NEW ISSUE–DTC BOOK-ENTRY ONLY

	RATINGS: Assured Guaranty Insured	Underlying
S&P:	**"AAA"** (Negative Outlook)	**"A"**
Moody's:	**"Aa3"** (Under Review for Possible Downgrade)	

See "RATINGS" herein

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Richmond Joint Powers Financing 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 Bonds 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. In the further opinion of Bond Counsel, such interest 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 in calculating federal corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences relating to the accrual or receipt of the interest on the Bonds or the ownership or disposition of the Bonds. See "TAX MATTERS."

$89,795,000
RICHMOND JOINT POWERS FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(CIVIC CENTER PROJECT)
SERIES 2009

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

This cover page contains certain information for general reference only. It is ***not*** *intended to be a summary of this issue. Potential investors are advised to read entire Official Statement to obtain information essential to making an informed investment decision with respect to the Series 2009 Bonds. See also "CERTAIN RISK FACTORS." Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.*

The Richmond Joint Powers Financing Authority (the "Authority") is issuing $89,795,000 principal amount of its Richmond Joint Powers Financing Authority Lease Revenue Refunding Bonds (Civic Center Project), Series 2009 (the "Series 2009 Bonds") as fixed rate bonds in a Long-Term Interest Rate Period, pursuant to an Indenture, dated as of September 1, 2007, as amended by a First Amendment to Indenture, dated as of May 1, 2008, and as further amended and supplemented by a First Supplemental Indenture, dated as of November 1, 2009 (collectively, "Indenture"), each by between the Authority and Zions First National Bank, as trustee (the "Trustee"). The Series 2009 Bonds are being issued to: (i) refund on a current basis all of the Authority's $101,420,000 outstanding principal amount of its Lease Revenue Bonds (Refunding and Civic Center Project) Series 2007, (ii) purchase a reserve fund insurance policy for deposit into the reserve fund for the Series 2009 Bonds, and (iii) pay costs associated with the issuance of the Series 2009 Bonds. See "REFUNDING PLAN," "ESTIMATED SOURCES AND USES OF FUNDS" and "SECURITY AND SOURCES FOR THE SERIES 2009 BONDS–Reserve Fund."

The Series 2009 Bonds are payable solely from, and secured solely by, Revenues of the Authority, consisting primarily of Base Rental Payments to be received by the Authority from the City under a Facility Lease, dated as of September 1, 2007, as amended by the First Amendment to Facility Lease, dated as of November 1, 2009 (together, the "Facility Lease"), each by and between the Authority and the City, for the right to use and the possession of certain real property and facilities (the "Facilities"), as more fully described herein. The City has agreed in the Facility Lease to make all Base Rental Payments, subject to abatement of such Base Rental Payments in the event of material damage to or destruction of the Facilities or a taking of the Facilities in whole or in part. See "THE FACILITIES" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS."

The Series 2009 Bonds will be delivered as fully registered bonds without coupons, in book-entry only form, and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 2009 Bonds. Ownership interests in the Series 2009 Bonds will be available to the beneficial owners thereof in denominations of $5,000 and any integral multiple thereof under the book-entry system maintained by DTC. Purchasers of 2009 Bonds will not receive physical certificates representing their ownership interest in the Series 2009 Bonds. So long as DTC or its nominee is the registered owner of the Series 2009 Bonds, payments of principal and interest with respect to the Series 2009 Bonds will be made by the Trustee directly to DTC or its nominee, which will in turn remit such payments to the beneficial owners of the Series 2009 Bonds. See APPENDIX G–"DTC AND THE BOOK-ENTRY SYSTEM."

Interest on the Series 2009 Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2010.

The scheduled payment of principal of and interest on the Series 2009 Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Series 2009 Bonds by Assured Guaranty Corp. ("Assured Guaranty").

ASSURED GUARANTY

The Series 2009 Bonds are subject to optional, mandatory and extraordinary redemption as described herein. See "THE SERIES 2009 BONDS–Redemption Provisions."

The Series 2009 Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues. The full faith and credit of none of the Authority, the City or any other Member of the Authority is pledged for the payment of the interest on or principal of the Series 2009 Bonds nor for the payment of Base Rental Payments. Neither the payment of the principal of or interest on the Series 2009 Bonds nor the obligation to make Base Rental Payments constitutes a debt, liability or obligation of the Authority, the City or any other Member of the Authority for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

The Series 2009 Bonds will be offered when, as and if executed, delivered, and received by the Underwriters, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Authority and the City by the City Attorney and by Lofton & Jennings, San Francisco, California, and for the Underwriters by their counsel, Jones Hall, A Professional Law Corporation, San Francisco, California. It is anticipated that the Series 2009 Bonds in book-entry only form will be available through the facilities of DTC in New York, New York, on or about November 25, 2009.

RBC Capital Markets®

WEDBUSH

Date of the Official Statement: November 10, 2009

$89,795,000
RICHMOND JOINT POWERS FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(CIVIC CENTER PROJECT)
SERIES 2009

MATURITY SCHEDULE

$17,240,000 Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP No.†
2010	$405,000	3.500%	2.000%	764440GG2
2011	505,000	3.500	2.700	764440GH0
2012	525,000	4.000	3.030	764440GJ6
2013	550,000	4.000	3.410	764440GK3
2014	575,000	4.000	3.800	764440GL1
2015	1,800,000	4.000	4.180	764440GM9
2016	1,880,000	4.250	4.440	764440GN7
2017	1,970,000	5.000	4.670	764440GP2
2018	2,080,000	4.750	4.860	764440GQ0
2019	2,190,000	5.000	5.000	764440GR8
2020	2,315,000	5.000	5.100	764440GS6
2021	2,445,000	5.000	5.150	764440GT4

$25,815,000–5.750% Term Bond due August 1, 2029–Yield: 5.900%–Price: 98.257%–CUSIP No.† 764440GX5
$46,740,000–5.875% Term Bond due August 1, 2037–Yield: 6.000%–Price: 98.312%–CUSIP No.† 764440GY3

RICHMOND JOINT POWERS FINANCING AUTHORITY
AND
CITY OF RICHMOND

GOVERNING BOARD/CITY COUNCIL

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

CITY ADMINISTRATION

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

PROFESSIONAL SERVICES

BOND COUNSEL
Orrick, Herrington & Sutcliffe LLP
San Francisco, California

DISCLOSURE COUNSEL
Lofton & Jennings
San Francisco, California

TRUSTEE, PAYING AGENT AND TENDER AGENT
Zions First National Bank
Los Angeles, California

SWAP AND INVESTMENT ADVISOR
Swap Financial Group LLC
South Orange, New Jersey

FINANCIAL ADVISOR
Tamalpais Advisors, Inc.
Sausalito, California

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

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

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

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

In connection with this offering, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the Series 2009 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Series 2009 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

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

The City 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 Series 2009 Bonds.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

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

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Authority and the City do not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur or do not occur.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE" and APPENDIX H–SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY."

TABLE OF CONTENTS

(THIS PAGE INTENTIONALLY LEFT BLANK)

OFFICIAL STATEMENT

$89,795,000
RICHMOND JOINT POWERS FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(CIVIC CENTER PROJECT)
SERIES 2009

INTRODUCTION

This Introduction is qualified in its entirety by reference to the more detailed information included and referred to elsewhere in this Official Statement. The offering of the Series 2009 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Introduction and not otherwise defined herein shall have the respective meanings assigned to them elsewhere in this Official Statement.

This Official Statement is intended to provide information with respect to the Series 2009 Bonds only while they are in a Long-Term Interest Rate Period. Holders and prospective purchasers of the Series 2009 Bonds should not rely on this Official Statement for information concerning the Series 2009 Bonds in connection with any adjustment of the Interest Rate Period for the Series 2009 Bonds, but should look solely to the offering document to be provided and used in connection with any such adjustment.

Purpose

The purpose of this Official Statement, including the cover page through the appendices hereto, is to furnish information with respect to the issuance, sale and delivery by the Richmond Joint Powers Financing Authority (the "Authority") of $89,795,000 principal amount of Richmond Joint Powers Financing Authority Lease Revenue Refunding Bonds (Civic Center Project), Series 2009 (the "Series 2009 Bonds"). The Series 2009 Bonds are being issued by the Authority to: (i) refund on a current basis all of the Authority's $101,420,000 outstanding principal amount of its Lease Revenue Bonds (Refunding and Civic Center Project) Series 2007 (the "Series 2007 Bonds"), (ii) purchase a reserve fund insurance policy for deposit into the reserve fund for the Series 2009 Bonds, and (iii) pay costs associated with the issuance of the Series 2009 Bonds. See "REFUNDING PLAN," "ESTIMATED SOURCES AND USES OF FUNDS" and "SECURITY FOR THE SERIES 2009 BONDS–Reserve Fund."

Authority for Issuance

The Series 2009 Bonds are issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Bond Act"), and the Indenture, dated as of September 1, 2007, as amended by a First Amendment to Indenture, dated as of May 1, 2008, and as further amended and supplemented by a First Supplemental Indenture, dated as of November 1, 2009 (collectively, the "Indenture"), each by and between the Authority and Zions First National Bank (the "Trustee"). The City entered into a Facility Lease (as described below) pursuant to and in accordance with the Government Code of the State of California (the "State"), other applicable laws of the State and resolutions adopted by the Authority and the City prior to the issuance of the Series 2009 Bonds. The Series 2009 Bonds are being issued as fixed-rate bonds in a Long-Term Interest Rate Period pursuant to the Indenture.

Security for the Series 2009 Bonds

The Series 2009 Bonds are limited obligations of the Authority payable solely from, and secured solely by, Revenues of the Authority, consisting primarily of base rental payments (the "Base Rental Payments") to be received by the Authority from the City pursuant to the Facility Lease, dated as of September 1, 2007, as amended by the First Amendment to the Facility Lease, dated as of November 1, 2009 (together, the "Facility Lease"), each by and between the Authority and the City. The Base Rental Payments made or caused to be made by the City pursuant to the Facility Lease are payable by the City from its General Fund to the Authority for the right of the use and occupancy by the City of the real property and facilities consisting of the City Hall and Hall of Justice buildings (the "Facilities"). The value of the Facilities based on project and construction costs is $103 million, excluding land value. See "THE FACILITIES." The City agrees in the Facility Lease to make all Base Rental Payments, subject to abatement of such Base Rental Payments in the event of material damage to or destruction of all or a portion of the Facilities or a taking of the Facilities in whole or in part. Pursuant to the Site Lease, dated as of September 1, 2007, as amended by the First Amendment to the Site Lease, dated as of November 1, 2009, (together, the "Site Lease"), each between the City and the Authority, the City has leased to the Authority the real property upon which the Facilities are located. See "SECURITY FOR THE SERIES 2009 BONDS."

The City has agreed under the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Payments in its annual budgets and to make the necessary annual appropriations therefor. See "SECURITY FOR THE SERIES 2009 BONDS–Base Rental Payments."

The payment of principal of and interest on the Series 2009 Bonds when due will be guaranteed under a financial guaranty insurance policy (the "Insurance Policy") issued simultaneously with the delivery of the Series 2009 Bonds by Assured Guaranty Corp. (the "Bond Insurer"). See "BOND INSURANCE" AND APPENDIX H–"SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY."

Series 2009 Bonds Constitute Limited Obligations

The Series 2009 Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the funds pledged pursuant to the Indenture. The full faith and credit of none of the Authority, the City or any other Member of the Authority is pledged for the payment of the interest on or principal of the Series 2009 Bonds or for the payment of Base Rental Payments. Neither the payment of the principal of or interest on the Series 2009 Bonds nor the obligation to make Base Rental Payments constitutes a debt, liability or obligation of the Authority, the City or any other Member of the Authority for which any such entity is obligated to levy or pledge any form or taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

Interest Rate Swap

In connection with the Series 2007 Bonds, the Authority entered into an interest rate swap transaction (the "Original Swap Agreement") with Royal Bank of Canada (the "Swap Provider") for the purpose of receiving amounts expected to be approximately equal to the floating rate interest payments due to holders of the Series 2007 Bonds. In connection with the issuance of the Series 2009 Bonds, the Authority will amend and otherwise modify the Original Swap Agreement with the effect of terminating the Original Swap Agreement and entering into an amended swap agreement (the "Amended Swap Agreement") with the Swap Provider. The Amended Swap Agreement will require the Swap Provider to make periodic payments to the Authority based on a variable interest rate and for the Authority to make periodic payments to the Swap Provider based on a variable interest rate. The regularly scheduled swap payments are secured by the Base Rental Payments under the Facility Lease on a parity with the Series

2009 Bonds. Any extraordinary termination payments payable to the Swap Provider are subordinate to the obligations on the Series 2009 Bonds. See "SECURITY FOR THE SERIES 2009 BONDS–Swap Agreements." The Swap Provider is the parent company of RBC Capital Markets Corporation.

Summaries Not Definitive

Brief descriptions of the Series 2009 Bonds, the Authority, the City and the Facilities are included in this Official Statement, together with summaries of the Site Lease, the Facility Lease and the Indenture. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Series 2009 Bonds, the Site Lease, the Facility Lease and the Indenture are qualified in their entirety by reference to the actual documents, or with respect to the Series 2009 Bonds, the forms thereof included in the Indenture, copies of all of which are available for inspection at the corporate trust office of the Trustee at 550 South Hope Street, Suite 2650, Los Angeles, California, 90071.

Additional Information

The City regularly prepares a variety of publicly available reports, including audits, budgets and related documents. Any Series 2009 Bondholder may obtain a copy of any such report, as available, from the Trustee or the City. Additional information regarding this Official Statement may be obtained by contacting the Trustee or Mr. James Goins, Finance Director and Treasurer, City of Richmond, Richmond City Hall, 450 Civic Center Plaza, Richmond, California 94804.

REFUNDING PLAN

The Series 2009 Bonds are being issued to provide funds to: (i) refund on a current basis all of the Authority's $97,740,000 outstanding principal amount of its Lease Revenue Bonds (Refunding and Civic Center Project) Series 2007, (ii) purchase a reserve fund insurance policy deposit into the reserve fund for the Series 2009 Bonds and (iii) pay costs associated with the issuance of the Series 2009 Bonds.

On May 28, 2008, the Series 2007 Bonds were converted to a Long-Term Interest Rate Period that ends on November 25, 2009. On such date, the Series 2007 Bonds are subject to redemption at a Redemption Price equal to 100% of the Series 2007 Bonds to be redeemed, plus accrued interest thereon, without premium. A portion of the proceeds of the Series 2009 Bonds will be used to pay the Redemption Price on the Series 2007 Bonds on November 25, 2009 and cause the Series 2007 Bonds to be redeemed as provided in the Indenture.

(Remainder of this Page Intentionally Left Blank)

ESTIMATED SOURCES AND USES OF FUNDS

In connection with the original issuance of the Series 2009 Bonds, the following sources and uses of funds were applied.

Sources of Funds	
Principal Amount of Series 2009 Bonds	$89,795,000.00
Less: Net Original Issue Discount	(1,262,114.65)
Transfer of other Available Funds from Series 2007 Bonds	13,764,632.60
TOTAL SOURCES	$102,297,517.95
Uses of Funds	
Deposit to Series 2007 Redemption Fund	$99,016,728.75
Costs of Issuance†	3,280,789.20
TOTAL USES	$102,297,517.95

† Includes legal fees, financing and consulting fees, Underwriters' Discount, fees of Bond Counsel and Disclosure Counsel, premiums for the Insurance Policy and the Reserve Fund surety policy in the amount of the Reserve Fund Requirement, printing costs, rating agency fees, and other miscellaneous expenses. For a description of the Underwriters' discount, see "UNDERWRITING."

THE SERIES 2009 BONDS

Following is a summary of certain provisions of the Series 2009 Bonds. Reference is made to the Series 2009 Bonds for the complete text thereof and to the Indenture for a more detailed description of these provisions. The discussion herein is qualified by such reference. See APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

General

The Series 2009 Bonds will be issued as fixed rate bonds in a Long-Term Interest Rate Period in the aggregate principal amount of $89,795,000 in denominations of $5,000 or any integral multiple thereof, and will be dated the date of delivery thereof and will mature on August 1 of the years and in the amounts set forth on the inside cover page hereof. Interest on the Series 2009 Bonds is payable from their dated date, at the rates set forth on the inside cover page hereof, on February 1 and August 1 of each year, commencing February 1, 2010 (each an "Interest Payment Date").

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

Redemption Provisions

Optional Redemption. The Series 2009 Bonds maturing on or before August 1, 2019, are not subject to redemption prior to their respective stated maturity dates. The Series 2009 Bonds maturing on and after August 1, 2020, are subject to redemption prior to their respective stated maturity dates, at the option of the Authority, from any source of available funds, as a whole or in part on any date on or after August 1, 2019, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, without premium.

Mandatory Redemption of the Series 2009 Bonds from Sinking Fund Installments. Except as otherwise provided in the Indenture, the Series 2009 Bonds maturing on August 1, 2029 (the "2029 Term Bond") are subject to mandatory redemption from Sinking Fund Installments as set forth below at a redemption price equal to the principal amount thereof, plus accrued but unpaid interest to the redemption date, without premium, as set forth below.

2029 Term Bond

Redemption Date (August 1)	Sinking Fund Installment	Redemption Date (August 1)	Sinking Fund Installment
2022	$2,580,000	2026	$3,295,000
2023	2,740,000	2027	3,500,000
2024	2,915,000	2028	3,725,000
2025	3,100,000	2029†	3,960,000

† Maturity.

Except as otherwise provided in the Indenture, the Series 2009 Bonds maturing on August 1, 2037 (the "2037 Term Bond") are subject to mandatory redemption from Sinking Fund Installments as set forth below at a redemption price equal to the principal amount thereof, plus accrued but unpaid interest to the redemption date, without premium, as set forth below.

2037 Term Bond

Redemption Date (August 1)	Sinking Fund Installment	Redemption Date (August 1)	Sinking Fund Installment
2030	$4,650,000	2034	$5,965,000
2031	4,950,000	2035	6,350,000
2032	5,265,000	2036	6,760,000
2033	5,605,000	2037†	7,195,000

† Final Maturity.

Extraordinary Redemption of the Series 2009 Bonds. The Series 2009 Bonds are subject to redemption prior to their stated maturity, at the option of the Authority (which option shall be exercised upon Request of the City Representative given to the Trustee (unless waived by the Trustee) at least 25 days prior to the date fixed for redemption) in whole or in part (in such amounts and from such maturities as may be specified by the City) on any date, from hazard insurance or condemnation proceeds or proceeds of other insurance received with respect to the Facilities and deposited in the Special Redemption Account, at a Redemption Price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium.

Redemption Procedures

Selection of Series 2009 Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the Series 2009 Bonds or any given portion thereof, the Trustee shall select the Series 2009 Bonds to be redeemed, from all Series 2009 Bonds subject to redemption or such given portion thereof not previously called for redemption, by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair; provided, that the City may specify which Sinking Fund Installments or maturities shall be allocated to or selected for such redemptions.

Notice of Redemption. Notice of redemption is required to be mailed by the Trustee on behalf of the Authority not less than 30 days and no more than 60 days prior to the redemption date to holders of the Series 2009 Bonds called for redemption, but failure by the Trustee to mail any notice of redemption pursuant to the Indenture or the insufficiency of any such notice will not affect the sufficiency of the proceedings for the redemption of Series 2009 Bonds. Each notice of redemption shall state the date of the notice, the Series designation and the date of issue of the Series 2009 Bonds, the redemption date, the Redemption Price, the place or places of redemption, including the name and address of the Trustee, the maturity dates of the Series 2009 Bonds to be redeemed, the CUSIP numbers, if any, and in the case of Series 2009 Bonds to be redeemed in part only, the respective portion of the principal amount thereof to be redeemed.

Notice of redemption shall be mailed by the Trustee no less than ten days prior to the redemption date, to the Owners of Series 2009 Bonds called for redemption. Such notice shall be given to the Owners of Series 2009 Bonds designated for redemption at their addresses appearing on the bond registration books maintained by the Trustee as of the close of business on the day before notice is given. Notice shall also be given to each of the securities depositories and securities information services designated in the Indenture.

Right to Rescind. Any notice of redemption given pursuant to the Indenture may be rescinded by written notice given to the Trustee by the City no later than the date specified for redemption. The Trustee is required to give notice of such rescission as soon thereafter as practicable in the same manner, and to the same Persons, as notice of such redemption was given.

Partial Redemption of Series 2009 Bonds. Upon surrender of any Bond to be redeemed in part only, the Authority shall execute, and the Trustee shall authenticate and deliver to the Owner of such Series 2009 Bond, at the expense of the City, a new Series 2009 Bond or Series 2009 Bonds of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the Series 2009 Bond surrendered, of the same maturity and term as the surrendered Series 2009 Bond.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Series 2009 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Series 2009 Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the redemption date, interest on the Series 2009 Bonds so called for redemption shall cease to accrue, said Series 2009 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture and the Holders of said Series 2009 Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the date fixed for redemption from funds held by the Trustee for such payment.

