recorded during the first half calendar year 2008.

Due to foreclosure activity and the weak housing market, the City's assessed valuation base declined by 13.9% 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-11.

Table A-11
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-12 are the 10 largest secured taxpayers in the City for the Fiscal Year ending June 30, 2009, based on assessed valuations within the City.

Table A-12
City of Richmond
Largest Property Tax Payers
Fiscal Year 2008-09
($ in 000's)

Property Owner	Primary Land Use	2008-09 Assessed Valuation	%
Chevron USA Inc.	Heavy Industrial	$3,472,946	26.92%
Lennar Emerald Marina Bay LLC	Residential Properties	141,807	1.10
Richmond Parkway Associates	Apartments	122,770	0.95
Bayer Healthcare Pharm Inc.	Heavy Industrial	114,023	0.88
DDRM Hilltop Plaza LP	Shopping Center	88,858	0.69
Richmond Essex LP	Apartments	67,859	0.53
Richmond Associates LLC	Shopping Center	63,192	0.49
Crescent Park EAH LP	Apartments	48,444	0.38
Cherokee Simeon Venture I LLC	Office Building	47,190	0.37
Dicon Fiberoptics Inc.	Industrial	43,977	0.34
SUBTOTAL		4,211,064	32.64
Remaining Property Owners		8,691,360	67.36
TOTAL		$12,902,425	100.00%

Sources: HdL Coren & Cone and Contra Costa County Assessor 2008-09 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 2008-09. In Fiscal Year 2008-09, Utility Users Taxes were collected by the City in the amount of approximately $34.9 million, and accounted for approximately 35.3% of total General Fund revenues.

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.

On February 27, 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 (which is expected to occur in November 2010).

Table A-13 shows Utility Users Tax receipts and their respective percentage of General Fund revenues since Fiscal Year 2004-05 and the budgeted amount for Fiscal Year 2009-10.

Table A-13
City of Richmond
Utility Users Tax Receipts

	Utility Users Taxes		Percentage of General Fund
Fiscal Year	Tax Receipts	% Change	Revenues
2004-05	$29,721,091	1.36%	28.91%
2005-06	30,199,388	1.61	28.36
2006-07	27,007,410	(10.57)	23.71
2007-08	29,553,243	9.43	25.90
2008-09[(1)]	35,953,000	21.66	28.54
2009-10[(2)]	34,935,044	(2.83)	28.73

(1) Unaudited.
(2) Revised Fiscal year 2009-10 Budget.
Sources: City of Richmond, Comprehensive Annual Financial Report for Fiscal Years 2004-05 through 2007-08, Fiscal Year 2008-09 Adopted Budget and the Revised Fiscal Year 2009-10 Budget.

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-14. The total Sales Tax rate for the City as of April 1, 2009 is 9.75% and is allocated as follows:

Table A-14
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.

Partially as a result of the current economic downturn, the State faced a significant budget shortfall in Fiscal Year 2009-10. In addition, significant 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 whether such increase will have a material adverse impact on the level of retail sales within the City. See also "–State Budgets."

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Table A-15 sets forth a history of taxable sales for the City for calendar years 2003 through 2007.

Table A-15
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.

Table A-16 shows Sales Tax receipts and their respective percentage of General Fund revenues since Fiscal Year 2003-04 and the budgeted amount for Fiscal Year 2009-10.

Table A-16
City of Richmond
Sales Tax Receipts

	Sales Tax		Percentage of General Fund
Fiscal Year	Receipts	% Change	Revenues
2004-05	$20,273,363	1.36%	28.91%
2005-06	25,402,253	25.30	28.36
2006-07	28,217,895	11.08	23.71
2007-08	29,005,711	2.79	25.90
2008-09(1)	27,985,000	(3.52)	22.21
2009-10(2)	26,617,520	(4.89)	21.89

(1) Unaudited.
(2) Revised Fiscal Year 2009-10 Budget.
Sources: City of Richmond, Comprehensive Annual Financial Report for Fiscal Years 2004-05 through 2007-08, unaudited results for Fiscal Year 2008-09 and the Revised Fiscal Year 2009-10 Budget.

Sales Tax receipts for Fiscal Year 2008-09 were approximately $26 million, representing approximately 19% of General Fund revenues and transfers in and an approximately 9% decrease from Fiscal Year 2006-07. Sales tax receipts are expected to remain weak in Fiscal Year 2009-10 due to the economy.

Business License Act Tax ("Measure T"). 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 could generate approximately $16.0 million in new revenue in Fiscal Year 2008-09.

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 February 26, 2009 Chevron Corp. filed a suit challenging the legality of Measure T. The City continues to collect the tax and holds such amount on reserve until the litigation is resolved. "–Litigation–*Measure T.*"

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 $3.4 million, representing 2.7% of General Fund revenues and transfers in reflecting the continued decline in the real estate market. See "FINANCIAL OPERATIONS–Financial Statements."

Documentary Transfer Tax revenues in the Fiscal Year 2009-10 Budget are estimated at approximately $4.1 million, representing 3.54% of budgeted General Fund revenues. Table A-17 summarizes Documentary Transfer Tax receipts and their respective percentage of General Fund revenues for the past five Fiscal Years.

Table A-17
City of Richmond
Documentary Transfer Tax Receipts

	Documentary Transfer Tax		Percentage of General Fund
Fiscal Year	Receipts	% Change	Revenues
2005-06	$10,670,869	0.58%	9.56%
2006-07	7,297,735	(31.61)	6.20
2007-08	3,647,333	(50.02)	6.56
2008-09	3,419,724	(6.24)	2.89
2009-10†	4,145,140	21.21	3.41

† Budgeted.
Sources: Comprehensive Annual Financial Report for Fiscal Years 2004-05 through 2007-08, the Adjusted Budget for Fiscal Year 2008-09 and the Revised Fiscal Year 2009-10 Budget.

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. Revenue from the State in the Fiscal Year 2009-10 Adjusted Budget is approximately $8.0 million, representing approximately 6.82% of budgeted General Fund revenues and a decrease of approximately 15.6% from Fiscal Year 2008-09. Table A-18 shows receipts of revenue from the State and their respective percentage of General Fund revenue since Fiscal Year 2005-06 and the estimated amount for Fiscal Year 2009-10.

Table A-18
City of Richmond
Revenue from the State

Fiscal Year	Revenue from the State Receipts	Revenue from the State % Change	Percentage of General Fund Revenue
2005-06	$7,587,565	16.19%	7.10%
2006-07	7,289,895	(1.95)	6.30
2007-08	8,529,591	33.94	7.50
2008-09	9,473,652	11.07	8.01
2009-10†	7,998,597	(15.57)	6.58

† Budgeted.

Sources: Comprehensive Annual Financial Report for Fiscal Years 2004-05 through 2007-08, the Adjusted Budget for Fiscal Year 2008-09 and the Revised Fiscal Year 2009-10 Budget.

The State has relied on significant shifts in revenues from local governments to the State in Fiscal Years 2004-05, 2008-09 and 2009-10 due to significant budgetary problems. See also "–State Budgets–*Fiscal Year 2009-10 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 6.7% of the City's General Fund revenues for Fiscal Year 2008-09 and are budgeted to represent approximately 2.1% of the City's General Fund revenues for Fiscal Year 2009-10.

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. **PERS does not manage any of the three separate City-administered pension plans.** For more information on the City's contributions to the below-described plans, see APPENDIX B–"AUDITED FINANCIAL STATEMENTS OF THE CITY OF RICHMOND, FOR THE PERIOD ENDING JUNE 30, 2008–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%.

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

Table A-19A-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

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

Table A-19A-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.

PERS - Declines in Investment Return. 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 of 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.

On July 21, 2009, PERS released its preliminary Fiscal Year 2008-09 investment performance, noting a decline in the market value of its assets of 23.4% for the one year period ending June 30, 2009. It was the most severe single year decline experienced by PERS. But even with this decline, PERS reported that its long-term 20-year investment return remained at a positive 7.75%.

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-19B-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

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

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Table A-19B-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-20A
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 Year 2007-08.

Table A-20B-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 Year 2007-08.

Table A-20B-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 Year 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-21A-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 Year 2007-08.

Table A-21A-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 Year 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. The City ceased the pre-funding plan in Fiscal Year 2008-09 and does not expect to resume pre-funding until the economy improves. 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, FOR THE PERIOD ENDING JUNE 30, 2008–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. 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.

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Table A-22
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, although the City has stopped pre-funding pending improvement in the economy. 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. The City expects to receive an updated actuarial valuation or about December 31, 2009.

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 2009-10 the City has budgeted approximately 790 permanent, full-time positions Citywide. The City has never experienced a work stoppage.

Table A-23
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†	885
2009-10	790†

† 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-24 summarizes the number of employees included in the four largest labor organizations. These four organizations cover 69.0% of the represented employees.