DEBT SERVICE REQUIREMENTS

The amounts required to be set aside each August 1 for principal payments, Sinking Fund Installments, interest payments and related obligations payments relating to the Series 2009 Bonds are as shown below:

Period Ending (August 1)	Principal	Interest	Related Obligations	Total
2010	$405,000	$3,433,673.13	$326,098.59	$4,164,771.72
2011	505,000	5,010,712.50	475,748.00	5,991,460.50
2012	525,000	4,993,037.50	473,571.38	5,991,608.88
2013	550,000	4,972,037.50	469,332.68	5,991,370.18
2014	575,000	4,950,037.50	466,900.00	5,991,937.50
2015	1,800,000	4,927,037.50	463,680.00	7,190,717.50
2016	1,880,000	4,855,037.50	454,224.77	7,189,262.27
2017	1,970,000	4,775,137.50	442,461.74	7,187,599.24
2018	2,080,000	4,676,637.50	432,040.00	7,188,677.50
2019	2,190,000	4,577,837.50	420,392.00	7,188,229.50
2020	2,315,000	4,468,337.50	408,690.14	7,192,027.64
2021	2,445,000	4,352,587.50	394,619.72	7,192,207.22
2022	2,580,000†	4,230,337.50	381,472.00	7,191,809.50
2023	2,740,000†	4,081,987.50	367,024.00	7,189,011.50
2024	2,915,000†	3,924,437.50	352,164.39	7,191,601.89
2025	3,100,000†	3,756,825.00	334,894.09	7,191,719.09
2026	3,295,000†	3,578,575.00	317,996.00	7,191,571.00
2027	3,500,000†	3,389,112.50	299,544.00	7,188,656.50
2028	3,725,000†	3,187,862.50	280,329.58	7,193,192.08
2029	3,960,000††	2,973,675.00	258,727.15	7,192,402.15
2030	4,650,000†	2,745,975.00	236,908.00	7,632,883.00
2031	4,950,000†	2,472,787.50	213,332.00	7,636,119.50
2032	5,265,000†	2,181,975.00	188,503.28	7,635,478.28
2033	5,605,000†	1,872,656.26	161,337.47	7,638,993.73
2034	5,965,000†	1,543,362.50	133,140.00	7,641,502.50
2035	6,350,000†	1,192,918.76	102,900.00	7,645,818.76
2036	6,760,000†	819,856.26	70,797.38	7,650,653.64
2037	7,195,000†††	422,702.26	36,405.79	7,654,112.05
TOTAL	$89,795,000	$98,367,160.67	$8,963.234.15	$197,125,394.82

† Mandatory Sinking Fund Installment.
†† Maturity of 2029 Term Bond.
††† Final Maturity.

THE FACILITIES

The Authority will lease the Facilities to the authority pursuant to the Facilities Lease. The City covenants in the Facility Lease to use the Facilities for public purposes.

The Facilities consist of the newly renovated, constructed, rehabilitated and rebuilt approximately 71,000-square-foot City Hall building, the 53,600-square-foot Hall of Justice building and the Civic Center plaza, the upgraded Auditorium and Art Center Civic Center and an approximately 30-space surface parking lot. The Facilities are located on approximately 20.7 acres bordered by Barrett Avenue on the north, 27th Street on the east, McDonald Avenue on the south and 25th Street on the West, were financed with a portion of the proceeds of the Series 2007 Bonds and comprise more than 275 aggregate square feet.

The renovation and upgrades to the Facilities were substantially completed in spring 2009 and the certificate of occupancy was issued on October 23, 2009. The value of the Facilities, based upon the renovation, construction, rehabilitation and rebuilding costs is approximately $103 million, excluding land value. The completion of the Facilities represents completion of Phase 1 of the multi-phase Richmond Civic Center Master Plan and Facilities Assessment (the "Master Plan"). The Master Plan was adopted by the City Council on January 28, 2005 and serves as a guide for future planning, development and rehabilitation of the Civic Center, its buildings and environs.

Subsequent phases of the Master Plan, which are not being funded with proceeds of the Series 2009 Bonds and are not anticipated to be undertaken for the foreseeable future, include construction of a public safety building and an adjacent parking structure, renovation or reconstruction by the City of the main branch of the Richmond Public Library, private development of sites currently occupied by the parking lot for the main branch library and by a community center and office building. A portion of the costs for subsequent phases of the Master Plan may be funded with the proceeds of Additional Bonds issued pursuant to the Indenture.

SECURITY FOR THE SERIES 2009 BONDS

Pledge Under the Indenture

The Indenture provides that the Series 2009 Bonds are payable solely from, and are secured by a lien on, (a) all Base Rental Payments paid or caused to be paid by the City and received by the Authority under the Facility Lease as further described below, (b) interest and other income derived from certain funds held under the Indenture, and (c) any moneys payable to the Authority pursuant to an interest rate swap, cap, floor, collar or other hedging transaction (a "Swap") entered into by the Authority for the purpose of managing interest rate risk with respect to the Series 2009 Bonds or any Additional Bonds (collectively, the "Revenues") and any other amounts (including proceeds of the sale of the Series 2009 Bonds) held by the Trustee in any fund or account established under the Indenture (other than the Rebate Fund), all under the terms and conditions set forth in the Indenture. The Authority has entered into the Amended Swap Agreement in connection with the Series 2009 Bonds. See "–Swap Agreements" herein. As and to the extent set forth in the Indenture, all the Revenues are irrevocably pledged for the security and payment of the Series 2009 Bonds and the sum payable by the Authority in connection with any Swaps; nevertheless, out of the Revenues certain amounts may be applied for other purposes as provided in the Indenture.

The Series 2009 Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the funds pledged pursuant to the Indenture. The full faith and credit of

none of the Authority, the City or any other Member of the Authority is pledged for the payment of the interest on or principal of the Series 2009 Bonds or for the payment of Base Rental Payments under the Facility Lease. Neither the payment of the principal of or interest on the Series 2009 Bonds nor the obligation to make Base Rental Payments under the Facility Lease constitutes a debt, liability or obligation of the Authority, the City or any other Member of the Authority for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

Base Rental Payments

Revenues of the Authority pledged under the Indenture to the payment of the Series 2009 Bonds consist primarily of the Base Rental Payments to be made by the City to the Authority under the Facility Lease.

General. As rental for the right to use and occupy the Facilities, the City covenants to pay Base Rental Payments and also to pay Additional Payments in amounts required by the Authority for the payment of all costs and expenses incurred by the Authority in connection with the Facilities as described in the Facility Lease, including without limitation, the fees, costs and expenses and all administrative costs of the Authority related to the Facilities. Base Rental Payments are to be paid by the City in two semi-annual installments on January 15 and July 15 of each year, commencing on January 15, 2010, which amount will vary from time to time, as required by the Authority to pay the principal of and interest on the Series 2009 Bonds and any Related Obligations (which includes payments on the Amended Swap Agreement) due on or before February 1 and August 1 of each year; provided that the aggregate Base Rental Payment installments for any Rental Payment Period shall not exceed the Maximum Annual Rental (defined as $13,000,000); and provided further that to the extent the Authority has received revenues available to pay debt service on the Series 2009 Bonds and any amounts due with respect to the Related Obligations and has deposited such revenues with the Trustee by the business day preceding the first day of any semi-annual period in which a Base Rental Payment is due, the City will receive a credit to the extent of such revenues on the installment of the Base Rental Payment for said month.

Deferred Rent. It is contemplated under the Facility Lease that the amount of Base Rental Payments to be payable by the City to the Authority during each Rental Payment Period (defined as the period commencing August 1 of each year and ending on the following July 31) will be more than the amount needed in such Rental Payment Period by the Authority to pay the principal of and interest on the Series 2009 Bonds and any Related Obligations. The Authority agrees under the Facility Lease that if on any Base Rental payment date, the amount of Base Rental Payments available pursuant to the Facility Lease shall exceed the amount needed by the Authority to pay the principal of and interest on the Series 2009 Bonds and any Related Obligations coming due in the succeeding semi-annual period, the excess amount may be deferred by the Authority, at its sole option, on such terms and conditions as it shall determine are necessary to protect the interests of the owners of the Series 2009 Bonds and the providers of any Related Obligations, and thereupon such excess amount need not be paid by the City to the Authority at that time, but instead is to be deferred until such subsequent time as the Authority shall have need for such payment; provided that on each July 15 any deferred amount in excess of 200% of the Maximum Annual Rental not needed by the Authority to pay the principal of and interest on the Series 2009 Bonds or any Related Obligation on such date is to be waived by the Authority and such amount shall no longer be an obligation of the City. If in any future month during the applicable Rental Payment Period the principal of and interest on the Series 2009 Bonds and any Related Obligations shall exceed the expected amount of Base Rental Payments payable by the City to the Authority in such month, the City is to pay the difference from such deferred rental; provided that the total amount of such deferred rental payable under the Facility Lease in any Rental Payment Period shall not exceed 200% of the Maximum Annual Rental.

City General Fund Obligation. The obligation of the City to pay Base Rental Payments and Additional Payments when due is a General Fund obligation of the City. THE CITY HAS NOT PLEDGED THE FULL FAITH AND CREDIT OF THE CITY, THE STATE OR ANY AGENCY OR DEPARTMENT THEREOF TO THE PAYMENT OF SUCH BASE RENTAL PAYMENTS.

Notwithstanding any dispute between the City and the Authority, the City must make all Base Rental Payments and Additional Payments when due without deduction or offset of any kind and cannot withhold any such payments pending final resolution of such dispute. The Facility Lease is a "net-net-net lease" and the City agrees that the rents will be an absolute net return to the Authority free and clear of any expenses, charges or set-offs whatsoever.

Covenant to Budget and Appropriate. Pursuant to the Facility Lease, the City covenants to take such action as may be necessary to include Base Rental Payments and Additional Payments due in its annual budgets and to make the necessary annual appropriations for all such payments; provided that, the amount of Base Rental included in the City's initial budget each year shall equal the Debt Service on the Outstanding Series 2009 Bonds and any Related Obligations (including obligations of the Authority under the Swap and any credit agreement, liquidity agreement or similar agreement entered into in connection with or related to the Series 2009 Bonds); and provided further, that such amounts are less than the Maximum Annual Rental and any deferred rental available pursuant to the Facility Lease. Such covenants are deemed to be duties imposed by law, and it is the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform such covenants.

The City intends to calculate and budget the amount of Base Rental Payments and Additional Payments due based on the amount equal to the debt service on the outstanding Series 2009 Bonds and amounts payable with respect to any Related Obligations. A schedule of such amounts is set forth in APPENDIX D hereto. In no event shall the City's annual appropriation for any rental payment period exceed the Maximum Annual Rental. See "SECURITY FOR THE SERIES 2009 BONDS–Swap Agreements." In the event that the Swap counterparty fails to make a payment, the City will seek supplemental appropriations to the extent permitted by law.

Insurance. The Facilities will be insured to the extent set forth in the Facility Lease. See APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–FACILITY LEASE–Fire and Extended Coverage and Earthquake Insurance" and "–Rental Interruption or Use and Occupancy Insurance" herein. The Facility Lease requires the City to maintain or cause to be maintained insurance against risk of loss or damage by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance and sprinkler system leakage insurance, flood insurance, but only with respect to such portions of the Facilities that are situated in any zone designated by the U.S. Government as a flood zone, and earthquake insurance if available on the open market from reputable insurance companies at a reasonable cost, as determined by the City. The extended insurance coverage will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Facilities, excluding the cost of excavations, of grading and filling, and of land (except that such insurance may be subject to a deductible clause for any one loss of not to exceed $500,000), or, in the alternative, shall be in an amount and in a form sufficient (together with moneys in the Reserve Fund), in the event of total or partial loss, to enable all Series 2009 Bonds then outstanding to be redeemed. Pursuant to the Facility Lease the City may self-insure for such risks. The proceeds of all property insurance must be used to repair, reconstruct or replace the Facilities or any portion thereof which is destroyed or damaged or to redeem the Series 2009 Bonds. For information regarding the City's insurance coverage generally, see APPENDIX A–"CERTAIN FINANCIAL, DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY OF RICHMOND."

The City will be required to maintain or cause to be maintained rental interruption or use and occupancy insurance to cover loss of rental income from or loss of the use of the Facilities as a result of any of the hazards covered by its insurance coverage required by the Facility Lease in an amount equal to maximum annual Base Rental Payments due under the Facility Lease for any two-year period, except that such rental interruption and use and occupancy insurance may be subject to a deductible clause of not to exceed $250,000 and except that such rental interruption and use and occupancy insurance need be maintained as to the peril of earthquake only if available on the open market from reputable insurance companies at a reasonable cost, and provided further that such rental interruption insurance coverage may not be provided by a plan of self insurance.

The City obtained title insurance on the Demised Premises in an amount equal to the aggregate principal amount of the Series 2009 Bonds less the Reserve Fund Requirement, issued by First American Title Company, subject only to Permitted Encumbrances. See APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–FACILITY LEASE–Evidence of Title."

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

Abatement. Base Rental Payments are paid by the City in each rental payment period for and in consideration of the right of use and occupancy of the Facilities during each such period for which said rental is to be paid. The Base Rental Payments (including any deferred rental due under the Facility Lease) will be abated proportionately during any period in which by reason of any damage or destruction (other than by condemnation which is otherwise provided for in the Facility Lease) there is substantial interference with the use and occupancy of any portion of the Facilities by the City, in the proportion in which the cost of that portion of the Facilities rendered unusable bears to the rest of the Facilities. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Facility Lease continues in full force and effect and the City waives any right to terminate the Facility Lease by virtue of any such damage or destruction. In the event the Facilities cannot be repaired during the period of time that proceeds of the City's rental interruption insurance will be available in lieu of Base Rental Payments (a period of two years) plus the period for which funds are available from the Reserve Fund, or in the event that casualty insurance proceeds are insufficient to provide for complete repair of the Facilities, there would be insufficient funds to cover payments to Bondowners in full. See APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–FACILITY LEASE–Fire and Extended Coverage and Earthquake Insurance" and "–Rental Interruption or Use and Occupancy Insurance."

Default and Remedies. Upon an Event of Default described below, the City will be deemed to be in default under the Facility Lease and the Authority (or the Trustee as assignee of the Authority) may exercise any and all remedies available pursuant to law or granted pursuant to the Facility Lease to enforce payment of Base Rental Payments. Upon any such default, including a failure to pay Base Rental Payments, the Trustee as assignee of the Authority may continue to collect rent from the City on an annual basis by seeking a separate judgment each year for that year's defaulted Base Rental Payments; provided the Trustee shall not have the right to terminate the Facility Lease or re-enter or re-let the Facilities or any other possessing right to the Facilities. **In the event of default, there is no remedy of the acceleration of the total Base Rental Payments due over the term of the Facility Lease, and the Trustee does not have any possessing right to the Facilities.**

Events of Default under the Facility Lease include (i) the failure of the City to pay any rental payable under the Facility Lease when the same becomes due and payable, (ii) the failure of the City to keep, observe or perform any term, covenant or condition of the Facility Lease to be kept or performed by the City after notice and the elapse of a 60-day grace period and (iii) the bankruptcy or insolvency of the City.

For a further description of the provisions of the Facility Lease, including the terms thereof and a description of certain covenants therein, including construction, maintenance, utilities, taxes, assessments, insurance and events of default and available remedies, see APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–FACILITY LEASE."

For information regarding the City, see APPENDIX A and APPENDIX B attached hereto. See also "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Reserve Fund

The Indenture requires that the Reserve Fund be funded in an amount equal to the Reserve Fund Requirement. The Reserve Fund Requirement is defined in the Indenture to mean "Reserve Fund Requirement" means with respect to all Outstanding Bonds an amount equal to (A) the lesser of (i) the maximum annual Debt Service attributable to the Outstanding Bonds and (ii) 125% of average annual Debt Service attributable to the Outstanding Bonds less (B) the Interest Reserve Amount; provided that with respect to the calculation of the Reserve Fund Requirement upon the issuance of an Additional Series of Bonds the amount calculated pursuant to (A) shall be the least of (i) or (ii) above, or the amount derived by the addition of 10% of the proceeds from the sale of such Series of Additional Bonds to the Reserve Fund and provided further that the Reserve Fund Requirement shall be reduced to the extent necessary so that all amounts therein may be deposited from Bond proceeds without requiring a portion thereof to be yield restricted in accordance with requirements of the Code. The Trust Agreement permits the Reserve Fund to be funded with cash, permitted investments, a surety bond, an insurance policy, or a letter of credit, or any combination thereof, as described therein.

All money in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of the Series 2009 Bonds or for the retirement of all the Series 2009 Bonds then outstanding, except that so long as the Authority is not in default under the Indenture, any cash amounts in the Reserve Fund in excess of the Reserve Fund Requirement may be withdrawn from the Reserve Fund and deposited in the Revenue Fund. See APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–CERTAIN DEFINITIONS" and "–Reserve Fund."

A surety bond, insurance policy or letter of credit may be issued to the Trustee, on behalf of the Bondowners, to be deposited in the Reserve Fund to meet the Reserve Fund Requirement, subject to the terms and conditions of the Indenture. Following the delivery of the 2009 Series A Bonds, the Reserve Fund Requirement will be equal to $6,892,462.50. On the date of issuance of the 2009 Series A Bonds, the Bond Insurer will deliver a reserve fund insurance policy in the amount of the Reserve Fund Requirement. Any replacement or additional surety bond or insurance policy shall be issued by a company licensed to issue an insurance policy guaranteeing the timely payment of principal of and interest on the Series 2009 Bonds (a "municipal bond insurer") the claims-paying ability of which is rated "Aa" by Moody's Investors Service ("Moody's") and "AA" by Standard & Poor's, or higher, or as approved in writing by the Bond Insurer, and any letter of credit shall be issued or confirmed by a state or national bank, or a foreign bank with an agency or branch located in the continental United States, which has outstanding an issue of unsecured long-term debt securities rated at least equal to the second highest rating category of Moody's and Standard & Poor's, or higher, or as approved in writing by the Bond Insurer. See "BOND INSURANCE–Reserve Fund Insurance Policy."

Substitution of Facilities

Pursuant to the Facility Lease, the City and the Authority may, with the prior written consent of the Bond Insurer, substitute real property as part of the Facilities being leased for purposes of the Site Lease and the Facility Lease, but only after the City shall have filed with the Authority and the Trustee, with copies to each rating agency then providing a rating for the Series 2009 Bonds, all of the following:

(a) Executed copies of the Facility Lease or amendments thereto containing the amended description of the Facilities and the real property being leased, including the legal description of the real property being leased as modified if necessary;

(b) A Certificate of the City with copies of the Facility Lease or the Site Lease, if needed, or amendments thereto containing the amended description of the Facilities and the real property being leased stating that such documents have been duly recorded in the official records of the County Recorder;

(c) A Certificate of the City, together with an appraisal performed by an independent appraiser evidencing that the annual fair rental value of the Facilities and the real property which will constitute the Facilities after such substitution will at least equal 100% of the maximum amount of Base Rental Payments becoming due in the then current year ending July 31 or in any subsequent year ending July 31;

(d) A Certificate of the City stating that, based upon review of such instruments, certificates or any other matters described in such Certificate of the City, the City has good merchantable title to the Facilities and the real property being leased which will constitute the Facilities and the real property being leased after such substitution. The term "Good Merchantable Title" shall mean such title, as is satisfactory and sufficient for the needs and operations of the City;

(e) A Certificate of the City stating that such substitution does not adversely affect the City's use and occupancy of the Facilities; and

(f) An Opinion of Counsel stating that such amendment or modification (i) is authorized or permitted by the Constitution and laws of the State and the Facility Lease; (ii) complies with the terms of the Constitution and laws of the State and of the Facility Lease; (iii) will, upon the execution and delivery thereof, be valid and binding upon the Authority and the City; and (iv) will not cause the interest on the Series 2009 Bonds and any Additional Bonds to be included in gross income for federal income tax purposes.

Additional Bonds

In addition to the Series 2009 Bonds, the Authority and the Trustee may, with the prior written consent of the Bond Insurer, by supplemental Indenture provide for the issuance of Additional Bonds, subject to satisfaction of certain provisions contained in the Indenture. Additional Bonds will be payable from the Revenues as provided in the Indenture and secured by a pledge of and charge and lien upon the Revenues equal to the pledge, charge and lien securing the outstanding Bonds theretofore issued under the Indenture, subject to the terms and conditions of the Indenture. See APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–THE INDENTURE—Additional Bonds" herein. See also "CITY FINANCIAL INFORMATION–City Debt Limit" herein. The City expects that it will request the Authority to issue a Series of Additional Bonds to fund all or a portion of the estimated cost of Phase 2 of the Civic Center Project.

Swap Agreements

Original Swap Agreement. The Authority entered into an interest rate swap transaction with Royal Bank of Canada (the "Swap Provider") pursuant to an International Swaps and Derivatives Association Inc. Master Agreement, dated as of August 30, 2007, including the Schedule and Credit Support Annex attached thereto (the "Master Agreement"), with the Swap Provider, and a Confirmation under the Master Agreement, dated August 30, 2007 (collectively with the Master Agreement, the "Original Swap Agreement"). The Authority entered into the Original Swap Agreement in connection with the Series 2007 Bonds for the purpose of receiving amounts expected to be approximately equal to the floating rate interest payments due to holders of the Series 2007 Bonds. The Original Swap Agreement requires the Swap Provider to make monthly payments to the Authority based on a variable interest rate equal to 68% of 1-month LIBOR and for the Authority to make semi-annual payments to the Swap Provider based on a fixed interest rate of 3.657%, with periodic dollar amounts payable by each party being a function of these interest rates multiplied by the outstanding notional amount of the Original Swap Agreement applicable to such interest payment period. The scheduled outstanding notional amount of the Original Swap Agreement at any time is equal to the scheduled outstanding principal balance of the Series 2007 Bonds.

Amended Swap Agreement. In connection with the issuance of the Series 2009 Bonds, the Authority will amend and otherwise modify the Original Swap Agreement with the effect of terminating the Original Swap Agreement and entering into the Amended Swap Agreement with the Swap Provider. The Amended Swap Agreement will require the Swap Provider to make periodic payments to the Authority based on a variable interest rate equal to 68% of 1-month LIBOR and for the Authority to make periodic payments to the Swap Provider based on a variable interest rate equal to 100% of SIFMA plus a fixed percentage of 0.56%. The scheduled outstanding notional amount of the Amended Swap Agreement at any time will be equal to the scheduled outstanding principal balance of the Series 2009 Bonds.

Payments to, or received from, the Swap Provider will be paid from or deposited into the Interest Account. Under certain circumstances, the Amended Swap Agreement is subject to early termination prior to its respective scheduled termination date and maturity of the Series 2009 Bonds, in which event the Authority may be obligated to make substantial payments to the Swap Provider and the City may be required to make a supplemental appropriation for such purpose. Neither the holders of the Series 2009 Bonds nor any other person other than the Authority will have any rights under the Amended Swap Agreement or against the Swap Provider. The regularly scheduled swap payments are secured by the Base Rental Payments under the Facility Lease on a parity with the Series 2009 Bonds. Any extraordinary termination payments payable to the Swap Provider are subordinate to the payment of principal of and interest on the Series 2009 Bonds.

The agreement by the Swap Provider to make payments under the Amended Swap Agreement does not affect the obligation of the Authority to make payments on the Series 2009 Bonds. Pursuant to the Facility Lease, the City covenants to take such action as may be necessary to include Base Rental Payments and Additional Payments due in its annual budgets and to make the necessary annual appropriations for all such payments; provided that, the amount of Base Rental included in the City's initial budget each year shall equal the Debt Service on the Outstanding Series 2009 Bonds and any Related Obligations (including obligations of the Authority under the Amended Swap Agreement and any credit agreement, liquidity agreement or similar agreement entered into in connection with or related to the Series 2009 Bonds); and provided further, that such amounts are to be less than the Maximum Annual Rental and any deferred rental available pursuant to the Facility Lease.

The Authority's payments to the Swap Provider under the Amended Swap Agreement will ***not*** be insured by a financial guaranty insurance policy.

Investment of Bond Funds

Pursuant to the Indenture, all money held by the Trustee in any of the funds or accounts established pursuant to the Indenture are required to be invested only in "Permitted Investments" as defined in the Indenture. See APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–CERTAIN DEFINITIONS."

BOND INSURANCE

The Insurance Policy

Concurrently with the issuance of the Series 2009 Bonds, Assured Guaranty Corp. ("AGC" or the "Insurer") will issue its financial guaranty insurance policy (the "Insurance Policy") for the Series 2009 Bonds. The Insurance Policy guarantees the scheduled payment of principal of and interest on the Series 2009 Bonds when due as set forth in the form of the Insurance Policy included as APPENDIX H to this Official Statement.

The Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Insurer

AGC is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. AGC commenced operations in 1988. AGC is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of AGC or any claims under any insurance policy issued by AGC.

AGC's financial strength is rated "AAA" (negative outlook) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "Aa2" (on review for possible downgrade) by Moody's Investors Service, Inc. ("Moody's") and "AA-" (negative outlook) by Fitch, Inc. ("Fitch"). Each rating of AGC should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGC. AGC does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments.

In a press release dated November 12, 2009, Moody's announced that it had downgraded the insurance financial strength rating of AGC to "Aa3" from Aa2" and that the status of AGC's insurance financial strength rating would remain under review for possible downgrade. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

In a press release dated October 12, 2009, Fitch announced that it had downgraded the insurer financial strength rating of AGC to "AA-" (negative outlook) from "AA" (ratings watch negative). Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments.

On July1, 2009, S&P published a Research Update in which it affirmed its "AAA" counterparty credit and financial strength ratings on AGC. At the same time, S&P revised its outlook on AGC to negative from stable. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

There can be no assurance as to the outcome of Moody's review, or as to any further ratings action that Fitch or S&P may take with respect to AGC.

For more information regarding AGC's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which was filed by AGL with the Securities and Exchange Commission ("SEC") on February 26, 2009, AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, which was filed by AGL with the SEC on May 11, 2009, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, which was filed by AGL with the SEC on August 10, 2009.

Capitalization of Assured Guaranty Corp. As of June 30, 2009, AGC had total admitted assets of $1,950,949,811 (unaudited), total liabilities of $1,653,306,246 (unaudited), total surplus of $297,643,565 (unaudited) and total statutory capital (surplus plus contingency reserves) of $1,084,906,800 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Incorporation of Certain Documents by Reference. The portions of the following documents relating to AGC are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- the Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2008 (which was filed by AGL with the SEC on February 26, 2009);
- the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 (which was filed by AGL with the SEC on May 11, 2009);
- the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009 (which was filed by AGL with the SEC on August 10, 2009); and
- the Current Reports on Form 8-K filed by AGL with the SEC relating to the periods following the fiscal year ended December 31, 2008.

All consolidated financial statements of AGC and all other information relating to AGC included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Series 2009 Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "BOND INSURANCE–The Insurer" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of AGC incorporated by reference herein and of the statutory financial statements filed by AGC with the Maryland Insurance Administration are available upon request by contacting AGC at 31 West 52nd Street, New York, New York 10019 or by calling AGC at (212) 974-0100. In addition, the information regarding AGC that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at *http://www.sec.gov* and at AGL's web site at *http://www.assuredguaranty.com*, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

AGC makes no representation regarding the Series 2009 Bonds or the advisability of investing in the Series 2009 Bonds. In addition, AGC has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGC supplied by AGC and presented under the heading "BOND INSURANCE."

Reserve Fund Insurance Policy

AGC has made a commitment to issue a financial guaranty insurance policy for the reserve fund with respect to the Series 2009 Bonds (the "Reserve Fund Insurance Policy"), effective as of the date of issuance of such Series 2009 Bonds. Under the terms of the Reserve Fund Insurance, AGC will unconditionally and irrevocably guarantee to pay that portion of the scheduled principal and interest on the Series 2009 Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the Authority (the "Insured Payments").

AGC will pay each portion of an Insured Payment that is due for payment and unpaid by reason of nonpayment by the Issuer to the Trustee or Paying Agent, as beneficiary of the Reserve Fund Insurance Policy on behalf of the holders of the Series 2009 Bonds on the later to occur of (i) the date such scheduled principal or interest becomes due for payment or (ii) the business day next following the day on which AGC receives a demand for payment therefor in accordance with the terms of the Reserve Fund Insurance Policy.

No payment shall be made under the Reserve Fund Insurance Policy in excess of $7,617,706.26 (the "Reserve Fund Insurance Policy Limit"). Pursuant to the terms of the Reserve Fund Insurance Policy, the amount available at any particular time to be paid to the Trustee or Paying Agent shall automatically be reduced to the extent of any payment made by AGC under the Reserve Fund Insurance Policy, provided, that, to the extent of the reimbursement of such payment to AGC, the amount available under the Reserve Fund Insurance Policy shall be reinstated in full or in part, in an amount not to exceed the Reserve Fund Insurance Policy Limit.

The Reserve Fund Insurance Policy does not insure against nonpayment caused by the insolvency or negligence of the Trustee or Paying Agent.

The Reserve Fund Insurance Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

CERTAIN RISK FACTORS

The following factors, which represent material risk factors that have been identified at this time, should be considered along with all other information in this Official Statement by potential investors in evaluating the Series 2009 Bonds. The following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to making an investment decision with respect to the Series 2009 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. There can be no assurance made that other risk factors will not become evident at any future time.

General

The Series 2009 Bonds are payable solely from the Revenues of the Authority under the Indenture consisting primarily of the Base Rental Payments payable by the City pursuant to the Facility Lease for the beneficial use and occupancy of the Facilities.

The practical realization of any rights upon default by the City under the Facility Lease will depend upon the exercise of various remedies specified in such instrument, as restricted by state and federal law. The federal bankruptcy laws may have an adverse effect on the ability of the Trustee to enforce its rights under the Indenture and of the Authority to enforce its rights under the Facility Lease. See "Default and Remedies" and "Limitation on Remedies" herein.

In certain situations, with the consent of the Owners of a majority in principal amount of the Outstanding Bonds, certain amendments to the Indenture and the Facility Lease may be made. Such amendments could affect the security of the Bondholders.

Future economic and other conditions may adversely affect the value or essential nature of the Facilities and, consequently, the value of the Facilities to the Authority in exercising available remedies upon default by the City. In addition, there are certain other factors discussed herein as a result of which certain remedies available to the Trustee or the Authority may not be a viable option.

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Series 2009 Bonds when all or some becomes due, any owner of the Series 2009 Bonds shall have a claim under the Insurance Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Insurance Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Series 2009 Bonds by the Authority which is recovered by the Authority from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the Authority unless the bond insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the bond insurer without appropriate consent. The bond insurer may direct and must consent to any remedies and the bond insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Insurance Policy, the Series 2009 Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the bond insurer becomes obligated to make payments with respect to the Series 2009 Bonds, no assurance is given that such event will not adversely affect the market price of the Series 2009 Bonds or the marketability (liquidity) for the Series 2009 Bonds.

The long-term ratings on the Series 2009 Bonds are dependent in part on the financial strength of the bond insurer and its claim paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the ratings on the Series 2009 Bonds insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Series 2009 Bonds or the marketability (liquidity) for the Series 2009 Bonds. See "RATINGS."

The obligations of the bond insurer are contractual obligations and in an event of default by the bond insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

None of the Authority or Underwriters have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Authority to pay principal and interest on the Series 2009 Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See "Bond Insurance" herein for further information provided by the bond insurer and the Insurance Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

Limited Obligation

The Series 2009 Bonds are limited obligations of the Authority and are payable solely from the Revenues (as described herein), and the Authority is not obligated to pay the principal of or the interest on the Series 2009 Bonds except from the Revenues. All Series 2009 Bonds are equally and ratably secured in accordance with the terms and conditions of the Indenture by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the Series 2009 Bonds as provided in the Indenture. The Series 2009 Bonds are not a debt of the City or any member of the Authority, and neither the City nor any member of the Authority is liable thereon, nor in any event will the Series 2009 Bonds be payable out of or secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues. Neither the full faith and credit of the Authority, the City nor any member of the Authority is pledged for the payment of the principal of or interest on the Series 2009 Bonds or for the payment of Base Rental Payments. Neither the payment of the principal of or interest on the Series 2009 Bonds nor the obligation to make Base Rental Payments constitutes a debt, liability or obligation of the Authority, the City nor any member of the Authority for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

Base Rental Payments

General. The Base Rental Payments and Additional Payments due under the Facility Lease (including insurance, payment of costs of repair and maintenance of the Facilities, taxes and other governmental charges and assessments levied against the Facilities) are not secured by any pledge of taxes or other revenues of the City but are payable from any funds lawfully available to the City. The City has incurred and will incur other obligations in the future payable from the same sources as the Base Rental Payments. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other City obligations before making Base Rental Payments. The same result could occur if, because of State Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. The City's appropriations, however, have never exceeded the limitation on appropriations under Article XIIIB of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS–Article XIII B of the State Constitution."

Covenant to Budget and Appropriate. Pursuant to the Facility Lease, the City covenants to take such action as may be necessary to include Base Rental Payments due in its annual budgets and to make the necessary annual appropriations for all such payments. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS–Base Rental Payments" herein. Such covenants are deemed to be duties imposed by law, and it is the duty of the public officials of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform such covenants. A court, however, in its discretion may decline to enforce such covenants. Upon issuance of the Series 2009 Bonds, Bond Counsel will render its opinion (substantially in the form of APPENDIX F attached hereto) to the effect that, subject to the limitations and qualifications described therein, the Facility Lease constitutes a valid and binding obligation of the City. As to the Trustee's or the Authority's practical realization of remedies upon default by the City, see "Default and Remedies" and "Limitations on Remedies" herein.

Abatement Risk

There can be no assurance that the Project will be substantially completed within the estimated budget or by the expected completion dates. If the City is unable to take possession of the Project, the City will be under no legal obligation to make Base Rental Payments with respect to such property. See "SECURITY FOR THE SERIES 2009 BONDS–Base Rental Payments." In addition, during any period in which, by reason of material damage or destruction, there is substantial interference with the use and occupancy by the City of any portion of the Facilities, rental payments due under the Facility Lease with respect to the Facilities will be abated proportionately, and the City waives any and all rights to terminate the Facility Lease by virtue of any such interference and the Facility Lease shall continue in full force and effect. See "SECURITY FOR THE SERIES 2009 BONDS–Base Rental Payments–*Abatement*."

No Acceleration Upon Default

In the event of a default, there is no remedy of acceleration of the total Base Rental Payments due over the term of the Facility Lease and the Trustee is not empowered to sell a fee simple interest in the Facilities and use the proceeds of such sale to prepay the Series 2009 Bonds or pay debt service thereon. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest as described below.

Limitation on Remedies

The enforcement of any remedies provided in the Facility Lease and Indenture could prove both expensive and time consuming. Although the Facility Lease provides that if the City defaults the Trustee may reenter the Facilities and re-let it, portions of the Facilities may not be easily recoverable, and even if recovered, could be of little value to others because of the Facilities' specialized nature. Additionally, the Trustee may have limited ability to re-let the Facilities to provide a source of rental payments sufficient to pay the principal of and interest on the Series 2009 Bonds so as to preserve the tax-exempt nature of interest on the Series 2009 Bonds. The Trustee is not obligated to re-let the Facilities in a manner so as to preserve the tax-exempt nature of interest on the Series 2009 Bonds. Furthermore, due to the governmental nature of the Facilities, it is not certain whether a court would permit the exercise of the remedy of re-letting with respect thereto.

Alternatively, the Trustee may terminate the Facility Lease and proceed against the City to recover damages pursuant to the Facility Lease. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

The rights of the Owners of the Series 2009 Bonds are subject to certain limitations on legal remedies against cities and other governmental entities in the State, including but not limited to a limitation on enforcement against funds that are otherwise needed to serve the public welfare and interest. Additionally, the rights of the Owners of the Series 2009 Bonds may be subject to (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws limiting or otherwise affecting the enforcement of creditors' rights generally (as such laws are now or hereafter may be in effect), (ii) equity principles (including but not limited to concepts of materiality, reasonableness, good faith and fair dealing) and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or law, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) 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. Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs bankruptcy proceedings for public agencies, there are no involuntary petitions in bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Trustee and the Authority could be prohibited or severely restricted from taking any steps to enforce their rights under the Facility Lease and from taking any steps to collect amounts due from the City under the Facility Lease.

City Obligations

The City has a significant amount of obligations payable from its general 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."

Risk of Earthquake

There are several earthquake faults in the greater San Francisco Bay Area that potentially could result in damage to buildings, roads, bridges, and property within the City in the event of an earthquake. Past experiences, including the 1989 Loma Prieta earthquake, have resulted in minimal damage to the infrastructure and property in the City. The City and the Facilities are located in the Hayward Fault Zone.

The Facility Lease requires the City to maintain insurance on the Facilities against certain risks such as earthquakes, if available on the open market from reputable insurance companies as a reasonable cost, as determined by the City. The City currently insures all of its buildings against certain risks, but not earthquake damage, through a $1 billion property insurance policy, subject to certain deductibles as described in APPENDIX A–"CERTAIN FINANCIAL, DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY OF RICHMOND."

If an earthquake were to cause serious damage to the Facilities during any period when such facilities were not insured for earthquake damage, or if the proceeds of any earthquake insurance were insufficient to replace or repair the damaged Facilities, the City would be limited to its General Fund, reserves, and emergency grants, if any, in seeking to make appropriate repairs. Pending such repairs, the City's obligation to make Base Rental Payments would be subject to abatement and rental interruption insurance proceeds likely would not be available. The City will not be obligated to repair or restore the Facilities in the event of uninsured damage caused by an earthquake. See "–Abatement Risk."

Hazardous Substances

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

The City knows of no existing hazardous substances which require remedial action on or near the Facilities. However, it is possible that such substances do currently or potentially exist and that the City is not aware of them.

Assessment Appeals and Reductions in Assessed Value

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 properties that are not transferred or sold to a new owner and are expected to be eliminated under Proposition 13 if and when market conditions improve, no assurance is given that such reductions will be eliminated.

The City has been and is expected to be 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–FINANCIAL OPERATIONS–Major General Fund Revenue Sources–*Pending Assessment Appeals.*"

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

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

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

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

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

Article XIII B of the State Constitution

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

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

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

The City has estimated that for the Fiscal Year 2008-09, permitted appropriations of "proceeds of taxes" were limited to $268,310,951, and the City's budgeted appropriations from the proceeds of taxes for Fiscal Year 2008-09 were $145,494,025. The City estimates that for Fiscal Year 2009-10, permitted appropriations of "proceeds of taxes" are limited to $273,386,526, and the City's budgeted appropriations from the proceeds of taxes for the Fiscal Year 2009-10 are $130,094,864.

Articles XIII C and XIII D of the State Constitution

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

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

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

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

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

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

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

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

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

Statutory Limitations

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

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

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

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

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

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 1A of 2004

Proposition 1A, proposed by the State Legislature in connection with the 2004-05 Budget Act, approved by the voters in November 2004 ("Proposition 1A of 2004") and generally effective in Fiscal Year 2006-07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A 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 vehicle license fee 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 City revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the City and State. However, Proposition 1A of 2004 could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, including borrowing a portion of local property tax receipts of the City, some of which could be adverse to the finances of the City.

In response to the worsening fiscal situation confronting the State, the pursuant to the Amended 2009 State Budget Act (defined herein) State is in the process of borrowing local property tax receipts from local governments, including $3.6 million from the City. To mitigate the impact of this borrowing, the City 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 Reponses to the Amended 2009 State Budget Act*."

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D of the State Constitution and the statutes added by Proposition 62 and Proposition 1A of 2004 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the City's revenues or its ability to expend its revenues.

THE AUTHORITY

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

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

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

THE CITY

The City is located 16 miles northeast of San Francisco on the western shore of Contra Costa County (the "County"), occupies 33.7 square miles of land area on a peninsula that separates the San Francisco Bay from San Pablo Bay, and spans 32 miles of shoreline. The City is an important oil refining, industrial, commercial, transportation, shipping and government center. The City is governed by the City Council, consisting of a Mayor and six other council members. The City is a charter city, which means the City, through its charter (the "Charter"), may regulate municipal affairs, subject only to restrictions and limitations provided in the Charter; in matters other than municipal affairs, the City is subject to State law. The City provides a full range of services contemplated by statute or the Charter, including those functions delegated to cities under State law. See APPENDIX A–"CERTAIN FINANCIAL, DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY OF RICHMOND."

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds 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. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

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

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

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

Certain requirements and procedures contained or referred to in the Indenture, the Facility Lease, the Tax Certificate and other relevant to be entered into by the Authority on the date of execution and delivery of the Bonds, and other relevant documents may be changed and certain actions (including, without limitation, prepayment of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of Bond Counsel other than Orrick, Herrington & Sutcliffe LLP.

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

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

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

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

LEGAL MATTERS

The validity of the Series 2009 Bonds and certain other legal matters incident to the issuance of the Series 2009 Bonds are subject to the approving opinion of Orrick, Herrington && Sutcliffe LLP, as Bond Counsel to the Authority. A complete copy of the proposed form of bond Counsel opinion for the Series 2009 Bonds is contained in Appendix F. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of information contained in this Official Statement. Certain legal matters incident to the issuance of the Series 2009 Bonds will be passed upon for the Authority and the City by the City Attorney and Lofton & Jennings, Disclosure Counsel, and for the Underwriters by Jones Hall, A Professional Law Corporation, Underwriters' Counsel.

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

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of the Series 2009 Bonds, Counsel to the Authority and the City Attorney will deliver opinions to the initial Underwriters that there is no controversy or litigation now pending against the Authority or the City or, to the knowledge of their offices, threatened, restraining or enjoining the sale, execution or delivery of the Series 2009 Bonds or the Indenture, or in any way contesting or affecting the validity of the Series 2009 Bonds or the Indenture.

The Authority

There is no litigation pending with service of process having been accomplished or, to the knowledge of the City Attorney, as Counsel to the Authority, threatened, questioning the political existence of the Authority or concerning the validity of Series 2009 Bonds, Indenture, the Facility Lease or the Site Lease, and the City Attorney, as Counsel to the Authority, will issue an opinion to that effect.

The City

There is no litigation pending with service of process having been accomplished or, to the knowledge of the City, threatened, questioning the existence of the City or the title of the offices of the City to their respective offices or contesting the ability of the City to execute and deliver the Series 2009 Bonds, Indenture, the Facility Lease or the Site Lease or the ability of the City to appropriate or make Base Rental payments.

Various legal actions are pending against the City. Based upon information currently available, the City Attorney believes that there are substantial defenses to such litigation and disputes that, in any event, any ultimate liability in excess of applicable insurance coverage resulting therefrom will not have a material adverse effect on financial position of the City or impair its ability to make the Base rental payments under the Facilities Lease.

FINANCIAL ADVISOR

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

RATINGS

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") and Moody's Investor's Service, Inc. ("Moody's") are expected to assign ratings to the Series 2009 Bonds of "AAA" (negative outlook) and "Aa3" (under review for possible downgrade), respectively, based upon the issuance of the financial guaranty insurance policy issued by Assured Guaranty at the time of delivery of the Series 2009 Bonds. Standard & Poor's has assigned an underlying rating of "A" to the Series 2009 Bonds. Such rating reflects only the view of Standard & Poor's, and an explanation of the significance of such rating may be obtained only from Standard & Poor's. The Authority and the City furnished to Standard & Poor's certain information and materials. Any explanation of the significance of such rating may be obtained from the rating agencies as follows: Standard & Poor's, 55 Water Street, New York, New York 10041 and Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. Generally, rating agencies base their ratings on such information and materials so furnished and on investigations, studies and assumptions made by them. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Standard & Poor's, if in its judgment, circumstances so warrant. The Authority and the City undertake no responsibility either to notify the Owners of the Series 2009 Bonds of any revision or withdrawal of the rating (other than as set forth in the Continuing Disclosure Agreement) or to oppose any such revision or withdrawal. Any such downward revisions or withdrawal of such rating may have an adverse effect on the market price of the Series 2009 Bonds.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to an evaluation of the offering of the Series 2009 Bonds or to any decision to purchase, hold or sell the Series 2009 Bonds and the Authority will not provide any such information.