Table A-24
City of Richmond
Summary of Labor Agreements

Employee Representation Organization	Employee Members[1]	Contract Term	Budgeted Salary Increases
Fire Fighters I.A.F.F., Local 188		July 1, 2006 - June 30, 2009	1/1/07 – 4.0% 7/1/07 –4.0% 1/1/08 – 2.5% 7/1/08 – 4.0% 1/1/09 – 2.0%
and			
Fire Management, RFMA	83	July 1, 2004 - June 30, 2009	1/1/07 –4.0% 7/1/07 – 4.0% 1/1/08 – 3.0% 7/1/08 – 4.0% 1/1/09 – 2.0%
General (Part time), S.E.I.U. Local 790[3]	15	July 1, 2006 - June 30, 2010	7/1/07 – 4.0% 7/1/08 – 4.0% 7/1/09 – 4.0%
General (Full time), S.E.I.U. Local 790[3]	363	July 1, 2004 - June 30, 2010	7/1/07 – 4.0% 7/1/08 – 4.0% 7/1/09 – 4.0%
Management, IFPTE Local 21	137	July 1, 2004 - June 30, 2010	7/1/07 – 4.0% 7/1/08 – 4.0% 7/1/09 – 4.0%
Police Management Association		July 1, 2008 - June 30, 2012	7/1/08 –5.0% 7/1/09 –5.0% 7/1/10 –5.0% 7/1/11 –5.0%
and			
Police Officers Association	192[3]	July 1, 2008 - June 30, 2012	7/1/08 – 5.0% 7/1/09 – 5.0% 7/1/10 – 2.5% 1/1/11 – 2.5% 7/1/11 – 2.5% 1/1/12 – 2.5%
TOTAL	790		

(1) Number of funded positions in Revised Fiscal Year 2009-10 Budget.
(2) Represents combined budgeted positions for Fire Fighters and Fire Management.
(3) Represents combined budgeted positions for Police Management and Police Officers.

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 Fiscal Year and the next four Fiscal Years. The CIP for Fiscal Years 2009-10 through 2013-14 identifies approximately $133 million of funded capital improvement projects and approximately $357 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 are subject to a $250,000 deductible.

See also APPENDIX B–"AUDITED FINANCIAL STATEMENTS OF THE CITY OF RICHMOND FOR THE PERIOD ENDING JUNE 30, 2008–Note 14."

Litigation

Measure T. On February 27, 2009, Chevron Corp. ("Chevron") filed a suit in Contra Costa Superior Court *(Chevron v. City of Richmond*) alleging that Measure T violates State laws that ban taxes on business inventory and State regulations on local sales and use taxes. Chevron also claims that Measure T violates the commerce clause of the U.S. Constitution and parallel principles in the State Constitution by being not fairly related to the services provided by the City, by burdening commerce and by other means. The City continues to collect the tax and holds such amount in reserve pending resolution of the litigation. Chevron filed a motion for judgment on the pleadings, which motion is currently under submission.

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-25 summarizes the lease obligations payable from or backed by the General Fund of the City as of June 30, 2009. 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-25
City of Richmond
General Fund Lease Obligations
As of June 30, 2009

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					
Lease Revenue Bonds Series 2007	2007	Civic Center/Refinance Prior Bonds	101,420,000	96,260,000	2037
Lease Revenue Bonds Series 2009A	2009	Port Rail Improvements	26,830,000	26,830,000	2024
Lease Revenue Bonds Series 2009B	2009	Port Rail Improvements	20,280,000	20,280,000	2019
			$155,259,623	$149,952,050	

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 $19,545,000 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 $107,485,132.50 principal amount remains outstanding (excluding accreted value), and a percentage of which (14%) is payable from the City's General Fund revenues.

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City Overlapping and Bonded Debt

The estimated direct and overlapping bonded debt of the City as of November 1, 2009, is shown in Table A-26 below. The information in Table A-26 has been provided by California Municipal Statistics, Inc. The City has not independently verified the information in Table A-26 and does not guarantee its accuracy.

Table A-26
City of Richmond
Statement of Direct and Overlapping Debt
As of November 1, 2009

2009-10 Assessed Valuation:	$11,865,462,874
Redevelopment Incremental Valuation:	$1,671,849,162
Adjusted Assessed Valuation:	$10,193,613,712

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 11/1/09	
Bay Area Rapid Transit District	2.335%	$ 9,807,000	
Contra Costa Community College District	7.894	13,640,437	
West Contra Costa Unified School District	55.586	407,102,345	
West Contra Costa Healthcare District Parcel Tax Obligations	50.833	11,780,548	
East Bay Municipal Utility District, Special District No. 1	0.834	248,407	
East Bay Regional Park District	3.362	3,390,913	
City of Richmond Community Facilities District No. 1998-1	100.	3,660,000	
City of Richmond 1915 Act Bonds (Estimated)	100.	18,015,000	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$467,644,650	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Contra Costa County General Fund Obligations	7.865%	$ 22,380,251	
Contra Costa County Pension Obligations	7.865	36,608,036	
Alameda-Contra Costa Transit District Certificates of Participation	6.964	2,808,929	
Contra Costa Community College District Certificates of Participation	7.894	82,887	
West Contra Costa Unified School District Certificates of Participation	55.586	12,376,223	
City of Richmond General Fund Obligations	**100.**	**144,850,000**	(1)
City of Richmond Pension Obligations	**100.**	**125,460,133**	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$344,566,459	
Less: Contra Costa County general fund obligations supported by revenue funds		10,410,218	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$334,156,241	
GROSS COMBINED TOTAL DEBT		$812,211,109	(2)
NET COMBINED TOTAL DEBT		$801,800,891	

(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 2009-10 Assessed Valuation:
Total Overlapping Tax and Assessment Debt.....3.94%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($270,310,133) 2.65%
Gross Combined Total Debt 7.97%
Net Combined Total Debt.....7.87%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: $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-27 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 2005 through 2009.

Table A-27
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	33,873,086
2005	102,309	1,016,407	36,676,931
2006	102,188	1,025,509	37,086,191
2007	103,327	1,035,322	37,472,074
2008	130,899	1,048,242	37,883,992
2009†	104,513	1,060,435	38,292,687

† Preliminary.

Sources: U.S. Census Bureau (1980, 1990 and 2000), California Department of Finance (2005-2009), Table 2: E-4 Population Estimates for Cities Counties and State, 2001-2009 with 2000 Benchmark.

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 $1.0 billion 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. The equipment has been put on hold pending additional review and CEQA documentation.

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, of which a portion is leased to the City to house the City's Police Department. An approximately 130,000 square foot research facility is located on an approximately 28-acre campus located in the Marina District of the City.

Green Technology. **C**utting-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 underutilized 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-28 provides a listing of principal employers located in the City.

Table A-28
Principal Employers in the City
(As of August 2009)

Employer Name	Product/Service	Estimated Number of Employees
City of Richmond	Governmental Services	923†
Inovis Inc.	Internet Services	499
Dicon Fiber Optics Inc.	Telephone Manufacturers	378
Richmond Health Center	County Public Health Programs	350
Sunpower Corp.	Solar Energy R&D	301
Universal Building Services	Janitorial Services	300
Macy's	Department Store	300
California Autism Foundation, Inc.	Social Services	270
Galaxy Desserts	Wholesale Baking	250
Rubicon Programs Inc.	Substance Abuse Centers	250
Grace Baking Company	Wholesale Baking	203
Richmond Sanitary Services	Refuse Collection and Recycling	200
Sealy Stearns & Foster	Mattress Manufacturer	200
Bay Area Beverages Co.	Wholesale Beverages	200
Oosco	Hearing Aid	200
Health Net	Hospital and Medical Services Plans	200
Kennedy High School	School	200
U.S. Post Office	Post Office	200
Target	Department Store	200
Wingstop	Restaurant	200

† Since August 2009, the City has reduced the number of budgeted employees to 790. See "FINANCIAL OPERATIONS–*City Budget Process–Fiscal Year 2009-10.*"

Sources: infoUSA.com, a service of infoGroup™.

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The following Table A-29 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-29
Civilian Labor Force, Employment and Unemployment
Annual Average for Years 2004 through 2008†

Year and Area	Labor Force	Civilian Employment	Unemployment	Unemployment Rate
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
2008†				
City	52,500	47,100	5,400	10.2
County	529,200	496,400	32,700	6.2
State	18,391,800	17,059,600	1,332,300	7.2
United States	154,287,000	145,362,000	8,924,000	5.8

† Preliminary. 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-30
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-31 sets forth a five-year summary of building permit valuations and new dwelling units within the City.

Table A-31
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. The Port recently negotiated an agreement with American Honda Company whereby Honda agreed to import a minimum annual guarantee of 145,000 units per year through the Port for 15 years.

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.

APPENDIX B

CITY OF RICHMOND AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2008

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.