The City has undertaken all responsibilities of the Authority for any continuing disclosure to Holders of the Series 2009 Bonds as described below, and the Authority shall have no liability to the Holders of the Series 2009 Bonds of the Series 2009 Bonds or any other person with respect to S.E.C. Rule 15c2-12. The City has covenanted for the benefit of the Owners to provide certain financial information and operating data relating to the Series 2009 Bonds by not later than 270 days following the end of the City's Fiscal Year (which currently would be June 30) commencing with the report for the 2008-09 Fiscal Year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and notices of material events will be filed by means of the Electronic Municipal Market Access (EMMA) site maintained by the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of material events is contained within APPENDIX E—"FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

The City has not failed in the last five years to comply in any material respect with any of its prior undertakings to provide continuing disclosure.

UNDERWRITING

RBC Capital Markets Corporation and Wedbush Securities Inc. (the "Underwriters") have agreed, subject to certain conditions set forth in the Bond Purchase Contract dated November 10, 2009 (the "Purchase Contract"), among the Authority, the City and the Underwriters, to purchase all of the Series 2009 Bonds, subject to certain conditions set forth in the Purchase Contract. The Underwriters will purchase all of the Series 2009 Bonds, if any are purchased.

The Underwriters purchased the Series 2009 Bonds, at a price equal to $87,906,116.25 (representing the principal amount of the Series 2009 Bonds, less a net original issue discount in the amount of $1,262,114.65 and less an Underwriters' discount in the amount of $626,769.10). The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the Purchase Agreement. The initial offering prices stated on the inside cover of this Official Statement may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Series 2009 Bonds to certain dealers (including dealers depositing Series 2009 Bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices.

Royal Bank of Canada, the parent company of RBC Capital Markets Corporation, is expected to enter into the Amended Swap Agreement with the Authority in connection with the issuance of the Series 2009 Bonds. See "SECURITY FOR THE SERIES 2009 BONDS–Swap Agreements."

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement among the Authority, the City and the Underwriters of the Series 2009 Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof.

Any references or summaries or explanations of the Indenture, the Facilities Lease, the Site Lease, the Series 2009 Bonds, and other documents and statutes contained herein do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions.

This Official Statement is submitted only in connection with the sale of the Series 2009 Bonds by the Authority. All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the Authority, the City or the Underwriters. The information contained herein should not be construed as representing all conditions affecting the Authority, the City or the Series 2009 Bonds.

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

RICHMOND JOINT POWERS FINANCING AUTHORITY

By: /s/ Gayle McLaughlin
President

CITY OF RICHMOND

By: /s/ William A. Lindsey
City Manager

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX A

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

TABLE OF CONTENTS

PAGE

INDEX OF TABLES

APPENDIX A

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

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

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.

(Remainder of this Page Intentionally Left Blank)

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 three quarters (January through September) of calendar year 2009, mortgage holders sent 1,690 notices of default and recorded 596 trustee deeds compared to 1,746 notices of default sent and 938 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."

(Remainder of this Page Intentionally Left Blank)

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

Fiscal Year	Documentary Transfer Tax Receipts	Documentary Transfer Tax % Change	Percentage of General Fund 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 Underwriters 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.

(Remainder of this Page Intentionally Left Blank)

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.

(Remainder of this Page Intentionally Left Blank)

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.

(Remainder of this Page Intentionally Left Blank)

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.

(Remainder of this Page Intentionally Left Blank)

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 the Series 2009 Bonds and includes the Richmond Joint Powers Financing Authority Lease Revenue Bonds (Refunding and Civic Center Project) Series 2007 being refunded.
(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. Cutting-edge companies located in the City include SunPower, Heliodyne and Vetrazzo.

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

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

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

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

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

- The ongoing development and leasing of light industrial/business park property at Hilltop and in the Marina District along Richmond's South Shoreline and the Richmond Parkway;
- Availability of fairly extensive vacant or 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.

(Remainder of this Page Intentionally Left Blank)

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™.

(Remainder of this Page Intentionally Left Blank)

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

This Page Left Intentionally Blank

CITY OF RICHMOND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

Page

TABLE OF CONTENTS

Page

Notes to Financial Statements (Continued):

CITY OF RICHMOND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

Page

STATISTICAL SECTION

This Page Left Intentionally Blank

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

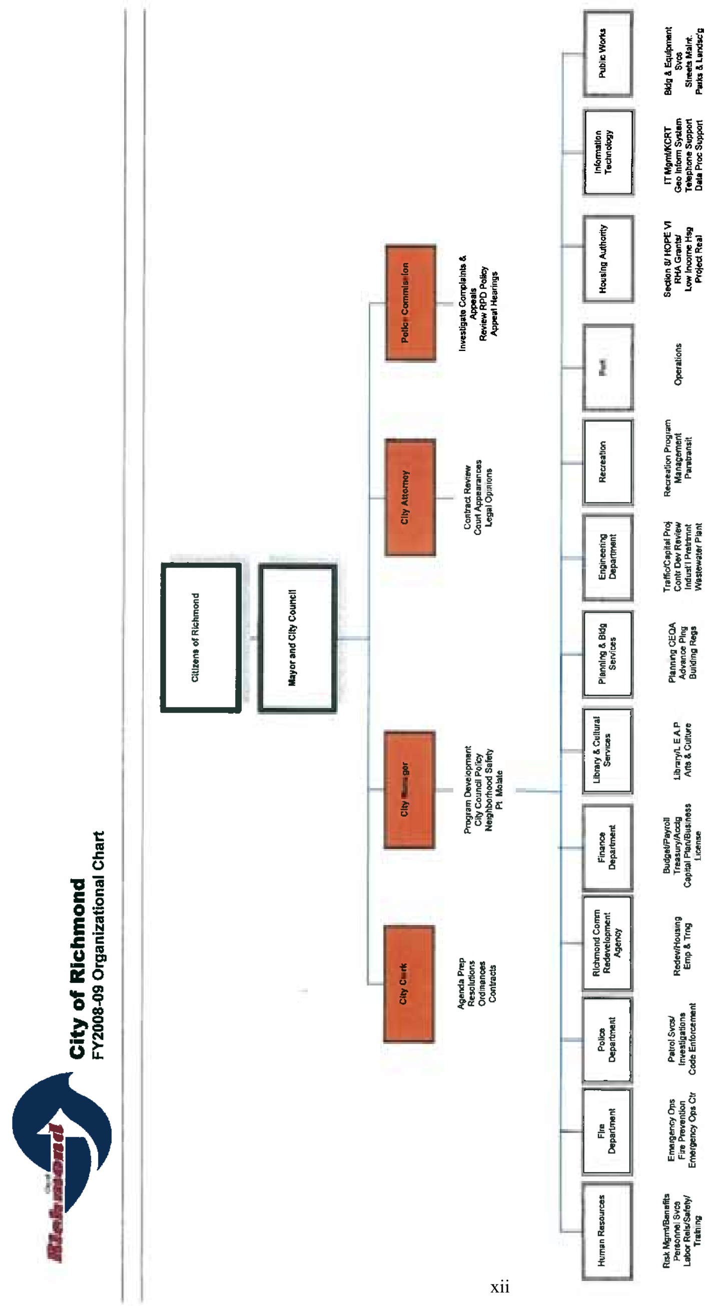
The preparation of this CAFR represents the culmination of a concerted team effort by the entire staff of the Finance Department. They should be commended for their professionalism, dedication, efficiency, and their personal commitment and determination demonstrated through long days of focused attention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

Dedicated to Excellence in Municipal Financial Management

MAZE & ASSOCIATES
ACCOUNTANCY CORPORATION
3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 • FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Richmond, California

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit of RHA Properties, each major fund, and the aggregate remaining fund information of the City of Richmond, California as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

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

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

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

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

Maze and Associates

December 22, 2008

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

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

FINANCIAL HIGHLIGHTS

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

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

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

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

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

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements:

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

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Notes to the Financial Statements:

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

Required Supplementary Information:

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Assets:

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

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

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

City of Richmond's Net Assets
(in thousands)

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

Analysis of Activities:

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

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

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

Governmental Activities:

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

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

Revenue Highlights:

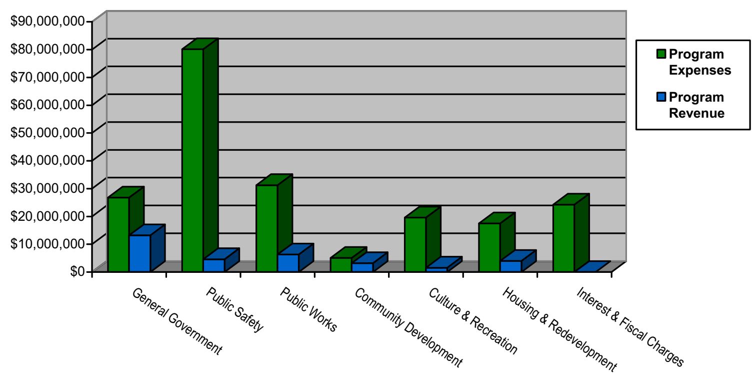
- Current year revenues of $203.1 million reflect a $4.2 million increase from the prior year.
- Property taxes (current collections) in the current year reached $77.0 million, an increase of $3.5 million, or 5 percent.
- Sales taxes continue to evidence growth. Current fiscal year receipts of $29.0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

Expense Highlights:

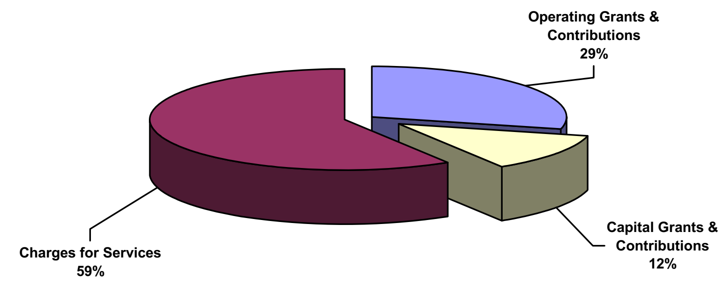
- Expenses of $204.6 million reflect a $37.6 million increase from prior year. A portion of the increase is due to the relocation of the Hall of Justice as well as an increase in Public Safety expenses.
- Redevelopment expenses increased $6.1 million to $17.5 million. The increase is attributed to an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

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

Expenses and Program Revenues
Governmental Activities



Program Revenue by Source
Governmental Activities

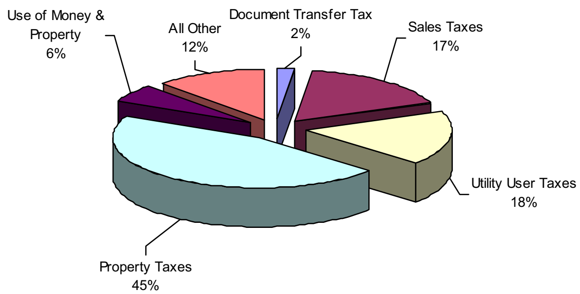


Total governmental activities expenses were $204.6 million in fiscal year 2008. The largest expenses, in descending order, were for Public Safety, Public Works, General Government, Interest on Long Term Debt, and Cultural and Recreation. These expenses do not include capital outlays, which are now reflected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

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

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

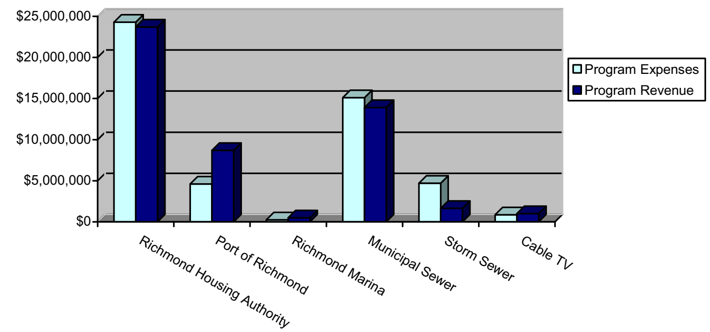
General Revenues by Source
Governmental Activities



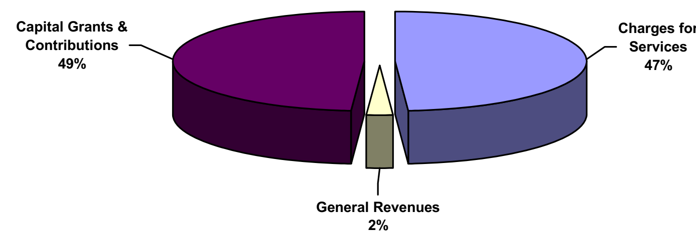
Business Type Activities: Business-type activities decreased the City's net assets by $11.9 million. Key factors in the business-type activities increase are as follows:

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

Expenses and Program Revenues
Business-Type Activities



Revenue by Source
Business-Type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds:

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

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

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

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

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

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

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

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

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

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

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

Proprietary Funds:

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

Enterprise Funds:

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

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

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

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

Fiduciary Funds:

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

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

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The City Council revised the City budget at mid-year. Most of the budget adjustments reflect extensive analysis and updates arising from the Mid-Year Revenue and Expenditure Review.

The final amended budget included a $1.4 million reduction in estimated revenue and a $9.6 million increase in appropriations. Actual revenues of $114.1 million were $6.7 million less than adjusted operating revenue projections, a variance of 5.9 percent. Key elements of the decrease in revenues are discussed as follows:

The original budget for sales tax of $29.3 million was followed with a mid-year adjustment upward to $31.3 million. However, only $29.0 million in sales tax was realized causing a $2.3 million decrease in estimated revenues. Much of the decrease

was due to a one-time reallocation correction made by the State Board of Equalization for sales tax revenue that was erroneously remitted ten years ago. However, actual sales tax revenue increased by $787,816 from prior year. Additional increases are projected into 2008-09 with the opening of a Target store in July 2008 and as additional retail outlets open and business-to-business sales accelerate.

While projected property taxes were increased $720 thousand at mid-year to $33.8 million, actual revenue received was $486 thousand above the final projection and $1.2 million greater than prior year due to Richmond housing stock being fairly old with new developments making up a small percentage of the assessed valuation.

The utility user fees are a percentage of utility bills. Actual revenues increased $2.5 million from prior year to $29.5 million. A large consumer opted to use the computed actual usage method instead of the cap provision of the UUT ordinance. This was an increase from previous year but less than what would have been paid using the cap. Along with other contributing factors, the adopted projection of $30.7 million remained the same.

The other taxes original budget was reduced from $13.3 million to $8.6 million at mid-year; a $4.7 million dollar reduction due primarily to the $3.7 million decline in documentary transfer tax from prior year, a result of the overall decline in the housing market regionally.

The use of money and property original budget was increased $1.1 million to $3.0 million at mid-year. However, only $756 thousand was realized resulting in a $2.2 million decrease in estimated revenues due to the City's decision to utilize the money in operations rather than reinvesting the money.

Charges for services actual revenues were $674 thousand less than the $3.0 million final budget projection due to a decline of $280 thousand in motor vehicle fees, $269 thousand decline in booking fees due to new process instituted by the State and an additional $88 thousand decline in service reimbursements.

Transfers in original budget of $7.6 million was increased to $14.9 million at mid-year. However, actual transfers realized were only $5.5 million causing a reduction of $9.4 million in estimated other financing sources. The bulk of the reduction is due to $1.6 million and $4.1 million budgeted to be transferred from the Benefits Stabilization fund and the Pension Stabilization fund, respectively, to cover costs associated with the DiCon Police Department move being unavailable to transfer at June 30, 2008 as well as an additional $2.0 million transfer from the Redevelopment Agency.

Appropriations were increased at the Mid-Year Budget Review to address critical and unforeseen needs such as the relocation of the Police Department to a new site and personnel cost increases arising from newly negotiated labor contracts. The final adjusted appropriations were $137.3 million, an increase of $9.7 million over the adopted budget appropriation. General government appropriations exceeded the budget by $1.7

million due to increased personnel costs and increased investment in paving maintenance projects; the most the City has spent on such projects in any single fiscal year.

Actual operating expenditures of $128.9 million were realized, $8.3 million less than the final adjusted appropriations. Almost all of the savings are attributed to personnel expenditures resulting from vacancies as some departments encountered difficulty in recruiting the newly authorized personnel provided in the adopted budget to restore services as well as Other Post Employment Benefits (OPEB) being inadvertently double budgeted. Other reasons are salary savings attributed to costs reimbursed through workers' compensation and staff turnover.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

The City's investment in capital assets for its governmental and business type activities as of June 30, 2008, amounted to $428.8 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The net increase in the City's investment in capital assets for the current fiscal year was $33.1 million, or 8.0 percent.

Capital assets, net of depreciation, for the governmental and business-type activities are presented below to illustrate changes from the prior year:

Capital Assets by Type

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Land	$ 27,674,272	$ 25,854,935	$ 11,215,967	$ 11,215,340	$ 38,890,239	$ 37,070,275
Construction in Progress	101,731,280	51,844,936	29,801,549	42,063,819	131,532,829	93,908,755
Building and improvements	19,993,179	19,312,222	44,944,841	45,019,253	64,938,020	64,331,475
Machinery and equipment	8,282,302	6,359,279	2,054,385	2,009,864	10,336,687	8,369,143
Infrastructure	145,550,538	151,793,434	37,516,906	40,186,467	183,067,444	191,979,901
Total Capital assets	$ 303,231,571	$ 255,164,806	$ 125,533,648	$ 140,494,743	$ 428,765,219	$ 395,659,549

The City's infrastructure assets are recorded at historical cost in the government-wide financial statements.

Additional information about the City's capital assets can be found in Note 6 on pages 69-71 in the financial statements.

Debt Administration:

Long Term Debt - At the end of the current fiscal year, the City had $483 million in debt outstanding compared to the $344.9 million the previous year; an increase of $138 million. This increase is due primarily to the issuance of $75 million of Tax Allocation Bonds and $101 million of Lease Revenue Bonds (Civic Center Project and refunding), offset with the payoffs of the 2004 JPFA Point Potrero Lease Revenue Note in the amount of $3.5 million, the refunding of the JPFA 2001A Lease Revenue Bonds, the JPFA 1996 Port Terminal Lease Revenue Bonds, and a portion of the JPFA 1995A Lease Revenue Bonds, in the amounts of $27.2 million, $3.9 million, and $5.7 million, respectively.

Outstanding Debt
June 30

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Tax Allocation bonds	$168,838,368	$95,079,118			$168,838,368	$95,079,118
Revenue bonds	1,829,143	7,640,000	$42,152,480	$41,857,327	43,981,623	49,497,327
Lease revenue bonds	97,790,000	25,990,000	5,933,813	7,782,675	103,723,813	33,772,675
Pension obligation bonds	146,453,616	143,575,313			146,453,616	143,575,313
Total bonds payable	414,911,127	272,284,431	48,086,293	49,640,002	462,997,420	321,924,433
Loans payable	10,578,390	10,518,963	5,427,430	7,419,009	16,005,820	17,937,972
Capital leases	3,964,298	5,111,871			3,964,298	5,111,871
Total outstanding debt	$429,453,815	$287,915,265	$53,513,723	$57,059,011	$482,967,538	$344,974,276

The City does not have any general obligation bonds as of June 30, 2008.

On May 7, 2008, Standard & Poor's Ratings Services ("S&P") assigned its "A+" issuer credit rating (ICR) to the City and a rating of "A" on the City's outstanding 2007 Lease Revenue Bonds (Civic Center financing). Specific credit strengths cited by S&P as the incentive for the upgrade include a continued strong general fund cash position, continued improvements in the city's unreserved general fund balances and the City's strong financial controls, policies , and management practices.

On May 14, 2008, S&P raised the Richmond Community Redevelopment Agency's ("RCRA") underlying rating (SPUR) to "A" from "A-", citing the RCRA's diversified tax base, and the 11% increase in project area assessed valuation.

With improved credit ratings and increased sophistication of City staff, several bond issues have been transacted to enable the City to realize reduced interest costs. During the fiscal year ending June 20, 2008, bonds were issued to realize net present value savings of $2.4 million. These included $35 million from the issuance of the $101.4 million 2007 Lease Revenue Bonds used to refund several prior bond issues and to fund the Civic Center project.

The City has purchased municipal bond insurance policies on its bond issuances in the past, including for the RCRA 2007 TABs , and the 2007 Lease Revenue Bonds, resulting in the debt issues being assigned the ratings of the respective bond insurers. In fiscal year 2008, the City's variable rate debt was affected by the credit downgrades of bond insurers MBIA and Ambac; resulting in higher than anticipated rate resets. In May, 2008, the City restructured the RCRA 2007 TABs and the 2007 Lease Revenue Bonds to index rate and fixed rate bonds for a term of eighteen to twenty-four months. In October, 2008, the City refunded its 2006 Wastewater Bonds, Series A with a new bond issue, which is supported by a Letter of Credit from Union Bank of California, and removes Ambac as the bond insurer. At the time of this bond issuance, S&P also raised the City's Wastewater Enterprise credit rating to "AA-".

For more detailed information on the City's long-term debt see Note 7 on pages 71-98.

Economic Factors, Next Year's Budget and Inflation Rates

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

- The City has formally adopted debt and investment policies to guide critical financing and investment decisions. The City is also one of the first cities to adopt a swap policy.