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

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Letter of Transmittal i
Organizational Chart xii
List of Elected and Appointed Officials xiii
Project Team xiv
GFOA Certificate of Award xv
CSMFO Certificate of Award xvi

FINANCIAL SECTION

Independent Auditor's Report 1
Management's Discussion and Analysis 3

BASIC FINANCIAL STATEMENTS:

Government-wide Financial Statements:
Statement of Net Assets 24
Statement of Activities 26

Fund Financial Statements:
Balance Sheet – Governmental Funds 30
Reconciliation of the Governmental Funds – Balance Sheet with the Statement of Net Assets 32
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 34
Reconciliation of the Net Change in Fund Balances—Total Governmental Funds with the Statement of Activities 36
Statement of Net Assets – Proprietary Funds 38
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds 39
Statement of Cash Flows – Proprietary Funds 40
Statement of Fiduciary Net Assets – Fiduciary Funds 42
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds 43

Notes to Financial Statements:
(1) Organization and Definition of Reporting Entity 45
(2) Summary of Significant Accounting Policies 47
(3) Cash and Investments 55
(4) Interfund Transactions 61
(5) Notes and Loans Receivable 64
(6) Capital Assets 69

TABLE OF CONTENTS

Page

Notes to Financial Statements (Continued):
(7) Long-Term Debt Obligations 71
(8) Deferred Revenue 98
(9) Deficit Fund Balances and Accumulated Deficits 98
(10) California Public Employees' Retirement System 99
(11) Other City Pension Plans 101
(12) Other Postemployment Benefits 108
(13) Deferred Compensation Plan 111
(14) Risk Management 112
(15) Segment Information for Enterprise Funds 114
(16) Restatement 114
(17) Commitments and Contingencies 115
(18) Subsequent Events 116

REQUIRED SUPPLEMENTAL INFORMATION:

Budgetary Comparison Schedule – General Fund 117
Budgetary Comparison Schedule – Redevelopment Agency Administration Special Revenue Fund 118
Notes to Budgetary Comparison Schedules 119

SUPPLEMENTAL INFORMATION:

Major Governmental Fund other than the General Fund and Major Special Revenue Funds

Budgetary Comparison Schedule – Redevelopment Agency Debt Service Fund 122

Combining and Individual Fund Statements and Schedules:

Combining Balance Sheets – Nonmajor Governmental Funds 126
Combining Statements of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds 130
Combining Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Nonmajor Funds 134
Combining Statement of Net Assets – Nonmajor Enterprise Funds 140
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Nonmajor Enterprise Funds 141
Combining Statement of Cash Flows – Nonmajor Enterprise Funds 142
Combining Statement of Net Assets – Internal Service Funds 144
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds 145
Combining Statement of Cash Flows – Internal Service Funds 146
Statement of Pension Trust Funds Net Assets 148
Statement of Changes in Pension Trust Funds Net Assets 149
Combining Statement of Changes in Assets and Liabilities – All Agency Funds 152

CITY OF RICHMOND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

Page

STATISTICAL SECTION

Net Assets by Component Last Six Fiscal Years 157
Changes in Net Assets Last Six Fiscal Years 158
Fund Balances of Governmental Funds Last Ten Fiscal Years 160
Changes in Fund Balance of Governmental Funds Last Ten Fiscal Years 162
Assessed and Estimated Actual Value of Taxable Property 164
Property Tax Rates 165
Principal Property Taxpayers 166
Property Tax Levies and Collections 167
Ratio of Outstanding Debt by Type 168
Revenue Bond Coverage 1999 and 2006 Wastewater Revenue Bonds Last Nine Fiscal Years 169
Revenue Bond Coverage 1996, 1999, 2004 and 2007 Port Terminal Lease Revenue Bonds and Note Last Ten Fiscal Years 170
Bonded Debt Pledged Revenue Coverage Tax Allocation Bonds Last Ten Fiscal Years 171
General Bonded Debt – Pension Obligation Bonds Last Nine Fiscal Years 172
Computation of Direct and Overlapping Debt 173
Computation of Legal Bonded Debt Margin 174
Demographic and Economic Statistics Last Ten Fiscal Years 175
Principal Employers 176
Full-Time Equivalent City Government Employees by Function Last Five Fiscal Years 177
Operating Indicators by Function/Program 178
Capital Asset Statistics by Function/Program 179

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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

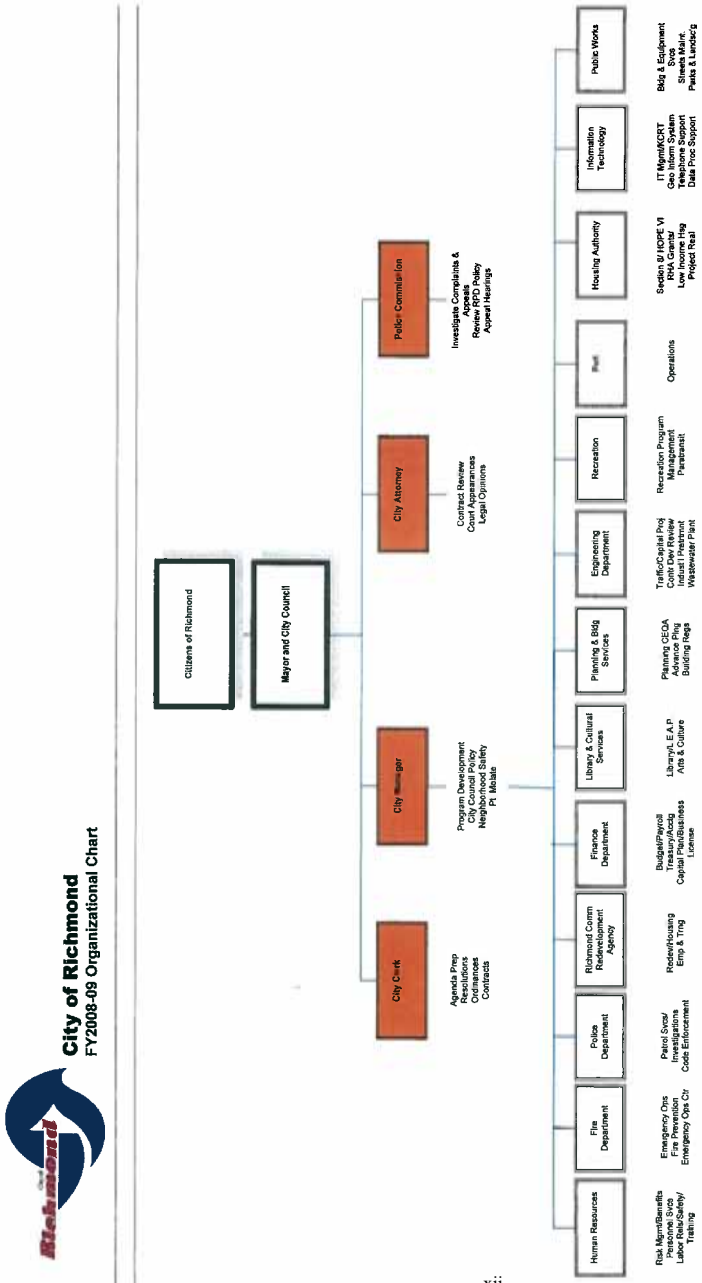
The preparation of this CAFR represents the culmination of a concerted team effort by the entire staff of the Finance Department. They should be commended for their professionalism, dedication, efficiency, and their personal commitment and determination demonstrated through long days of focused attention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

Herbert L. Pike
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

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

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 Tyabandi
Professional and Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management

MAZE & ASSOCIATES

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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:

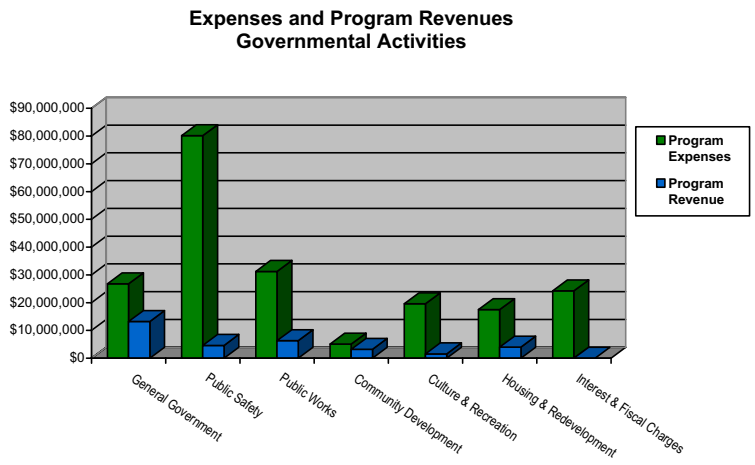
Revenue Highlights:

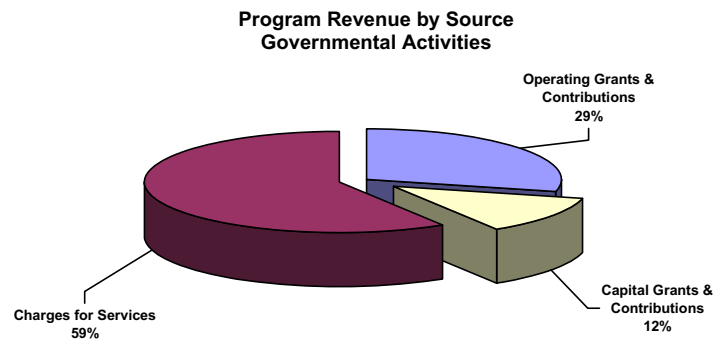
- Current year revenues of $203.1 million reflect a $4.2 million increase from the prior year.
- Property taxes (current collections) in the current year reached $77.0 million, an increase of $3.5 million, or 5 percent.
- Sales taxes continue to evidence growth. Current fiscal year receipts of $29.0 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.

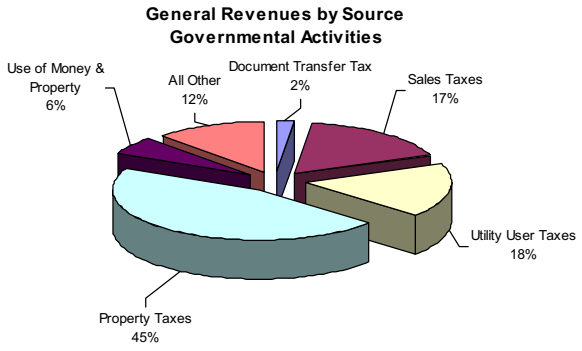




Total governmental activities expenses were $204.6 million in fiscal year 2008. The largest expenses, in descending order, were for Public Safety, Public Works, General Government, Interest on Long Term Debt, and Cultural and Recreation. These expenses do not include capital outlays, which are now reflected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

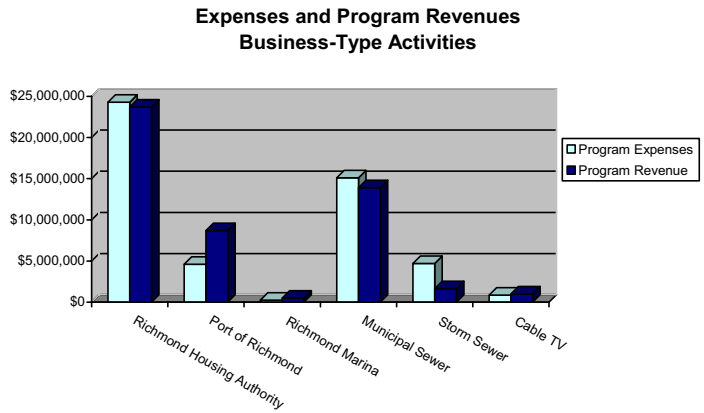
Total program revenues from governmental activities were $32.8 million in fiscal year 2008. Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's 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.

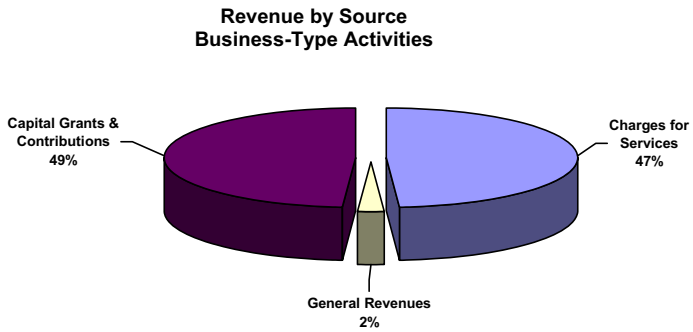
General revenues are all other revenues not categorized as program revenues such as property taxes, sales taxes, utility users' tax, gain on sale of capital assets, and investment earnings, and grants and contributions not related to specific programs and several miscellaneous general revenues. Total 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.



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.





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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total	Net (Expense) Revenue and Changes in Net Assets Component Unit: 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	1,426,571	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	$338,877,896
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		10,358,592			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			640,300		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	13,714,681		88,524,430	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 Activities- Internal Service Funds
	Richmond Housing Authority	Port of Richmond	Municipal Sewer	Other Enterprise Funds	Totals	
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 Activities- Internal Service Funds
	Richmond Housing Authority	Port of Richmond	Municipal Sewer	Other Enterprise Funds	Totals	
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 Activities-
	Richmond Housing Authority	Port of Richmond	Municipal Sewer	Other Enterprise Funds	Totals	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				313,863	
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	28,757,953	(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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 50% on February 1	July 1
Delinquent as of	December 10 (for November) 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 restrictions 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.

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:

Business-type activities	Balance at June 30, 2007	Additions	Retirements	Transfers	Balance at June 30, 2008
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	$180,007,553	($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

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

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:

Valuation Date	Actuarial 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:

Valuation Date	Actuarial 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:

Valuation Date	Actuarial 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 Disability Retirement: any age/10	Retiree only or surviving spouse: $244/$202 Retiree +1 or more: $364/$304
IFPTE, Miscellaneous Executive Management, City Council	Service Retirement: Same as SEIU 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 Retiree +1 or more: $364/$304
IFPTE, Miscellaneous Executive Management	Retired November 5, 1999 or later	Retiree only or surviving spouse: $244/$202 Retiree +1 or more: $364/$304
	Retired before November 5, 1999	Retiree only or surviving spouse: $144/$102 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			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (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	114,106,526	(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		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
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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APPENDIX C

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF NOTE RESOLUTION AND SUMMARY OF TRUST AGREEMENT

The following terms shall have the following meanings unless the context expressly or by necessary implications require otherwise:

"Authority" means the California Statewide Communities Development Authority, a public entity of the State of California, created pursuant to the provisions relating to the joint exercise of powers found in Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California.

"Authorized Authority Representative" means any member of the Commission of the Authority or an authorized administrative delegate thereof.

"Authorized Denomination" means $5,000 or any multiple thereof.

"Authorized Local Agency Representative" means the person or persons designated as such in the Local Agency Note Resolution or any other person at the time designated to act on behalf of such Local Agency by written certificate furnished to the Trustee, containing the specimen signature of such person and signed on behalf of such Local Agency by an Authorized Local Agency Representative.

"Business Day" means any day except Saturday, Sunday or any day on which banks located in the city in which the designated corporate trust office of the Trustee and the Principal Office of the Credit Provider, if any, are located, or in the City of Los Angeles, California, are required or authorized to remain closed.

"Certificate" or "Request" with respect to the Local Agency means an instrument in writing signed on behalf of such Local Agency by an Authorized Local Agency Representative, and with respect to the Authority means an instrument in writing signed on behalf of the Authority by an Authorized Authority Representative or other person at the time designated to act on behalf of the Authority by written certificate furnished to the Trustee.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations issued or applicable thereunder.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Local Agency or the Authority and related to the authorization, execution and delivery of the Note and the related sale of the Note Participations, including, but not limited to, the Credit Provider's Credit Instrument fees or premium, as applicable, if any, costs of preparation and reproduction and delivery of documents, filing and recording fees, fees and charges of the Trustee and its counsel, legal fees and charges, fees and disbursements of consultants and professionals, fees of rating agencies, fees and charges for preparation, execution and safekeeping of the Note Participations and any other costs, charges or fees in connection with the original execution and delivery of the Note Participations and the marketing, sale and issuance of the Note.

"Costs of Issuance Fund" means the fund by that name established pursuant to the Trust Agreement.

"Credit Instrument" means the instrument designated in Schedule III of the Trust Agreement, if any, as the Letter of Credit or Policy of Insurance dated the date of issuance of the Note Participations, issued by the Credit Provider designated in Schedule III of the Trust Agreement in favor of the Trustee, as the same may be amended from time to time. Unless otherwise provided in the Credit Instrument, if any, the Credit Instrument shall be deemed to enhance the Note.

"Credit Instrument Payment Certificate" means the Credit Instrument Payment Certificate, if any, relating to the procedures for submission of claims under the Credit Instrument and for apportionment of the policy limit, to the extent required.

"Credit Provider" means the entity, if any, identified as the provider of the Credit Instrument in Schedule III of the Trust Agreement.

"Defaulted Note" means a Note (i) the principal of and interest on which has been paid in whole or in part with the proceeds of a drawing or claim or payment under or from the Credit Instrument, if any, which remains not fully reimbursed on the Maturity Date of such Note or (ii) any of the principal of or interest on which is not paid when due.

"Default Rate" means the rate of interest per annum payable with respect to the outstanding portion of the Defaulted Note which (i) if the Defaulted Note is unpaid and no Credit Instrument is applicable thereto, shall equal the Note Rate, or (ii) if the Defaulted Note is paid in whole or in part by an unreimbursed draw or claim or payment under or from a Credit Instrument, is calculated in accordance with the applicable provisions of the Credit Instrument, the Credit Agreement; provided, however, if the Credit Instrument or the Credit Agreement, if any contains no such provision or provisions regarding the calculation of a default rate of interest, "Default Rate" means the Note Rate.

"Interest Fund" means the fund by that name established in the Trust Agreement.

"Local Agency" means the City of Richmond.

"Maturity Date" means November 4, 2010.

"Note" means the tax and revenue anticipation note issued by the Local Agency.

"Note Participations" means the Series 2009A-8 Note Participations.

"Note Participation Payment Fund" means the fund by that name established in the Trust Agreement.

"Note Rate" means the stated rate of interest payable on the Note.

"Note Resolution" means the resolution adopted by the legislative body of the Local Agency authorizing the issuance of the Note and approving the execution and delivery of the Trust Agreement, the Credit Agreement, if any, and the Note Participations.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed by the Authority and satisfactory to and approved by the Trustee (which shall be under no liability by reason of such approval).

"Owner" means the registered owner of any Outstanding Note Participation.

"Payment Account" means the account created by the Trustee in the Note Participation Payment Fund.

"Permitted Investments" means any of the following to the extent then permitted by law:

1. (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

2. Obligations of instrumentalities or agencies of the United States of America. These are specifically limited to:

-- Federal Home Loan Mortgage Corporation (FHLMC) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) Debt Obligations

-- Federal Home Loan Banks (FHL Banks) Consolidated debt obligation

-- Federal National Mortgage Association (FNMA) Debt obligations Mortgage backed securities (Excluded are stripped mortgage securities-which are purchased at prices exceeding their principal amounts).