- The City has established a reserves policy and has funded a $10 million contingency reserve within the General Fund, equating to over eight percent of the City's current budget level.

- The City has adopted a structurally balanced budget policy requiring one-time revenues to be spent only on one-time expenditures, and on-going revenues to be spent on on-going expenditures.

- The City has completed the implementation of a new, integrated financial, human resources and payroll system that will be the hub of other new software, including "best of breed" software in building permits, cash management, investments, debt management, equipment and many others.

- The City Manager has recommended to the City Council that City services only be expanded or re-opened as certain revenue milestones are met, thus preventing the creation of structural deficits.

- The City has established monthly revenue and expenditure variance monitoring reports to assure adherence to budget controls. Simultaneously, position control is being strictly enforced, ensuring that any hire is moving into a funded position.

- The City continues to search for and identify opportunities to refinance its debt obligations that should extract additional one-time funding for critical infrastructure improvements.

- The State budget will have a significant effect on the City's financial condition. The impending deficit at the State level will likely manifest itself in cutbacks in state funding and may result in State "borrowing" of municipal revenues and deferral of state allocations and reimbursements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all of its citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Richmond, Finance Department, 1401 Marina Way South, Richmond, CA 94804. Alternatively, you may send your inquiries via e-mail to Finance@ci.richmond.ca.us

This Page Left Intentionally Blank

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

This Page Left Intentionally Blank

CITY OF RICHMOND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Net (Expense) Revenue and Changes in Net Assets Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	RHA Properties
Primary Government:								
Governmental Activities:								
General government	$26,826,443	$13,061,289	$151,071		($13,614,083)		($13,614,083)	
Public safety	80,140,357	3,435,021	1,157,207		(75,548,129)		(75,548,129)	
Public works	31,252,681	952,330	2,343,370	$2,982,222	(24,974,759)		(24,974,759)	
Community development	5,046,846	393,878	2,810,406		(1,842,562)		(1,842,562)	
Cultural and recreational	19,624,717	257,258	853,893	444,188	(18,069,378)		(18,069,378)	
Housing and redevelopment	17,471,811	1,037,112	2,326,146	640,300	(13,468,253)		(13,468,253)	
Interest on long-term debt	24,242,109				(24,242,109)		(24,242,109)	
Total Governmental Activities	204,604,964	19,136,888	9,642,093	4,066,710	(171,759,273)		(171,759,273)	
Business-type Activities:								
Richmond Housing Authority	24,324,334	1,776,252		21,892,994		($655,088)	(655,088)	
Port of Richmond	4,589,789	5,900,126		2,782,673		4,093,010	4,093,010	
Richmond Marina	240,542	484,212				243,670	243,670	
Municipal Sewer	15,084,727	13,864,120				(1,220,607)	(1,220,607)	
Storm Sewer	4,685,796	1,637,151				(3,048,645)	(3,048,645)	
Cable TV	853,646	974,924				121,278	121,278	
Total Business-type Activities	49,778,834	24,636,785		24,675,667		(466,382)	(466,382)	
Total Primary Government	$254,383,798	$43,773,673	$9,642,093	$28,742,377	(171,759,273)	(466,382)	(172,225,655)	
Component Unit:								
RHA Properties	$4,003,434	$3,462,561						($540,873)
General revenues:								
Taxes:								
Property taxes-current collections					77,012,808	10,382	77,023,190	
Sales taxes					29,005,711		29,005,711	
Utility user taxes					29,553,243		29,553,243	
Documentary transfer taxes					3,647,333		3,647,333	
Other taxes					5,155,662		5,155,662	
Use of money and property					9,990,413	919,679	10,910,092	63,560
Unrestricted intergovernmental					4,330,572		4,330,572	
Gain on sale of capital assets					4,008,197		4,008,197	
Pension stabilization revenue					4,256,500		4,256,500	
Developer revenue sharing					201,270		201,270	
Other					3,101,841	313,863	3,415,704	166,325
Special item (Note 6)						(14,425,750)	(14,425,750)	
Transfers (Note 4)					(1,706,880)	1,706,880		
Total general revenues, transfers and special item					168,556,670	(11,474,946)	157,081,724	229,885
Change in Net Assets					(3,202,603)	(11,941,328)	(15,143,931)	(310,988)
Net Assets-Beginning					279,325,214	90,507,349	369,832,563	(50,158)
Net Assets (Deficit)-Ending					$276,122,611	$78,566,021	$354,688,632	($361,146)

See accompanying notes to financial statements

This Page Left Intentionally Blank

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

This Page Left Intentionally Blank

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
	Richmond Housing Authority	Port of Richmond	Municipal Sewer	Other Enterprise Funds	Totals	Activities-Internal Service Funds
ASSETS						
Current assets:						
Cash and investments	$4,852,158	$1,974,353	$3,571,143	$4,551,092	$14,948,746	$32,666,076
Restricted cash and investments	189,924	1,336,916	5,538,881		7,065,721	2,496,123
Receivables:						
Accounts, net	901,558	479,284	366,001	320,290	2,067,133	87,472
Interest		3,668	7,196	5,809	16,673	66,667
Grants	1,001,826				1,001,826	
Prepaids and other assets	438,987				438,987	355,458
Due from developer	8,628,540				8,628,540	
Total current assets	16,012,993	3,794,221	9,483,221	4,877,191	34,167,626	35,671,796
Noncurrent assets:						
Capital assets:						
Nondepreciable	8,298,597	8,591,150	24,127,769		41,017,516	1,375,326
Depreciable, net	35,647,787	15,490,136	22,193,903	11,184,306	84,516,132	5,479,724
Bond issuance costs net of amortization		32,741	1,601,508		1,634,249	
Total noncurrent assets	43,946,384	24,114,027	47,923,180	11,184,306	127,167,897	6,855,050
Total Assets	59,959,377	27,908,248	57,406,401	16,061,497	161,335,523	42,526,846
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	559,271	1,494,013	557,397	124,416	2,735,097	2,980,547
Interest payable		33,648	1,151,496	136,999	1,322,143	3,031
Refundable deposits	139,756	31,900			171,656	
Compensated absences - due within one year	85,295			97,892	183,187	
Claims payable						9,619,000
Current portion of long-term debt		2,745,000	398,012	57,362	3,200,374	531,027
Total current liabilities	784,322	4,304,561	2,106,905	416,669	7,612,457	13,133,605
Noncurrent liabilities:						
Advances from other funds	5,517,838	17,039,855		1,758,342	24,316,035	
Compensated absences	445,926	68,292	13,443		527,661	717,206
Claims payable						10,645,000
Long-term debt, net		3,188,813	43,860,716	3,263,820	50,313,349	1,133,369
Total noncurrent liabilities	5,963,764	20,296,960	43,874,159	5,022,162	75,157,045	12,495,575
Total Liabilities	6,748,086	24,601,521	45,981,064	5,438,831	82,769,502	25,629,180
NET ASSETS						
Invested in capital assets, net of related debt	43,946,384	18,147,473	7,601,825	7,863,124	77,558,806	6,855,050
Restricted for debt service	189,924	1,336,916			1,526,840	
Unrestricted	9,074,983	(16,177,662)	3,823,512	2,759,542	(519,625)	10,042,616
Total Net Assets	$53,211,291	$3,306,727	$11,425,337	$10,622,666	$78,566,021	$16,897,666

See accompanying notes to financial statements

CITY OF RICHMOND
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities-Enterprise Funds					Governmental
	Richmond Housing Authority	Port of Richmond	Municipal Sewer	Other Enterprise Funds	Totals	Activities-Internal Service Funds
OPERATING REVENUES						
Rental	$1,611,864				$1,611,864	
Marina berth rentals		$170,331			170,331	
Service charges		4,321,085	$13,862,211	$2,469,109	20,652,405	$42,083,188
Lease income		1,444,088		484,212	1,928,300	
Other	164,388	(35,378)	1,909	142,966	273,885	
Total Operating Revenues	1,776,252	5,900,126	13,864,120	3,096,287	24,636,785	42,083,188
OPERATING EXPENSES						
Salaries and benefits	6,859,124	837,443	432,542	1,588,576	9,717,685	11,056,355
General and administrative	1,412,818	2,129,592	10,008,804	2,905,325	16,456,539	8,212,465
Maintenance	838,314	50,661	34,681		923,656	4,194,477
Depreciation	299,402	919,326	1,386,016	1,136,221	3,740,965	1,426,389
Housing assistance	14,641,716				14,641,716	
Claims losses						7,574,820
Other		7,037	61,855	203	69,095	156,158
Total Operating Expenses	24,051,374	3,944,059	11,923,898	5,630,325	45,549,656	32,620,664
Operating Income (Loss)	(22,275,122)	1,956,067	1,940,222	(2,534,038)	(20,912,871)	9,462,524
NONOPERATING REVENUES (EXPENSES)						
Gain from sale of capital assets						8,714
Loss on retirement of capital assets	(272,960)	(60,272)			(333,232)	
Interest income	44,294	161,534	546,843	167,008	919,679	1,545,563
Property taxes			10,382		10,382	
Grants	21,892,994	2,782,673			24,675,667	
Other income	313,863				313,863	
Interest (expense)		(585,458)	(3,160,829)	(149,659)	(3,895,946)	(141,401)
Total Nonoperating Revenues (Expenses)	21,978,191	2,298,477	(2,603,604)	17,349	21,690,413	1,412,876
Income (Loss) Before Contributions and Transfers	(296,931)	4,254,544	(663,382)	(2,516,689)	777,542	10,875,400
TRANSFERS AND SPECIAL ITEM						
Special item - Contribution to developer (Note 6)	(14,425,750)				(14,425,750)	
Transfers in		1,863,750		540,285	2,404,035	
Transfers (out)		(156,870)	(540,285)		(697,155)	(362,700)
Net contributions and transfers	(14,425,750)	1,706,880	(540,285)	540,285	(12,718,870)	(362,700)
Change in net assets	(14,722,681)	5,961,424	(1,203,667)	(1,976,404)	(11,941,328)	10,512,700
BEGINNING NET ASSETS (DEFICIT)	67,933,972	(2,654,697)	12,629,004	12,599,070	90,507,349	6,384,966
ENDING NET ASSETS	$53,211,291	$3,306,727	$11,425,337	$10,622,666	$78,566,021	$16,897,666

See accompanying notes to financial statements

CITY OF RICHMOND
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities-Enterprise Funds					Governmental 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

This Page Left Intentionally Blank

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.

City of Richmond
Notes to Basic Financial Statements
June 30, 2008

NOTE 6 - CAPITAL ASSETS

The following is a summary of capital assets for governmental activities:

	Balance at June 30, 2007	Additions	Retirements	Transfers	Balance at June 30, 2008
Governmental activities					
Capital assets not being depreciated:					
Land	$25,854,935	$1,450,000	($283,869)	$653,206	$27,674,272
Construction in progress	51,844,936	57,621,246		(7,734,902)	101,731,280
Total capital assets not being depreciated	77,699,871	59,071,246	(283,869)	(7,081,696)	129,405,552
Capital assets being depreciated:					
Buildings and improvements	32,392,451	1,250,333		89,697	33,732,481
Machinery and equipment	32,549,733	3,985,415	(300,563)	(89,697)	36,144,888
Land improvements and infrastructure	401,668,340			7,081,696	408,750,036
Total capital assets being depreciated	466,610,524	5,235,748	(300,563)	7,081,696	478,627,405
Less accumulated depreciation for:					
Buildings and improvements	(13,080,229)	(659,073)			(13,739,302)
Machinery and equipment	(26,190,454)	(1,965,226)	293,094		(27,862,586)
Land improvements and infrastructure	(249,874,906)	(13,324,592)			(263,199,498)
Total accumulated depreciation	(289,145,589)	(15,948,891)	293,094		(304,801,386)
Capital asset being depreciated, net	177,464,935	(10,713,143)	(7,469)	7,081,696	173,826,019
Governmental activity capital assets, net	$255,164,806	$48,358,103	($291,338)		$303,231,571

Governmental activities depreciation expenses for capital assets is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program for the year ended June 30, 2008 were as follows:

Governmental Activities	
General Government	$263,246
Public Safety	284,772
Public Works	13,628,706
Community Development	8,933
Cultural and Recreational	217,312
Housing and Redevelopment	119,533
Internal Service Funds	1,426,389
Total Governmental Activities	$15,948,891

NOTE 6 - CAPITAL ASSETS (Continued)

The following is a summary of capital assets for business activities:

	Balance at June 30, 2007	Additions	Retirements	Transfers	Balance at June 30, 2008
Business-type activities					
Capital assets not being depreciated:					
Land	$11,215,340	$627			$11,215,967
Construction in progress	42,063,819	12,154,664	($23,494,811)	($922,123)	29,801,549
Total capital assets not being depreciated	53,279,159	12,155,291	(23,494,811)	(922,123)	41,017,516
Capital assets being depreciated:					
Buildings and improvements	88,745,403		(2,758,129)	795,023	86,782,297
Machinery and equipment	12,692,481	178,821	(516,933)	127,100	12,481,469
Infrastructure	104,555,698		(3,452)		104,552,246
Total capital assets being depreciated	205,993,582	178,821	(3,278,514)	922,123	203,816,012
Less accumulated depreciation for:					
Buildings and improvements	(43,726,150)	(811,976)	2,700,670		(41,837,456)
Machinery and equipment	(10,682,617)	(259,428)	514,961		(10,427,084)
Infrastructure	(64,369,231)	(2,669,561)	3,452		(67,035,340)
Total accumulated depreciation	(118,777,998)	(3,740,965)	3,219,083		(119,299,880)
Capital asset being depreciated, net	87,215,584	(3,562,144)	(59,431)	922,123	84,516,132
Business-type activity capital assets, net	$140,494,743	$8,593,147	($23,554,242)		$125,533,648

The following is a summary of capital assets for RHA Properties:

	Balance at June 30, 2007	Additions	Balance at June 30, 2008
Capital assets not being depreciated:			
Land	$10,431,153		$10,431,153
Total capital assets not being depreciated	10,431,153		10,431,153
Capital assets being depreciated:			
Buildings and improvements	23,917,143		23,917,143
Machinery and equipment	49,600		49,600
Total capital assets being depreciated	23,966,743		23,966,743
Less accumulated depreciation for:			
Buildings and improvements	(3,335,499)	($869,715)	(4,205,214)
Machinery and equipment	(39,326)	(9,920)	(49,246)
Total accumulated depreciation	(3,374,825)	(879,635)	(4,254,460)
Capital asset being depreciated, net	20,591,918	(879,635)	19,712,283
Business-type activity capital assets, net	$31,023,071	($879,635)	$30,143,436

City of Richmond
Notes to Basic Financial Statements
June 30, 2008

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.

City of Richmond
Notes to Basic Financial Statements
June 30, 2008

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.

Principal payments are due annually on August 1 and interest payments are due monthly, through August 2037 for the Series 2006B bonds. The annual debt service requirements on the 2006B Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2009		$2,971,859	$2,971,859
2010		2,971,646	2,971,646
2011		2,971,646	2,971,646
2012		2,971,646	2,971,646
2013		2,971,859	2,971,859
2014-2018		14,858,442	14,858,442
2019-2023		14,858,441	14,858,441
2024-2028	$8,740,000	12,600,798	21,340,798
2029-2033	10,615,000	8,092,075	18,707,075
2034-2038	12,905,000	2,611,234	15,516,234
Total	$32,260,000	$67,879,646	$100,139,646

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay the Wastewater Revenue Refunding Bonds through 2038. The Municipal Sewer Enterprise Fund's total principal and interest remaining to be paid on the bonds is $123,051,023. The Municipal Sewer Enterprise Fund's principal and interest paid for the current year and total customer net revenues were $2,407,579 and $3,873,081, respectively.

Richmond Joint Powers Financing Authority Lease Revenue Bonds Series 2007 – Port Refunding Bonds Original Issue $3,630,000

On September 11, 2007 the Richmond Joint Powers Financing Authority issued Series 2007 Lease Revenue Bonds in the amount of $101,420,000 as discussed in Note 8A above. A portion of the proceeds from the 2007 Bonds were used to refund the remaining $3,865,000 principal amount of the 1996 Port Terminal Lease Revenue Bonds. The Series 2007 Bonds in the principal amount of $97,790,000 have been recorded as governmental activities debt, as discussed in Note 8A above, and $3,630,000 has been recorded as debt in the Port of Richmond Enterprise Fund. Net proceeds from the Series 2007 Bonds of $3,348,742 plus an additional amount of $591,282 from the refunded 1996 Bonds were used to purchase U.S. government securities placed in an irrevocable trust to provide all the future debt service payments for the refunded Bonds. The refunding resulted in an overall debt service savings of $935,901. The net present value of the debt service savings is called an economic gain and amounted to $383,889. The 1996 Bonds were called in March 2008. Bonds outstanding are carried net of the unamortized loss on refunding as follows:

Bonds outstanding:	
2007 Port Portion	$3,630,000
Unamortized deferred amount on refunding	(75,024)
Net	$3,554,976

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

The 2007 Lease Revenue Bonds were issued as variable rate Bonds. The rate fluctuates according to the market conditions. However, the Authority entered into an interest rate swap agreement for the entire amount of its 2007 Lease Revenue Bonds. The combination of the variable rate Bonds and a floating rate swap creates synthetic fixed-rate debt for the Authority. Information regarding the interest rate swap agreement in connection with the 2007 Lease Revenue Bonds is discussed in Note 7A above.

The annual debt service requirements on the Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2009	$360,000	$251,151	$611,151
2010	360,000	256,597	616,597
2011	370,000	235,168	605,168
2012	385,000	213,124	598,124
2013	400,000	190,172	590,172
2014-2017	1,755,000	513,411	2,268,411
Total	$3,630,000	$1,659,623	$5,289,623

Interest Rate Swap Agreement

The City entered into an interest swap agreement in connection with the 2006B Wastewater Revenue Bonds. The transaction allows the City to create a synthetic fixed rate on the Bonds, protecting it against increases in short-term interest rates. The terms, fair value and credit risk of the swap agreement is disclosed below.

Terms. The terms, including the counterparty credit rating of the outstanding swap, as of June 30, 2008, are included below. The swap agreement contains scheduled reductions to the outstanding notional amount that are expected to follow scheduled reductions in the Bonds.

Notional Amount	Effective Date	Counterparty	Credit Rating (S&P/Moody's/Fitch)	Rate Paid	Rate Received	Termination Date
$32,260,000	10/17/2006	JPMorgan Chase Co.	AA-/Aa2/AA-	3.661%	63.42% of USD-LIBOR-BBA	8/1/2037

Based on the swap agreement, the City owes interest calculated at a fixed rate to the counterparty of the swap. In return, the counterparty owes the City interest based on the variable rate that *approximates* the rate required by the Bonds. Debt principal is not exchanged; it is only the basis on which the swap receipts and payments are calculated.

Fair value. Fair value of the swap takes into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swap. As of June 30, 2008, the fair value of the swap was in favor of the counterparty in the amount of $1,971,399.

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

Credit risk. As of June 30, 2008, the City was not exposed to credit risk on the outstanding swap because the swap had a negative fair value. However, if *interest* rates increase and the fair value of the swap were to become positive, the City would be exposed to credit risk. The City will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

Basis risk. Basis risk is the risk that the interest rate paid by the City on the underlying variable rate bonds to the *bondholders* temporarily differs from the variable swap rate received from the counterparty. The City bears basis risk on the swap. The swap has basis risk since the City receives a percentage of the LIBOR Index to offset the actual variable bond rate the City pays on the underlying Bonds. The City is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

A portion of this basis risk is tax risk. The City is exposed to tax risk when the relationship between the taxable LIBOR based swap and tax-exempt variable rate bond changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt variable rate bonds converge the City is exposed to this basis risk.

Termination risk. The City may terminate if the other party fails to perform under the terms of the contract. The City will be exposed to variable rates if the counterparty to the swap contract defaults or if the swap contract is terminated. A termination of the swap contract may also result in the City's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt. Using rates as of June 30, 2008, debt service requirements of the City's outstanding variable-rate Bonds and net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates vary, variable-rate bond *interest* payments and net swap payments will vary. These payments below are included in the Debt Service Requirements above:

For the Years	Variable-Rate Bonds		Interest Rate Swap, Net	
Ending June 30,	Principal	Interest	Interest	Total
2009		$2,364,932	$606,927	$2,971,859
2010		2,364,719	606,927	2,971,646
2011		2,364,719	606,927	2,971,646
2012		2,364,719	606,927	2,971,646
2013		2,364,932	606,927	2,971,859
2014-2018		11,823,807	3,034,635	14,858,442
2019-2023		11,823,806	3,034,635	14,858,441
2024-2028	$8,740,000	10,033,055	2,567,743	21,340,798
2029-2033	10,615,000	6,446,551	1,645,524	18,707,075
2034-2038	12,905,000	2,086,610	524,624	15,516,234
Total	$32,260,000	$54,037,850	$13,841,796	$100,139,646

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

Loans and Leases Payable

Loans and leases payable at June 30, 2008, consisted of the following:

State Revolving Fund Loan Contract	$2,106,248
California Department of Boating and Waterways	3,321,182
Total	$5,427,430

State Revolving Fund Loan Contract

In 1992 the State of California Water Resources Control Board loaned the City $6,737,658 at 3% interest for the improvement of the Richmond Wastewater Treatment Facility. Payments on the loan are due annually through 2013.

The annual debt service requirements on the State Revolving Fund Loan are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2009	$398,012	$63,187	$461,199
2010	410,170	51,241	461,411
2011	422,475	38,936	461,411
2012	435,221	26,190	461,411
2013	440,370	13,205	453,575
Total	$2,106,248	$192,759	$2,299,007

California Department of Boating and Waterways

The Agency has three loan agreements with the California Department of Boating and Waterways for total borrowings of $9,427,000. Proceeds from the loans were used to finance marina construction projects. The loans bear interest at rates ranging from 4.5% to 7.9% and are due in annual installments through 2042. The total amount outstanding at June 30, 2008 was $3,321,181.

The annual debt service requirements on these loans are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2009	$57,362	$149,453	$206,815
2010	59,943	146,872	206,815
2011	62,641	144,174	206,815
2012	65,459	141,356	206,815
2013	68,405	138,410	206,815
2014-2018	391,064	643,012	1,034,076
2019-2023	487,337	546,738	1,034,075
2024-2028	607,310	426,765	1,034,075
2029-2033	714,786	277,257	992,043
2034-2038	568,109	126,959	695,068
2039-2043	238,766	17,545	256,311
Total	$3,321,182	$2,758,541	$6,079,723

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

2004 Richmond Joint Powers Financing Authority Point Potrero Lease Revenue Note

On May 6, 2004 the Richmond JPFA borrowed $5,424,178 from Comerica Bank under the terms of a Note which bears interest at the rate of 4.75% per annum payable quarterly. Principal payments are due in semi-annual installments until May 1, 2019. The loan provided funds for the construction of an automobile shipping and warehousing facility located in the Port. The Note is a limited obligation of the Authority payable solely from revenues from the facilities leased. Minimum annual lease payments are $509,380 through 2019. During fiscal year 2008, cumulative excess payments received from the lessee were used to repay principal of $1,549,865. The lease was fully repaid during fiscal year 2008.

C. Business-Type Activities – RHA Properties

The following is a summary of RHA Properties long-term debt activities during the fiscal year ended June 30, 2008:

	Balance July 1, 2007	Deletions	Balance June 30, 2008	Due Within One Year	Due in More than One Year
Bonds payable	$33,598,835	($267,647)	$33,331,188	$405,000	$32,926,188

Bonds payable at June 30, 2008 consisted of the following:

RHA Properties Affordable Housing Agency Bonds Series 2003 A	$21,600,000
JPFA Subordinate Multifamily Housing Revenue Bonds Series 2007	11,731,188
	$33,331,188

RHA Properties Affordable Housing Agency Bonds 2003 Series A

The Affordable Housing Agency, a financial intermediary, issued Variable Rate Demand Multifamily Housing Revenue Bonds (Westridge at Hilltop Apartments), 2003 Series A (Senior Bonds), in the initial aggregate principal amount of $23,000,000, and Subordinate Multifamily Housing Revenue Bonds, 2003 Series A-S (Subordinated Bonds), in the initial aggregate principal amount of $12,000,000 and has loaned the proceeds to RHA Properties which used the proceeds to acquire a 401-unit multifamily apartment project.

Pursuant to lease and sublease agreements, RHA Properties remits lease payments to a trustee acting on behalf of the financial intermediary which are sufficient in timing and amount to be used to pay debt service on the bonds. In substance RHA Properties is repaying these Bonds and they have therefore been included in these financial statements.

The ***Senior Bonds*** were issued August 1, 2003, mature on September 15, 2033 and bear a variable rate of interest (3.21% at June 30, 2008) with interest payments due monthly commencing September 15, 2003.

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

Interest rates on the Senior Bonds are reset periodically, using the "put" mechanism described below. The Senior Bonds are periodically subject to repurchase at par, referred to as a "put". Once a put occurs, a remarketing agent resells the Senior Bonds at par by setting new interest rates and repurchase dates. RHA Properties has obtained an irrevocable transferable credit enhancement instrument which expires September 20, 2033 in the amount of $23,000,000 to be used in the event the remarketing agent is unable to resell any Senior Bonds and to ensure RHA Properties will not be required to repurchase the Senior Bonds before they mature. RHA Properties paid the agent an annual fee equal 0.10% of the average aggregate principal amount of Bonds outstanding for the immediately preceding 12 months period.

The annual debt service requirements are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2009	$400,000	$928,230	$1,328,230
2010	400,000	913,576	1,313,576
2011	400,000	895,514	1,295,514
2012	400,000	878,471	1,278,471
2013	500,000	856,319	1,356,319
2014-2018	2,800,000	3,944,252	6,744,252
2019-2023	3,900,000	3,225,967	7,125,967
2024-2028	5,200,000	2,249,387	7,449,387
2029-2033	7,200,000	917,807	8,117,807
2034	400,000	2,901	402,901
Total	$21,600,000	$14,812,424	$36,412,424

The ***Subordinate Bonds*** were issued August 1, 2003, mature December 15, 2033 and are subordinates in payment and security to the Senior Bonds. The Subordinate Bonds bear interest at 6.375% per year, payable semi-annually commencing December 15, 2003. The Bonds were refunded as described below.

JPFA Subordinate Multifamily Housing Revenue Bonds, Series 2007

On April 12, 2007, the Richmond Joint Powers Financing Authority issued $12,540,000 of Subordinate Multifamily Housing Revenue Bonds (Westridge at Hilltop Apartments), Series 2007 to advance refund and defease $11,345,000 of the Subordinate Multifamily Housing Revenue Bonds, 2003 Series A-S (Subordinated Bonds). The ***2007 Series Subordinate Bonds*** bear interest from 3.850% to 5% per annum, payable semi-annually commencing June 15, 2007. Net proceeds were used to purchase U.S. government securities for the 2003 Series A-S Bonds. Those securities were deposited in irrevocable trust with an escrow agent to provide for all future debt service payments. The 2003 Series A-S Bonds are considered to be defeased and the liabilities for those bonds have been removed. As of June 30, 2008 $11,085,000 of the principal remained outstanding on the defeased 2003 Series A-S Bonds.

Bonds outstanding are carried net of the deferred amount of refunding, as follows:

Bonds outstanding	$12,540,000
Deferred amount on refunding	(808,812)
Net	$11,731,188

City of Richmond
Notes to Basic Financial Statements
June 30, 2008

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirements are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2009	$5,000	$599,972	$604,972
2010	290,000	596,989	886,989
2011	300,000	585,508	885,508
2012	310,000	573,218	883,218
2013	325,000	560,170	885,170
2014-2018	1,850,000	2,579,470	4,429,470
2019-2023	2,305,000	2,113,813	4,418,813
2024-2028	2,955,000	1,471,375	4,426,375
2029-2033	3,770,000	645,000	4,415,000
2034	430,000	10,750	440,750
Total	$12,540,000	$9,736,265	$22,276,265

RHA Properties has pledged future revenues to repay the Bonds through 2033. Annual principal and interest payments on the bonds are expected to require less than 17 percent of revenues. The RHA properties total principal and interest remaining to be paid on the bonds is $58,688,689. The RHA properties principal and interest paid for the current fiscal year and total rental revenues were $599,972 and $3,462,561, respectively.

Special Assessment Debt Without City Commitment

Special assessment districts have been established in various parts of the City to provide improvements to properties located in those districts. Properties in these districts are assessed for the cost of improvements; these assessments are payable solely by property owners over the term of the debt issued to finance these improvements. The City is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties in these special assessment districts, nor is it obligated to advance City funds to repay these debts in the event of default by any of these districts. At June 30, 2008, the balance of these Districts' outstanding debts was as follows:

1999 JPFA Revenue Refunding Bonds, Series A, secured solely by revenues from Hilltop Area Development District F and Cutting Boulevard/Canal Boulevard	$1,665,000
Richmond JPFA Reassessment Revenue Bonds, 2003 Series A, secured solely by revenues from Reassessment District 2003-1 (Atlas Interchange/Atlas Road West)	8,085,000
Harbor Navigation Improvement District	1,395,000
Community Facilities District No. 1998-1	3,875,000
San Pablo Avenue Street Lighting District No. 854	60,000
Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2006A (including Series 2006AT)	9,880,000
Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2006B	1,945,000

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

Conduit Debt

The City has assisted private-sector entities by sponsoring their issuance of debt for purposes the City deems to be in the public interest. These debt issues are secured solely by the property financed by the debt. The City is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties secured by these debts, nor is it obligated to advance City funds to repay these debts in the event of default by any of these issuers. At June 30, 2008, the balance of these issuers' outstanding debts was as follows:

Bridge Housing Acquisitions, Inc.	$13,570,000
YMCA of the East Bay, 1996 Revenue Bonds	3,370,000
Baycliff Apartment Project, 2004 Revenue Bonds	32,000,000
Crescent Park Apartment Project, 2007 Series A & Series A-T Revenue Bonds	67,000,000

NOTE 8 - DEFERRED REVENUE

Fund Financial Statements

At June 30, 2008, the following deferred revenues were recorded in the Fund Financial Statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

	General Fund	Redevelopment Agency Administration	Redevelopment Agency Low/Mod Income Housing	Redevelopment Agency Projects	Non- Major Governmental Funds	Total
Loans Receivable	$717,716	$2,688,251	$16,027,594	$10,358,592	$5,715,316	$35,507,469
Grants Receivable					1,146,098	1,146,098
Interest accrual - Advances to other funds	1,546,735					1,546,735
Park & recreation receivable - unearned rents	106,451					106,451
Total	$2,370,902	$2,688,251	$16,027,594	$10,358,592	$6,861,414	$38,306,753

NOTE 9 - DEFICIT FUND BALANCES AND ACCUMULATED DEFICITS

Deficit fund balance of $463,465 and $2,778,497 in the Paratransit Operations and Cost Recovery Special Revenue Funds will be eliminated by future service revenues.

Deficit net assets of $3,580,386 in the Insurance Reserves Internal Service Fund is expected to be eliminated through future increases in service charges.

NOTE 10 - CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Plan Description and Provisions

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

Funding Policy

Active plan members are required by state statute to contribute 7%-8% for miscellaneous and 9% for safety employees of their annual covered salary. The City, as employer, was required to contribute at an actuarially determined rate of 12.641% and 17.512% of annual covered payroll for miscellaneous and safety employees, respectively. Total employer contributions based on the actuarially determined rates amounted to $9,327,481 for the year ended June 30, 2008.

Annual Pension Cost and Net Pension Asset

For 2007-2008, the City's annual pension cost of $11,776,488 for PERS was equal to the City's required and actual contributions and amortization of the prepaid pension contributions discussed below. The required contribution was determined by PERS using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.25% to 14.45% for miscellaneous employees and from 3.25% to 13.15% for safety employees depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization periods at June 30, 2008, were 30 years for both the miscellaneous and the safety employees plans for prior and current service unfunded liability.

NOTE 10 - CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Continued)

The City uses the actuarially determined percentages of payroll to calculate and pay contributions to PERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by PERS, for the last three fiscal years for each Plan were:

Safety Plan:

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

Miscellaneous Plan:

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

The City prepaid its pension contributions with proceeds from the 2005 Pension Obligation Bonds (See Note 7). These prepaid contributions are reflected in the accompanying financial statements as Net Pension Asset which amounted to $106,710,519 at June 30, 2008. During fiscal 2008, the amortization of the prepayment increased the actuarially required contributions by $2,449,007 to arrive at Annual Pension Costs of $11,776,488, as shown below for each Plan:

	Safety	**Miscellaneous**	**Total**
Annual required contribution	$4,655,317	$4,672,164	$9,327,481
Interest on net pension obligation	(4,943,359)	(3,516,504)	(8,459,863)
Adjustment to annual required contribution	6,374,389	4,534,481	10,908,870
Annual pension cost	6,086,347	5,690,141	11,776,488
Contributions made	(4,655,317)	(4,672,164)	(9,327,481)
(Decrease) increase in net pension obligations	1,431,030	1,017,977	2,449,007
Net pension obligation (asset) June 30, 2007	(63,785,279)	(45,374,247)	(109,159,526)
Net pension obligation (asset) June 30, 2008	($62,354,249)	($44,356,270)	($106,710,519)

NOTE 10 - CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Continued)

SCHEDULE OF FUNDING PROGRESS - CALPERS

Safety Plan:

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Actuarial 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	Actuarial 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.

City of Richmond
Notes to Basic Financial Statements
June 30, 2008

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

City of Richmond
Notes to Basic Financial Statements
June 30, 2008

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			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Licenses, permits and fees			$1,037,112	$1,037,112
Use of money and property			774,359	774,359
Intergovernmental			1,500	1,500
Other			326,654	326,654
Total Revenues			2,139,625	2,139,625
EXPENDITURES				
Current:				
Housing and redevelopment	$8,268,803	$8,268,803	6,893,357	1,375,446
Debt service:				
Interest and fiscal charges	1,515,771	1,515,771	1,520,453	(4,682)
Total Expenditures	9,784,574	9,784,574	8,413,810	1,370,764
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,784,574)	(9,784,574)	(6,274,185)	3,510,389
OTHER FINANCING SOURCES (USES)				
Transfers in	9,784,574	9,784,574	13,077,064	3,292,490
Transfers (out)	(5,459,000)	(5,459,000)	(310,036)	5,148,964
Total other financing sources (uses)	4,325,574	4,325,574	12,767,028	8,441,454
NET CHANGE IN FUND BALANCE	(5,459,000)	(5,459,000)	6,492,843	11,951,843
Fund balance, July 1	2,392,604	2,392,604	2,392,604	
Fund balance, June 30	($3,066,396)	($3,066,396)	$8,885,447	$11,951,843

NOTES TO BUDGETARY COMPARISON SCHEDULES

Budgets and Budgetary Accounting

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

The City uses an encumbrance system as an extension of normal budgetary accounting for the General Fund, special revenue funds, and capital projects funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund balance since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end.

An operating budget is adopted each fiscal year for the General Fund, certain Special Revenue Funds (Redevelopment Agency Administration, State Gas Tax, General Purpose, Paratransit Operations, Special Programs, Public Safety, Cost Recovery, Hilltop LMD, and Developer Impact Fees) and certain debt service funds (Redevelopment Agency Debt Service, 2005 Pension Obligation Bonds, and General Debt Service). Public hearings are conducted on the proposed budgets to review all appropriations and sources of financing. Capital projects funds are budgeted by the Mayor and City Council over the term of the individual projects. Since capital projects are not budgeted on an annual basis, they are not included in the budgetary data.

Expenditures are controlled at the fund level for all budgeted departments with in the City. This is the level at which expenditures may not legally exceed appropriations. Budgeted amounts for the Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual include budget amendments approved by City Council.

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected features of the Site Lease, dated as of September 1, 2007, as amended by the First Amendment to Site Lease, dated as of November 1, 2009 (as amended, the "Site Lease"), the Facility Lease, dated as of September 1, 2007, as amended by the First Amendment to Facility Lease, dated as of November 1, 2009 (as amended, the "Facility Lease") and the Indenture, dated as of September 1, 2007, as amended by the First Amendment to Indenture, dated as of May 1, 2008 and as supplemented and amended by the First Supplemental Indenture, dated as of November 1, 2009 (as amended and supplemented, the "Indenture"), are made subject to all of the provisions of such documents and to the discussions of such documents contained elsewhere in this Official Statement. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Series 2009 Bonds are referred to the complete texts of said documents, copies of which are available for inspection at the corporate trust office of the Trustee at 550 South Hope Street, Suite 2650, Los Angeles, California, 90071.

CERTAIN DEFINITIONS

The following are definitions of certain of the terms used in the Facility Lease or Indenture, to which reference is hereby made. The following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

"Act" means the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code of the State), as the same is now in effect and as from time to time hereafter amended or supplemented.

"Additional Bonds" means any Bonds issued under and pursuant to the provisions of the Indenture and a Supplemental Indenture.

"Additional Payments" means all amounts payable to the Authority or the Trustee or any other person from the City as Additional Payments pursuant to the Facility Lease.

"Administrative Fees and Expenses" means any application, commitment, financing or similar fee charged or reimbursement for administrative or other expenses incurred by the Authority or the Trustee, including Additional Payments.

"Authority" means the Richmond Joint Powers Financing Authority, created pursuant to the Act and the Joint Powers Agreement, and its successors.

"Base Rental Payments" means all amounts payable to the Authority from the City as Base Rental Payments pursuant to the Facility Lease.

"Beneficial Owner" means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the Bonds (including any Person holding Bonds through nominees, depositories or other intermediaries).

"Bond Insurance Policy" means the financial guaranty insurance policy issued by the Bond Insurer insuring the payment when due of principal of and interest on the Insured Bonds.

"Bond Insurer" means any issuer of a Bond Insurance Policy with respect to a Series of Bonds and for the Series 2009 Bonds is Assured Guaranty Corporation.

"Bond Interest Term" means, with respect to any Bond, each period established in accordance with the Indenture during which such Bond shall bear interest at a Bond Interest Term Rate.

“Bond Interest Term Rate” means, with respect to each Bond, an interest rate on such Bond established periodically in accordance with the Indenture.

“Bonds” means the Series 2009 Bonds and any Additional Bonds issued, and at any time outstanding, pursuant to the Indenture.

> “Capital Appreciation Bonds” means the Bonds of any Series designated as Capital Appreciation Bonds in a Supplemental Indenture providing for the issuance of such Series and on which interest is compounded and paid at maturity or on prior redemption.
>
> “Current Interest Bonds” means the Series 2007 Bonds and Bonds of any other Series designated as Current Interest Bonds in the Supplemental Indenture providing for the issuance of such Series of Bonds and which pay interest at least semiannually to the Owners thereof excluding the first payment of interest thereon.
>
> “Serial Bonds” means the Bonds, maturing in specified years, for which no Mandatory Sinking Account Payments are provided.
>
> “Term Bonds” means the Bonds payable at or before their specified maturity date or dates from Sinking Fund Installments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.
>
> “Series 2007 Bonds” means the Richmond Joint Powers Financing Authority Lease Revenue Bonds (Refunding and Civic Center Project), Series 2007.
>
> “Series 2009 Bonds” means the Richmond Joint Powers Financing Authority Lease Revenue Refunding Bonds (Civic Center Project), Series 2009.

“Bond Trustee” or “Trustee” means Zions First National Bank, a national banking association organized and existing under and by virtue of the laws of the United States, or its successor, as Bond Trustee under the Indenture.

“Business Day” means any day on which commercial banks located in New York, New York, San Francisco, California, the city in which the Principal Office of the Trustee and, if applicable, the Liquidity Facility Provider is located, and the city in which requests for purchase are to be presented under any Liquidity Facility are not required or authorized to be closed and on which The New York Stock Exchange is open.

“Certificate,” “Statement,” “Request” and “Requisition” of the Authority or of the City means, respectively, a written certificate, statement, request or requisition signed in the name of the Authority by its President, Vice President, Secretary or Assistant Secretary or such other person as may be designated and authorized to sign for the Authority and signed in the name of the City by its Mayor, the City Manager or Assistant City Manager or such other person as may be designated and authorized to sign for the City in writing to the Trustee.

“Civic Center” means the real property generally bounded by Barrett Avenue, Nevin Avenue, 27th Street and 25th Street in the City of Richmond, California, as more fully described in Exhibit A to the Facility ease under the heading “Civic Center.”

“City” means the City of Richmond, a charter city organized and existing under and by virtue of the laws of the State of California.

“Code” means the Internal Revenue Code of 1986, or any successor, statute thereto and any regulations promoted thereunder.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority or the City and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee and its counsel, initial and ongoing fees and charges of the Authority, initial fees and charges of the Escrow Agent and its counsel, initial fees, charges and expenses of the Liquidity Facility Provider (including the fees and expenses of its counsel), title insurance fees, Rating Agency fees, fees and charges for preparation, execution, transportation and safekeeping of the Bonds, legal fees and charges, fees and disbursements of consultants and professionals, and any other cost, charge or fee in connection with the original issuance of the Bonds.

"County" means the County of Contra Costa, California.

"Date of Issuance," with respect to the Series 2007 Bonds, means September 19, 2007, and with respect to the Series 2009 Bonds, means November 25, 2009.

"Debt Service" means, for any Fiscal Year or other period, the sum of (1) the interest accruing during such Fiscal Year or other period on all Outstanding Bonds and Swaps, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds, so long as such funded interest is in an amount equal to the gross amount necessary to pay such interest on the Bonds and is invested in United States Government Obligations which mature no later than the related interest payment date), (2) the principal amount of all Outstanding Serial Bonds maturing during such Fiscal Year or other period, and (3) the principal amount of all Outstanding Term Bonds required to be redeemed or paid (together with the redemption premiums, if any, thereon) during such Fiscal Year; provided, that the foregoing shall be subject to adjustment and recalculation as follows:

(a) with respect to Capital Appreciation Bonds, the Accreted Value payment shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond; and

(b) with respect to Swaps and Swapped Bonds, the interest payments shall be adjusted to give effect to the Swap in such manner and to such extent (1) as may be required under generally accepted accounting principles, consistently applied or (2) as shall be stated in a Certificate of the Authority (which Certificate shall be delivered to the Trustee concurrently with the later of the issuance of the Swapped Bonds or the execution of the Swap) in such manner as shall present fairly the reasonably expected Debt Service on the Swap and Swapped Bonds after the execution of the Swap.

(c) with respect to Variable Rate Bonds, the interest payments shall be calculated at a rate equal to 150% of the highest rate borne by such Bonds in the last 12 months or with respect to the initial issuance of such Variable Rate Bonds at 150% of the highest rate borne by a comparable issue of bonds as certified to by the Remarketing Agent or Broker-Dealer.

"Demised Premises" or "Facilities" means the Civic Center, together with any additional real property added thereto by any supplement or amendment to the Facility Lease, subject, however, to any conditions, reservations and easements of record or known to the City.

"Eligible Bonds" means any Bonds other than Liquidity Facility Bonds or Bonds known to the Trustee to be owned by, for the account of, or on behalf of, the Authority or the City.