Book entry securities listed in 1 and 2 above must be held in a trust account with the Federal Reserve Bank or with a clearing corporation or chain of clearing corporations which has an account with the Federal Reserve Bank.

3. Federal Housing Administration debentures.

4. Commercial paper, payable in the United States of America, having original maturities of not more than 92 days and which are rated A+ by S&P and Prime-1 by Moody's.

5. Interest bearing demand or time deposits issued by state banks or trust companies, savings and loan associations, federal savings banks or any national banking associations, the deposits of which are insured by the Bank Insurance Fund (BIF) or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation (SAIF) or any successors thereto. These deposits: (a) must be continuously and fully insured by BIF or SAIF, or (b) must have maturities of less than 366 days and be deposited with banks the short term obligations of which are rated A+ by S&P and P-1 by Moody's.

6. Money market mutual funds or portfolios investing in short-term US Treasury securities rated AAAm or AAAm-G by S&P and Aaa by Moody's, including those which the Trustee and its affiliates or subsidiaries provide advisory or management services.

7. Investment agreements approved by the Credit Provider which are with investment institutions, or with a financial entity whose obligations are guaranteed or insured by a financial entity, having long-term obligations which are rated "AA" or higher by S&P and "Aa" or higher by Moody's as to long term instruments and which are approved by S&P and Moody's; provided that if such rating falls below AA- or Aa3, by S&P or Moody's, respectively, the investment agreement shall require the Trustee to replace such financial institution or shall provide for the investment agreement to be collateralized at levels and under such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach).

8. The Local Agency Investment Fund administered by the State of California.

9. Investment Trust of California, doing business as CalTRUST.

10. Such other investments as are approved in writing by the Credit Provider, if applicable.

11. The pooled investment fund maintained by the County Treasurer including for the benefit of the Local Agency.

"Predefault Obligations" means, if there is a Credit Provider for the Note, (i) the obligations of the Local Agency to the Credit Provider under a Credit Instrument and/or the Credit Agreement, if any, (ii) all indemnification to the Credit Provider by the Local Agency, and (iii) all other amounts due to the Credit Provider by the Local Agency under the Credit Instrument and the Credit Agreement (including interest on overdue Predefault Obligations to the extent permitted by law), to the extent they are not Costs of Issuance, in each case becoming due prior to an Event of Default under the Note Resolution.

"Principal Fund" means the fund by that name established pursuant to the Trust Agreement.

"Principal Office of the Trustee" means the principal corporate trust office of the Trustee, which, for the Trustee initially appointed under the Trust Agreement, is located in Los Angeles, California or such other place as the Trustee may designate in writing to the Authority.

"Proceeds Fund" means the fund by that name established pursuant to the Trust Agreement.

"Program" means the California Communities Tax and Revenue Anticipation Note Program pursuant to which the Note Participations are executed and delivered to assist local agencies in financing cash flow deficits.

"Purchase Agreement" means that certain Purchase Agreement by and between the Local Agency and the Purchaser relating to the Note and the Note Participations.

"Purchaser" means Wedbush Securities Inc., as purchaser of the Note Participations evidencing and representing interests in the Note.

"Reimbursement Obligations" means, if there is a Credit Provider for the Note, (i) the obligations of the Local Agency under the Credit Instrument, and/or the Credit Agreement including, without limitation, obligations evidenced by Defaulted Note, (ii) all indemnification to the Credit Provider by the Local Agency, and (iii) all other amounts at any time due to the Credit Provider by the Local Agency under the Credit Instrument and/or the Credit Agreement (including any Predefault Obligations and interest on any overdue Reimbursement Obligations to the extent permitted by law), in each case becoming due as a result of or after an Event of Default under the Note Resolution.

"Repayment Fiscal Year" means the Local Agency's fiscal year ending June 30, 2010.

"Secured Percentage" means, with respect to any Credit Instrument and the Note to which it applies, an amount (i) equal to 100%, if the available amount of the Credit Instrument is greater than or equal to the aggregate amount of principal of and interest on the unpaid Note (or unpaid portions thereof) or (ii) equal to the available amount of the Credit Instrument divided by the aggregate amount of unpaid principal of and interest on the Note (or unpaid portions thereof), expressed as a percentage, if the available amount of the Credit Instrument is less than the aggregate amount of unpaid principal of and interest on the Note (or unpaid portions thereof) as of the Maturity Date.

"Series 2009A-8 Note Participations" means the California Communities Tax and Revenue Anticipation Note Program, Note Participations, Series 2009A-8, authorized and at any time Outstanding under the Series 2009A-8.

"Trust Agreement" means the Trust Agreement, dated as of October 1, 2009, by and among the Trustee, the Authority and the Local Agency, as originally executed and entered into and as it may from time to time be amended or supplemented in accordance therewith, relating to the Series 2009A-8 Note Participations.

"Trustee" means Wells Fargo Bank, National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or any other bank or trust company at its principal corporate trust office which may at any time be substituted in its place, as trustee under the Trust Agreement.

SUMMARY OF NOTE RESOLUTION

The following is a summary of certain provisions of the Note Resolution of the Local Agency not heretofore summarized under the caption "SECURITY AND SOURCE OF PAYMENT." Reference is made to the Note Resolution in its entirety for a full recital of the provisions thereof.

ALL REFERENCES BELOW TO THE CREDIT PROVIDER AND THE CREDIT INSTRUMENT SHALL NOT BE APPLICABLE TO THE SERIES 2009A-8 NOTE PARTICIPATIONS. THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2009A-8 NOTE PARTICIPATIONS ARE NOT GUARANTEED BY A CREDIT INSTRUMENT. SEE "SECURITY AND SOURCE OF PAYMENT - THE CREDIT INSTRUMENT" HEREIN.

Disposition of Proceeds of Note

The moneys received from the sale of the Local Agency's Note allocable to such Local Agency's share of the Costs of Issuance will be deposited in the Costs of Issuance Fund held and invested by the Trustee under the Trust Agreement and will be expended as directed by the Authority on Costs of Issuance as provided in the Trust Agreement. The remaining net amount received by the Local Agency from the sale of its Note will be available to be used and expended by such Local Agency for any purpose for which it is authorized to expend funds.

Additional Payments

The Local Agency agrees to pay, or cause to be paid, in addition to the amounts payable under its Note, any fees or expenses of the Trustee and, to the extent permitted by law, any Predefault Obligations and Reimbursement Obligations (to the extent not payable under its Note), (i) arising out of an "Event of

Default" under its Note Resolution or (ii) arising out of any other event (other than an event arising solely as a result of or otherwise attributable to a default by any other Local Agency). In the case described in (ii) above with respect to Predefault Obligations, the Local Agency will owe only the percentage of such fees, expenses and Predefault Obligations equal to the ratio of the principal amount of its Note over the aggregate principal amount of all Note (including such Local Agency's Note) related to the Note Participations to which such Note is related, at the time of original issuance of such Note Participations. Such additional amounts will be paid by the Local Agency within twenty-five (25) days of receipt by such Local Agency of a bill therefor from the Trustee.

Issuance of Parity Note

The Local Agency may at any time during the Repayment Fiscal Year issue a Parity Note, in an amount not to exceed the principal amount of its Note, secured by a first lien and charge on Pledged Revenues; provided that (i) such Parity Note shall have the same Repayment Months as the Note, shall be payable as to principal and interest in such Repayment Months in amounts corresponding on a pro rata basis to the schedule of principal and interest payable in such Repayment Months on the Note and the rating on such Parity Note (or related series of note participations if sold into a pool) shall not be less than the rating on the Note Participations related to the Note and (ii) the Local Agency shall have received the written consent of the Credit Provider, if any, to the issuance of the Parity Note by the Local Agency. In the event that the Local Agency issues a Parity Note, the Local Agency shall make appropriate deposits into the Payment Account with respect to such Parity Note, and in such event, the Payment Account shall also be held for the benefit of the holders of the Parity Note.

Defaults and Remedies

Defaults. If any one of the following events occurs under the Note Resolution, it is an "Event of Default" under such Note Resolution:

(a) Failure by the Local Agency to make, or cause to be made, the deposits to its Payment Account when due or any other payment required to be paid under its Note Resolution, including payment of principal and interest on its Note, on or before the date on which such deposit or other payment is due and payable;

(b) Failure by the Local Agency to observe and perform any covenant, condition or agreement on its part to be observed or performed under its Note Resolution, for a period of fifteen (15) days after written notice, specifying such failure and requesting that it be remedied, is given to such Local Agency by the Trustee or the Credit Provider, unless the Trustee and the Credit Provider agree in writing to an extension of such time prior to its expiration;

(c) Any warranty, representation or other statement by or on behalf of the Local Agency contained in its Resolution or the Purchase Agreement (including the Pricing Confirmation) or in any requisition or any financial report delivered by the Local Agency or in any instrument furnished in compliance with or in reference to its Note Resolution or the Purchase Agreement or in connection with the Note, is false or misleading in any material respect; or

(d) The occurrence of certain bankruptcy or insolvency matters with respect to the Local Agency.