"Environmental Regulations" means all Laws and Regulations, now or hereafter in effect, with respect to Hazardous Materials, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended (42 U.S.C. Section 9601, et seq.) (together with the regulations promulgated thereunder, "CERCLA"), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, et seq.) (together with the regulations promulgated thereunder, "RCRA"), the Emergency Planning and Community Right-to-Know Act, as amended (42 U.S.C. Section 11001, et seq.) (together with the regulations promulgated thereunder, "Title III"), the Clean Water Act, as amended (33 U.S.C. Section 1321, et seq.) (together with the regulations promulgated thereunder, "CWA"), the Clean Air Act, as amended (42 U.S.C. Section 7401, et seq.) (together with the regulations promulgated thereunder, "CAA") and the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601, et seq.) (together with the regulations promulgated thereunder, "TSCA"), and any state or local similar laws and regulations and any so-called local, state or federal "superfund" or "superlien" law.

"Escrow Agent" means Union Bank of California, N.A., as escrow agent under the Escrow Agreement relating to the Prior Bonds.

"Escrow Agreement" means that certain Escrow Agreement, dated as of September 1, 2007, by and between the Escrow Agent and the Authority, relating to the Prior Bonds.

"Event of Default" shall have the meaning specified in the Indenture and in the Facility Lease.

"Expiration Date" means (i) the date upon which a Liquidity Facility is scheduled to expire (taking into account any extensions of such Expiration Date by virtue of extensions of a particular Liquidity Facility, from time to time) in accordance with its terms, and (ii) the date upon which a Liquidity Facility terminates following voluntary termination by the City.

"Extraordinary Swap Payment" means any termination payment or any payment other than a Regular Swap Payment due under or pursuant to a Swap.

"Facilities" means the Demised Premises or any City buildings, other improvements and facilities, added thereto or substituted therefor, or any portion thereof, in accordance with the Facility Lease and the Indenture, subject, however, to any conditions, reservations and easements of record known to the City.

"Facility Lease" means that certain lease, entitled "Facility Lease" dated as of September 1, 2007, between the Authority, as lessor, and the City, as lessee, as originally executed and recorded or as it may from time to time be supplemented, modified or amended pursuant to the provisions thereof and of the Indenture.

"Favorable Opinion of Bond Counsel" means an opinion of Bond Counsel, addressed to the Authority, the Trustee and the Bond Insurer to the effect that the action proposed to be taken is authorized or permitted by the laws of the State of California and the Indenture and will not result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

"First Amendment to Facility Lease" means, the First Amendment to Facility Lease, dated as of November 1, 2009, by and between the Authority and the Trustee, amending the Facility Lease.

"First Amendment to Site Lease" means, the First Amendment to Site Lease, dated as of November 1, 2009, by and between the Authority and the Trustee, amending the Site Lease.

"First Supplemental Indenture" means, the First Supplemental Indenture, dated as of November 1, 2009, by and between the Authority and the Trustee, amending and supplementing the Indenture.

"Fixed Rate Conversion Date" means the date on which a Series of Bonds begin to bear interest for a Long-Term Interest Rate Period which extends to the final Maturity Date of such Series of Bonds.

"Hazardous Materials" shall mean any material amount of flammable explosives, polychlorinated biphenyl compounds, heavy metals, chlorinated solvents, cyanide, radon, petroleum products, asbestos or any Asbestos Containing Materials, methane, radioactive materials, pollutants, hazardous materials, hazardous wastes, hazardous, toxic, or regulated substances or related materials, as defined in CERCLA, RCRA, CWA, CAA, TSCA and Title III, and the regulations promulgated pursuant thereto, and in all other Environmental Regulations applicable to the City, any of the Demised Premises or the business operations conducted by the City thereon.

"Holder," "Bondholder" or "Owner," whenever used with respect to a Bond, means the Person in whose name such Bond is registered.

"Insured Bonds" means the Series 2007 Bonds, together with any Bonds identified as Insured Bonds pursuant to a Supplemental Indenture and insured by a Bond Insurance Policy.

"Interest Payment Date" means each February 1 and August 1, commencing on February 1, 2010.

"Interim Facilities" means the real property in the City generally described as the Senior Center, Martin Luther King Park, Booker T. Aderson Park, Fire Station #62, Fire Station #67, Nicholl Park, together with all improvements thereon, and more specifically described in Exhibit A to the Facility Lease, under the heading "Interim Facilities."

"Joint Powers Agreement" means the Joint Exercise of Powers Agreement by and between the City and the Community Development Commission for the City of Richmond, dated as of May 15, 1993, as originally executed and as it may from time to time be amended or supplemented pursuant to the provisions of the Indenture and thereof.

"Investment Securities" means any of the following that at the time are legal investments under the laws of the State of California for moneys held under the Indenture and then proposed to be invested therein:

(a) United States Government Obligations;

(b) bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies or any other like governmental or government-sponsored agencies that are hereafter created: Federal Farm Credit Bank; Federal Intermediate Credit Banks; Federal Financings Bank; Federal Home Loan Bank System; Federal Home Loan Mortgage Corporation; Federal National Mortgage Association; Export-Import Bank of the United States; Farmers Home Administration; and Government National Mortgage Association;

(c) direct and general obligations of any state of the United States of America or any municipality or political subdivision of such state, or obligations of any corporation, if such obligations are rated in one of the two highest Rating Categories by each Rating Agency then rating both the Bonds and such obligations (but in all cases by at least one Rating Agency then rating the Bonds);

(d) commercial paper rated in the highest Rating Category by each Rating Agency then rating both the Bonds and such commercial;

(e) negotiable or non-negotiable certificates of deposit, time deposits, or other similar banking arrangements, issued by any bank or trust company or any savings and loan association, and either (i) the long-term obligations of such bank or trust company are rated in the highest Rating Category by each Rating Agency then rating both the Bonds and such obligations;

(f) repurchase agreements approved in writing by the Bond Insurer;

(g) shares or certificates in any short-term investment fund that is maintained or utilized by the Trustee and which fund invests solely in other Investment Securities;

(h) investment agreements approved in writing by the Bond Insurer;

(i) the Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to the Indenture;

(j) the Contra Costa County Investment Pool, managed by the Treasurer-Tax Collector of the County of Contra Costa, California; and

(k) any other investment approved by each Bond Insurer then providing a Bond Insurance Policy for a Series of Bonds.

“Long-Term Conversion Date” means the date on which a Series of Bonds begin to bear interest at a Long-Term Interest Rate pursuant to the provisions of the Indenture and such term shall include the Fixed Rate Conversion Date for such Series of Bonds.

“Long-Term Interest Rate” means, with respect to a Series of Bonds, an interest rate on such Bonds established in accordance with the Indenture.

“Long-Term Interest Rate Period” means each period during which a Long-Term Interest Rate is in effect for a Series of Bonds.

“Minimum Authorized Denominations” means $5,000 and any integral multiple thereof.

“Noticed Tender Date” means the last Business Day not later than five (5) days after the date on which the Trustee receives written notice from the Liquidity Facility Provider of an event of default under the Liquidity Facility and requesting the Trustee cause a mandatory tender of the Series 2007 Bonds.

“Noticed Termination Date” means the date on which a Liquidity Facility Provider’s obligation to advance funds or purchase Bonds under a Liquidity Facility terminates as stated in the Liquidity Facility Provider’s written notice of termination delivered pursuant to the Liquidity Facility due to a default under specified sections of the Liquidity Facility, which date of termination shall be 30 days (or such longer period as is specified in the Liquidity Facility) after the date of receipt by the Trustee of such notice.

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Authority, the Trustee or the City) selected by the Authority and not objected to by the Trustee.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture, including Bonds (or portions of Bonds) which are disqualified pursuant to the Indenture; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture and when used with reference to Swaps, means all Swaps that have not been terminated pursuant to the terms thereof and all Swaps pursuant to which the Authority has existing or future obligations.

“Permitted Encumbrances” means (1) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, pursuant to the Facility Lease, permit to remain unpaid; (2) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of the Facility Lease in the office of the County Recorder of the County of Contra Costa and which the City certifies in writing will not materially impair the use of the Facilities; (3) the Site Lease, as it may be amended from time to time, and the Facility Lease, as it may be amended from time to time; (4) the Indenture, as it may be amended from time to time; (5) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (6) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions to which the Authority and the City consent in writing; and (7) subleases and assignments of the City which will not adversely affect the exclusion from gross income of interest on the Bonds.

“Principal Office” means, as appropriate, the designated corporate trust office of (1) the Trustee, which as of the date hereof is located at 550 South Hope Street, Suite 2650, Los Angeles, California, Attention: Corporate Trust Services or (2) the Tender Agent, which as of the date hereof, shall be the same as the Trustee.

"Prior Bonds" means the portion being refunded of the Authority's Refunding Revenue Bonds (Lease and Gas Tax Revenues), Series 1995A, its Port Terminal Lease Revenue Bonds, Series 1996, and its Lease Revenue Bonds, Series 2001A.

"Project" means the 2007 Project and any additional facilities or improvements financed with proceeds of Additional Bonds. "2007 Project" means the reconstruction and renovation of portions of the Civic Center pursuant to the Construction Contract.

"Providers" means, collectively, the Swap Providers and the Reserve Facility Provider (if applicable) and any other party to an agreement with the City or the Authority in connection with the Bonds by which any Related Obligation is created.

"Purchase Date" means the date on which Bonds are to be purchased pursuant to the redemption and tender provision of the Indenture.

"Purchase Price" of any Purchased Bond means the principal amount thereof plus accrued interest to, but not including, the Purchase Date; provided, however, that (1) if the Purchase Date for any Purchased Bond is an Interest Payment Date, the Purchase Price thereof shall be the principal amount thereof, and interest on such Bond shall be paid to the Holder of such Bond pursuant to the Indenture and (2) in the case of a purchase on the first day of an Interest Rate Period which is preceded by a Long-Term Interest Rate Period and which commences prior to the day originally established as the last day of such preceding Long-Term Interest Rate Period, "Purchase Price" of any Purchased Bonds means the optional redemption price set forth in the Indenture which would have been applicable to such Bond if the preceding Long-Term Interest Rate Period had continued to the day originally established as its last day, plus accrued interest, if any.

"Purchased Bonds" means the Bonds to be purchased pursuant to the provisions of the Indenture.

"Record Date" means (i) with respect to any Bonds bearing interest at either a Weekly Interest Rate or a Bond Interest Term Rate, the Business Day immediately preceding the related Interest Payment Date, (ii) with respect to any Bonds, the Purchase Date, (iii) with respect to any Bonds bearing interest at a Long-Term Interest Rate, the first day of the month in which such Interest Payment Date falls or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Long-Term Interest Rate Period, such first day and (iv) with respect to any Bonds which are ARS, the second Business Day next preceding each ARS Interest payment Date..

"Redemption Price" means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

"Regular Swap Payment" means any net payment (excluding any termination payment) due on any settlement date based on the swap rate pursuant to the Swap.

"Related Obligations" means the obligations of the Authority under any hedge agreement (including without limitation, the 2007 Swap), credit agreement, liquidity agreement, remarketing agreement or similar agreement entered into in connection with or related to the Bonds or a series thereof.

"Rental Payment Period" means the twelve month period commencing August 1 of each year and ending the following July 31, and the initial period commencing on the effective date of the Facility Lease and ending the following July 31.

"Reserve Facility" means a surety bond or insurance policy issued to the Trustee, on behalf of the Bondholders, by a company licensed to issue an insurance policy guaranteeing the timely payment of the principal of and interest on the Bonds if such entity shall be rated "Aa" by Moody's and "AA" by Standard & Poor's, or higher, or as approved in writing by the Bond Insurer, or a letter of credit issued or confirmed by a state or national bank, or a foreign bank with an agency or branch located in the United States, which has outstanding an issue of unsecured long term debt securities rated at least equal to the second highest rating category by Moody's and S&P, or any combination thereof, or as approved in writing by the Bond Insurer, deposited with the Trustee by the Authority to satisfy the Reserve Fund Requirement; provided that, Reserve Surety Policy No. D-2009-1555, issued by Assured Guaranty Corporation, is an acceptable Reserve Facility.

"Reserve Fund Requirement" means with respect to all Outstanding Bonds an amount equal to the lesser of (i) the maximum annual Debt Service attributable to the Outstanding Bonds and (ii) 125% of average annual Debt Service attributable to the Outstanding Bonds; provided that with respect to the calculation of the Reserve Fund Requirement upon the issuance of an Additional Series of Bonds the amount calculated pursuant to (A) shall be the least of (i) or (ii) above, or the amount derived by the addition of 10% of the proceeds from the sale of such Series of Additional Bonds to the Reserve Fund and provided further that the Reserve Fund Requirement shall be reduced to the extent necessary so that all amounts therein may be deposited from Bond proceeds without requiring a portion thereof to be yield restricted in accordance with requirements of the Code. For purposes of determining the Reserve Fund Requirement, the fixed interest rate assumed for Variable Rate Bonds shall be The Bond Buyer Revenue Bond Index published the week preceding the sale of such Variable Rate Bonds, as certified by the Authority.

"Revenues" means (i) all Base Rental Payments and other payments paid by the City and received by the Authority pursuant to the Facility Lease (but not Additional Payments), (ii) all interest or other income from any investment, pursuant to the Indenture, of any money in any fund or account (other than the Rebate Fund) established pursuant to the Indenture or the Facility Lease, and (iii) Swap Revenues.

"Series 2007 Bonds" means the Richmond Joint Powers Financing Authority Lease Revenue Bonds (Refunding and Civic Center Project), Series 2007.

"Series 2009 Bonds" means the Richmond Joint Powers Financing Authority Lease Revenue Refunding Bonds (Civic Center Project), Series 2009.

"Sinking Fund Installment" means the amount required to be paid by the Authority on any single date for the retirement of the principal of Term Bonds.

"Site Lease" means that certain lease, entitled "Site Lease," by and between the City, as lessor, and the Authority, as lessee, dated as of September 1, 2007, as originally executed and recorded or as it may from time to time be supplemented, modified or amended pursuant to the provisions of the Indenture and thereof.

"Special Record Date" means the date established by the Trustee pursuant to the Indenture as the record date for the payment of defaulted interest on Bonds.

"State" means the State of California.

"Subsequent Project" means any and all facilities and buildings for use by the City, whether within or without the City, and all additions, extensions or improvements thereto added to the Project and hereafter described by a notice to the Trustee.

"Supplemental Indenture" means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is executed in accordance with the procedures authorized under the Indenture.

"Swap" means the 2007 Swap, or an interest rate swap, cap, floor, collar or other hedging transaction which is entered into by the Authority, with the prior written consent of the Bond Insurer, for the purpose of managing interest rate risk with respect to specified Bonds which are being issued concurrently with the execution of the Swap, which are proposed to be issued in connection with such Swap, or which are Outstanding at the time of execution of such Swap.

"Swap Provider" means the 2007 Swap Provider, and any entity which is a party to a Swap with the Authority.

"Swap Revenues" means the sum of money due to be paid by a Swap Party to the Authority pursuant to any Swap subject to any netting of payments provided by the applicable Swap.

"Swapped Bonds" means the Bonds to which a Swap relates.

"2007 Project" means the various capital projects of the City, and payment of any costs associated with financing of said projects, as set forth in Exhibit C to the Facility Lease, including, but not limited to, the Civic Center Project as the same may be amended from time to time by a Certificate of the City delivered to the Trustee.

"2007 Swap" means the ISDA Master Agreement (including the schedule and confirmation thereto, as amended and restated on November 10, 2009), originally dated August 30, 2007, by and between the Authority and the 2007 Swap Provider.

"2007 Swap Provider" means the Royal Bank of Canada, and its successors and assigns.

"Undelivered Bonds" means any Bond which constitutes an Undelivered Bond under the provisions of the Indenture.

"Variable Rate Bonds" means Bonds of any Series which bear interest at a variable interest rate.

"Weekly Interest Rate" means a variable interest rate borne by a Series of Bonds and established in accordance with the Indenture.

"Weekly Interest Rate Period" shall mean each period with respect to a Series of Bonds during which a Weekly Interest Rate is in effect.

SITE LEASE

The City, as lessor, and the Authority, as lessee, will enter into the Site Lease providing for the lease of the Demised Premises prior to the issuance of the Series 2007 Bonds.

The term of the Site Lease as to the Demised Premises will commence on the date of recordation of the Site Lease in the office of the County Recorder of County of Contra Costa, State of California, or on September 19, 2007 whichever is earlier, and shall end on August 1, 2037, for the real property identified in Exhibit A to the Site Lease, unless such term is extended or sooner terminated as provided in the Site Lease. If, on such dates, the Base Rental Payments attributable to the related Demised Premises and all other amounts then due under the Facility Lease with respect to such Demised Premises shall not be fully paid, or if the rental or other amounts payable under the Facility Lease with respect to such Demised Premises shall have been abated at any time and for any reason, then the term of the Site Lease with respect to such Demised Premises shall be extended until ten (10) days after the Base Rental Payments attributable to such Demised Premises and all other amounts then due under the Facility Lease with respect to such Demised Premises shall be fully paid, except that the term of the Site Lease as to the respective Demised Premises shall in no event be extended beyond ten (10) years after such date. If prior to such date, the Base Rental Payments attributable to the related Demised Premises and all other amounts then due under the Facility Lease with respect to such Demised Premises shall be fully paid, the term of the Site Lease with respect to such Demised Premises shall end ten (10) days thereafter or upon written notice by the City to the Authority, whichever is earlier.

Neither the City nor the Authority shall use or permit the Demised Premises or any part thereof to be used to generate, manufacture, refine, treat, store, handle, transport or dispose of, transfer, produce or process Hazardous Materials, except, and only to the extent, if necessary to maintain the improvements on the Demised Premises and then, only in compliance with all Environmental Regulations, and any state equivalent laws and regulations, nor shall it permit, as a result of any intentional or unintentional act or omission on its part or by any tenant, subtenant, licensee, guest, invitee, contractor, employee and agent, the storage, transportation, disposal or use of Hazardous Materials or the pumping, spilling, leaking, disposing of, emptying, discharging or releasing (hereinafter collectively referred to as "Release") or threat of Release of Hazardous Materials on, from or beneath the Demised Premises or onto any other real property excluding, however, those Hazardous Materials in those amounts ordinarily found in the inventory of an office building, the use, storage, treatment, transportation and disposal of which shall be in compliance with all Environmental Regulations. Upon the occurrence of any Release or threat of Release of Hazardous Materials, the City shall promptly commence and perform, or cause to be commenced and performed promptly, without cost to the Trustee, the Authority or the Bond Insurer (as defined in the Indenture), all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to clean up and remove all Hazardous Materials so Released, on, from or beneath the Demised Premises, in compliance with all Environmental Regulations. Notwithstanding anything to the contrary contained in the Site Lease, underground storage tanks shall only be permitted subject to compliance with the Site Lease and only to the extent necessary to maintain the improvements on the Demised Premises.

The City covenants that it is the owner in fee of the Demised Premises. The City further covenants and agrees that if for any reason this covenant proves to be incorrect, the City will either institute eminent domain proceedings to condemn the property or institute a quiet title action to clarify the City's title, and will diligently pursue such action to completion. The City further covenants and agrees that it will hold the Authority and the Bondholders harmless from any loss, cost or damages resulting from any breach by the City of the covenants described in this paragraph.

FACILITY LEASE

The City, as lessee, and the Authority, as lessor, will enter into the Facility Lease providing for the lease of the Demised Premises prior to the issuance of the Series 2007 Bonds.

Commencement of Lease Term as to Project; Possession; Occupancy; Abatement

The term of the Facility Lease will commence on the date of recordation of the Facility Lease in the office of the County Recorder of Contra Costa County, State of California, or on September 19, 2007, whichever is earlier, and shall end on August 1, 2037, unless such term is extended or sooner terminated as provided in the Facility Lease. If on such termination date, the Bonds corresponding to the Base Rental Payments attributable to the related portion of the Demised Premises and all other amounts then due under the Facility Lease with respect to such Demised Premises shall not be fully paid, or if the rental payable under the Facility Lease with respect to such Demised Premises shall have been abated at any time and for any reason, then the term of the Facility Lease with respect to such Demised Premises shall be extended until all Bonds and Related Obligations corresponding to the Base Rental Payments attributable to such Demised Premises and all other amounts then due under the Facility Lease with respect to such Facility shall be fully paid, except that the term of the Facility Lease as to the respective Demised Premises shall in no event be extended beyond ten (10) years after such date. If prior to such date, all Bonds corresponding to the Base Rental Payments attributable to the related Demised Premises and all other amounts then due under the Facility Lease with respect to such Demised Premises shall be fully paid, or provision therefor made, the term of the Facility Lease with respect to such Demised Premises shall end ten (10) days thereafter or upon written notice by the City to the Authority, whichever is earlier.

Release of Interim Facilities

The City and the Authority agree pursuant to the Facility Lease that the portions of the Demised Premises consisting of the Interim Facilities will be released from the Site Lease and the Facility Lease and shall no longer be encumbered thereby or by the Indenture at such time as the City has filed the following with the Authority, the Trustee and the Bond Insurer:

(a) A Certificate of completion and acceptance of the 2007 Project, as set forth in the Facility Lease, by the City.

(b) A Certificate of Occupancy of the 2007 Project issued by the appropriate City building official.

(c) A Certificate of the City to the effect that no Event of Default and no event causing an abatement of Base Rental Payments under the Facility Lease has occurred and is continuing and that after giving effect to the release of the above properties, the annual aggregate fair rental value of the remaining Demised Premises encumbered by the Facility Lease is in an amount no less than an amount equal to the maximum amount of Base Rental Payments becoming due in the then current year ending July 31 or in any subsequent year ending July 31.