Remedies. Whenever any Event of Default shall have happened and be continuing under a Note Resolution, the Trustee will, in addition to any other remedies provided in the Note Resolution or by law

or under the Trust Agreement, have the right, at its option without any further demand or notice, to take one or any combination of the following remedial steps:

(a) Without declaring the Note of the defaulting Local Agency to be immediately due and payable, require such Local Agency to pay to the Trustee, as holder of such Note, an amount equal to the principal of such Note and interest thereon to maturity, plus all other amounts due under its Note Resolution, and upon notice to such Local Agency, the same will become immediately due and payable by such Local Agency without further notice or demand; and

(b) Take whatever other action at law or in equity (except for acceleration of payment on the Note) which may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Note Resolution and under the Note or to enforce any other of its rights under the Note Resolution.

Notwithstanding the foregoing, if the Local Agency's Note is secured in whole or in part by a Credit Instrument or if the Credit Provider is subrogated to rights under the Local Agency's Note, as long as the Credit Provider is not in default of its payment obligations under the Credit Instrument, the Credit Provider shall have the right to direct the remedies upon any Event of Default thereunder, and the Credit Provider's prior consent shall be required to any remedial action proposed to be taken by the Trustee thereunder.

If the Credit Provider is not reimbursed for any drawing, payment or claim, as applicable, used to pay principal of and interest on the Note due to a default in payment on the Note by the Local Agency, or if any principal of or interest on the Note remains unpaid after the Maturity Date, the Note shall be a Defaulted Note, the unpaid portion (including the interest component, if applicable) thereof or the portion (including the interest component, if applicable) to which a Credit Instrument applies for which reimbursement on a draw, payment or claim has not been made shall be deemed outstanding and shall bear interest at the Default Rate until the Local Agency's obligation on the Defaulted Note is paid in full or payment is duly provided for, all subject to such Local Agency's Note Resolution.

Certain Representations and Covenants of the Local Agency

The Local Agency has represented or covenanted under its Note Resolution, among other things, that:

(a) It will (i) duly, regularly and properly prepare and adopt its final budget for the Repayment Fiscal Year, (ii) provide to the Trustee, the Credit Provider and the Underwriters, promptly upon adoption, copies of such final budget and of any subsequent revisions, modifications or amendments thereto, and (iii) comply with all applicable laws pertaining to its budget;

(b) The sum of the principal amount of such Local Agency's Note plus the interest payable thereon, on the date of its issuance, will not exceed 50% of the estimated amount of such Local Agency's uncollected taxes, income, revenue (including, but not limited to, revenue from the State and federal governments), cash receipts, and other moneys to be received for the general fund of such Local Agency attributable to the Repayment Fiscal Year all of which will be legally available to pay principal of and interest on its Note;

(c) Such Local Agency (i) has not defaulted within the past twenty (20) years, and is not currently in default, on any debt obligation, and (ii) to the best of its knowledge, has never defaulted on any debt obligation;

(d) Such Local Agency's most recent audited financial statements present fairly the financial condition of such Local Agency as of the date thereof and the results of operation for the period covered thereby. Except as has been disclosed to the Underwriters, and the Credit Provider, there has been no change in the financial condition of such Local Agency since the date of such audited financial statements that will, in the reasonable opinion of such Local Agency, materially impair its ability to perform its obligations under its Note Resolution and its Note;

(e) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, arbitrator, governmental or other board, body or official, pending or, to the best knowledge of such Local Agency, threatened against or affecting such Local Agency questioning the validity of any proceeding taken or to be taken by such Local Agency in connection with the Note, the Purchase Agreement, the Trust Agreement, the Credit Agreement, or its Note Resolution, or seeking to prohibit, restrain or enjoin the execution, delivery or performance by such Local Agency of any of the foregoing, or wherein an unfavorable decision, ruling or finding would have a materially adverse effect on such Local Agency's financial condition or results of operations or on the ability of such Local Agency to conduct its activities as presently conducted or as proposed or contemplated to be conducted or would materially adversely affect the validity or enforceability of, or the authority or ability of such Local Agency to perform its obligations under, its Note, the Purchase Agreement, the Trust Agreement, the Credit Agreement, or its Note Resolution; and

(f) Such Local Agency will not incur any indebtedness secured by a pledge of its Pledged Revenues unless such pledge is subordinate in all respects to the pledge of Pledged Revenues under its Note Resolution (except as described above; see "SUMMARY OF NOTE RESOLUTION – Issuance of Parity Note" herein).

SUMMARY OF TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement not heretofore summarized under the captions "DESCRIPTION OF THE NOTE PARTICIPATIONS" and "SECURITY AND SOURCE OF PAYMENT." Reference is made to the Trust Agreement in its entirety for a full recital of the provisions thereof.

NOTWITHSTANDING ANYTHING TO THE CONTRARY INDICATED BELOW, ALL REFERENCES BELOW TO THE CREDIT PROVIDER AND THE CREDIT INSTRUMENT SHALL NOT BE APPLICABLE TO THE TRUST AGREEMENT RELATING TO THE SERIES 2009A-8 NOTE PARTICIPATIONS. THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2009A-8 NOTE PARTICIPATIONS ARE NOT GUARANTEED BY A CREDIT INSTRUMENT. SEE "SECURITY AND SOURCE OF PAYMENT - THE CREDIT INSTRUMENT" HEREIN.

Funds and Accounts

Under the Trust Agreement, the Trustee agrees to establish and maintain, in trust, the Costs of Issuance Fund, the Proceeds Fund, the Note Participation Payment Fund, the Interest Fund, the Principal Fund and the Credit Fund.

Costs of Issuance Fund

The moneys in the Costs of Issuance Fund will be used and withdrawn by the Trustee to pay the Costs of Issuance upon receipt of (i) a Request of and Authorized Authority Representative, stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was

incurred and that such payment is a proper charge against said fund, and (ii) an original invoice or invoices or evidence of payment of an invoice when such requisition is in reimbursement thereof. On February 1, 2010, or on such earlier date upon Request of an Authorized Authority Representative, amounts, if any, remaining in the Costs of Issuance Fund (and not required to pay identified Costs of Issuance, including any additional fees or expenses of the Credit Provider or the Trustee, or any identified Predefault Obligations and Reimbursement Obligations) will be transferred to the Proceeds Fund and credited to and returned by the Trustee by check to the Local Agency in proportion to the amounts initially deposited in the Costs of Issuance Fund attributable to such Local Agency.

Proceeds Fund

All money in the Proceeds Fund will be held by the Trustee in trust and applied as provided in the Trust Agreement and, pending such application, are pledged to the payment of the Note Participations and will be subject to a lien and charge in favor of the Owners and for the further security of the Owners. Funds in the Proceeds Fund will be credited to the Local Agency, initially in amounts set forth in the schedule attached to the Trust Agreement. Moneys in the Proceeds Fund will be disbursed to the Local Agency in the amounts set forth in the schedule attached to the Trust Agreement relating to such Local Agency, as soon as practical, pursuant to a Request of an Authorized Authority Representative and a requisition of the Local Agency in substantially the form set forth in the exhibit attached to the Trust Agreement, submitted in advanced of the requested payment date, and once disbursed, will be held and invested by the Local Agency as permitted by law and used and expended for any purpose for which the Local Agency is authorized to use and expend moneys.

Note Participation Payment Fund and Payment Accounts

All principal and interest payments on the Note related to the Note Participations received by the Trustee will be deposited by it, as and when received, in the Note Participation Payment Fund. Pursuant to the Note Resolution, the Local Agency is required to deposit in its Payment Account the first amounts received in the months constituting such Local Agency's Repayment Months (and any amounts received thereafter attributable to the Repayment Fiscal Year) until the amount on deposit in such Local Agency's Payment Account is equal in the respective Repayment Months identified in the Pricing Confirmation to the percentage of the principal and interest due on such Local Agency's Note specified in the Pricing Confirmation. If the Trustee receives Note repayments from the Local Agency in excess of the amounts required to pay the principal of and interest due on such Local Agency's Note, such excess amounts will remain in the Note Participation Payment Fund and, subject to any rebate requirements as specified in the Trust Agreement, be transferred to such Local Agency following payment of the amount of Note Participations evidencing and representing such Local Agency's Note and reimbursement of the Credit Provider for drawings, if any, under the Credit Instrument and payment of any Reimbursement Obligations and Predefault Obligations applicable to such Local Agency.

Defaults and Remedies

Action on Default. If any default in the payment of principal of or interest on the Note or any other "Event of Default" defined in the Note Resolution shall occur and be continuing, then such default or failure will constitute an "Event of Default" under the Trust Agreement, and in each and every such case during the continuance of such Event of Default the Trustee or the Owners of not less than a majority in aggregate principal amount of the Note Participations at the time outstanding will, upon notice in writing to such Local Agency, exercise the remedies provided to the owner of the Note then in default or under the Note Resolution pursuant to which it was issued which are necessary or desirable to collect the principal of the Note and the interest thereon to maturity.

Other Remedies of the Trustee. The Trustee will have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Local Agency or any director, supervisor, council member, board member, trustee, member, officer or employee thereof, and to compel such Local Agency or any such supervisor, council member, board member, trustee, member, officer or employee thereof to observe or perform its or his or her duties under applicable law and the agreements, conditions, covenants and terms contained in the Note or Note Resolution, required to be observed or performed by it or him or her;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee, the Owners or the Credit Provider, if any, or

(c) by suit in equity upon the happening of any default under the Trust Agreement to require the Local Agency and any director, supervisor, council member, board member, trustee, member, officer and employee thereof to account as the trustee of any express trust.

Non-Waiver. A waiver by the Trustee of any default under the Trust Agreement or breach of any obligation under such Trust Agreement will not affect any subsequent default under such Trust Agreement or any subsequent breach of an obligation under such Trust Agreement or impair any rights or remedies on any such subsequent default thereunder or on any such subsequent breach of an obligation thereunder. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default under such Trust Agreement will impair any such right or remedy or will be construed to be a waiver of any such default thereunder or an acquiescence therein, and every right or remedy conferred upon the Trustee by applicable law or by such Trust Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

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

Notwithstanding anything to the contrary, no waiver by the Trustee of any default under the Trust Agreement or breach of any obligation under the Trust Agreement with respect to the Local Agency will be effective without the prior written consent of the Credit Provider, if any.

Application of Funds. (a) All moneys received by the Trustee pursuant to any right given or action taken under the provisions set forth under the caption "Defaults and Remedies" above, will be deposited into a segregated payment account in the Note Participation Payment Fund relating to the defaulting Local Agency's Note and be applied by the Trustee after payment of all amounts due and payable under the Trust Agreement in the following order upon presentation of the several Note Participations, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid; provided that (i) all amounts in the Credit Fund will be applied solely to payment of the principal and interest evidenced and represented by the Note Participations, and (ii) all moneys in the defaulting Local Agency's payment account in the Note Participation Payment Fund allocable to reimbursement of the Credit Provider, if any, for drawings under the Credit Instrument will be applied solely to reimburse the Credit Provider; and provided, further, that the Trustee will obtain and follow the instructions contained in an Opinion of Counsel and rebate or set aside for rebate, subject to the prior payment in full of all amounts applicable to the Local Agency specified in clause (ii) above, any amount pursuant to such instructions required to be paid to the United States of America under the Code:

FIRST, *Costs and Expenses*: to the payment of the costs and expenses of the Trustee and of the Owners in declaring such Event of Default, including reasonable compensation to its or their agents' attorneys and counsel;

SECOND, *Interest:* to the payment to the persons entitled thereto of all payments of interest evidenced and represented by the Note Participations then due in the order of the due date of such payments, and, if the amount available will not be sufficient to pay in full any payment or payments coming due on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference, subject to paragraph (b), below;

THIRD, *Principal*: to the payment to the persons entitled thereto of the unpaid principal evidenced and represented by any Note Participations which shall become due, in the order of their due dates, with interest on the overdue principal and interest represented by such Note Participations at a rate equal to the Default Rate and, if the amount available will not be sufficient to pay in full all the amounts due with respect to such Note Participations on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference, subject to paragraph (b), below; and

FOURTH, *Predefault Obligations and Reimbursement Obligations:* to the payment of all Predefault Obligations and Reimbursement Obligations applicable to the Local Agency, subject to paragraph (b) below.

(b) If, upon the drawing or payment under the Credit Instrument, if any, then in effect, in the full amount permitted under the Credit Instrument, any Owner (other than the Credit Provider by right of subrogation) remains unpaid in full, no moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Trust Agreement will be transferred to the Credit Provider, if any, until all Owners (other than the Credit Provider by right of subrogation) are paid in full.

Remedies Not Exclusive; Credit Provider's Control of Remedies. No remedy conferred in the Trust Agreement upon or reserved therein to the Trustee is intended to be exclusive, and all remedies will be cumulative and each remedy will be in addition to every other remedy given thereunder or now or hereafter existing under applicable law or equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any other applicable law.

Notwithstanding anything to the contrary in the Trust Agreement, the Credit Provider, if any, so long as it has not failed to comply with its payment obligations under the Credit Instrument, shall have the right to direct the remedies upon any Event of Default thereunder but only with respect to any Note secured by the Credit Instrument and only so long as such action will not materially adversely affect the rights of any Owner; and the Credit Provider's prior consent shall be required to any remedial action proposed to be taken by the Trustee under the Trust Agreement with respect to such Note, except that such consent requirement shall not affect or impair in any way the right of action of any Owner to institute suit directly against the Local Agency to enforce payment of the Note and such Local Agency shall be directly obligated to each Owner of the Note Participations. The Trustee shall immediately notify such Credit Provider of any Event of Default of which the Trustee has actual knowledge.

Exercise of Remedies; Relative Rights of Credit Provider and Note Participation Owners

Upon the exercise by any Owner, the Trustee or the Credit Provider, if any, of its right of action to institute suit directly against the Local Agency to enforce payment of the obligation evidenced and represented by such Owner's Note Participation, any moneys recovered by such action will be deposited with the Trustee and applied as provided above under "Application of Funds" and as provided below.

All amounts received in respect of the principal of or interest on a Defaulted Note will be applied pro rata to the claims with respect to such principal and interest of the Credit Provider in accordance with its Secured Percentage and the Owners of the Note Participations in accordance with the percentage remaining net of the Secured Percentage and, with respect to each, in accordance with the Trust Agreement, subject to the provisions described in paragraph (b) under "Application of Funds."

Limited Liability of the Authority

Except as expressly provided in the Trust Agreement, the Authority will not have any obligation or liability to the Owners, the Trustee or the Credit Provider, if any, with respect to the payment when due of the Note by the Local Agency, or with respect to the observance or performance by the Local Agency of the other agreements, conditions, covenants and terms contained in the Note and the Note Resolution, or with respect to the performance by the Trustee of any obligation contained in the Trust Agreement required to be performed by it. Notwithstanding anything to the contrary contained in the Note Participations, the Trust Agreement or any other document related thereto, the Authority will not have any liability under the Trust Agreement or by reason thereof or in connection with any of the transactions contemplated thereby except to the extent payable from moneys received from or with respect to the Note and available therefor in accordance with the Trust Agreement.

Limited Liability of the Local Agency

Except as expressly provided in the Note and Note Resolution, the Local Agency will not have any obligation or liability to the Authority, the Owners, the Trustee or the Credit Provider, with respect to the Trust Agreement or the preparation, execution, delivery, transfer, exchange or cancellation of the Note Participations or the receipt, deposit or disbursement of the principal of and interest on the Note by the Trustee, or with respect to the performance by the Trustee of any obligation contained in the Trust Agreement required to be performed by it.

Notwithstanding anything to the contrary in the Trust Agreement or any Note or document referred to therein, no Local Agency will incur any obligation under the Trust Agreement, except to the extent payable from unencumbered revenues attributable to the Repayment Fiscal Year, nor will the Local Agency incur any obligation on account of any default, action or omission of any other Local Agency.

Limited Liability of the Trustee

Except as expressly provided in the Trust Agreement, the Trustee will not have any obligation or liability to the Owners or the Credit Provider, if any, with respect to the payment when due of the Note by the Local Agency, or the observance or performance by the Local Agency of the other agreements, conditions, covenants and terms contained in the Note and the Note Resolution.

Amendment or Supplement of Trust Agreement

The Trust Agreement and the rights and obligations of the Owners and the Trustee under such Trust Agreement may be amended or supplemented at any time by an amendment thereof or supplement thereto which will become binding when the written consents of the Credit Provider, and of the Owners of a majority in aggregate principal amount of the Note Participations then outstanding are filed with the Trustee. No such amendment or supplement may (1) reduce the rate of interest on any Note Participation or reduce the amount of principal of any Note Participation or extend the maturity date thereof without the prior written consent of the Owner of the Note Participation so affected, (2) reduce the percentage of Owners of such Note Participations whose consent is required by the terms of such Trust Agreement for

the execution of certain amendments thereof or supplements thereto, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

The Trust Agreement and the rights and obligations of the Owners and the Trustee thereunder may also be amended or supplemented at any time by and amendment thereof or supplement thereto which will become binding upon execution with the prior written consent of the Credit Provider but without the written consents of any Owners, in order to make any modifications or changes necessary or appropriate in the Opinion of Counsel to preserve or protect the exclusion from gross income of interest on the Note Participations for federal income tax purposes or, but only to the extent that such amendment will not materially adversely affect the interests of the Owners of such Note Participations, for any purpose including, without limitation, one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms contained in such Trust Agreement required to be observed or performed by the Authority, other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority, or to surrender any right reserved in such Trust Agreement 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 such Trust Agreement or in regard to questions arising thereunder which the Authority may deem desirable or necessary; or

(c) to modify, amend or supplement such Trust Agreement or any supplement thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Note Participations for sale under the securities laws of the United States of America or of any of the states of the United States of America and, if the Authority or Bond Counsel so determine, to add to such Trust Agreement or any supplement thereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute.

Defeasance

If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of all outstanding Note Participations the interest and principal thereof at the times and in the manner provided in the Note Participations and the Trust Agreement, then such Owners will cease to be entitled to the pledge of and lien on the related Note and note payments and any interest in the funds held under the Trust Agreement as provided therein, and all agreements and covenants of the Authority to such Owners under the Trust Agreement will thereupon cease, terminate and become void and will be discharged and satisfied.

Any outstanding Note Participations will on their maturity date be deemed to have been paid within the meaning of and with the effect expressed in the preceding paragraph if there shall be on deposit with the Trustee moneys which are sufficient to pay the interest on and principal of such Note Participations payable on and prior to their maturity date.

Any outstanding Note Participations will prior to their maturity date be deemed to have been paid within the meaning of and with the effect expressed in the second preceding paragraph if there shall have been deposited with the Trustee either moneys in an amount which will be sufficient or United States Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are pledged for the payment of interest and principal, and which are purchased with moneys and are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form on the books of the Department

of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient, in the opinion of an independent expert delivered to the Trustee and the Credit Provider, to pay when due the interest on such Note Participations and the principal of such Note Participations at maturity.

After the payment of the interest on and principal of all outstanding Note Participations, at the request of the Authority, the Trustee will execute and deliver to the Authority and the Local Agency all such instruments as they may deem necessary or desirable to evidence the discharge and satisfaction of the Trust Agreement, and the Trustee will pay over or deliver to the Local Agency all money or deposits or investments held by it pursuant thereto (except for moneys held in the Rebate Fund) which are not required for the payment of the interest on and principal of such Note Participations and the Trustee will surrender the Credit Instrument to the Credit Provider, for cancellation by the same.

Notwithstanding anything to the contrary in the Trust Agreement, the Trust Agreement will not be discharged without the prior written consent of the Credit Provider until all Predefault Obligations and Reimbursement Obligations related thereto have been paid or payment duly provided for by the Trustee's retention of sufficient funds to pay all Predefault Obligations and Reimbursement Obligations related thereto due or to become due as of the date of such discharge.

Investments

Any money held by the Trustee at any time in any fund created under the Trust Agreement (other than the Credit Fund and the Rebate Fund) will, to the fullest extent practicable, be invested as directed in writing by an Authorized Authority Representative in Permitted Investments which will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement. The Trustee may act as principal or agent in the acquisition or disposition of any such deposit or investment and may at its sole discretion, for the purpose of any such deposit or investment commingle any of the money held by it under such Trust Agreement. The Trustee will not be liable or responsible for any loss suffered in connection with any such deposit or investment made by it under the terms of and in accordance with such Trust Agreement. The Trustee may present for redemption or sell any such deposit or investment whenever it will be necessary in order to provide money to meet any payment of the money so deposited or invested, and the Trustee will not be liable or responsible for any losses resulting from any such deposit or investment presented for redemption or sold. Any interest or profits on such deposits and investments received by the Trustee will be credited to the fund or account from which such investment was made.

Moneys in the Credit Fund will be invested in certain Permitted Investments as specified in the Trust Agreement.

Removal and Resignation of Trustee

The Authority, with the consent of the Credit Provider, if any, may at any time remove the Trustee with respect to the Note Participations by giving written notice of such removal by mail to the Trustee, the Credit Provider, the Local Agency and all Owners of Note Participations and the Trustee may at any time resign by giving written notice of such resignation by mail to the Authority, the Credit Provider, the Local Agency and all Owners of Note Participations.

Any removal or resignation of the Trustee and appointment of a successor Trustee will become effective only upon the written acceptance of the appointment by the successor Trustee.

Continuing Disclosure

The Authority will give, or cause to be given, notice of the occurrence of any of the following events (the "Listed Events") with respect to the Note Participations, if material: (a) principal and interest payment delinquencies, (b) non-payment related defaults, (c) modifications to rights of Owners, (d) contingent or unscheduled Note Participation calls, (e) defeasances, (f) rating changes, (g) adverse tax opinions or events adversely affecting the tax-exempt status of the Note Participations, (h) unscheduled draws on any debt service reserves reflecting financial difficulties, (i) unscheduled draws on the Credit Instrument reflecting financial difficulties, (j) substitution of the Credit Provider or any failure by the Credit Provider to perform on the Credit Instrument or (k) release, substitution or sale of property securing repayment of the Note Participations of. Whenever the Local Agency obtains knowledge of the occurrence of a Listed Event, such Local Agency will as soon as possible determine if such event would be material under applicable federal securities laws. If the Local Agency has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, such Local Agency will promptly notify the Dissemination Agent in writing of such occurrence.

In the event of a failure of the Local Agency or the Trustee to comply with any provision of the Trust Agreement with respect to continuing disclosure, the Trustee will at the written request of any Participating Underwriter or the Owners or beneficial owners of at least 25% aggregate principal amount of Outstanding Note Participations, but only to the extent indemnified to its satisfaction from any liability or expenses, including without limitation fees and expenses of its attorneys, or any Owner or beneficial owner of a Note Participation may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Local Agency or the Trustee to comply with its obligations under such Trust Agreement with respect to continuing disclosure.

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APPENDIX D

PROPOSED FORM OF SPECIAL COUNSEL OPINION

Upon the execution and delivery of the Note, Orrick, Herrington & Sutcliffe LLP, Special Counsel to the Local Agency, proposes to render its approving opinion in substantially the following form:

[Date of Delivery]

Participant identified
in the Trust Agreement

California Communities
Tax and Revenue Anticipation Note Program, Note Participations, Series 2009A-8
(Final Opinion)

Ladies and Gentlemen:

We have acted as special counsel to the City of Richmond (the "Participant"), in connection with the execution and delivery of $17,800,000 aggregate principal amount of the California Communities Tax and Revenue Anticipation Note Program, Note Participations, Series 2009A-8 (the "Note Participations"), evidencing and representing proportionate and undivided interests in (i) the tax and revenue anticipation note (the "Note") issued by the Participant identified in the Official Statement, dated October 27, 2009 (the "Official Statement"), relating to the Note Participations, and (ii) the debt service payments on the Note to be made by the Participant. The Note Participations are issued pursuant to a trust agreement, dated as of October 1, 2009, among Wells Fargo Bank National Association (the "Trustee"), the California Statewide Communities Development Authority (the "Authority") and the Participant (the "Trust Agreement"). The Note is issued pursuant to and by authority of a resolution of the Participant (the "Resolution"), passed and adopted under and by authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, and designated the Participant's "2009-2010 Tax and Revenue Anticipation Note."

In such connection, we have reviewed the Trust Agreement, the Resolution, the Note, the opinion of counsel to the Participant regarding issuance of the Note by the Participant and the adoption, legality, validity and enforceability of the Resolution, the Note and other matters, the opinion of counsel to the Trustee, the certificate of the Participant regarding tax and other matters (the "Certificate"), certificates of the Trustee, the Authority 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 Note Participations has concluded with their execution and delivery, 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 copies) and the due and legal execution

and delivery thereof by, and validity against, any parties other than the Participant. 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 Resolution, the Trust Agreement and the Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest evidenced and represented by the Note Participations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Resolution, the Note, the Trust Agreement, the Certificate, and evidenced and represented by the Note Participations, and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar 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 public entities such as the Participant 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. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the official statement or other offering material relating to the Note or the Note Participations 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 Note constitutes the valid and binding obligation of the Participant. The principal of and interest on the Note are payable from the Pledged Revenues (as that term is defined in the Resolution) of the Participant and, to the extent not so paid, are payable from any other moneys of such Participant lawfully available therefor.

2. The Resolution has been duly adopted by the Participant and constitutes a valid and binding obligation of the Participant.

3. The Trust Agreement, assuming due authorization, execution and delivery by the Trustee, constitutes the valid and binding obligations of, the Participant.

4. The Note Participations, upon execution and delivery thereof by the Trustee, are entitled to the benefits of the Trust Agreement.

5. Interest on the Note paid by the Participant and received by the registered owners of the Note Participations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The amount treated as interest on the Note and excluded from gross income will depend upon the taxpayer's election under Internal Revenue Service Notice 94-84. Interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of such interest represented by, the Note Participations.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX E

THE BOOK-ENTRY-ONLY SYSTEM

The information in this Appendix concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book entry system has been obtained from DTC and the Local Agency and the Authority take no responsibility for the completeness or accuracy thereof. The Local Agency 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 Note Participations (b) certificates representing ownership interest in or other confirmation or ownership interest in the Note Participations, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Note Participations, 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 Note Participations. The Note Participations will be prepared in the form of fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will be executed and delivered for the Note Participations, in the principal amount of such Note Participation, and will be deposited with DTC.

DTC 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. DTCC is owned by the 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; nothing contained in such websites is incorporated into this Official Statement.

Purchases of the Note Participations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Note Participations on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations

providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Note Participations 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 Note Participations, except in the event that use of the book-entry system for the Note Participations is discontinued.

To facilitate subsequent transfers, all Note Participations 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 Note Participations 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 Note Participations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Note Participations 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 Note Participations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Note Participations, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Note Participations may wish to ascertain that the nominee holding the Note Participations 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 Note Participations are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Note Participations unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Note Participations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Note Participations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Note Participations to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE AUTHORITY, THE PARTICIPANTS OR THE TRUSTEE WILL NOT 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 NOTE PARTICIPATIONS FOR PREPAYMENT.

None of the Authority, the Participants or 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 evidenced and represented by the Note Participations 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.

DTC may discontinue providing its services as depository with respect to the Note Participations at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.

The information in this appendix concerning DTC and DTC's book-entry system has been obtained from sources that the Local Agency and the Authority believe to be reliable, but the Local Agency and the Authority take no responsibility for the accuracy thereof.

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FOR ADDITIONAL BOOKS: ELABRA.COM OR (888) 935-2272