Upon such a filing, the Authority shall execute such conveyances, deeds and other documents as may be necessary to evidence the ownership of the Interim Facilities by the City free and clear of the Facility Lease and the Site Lease and to clarify the title of the City on the record thereof.

Substitution

The City and the Authority may substitute real property as part of the Demised Premises for purposes of the Facility Lease, but only after the City shall have received the written consent of the Bond Insurer, and shall have filed with the Authority and the Trustee, with copies to each rating agency then providing a rating for the Bonds, all of the following:

(a) Executed copies of the Facility Lease or amendments thereto containing the amended description of the Demised Premises, including the legal description of the Demised Premises as modified if necessary.

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

(c) A Certificate of the City, together with an appraisal performed by an independent appraiser, evidencing that the annual fair rental value of the Demised Premises which will constitute the Demised Premises after such substitution will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current year ending July 31 or in any subsequent year ending July 31.

(d) A Certificate of the City stating that, based upon review of such instruments, certificates or any other matters described in such Certificate of the City, the City has good merchantable title to the Facilities which will constitute the Facilities after such substitution. The term "Good Merchantable Title" shall mean such title as is satisfactory and sufficient for the needs and operations of the City.

(e) A Certificate of the City stating that such substitution does not adversely affect the City's use and occupancy of the Facilities.

(f) An Opinion of Counsel stating that such amendment or modification (i) is authorized or permitted by the Constitution and laws of the State and the Indenture; (ii) complies with the terms of the Constitution and laws of the State and of the Indenture; (iii) will, upon the execution and delivery thereof, be valid and binding upon the Authority and the City; and (iv) will not cause the interest on the Bonds to be included in gross income for federal income tax purposes.

Rental Payments

Base Rental Payments. The City agrees to pay to the Authority, as Base Rental Payments for the use and occupancy of the Facilities, including the Demised Premises, annual rental payments all in accordance with the Base Rental Payment Schedule attached to the Facility Lease. Base Rental Payments will be calculated on an annual basis, for the 12-month periods commencing on August 1 and ending on July 31, except that the first Base Rental Payment Period shall commence on the date of recordation of the Facility Lease and shall end on July 31,

2008. Base Rental Payments are to be paid by the City in two semi-annual installments on January 15 and July 15 of each year, commencing on January 15, 2010, which amount will vary from time to time, as required by the Authority to pay the principal of and interest on the Bonds and any Related Obligations (which includes payments on the Amended Swap Agreement) due on or before February 1 and August 1 of each year; provided that the aggregate Base Rental Payment installments for any Rental Payment Period shall not exceed the Maximum Annual Rental (defined as $13,000,000); provided that the aggregate Base Rental Payment installments for any Rental Payment Period shall not exceed the Maximum Annual Rental; and provided further that to the extent the Authority has received revenues available to pay debt service on the Bonds and any amounts due with respect to the Related Obligations and has deposited such revenues with the Trustee by the Business Day preceding the first (1^{st}) day of any semi-annual period in which a Base Rental Payment is due, the City shall receive a credit to the extent of such revenues on the installment of the Base Rental Payment for said period. For the purpose of calculating the amount of Base Rental Payments relating to Bonds and Related Obligations bearing interest at a variable rate an interest rate of 12% per annum shall be assumed. Each Base Rental Payment shall be for the use of the Facilities for the 12-month period commencing on August 1 of the period in which such installments are payable. Each annual payment of Base Rental shall be for the use of the Facilities, including the Demised Premises. If the term of the Facility Lease has been extended pursuant to its terms, Base Rental Payment installments will continue to be due on each January 15 and July 15, and payable prior thereto as described above, continuing to and including the date of termination of the Facility Lease. Upon such extension of the Facility Lease, the City shall deliver to the Trustee a Certificate setting forth the extended rental payment schedule, which schedule shall establish the Base Rental Payments at Maximum Annual Rental or such lesser amount sufficient to pay all unpaid principal and interest on the Bonds and Related Obligations plus interest and to pay any Reserve Facility Costs.

The City and the Authority agree that on each day on which Base Rental Payments are payable during the term of the lease of the Facilities, there shall be applied as a credit against the Base Rental Payments payable on such date for the Facilities the amounts by which such Base Rental Payments for the Facilities when added to the funds held pursuant to the Indenture (other than the Reserve Fund and, with respect to any principal component, the Interest Reserve Account) and available to pay debt service on the Bonds and any Related Obligations exceeds such payment obligations due and payable on or before the first (1^{st}) day of the immediately succeeding semi-annual period.

Additional Payments. The City will also pay such amounts (herein called the "Additional Payments") as will be required by the Authority for the payment of all costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Facility Lease or any pledge of Base Rental payable thereunder, the Indenture, the Reserve Facility, its interest in the Demised Premises and the lease of the Facilities to the City, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Authority related to the Bonds, the Related Obligations, the Demised Premises, the Facilities and the Project, including, without limiting the generality of the foregoing, salaries and wages of employees, all expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or architects, and all other necessary administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Certificates or of the Indenture, and any reimbursement obligations of the Authority to the Bond Insurer; but not including in Additional Payments amounts required to pay the principal of or interest on the Bonds or the portion of any Reserve Facility Costs related thereto or payments on Related Obligations. Such Additional Payments will be billed to the City by the Authority or the Trustee from time to time pursuant to the Facility Lease.

Payment Provisions. The Authority and the City recognize the Authority is financing certain payments from the proceeds of its Bonds. At the request of the City, the Authority is issuing a portion of the Bonds as variable rate bonds in an effort to provide a lower cost to the City for the leasing of the Facilities. It is contemplated by the parties to the Facility Lease that the amount of Base Rental Payments to be payable by the City to the Authority during each Rental Payment Period will be more than the amount needed in such Rental Payment Period by the Authority to pay the principal of and interest on the Bonds and any Related Obligations. The Authority agrees that if on any Base Rental payment date, the amount of Base Rental Payments available pursuant to the Facility Lease shall exceed the amount needed by the Authority to pay the principal of and interest on the Bonds and any Related Obligations coming due in the succeeding semi-annual period, the excess amount may be deferred by the Authority, at its sole option, on such terms and conditions as it shall determine are necessary to protect the interests of the owners of the Bonds and the providers of any Related Obligations, and thereupon such excess amount need not be paid by the City to the Authority at that time, but instead shall be deferred until such subsequent time as the Authority shall have need for such payment; provided that on each July 15 any deferred amount in excess of 200% of the Maximum Annual Rental not needed by the Authority to pay the principal of and interest on the Bonds or any Related Obligation on such date shall be waived by the Authority and such amount shall no longer be an obligation of the City. If in any future semi-annual period during the applicable Rental Payment Period the principal of and interest on the Bonds and any Related Obligations shall exceed the expected amount of Base Rental Payments payable by the City to the Authority in such semi-annual period, the City shall pay the difference from such deferred rental; provided that the total amount of such deferred rental payable under the Facility Lease in any Rental Payment Period shall not exceed 200% of the maximum Annual Rental. Each installment of rental payable under the Facility Lease shall be paid in lawful money of the United States of America to or upon the order of the Authority at the corporate trust office of the Trustee, or such other place as the Authority shall designate and in the case of Related obligations, directly to the provider of such Related Obligations. Any such installment of rental accruing under the Facility Lease which shall not be paid when due and payable under the terms of the Facility Lease shall bear interest at the rate of 12% per annum, or such lesser rate of interest as may be permitted by law, from the date when the same is due under the Facility Lease until the same shall be paid. Amounts required to be deposited by the City with the Trustee pursuant to this paragraph on any date shall be reduced to the extent of amounts on deposit in the Revenue Fund and available therefor.

Abatement of Rental

The Base Rental Payments and Additional Payments shall be abated proportionately during any period in which by reason of any damage or destruction (other than by condemnation, or planned demolition as part of the Project) there is substantial interference with the use and occupancy of the Demised Premises by the City, in the proportion in which the initial cost of that portion of the Demised Premises rendered unusable bears to the initial cost of the whole of the Demised Premises. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Facility Lease shall continue in full force and effect and the City waives the benefits of California Civil Code Section 1932(2) and 1933(4) and of Title 11 of the United States Code, Section 365(h) and any and all other rights to terminate the Facility Lease by virtue of any such damage or destruction.

During the period of construction of the 2007 Project, the City will be continuously occupying the Civic Center and will be operating the various facilities thereon that are then operable as the Civic Center. To the extent that existing facilities located in the Civic Center are operable as temporary facilities during construction of the 2007 Project, then any abatement of rental shall be reduced by the fair rental value of the use of such other operable facilities as determined by the City in a Certificate of the City delivered to the Authority.

Payments to be Unconditional

Notwithstanding any dispute among the Authority, the City and any provider of a Related Obligation, the City shall make all rental payments when due without deduction or offset of any kind and shall not withhold any rental payments pending the final resolution of such dispute. In the event of a determination that the City was not liable for said rental payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent rental payments due under the Facility Lease or refunded at the time of such determination.

Appropriations Covenant

The City covenants to take such action as may be necessary to include all such Base Rental Payments and Additional Payments due under the Facility Lease in its annual budgets and to make the necessary annual appropriations for all such Base Rental Payments and Additional Payments; provided that, the amount of Base Rental included in the City's initial budget each year shall equal the Debt Service on the outstanding Bonds and amounts payable with respect to any Related Obligations; provided that such amounts are less than the Maximum Annual Rental and any deferred rental available pursuant to the Facility Lease. The City will deliver to the Authority and the Trustee within 60 days of adoption of the City budget a Certificate of the City stating that the budget as adopted appropriates all moneys necessary for the payment of Base Rental Payments and Additional

Payments as so calculated under the Facility Lease. If in any fiscal year, the amount initially budgeted is insufficient to pay actual debt service on the Bonds and Related Obligations, the City shall by supplemental budget in such fiscal year appropriate and pay such additional amounts until the total amount appropriated for Base Rental equals Maximum Annual Rental plus any deferred rental required to be paid pursuant to the Facility Lease.

The Authority and the City understand and intend that the obligation of the City to pay Base Rental Payments and Additional Payments under the Facility Lease constitute a current expense of the City and are not in any way a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, nor will anything contained in the Facility Lease constitute a pledge of the general tax revenues, funds or moneys of the City. Base Rental Payments and Additional Payments due under the Facility Lease will be payable only from current funds which are budgeted and appropriated or otherwise legally available for the purpose of paying Base Rental Payments and Additional Payments or other payments due under the Facility Lease as consideration for use of the Demised Premises. The Facility Lease will not create an immediate indebtedness for any aggregate payments which may become due thereunder in the event that the term of the Facility Lease is continued. The City has not pledged the full faith and credit of the City, the State of California or any agency or department thereof to the payment of the Base Rental Payments and Additional Payments or any other payments due under the Facility Lease.

Maintenance and Utilities

During such time as the City is in possession of the Demised Premises (which, with respect to the Civic Center, will commence following completion of the 2007 Project), all maintenance and repair, both ordinary and extraordinary, of the Facilities will be the responsibility of the City, which will at all times maintain or otherwise arrange for the maintenance of the Demised Premises in first class condition, and the City will pay for or otherwise arrange for the payment of all utility services supplied to the Demised Premises, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services, and shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the Demised Premises resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof or any other cause and will pay for or otherwise arrange for the payment of all insurance policies required to be maintained with respect to the Demised Premises. In exchange for the rental provided in the Facility Lease, the Authority agrees to provide only the Demised Premises.

Changes to the Demised Premises

The City has the right, at its own expense, to remodel the Demised Premises or to make additions, modifications and improvements to the Demised Premises. All such additions, modifications and improvements will thereafter comprise part of the Demised Premises and be subject to the provisions of the Facility Lease. Apart from demolition and site preparation activities contemplated with respect to the 2007 Project, such additions, modifications and improvements may not otherwise damage the Demised Premises or cause them to be used for purposes other than those authorized under the provisions of State and federal law; and the Demised Premises, upon completion of any additions, modifications and improvements made pursuant to the Facility Lease, must be of a value which is at least equal to the value of the Demised Premises immediately prior to the making of such additions, modifications and improvements.

Installation of City's Equipment

The City and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Demised Premises. All such items will remain the sole property of such party, in which neither the Authority nor the Trustee will have any interest, and may be modified or removed by such party at any time provided that such party will repair and restore any and all damage to the Demised Premises resulting from the installation, modification or removal of any such items.

Fire and Extended Coverage and Earthquake Insurance

The City will procure and maintain, throughout the term of the Facility Lease insurance against loss or damage to any structures constituting any part of the Demised Premises by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance and sprinkler system leakage insurance, flood insurance, but only with respect to such portion of the Demised Premises that are situated in any zone designated by the U.S. Government as a flood zone, and earthquake insurance if available on the open market from reputable insurance companies at a reasonable cost, as determined by the City. Said extended coverage insurance will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance will be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Demised Premises, excluding the cost of excavations, of grading and filling, and of the land (except that such insurance may be subject to deductible clauses for any one loss of not to exceed $500,000 or a comparable amount adjusted for inflation or more in the case of earthquake insurance), or, in the alternative, will be in an amount and in a form sufficient (together with moneys held under the Indenture), in the event of total or partial loss, to enable all Bonds then Outstanding to be redeemed.

In the event of any damage to or destruction of any part of the Demised Premises caused by the perils covered by such insurance, the Authority, except as otherwise provided in the Facility Lease, will cause the proceeds of such insurance to be used for the repair, reconstruction or replacement of the damaged or destroyed portion of the Demised Premises, or, alternatively, the Authority, at its option, with the written consent of the City, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to redeem an aggregate principal amount of Outstanding Bonds equal to the amount of Base Rental attributable to the portion of the Demised Premises so destroyed or damaged (determined by reference to the proportion which the cost of such portion of the Facilities bears to the aggregate cost of the Facilities), may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Facilities and thereupon will cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the provisions of the Indenture.

As an alternative to providing the insurance required above, or any portion thereof, the City may, with the consent of the Bond Insurer, provide a self insurance method or plan of protection if and to the extent such self insurance method or plan of protection shall afford reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State of California other than the City. So long as such method or plan is being provided to satisfy the requirements of the Facility Lease, there shall be filed annually with the Trustee a statement of an actuary, insurance consultant or other qualified person (which may not be an officer or employee of the City), stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the Facility Lease and, when effective, would afford reasonable coverage for the risks required to be insured against. There shall also be filed a Certificate of the City setting forth the details of such substitute method or plan. In the event of loss covered by any such self insurance method, the liability of the City under the Facility Lease shall be limited to the amounts in the self insurance reserve fund or funds created under such method.

Liability Insurance

Except as provided in the next paragraph, the City shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facility Lease, a standard comprehensive general liability insurance policy or policies in protection of the Authority and its members, directors, officers, agents and employees and the Trustee, indemnifying said parties against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the operation of the Demised Premises, with minimum liability limits of $1,000,000 for personal injury or death of each person and $3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of $200,000 for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of $3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the City.

As an alternative to providing the insurance required above, or any portion thereof, the City may, with the consent of the Bond Insurer, provide a self insurance method or plan of protection if and to the extent such self insurance method or plan of protection shall afford reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State of California other than the City. So long as such method or plan is being provided to satisfy the requirements of the Facility Lease, there shall be filed annually with the Trustee a statement of an actuary, independent insurance consultant or other qualified person (which may not be an officer or employee of the City), stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the Facility Lease and, when effective, would afford reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee against loss and damage from the hazards and risks covered thereby. There shall also be filed a Certificate of the City setting forth the details of such substitute method or plan.

Rental Interruption or Use and Occupancy Insurance

The City shall procure and maintain or caused to be procured and maintained throughout the term of the Facility Lease rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Demised Premises as the result of any of the hazards covered by the insurance required by the Facility Lease (provided with respect to earthquake insurance, only if available on the open market from reputable insurance companies at a reasonable cost, as determined by the City, and provided further that such rental interruption insurance coverage may not be provided by a plan of self insurance), in an amount sufficient to pay the part of the total rent under the Facility Lease attributable to the portion of the Demised Premises rendered unusable for a period of at least two years, except that such insurance may be subject to a deductible clause of not to exceed $250,000 or a comparable amount adjusted for inflation or more in the case of earthquake coverage. Any proceeds of such insurance shall be used by the Trustee to reimburse to the City any rental theretofore paid by the City under the Facility Lease attributable to such structure for a period of time during which the payment of rental under the Facility Lease is abated, and any proceeds of such insurance not so used shall be applied as provided in the Facility Lease to the extent required for the payment of Base Rental Payments and Additional Payments and any remainder shall be treated as Revenue under the Indenture.

Evidence of Title

The City shall obtain, for the benefit of the Authority and the Trustee, upon the execution and delivery of the Facility Lease, title insurance on the Demised Premises in an amount equal to the aggregate principal amount of the Series 2007 Bonds less the Reserve Fund Requirement, issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances.

Eminent Domain

If the whole of the Demised Premises or so much thereof as to render the remainder unusable for the purposes for which it was used by the City is taken under the power of eminent domain, the term of the Facility Lease will cease as of the day that possession is so taken. If less than the whole of the Demised Premises is taken under the power of eminent domain and the remainder is usable for the purposes for which it was used by the City at the time of such taking, then the Facility Lease will continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there will be a partial abatement of the rental due under the Facility Lease in an amount equivalent to the amount by which the annual payments of principal of and interest on the Bonds then Outstanding will be reduced by the application of the award in eminent domain to the redemption of Outstanding Bonds. So long as any of the Bonds are Outstanding, any award made in eminent domain proceedings for taking the Demised Premises, or any portion thereof will be applied to the prepayment of Base Rental Payments as provided in the Facility Lease. Any such award made after all of the Base Rental Payments and Additional Payments have been fully paid, or provision made therefor, will be paid to the City.

Default; Remedies

If the City fails to pay any rental or other amount payable under the Facility Lease when the same becomes due and payable, time being expressly declared to be of the essence of the Facility Lease, or the City fails to keep, observe or perform any other term, covenant or condition contained in the Facility Lease or in the Indenture to be kept or performed by the City for a period of 60 days after notice of the same has been given to the City by the

Authority, the Bond Insurer or the Trustee or for such additional time as is reasonably required, in the sole discretion of the Authority to correct the same, or upon the happening of any of the events specified below (any such case above being an "Event of Default"), the City will be deemed to be in default under the Facility Lease, and it will be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to the Facility Lease. Upon any such default, the Authority, in addition to all other rights and remedies it may have at law, shall have the option, without terminating the Facility Lease, (i) to collect each installment of rent as it becomes due and enforce any other terms or provision of the Facility Lease to be kept or performed by the City, regardless of whether or not the City has abandoned the Demised Premises, or (ii) to exercise any and all rights of re-entry upon the Demised Premises. So long as the Facility Lease is not terminated, the City will remain liable and agrees to keep or perform all covenants and conditions contained in the Facility Lease to be kept or performed by the City and, if the Demised Premises are not re-let, to pay the full amount of the rent to the end of the term of the Facility Lease or, in the event that the Facilities are re-let, to pay any deficiency in rent that results therefrom; and further agrees to pay said rent and/or rent deficiency punctually at the same time and in the same manner as provided above for the payment of rent under the Facility Lease (without acceleration), notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years rental and other amounts in excess of the rental therein specified and notwithstanding any entry or re-entry by the Authority or suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such entry or re-entry or obtaining possession of the Facilities. Should the Authority elect to enter or re-enter as provided in the Facility Lease, the City irrevocably appoints the Authority as the agent and attorney-in-fact of the City to re-let the Demised Premises, or any part thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable, and to remove all persons in possession thereof and all personal property whatsoever situated upon the Demised Premises and to place such personal property in storage in any warehouse or other suitable place within the City, for the account of and at the expense of the City, and the City exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Demised Premises and removal of and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Facility Lease.

If (1) the City's interest in the Facility Lease or any part thereof is assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Authority, or if (2) the City or any assignee files any petition or institutes any proceeding under any act or acts, State or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or obligations or offers to the City's creditors to effect a composition or extension of time to pay the City's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character are filed or instituted or taken against the City, or if a receiver of the business or of the property or assets of the City is appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the City makes a general or any assignment for the benefit of the City's creditors, or if (3) the City abandons or vacates any part of the Demised Premises (except pursuant to certain provisions of the Facility Lease), then the City will be deemed to be in default under the Facility Lease.

In addition to the other remedies set forth in the Facility Lease, upon the occurrence of an event of default, the Authority shall proceed to protect and enforce the rights vested in the Authority by the Facility Lease or by law. The provisions of the Facility Lease and the duties of the City and of its trustees, officers or employees are enforceable by the Authority by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority may bring the following actions:

(1) Accounting. By action or suit in equity to require the City and its trustees, officers and employees and its assigns to account as the trustee of an express trust.

(2) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Authority.

(3) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the Authority's rights against the City (and its board, officers and employees) and to compel the City to perform and carry out its duties and its covenants and agreements with the Authority as provided in the Facility Lease.

The exercise of any rights or remedies under the Facility Lease shall not permit acceleration of Base Rental payments.

The Authority and the City acknowledge that, pursuant to the Indenture, upon the occurrence and continuance of an Event of Default thereunder, the Bond Insurer is entitled to control and direct the enforcement of all rights and remedies granted to the Trustee for the benefit of the Owners of the Series 2007 Bonds.

Prepayment

(a) The City shall prepay on any date from insurance (including proceeds of title insurance) and eminent domain proceeds, to the extent provided in the Facility Lease (provided, however, that in the event of partial damage to or destruction of the Demised Premises caused by perils covered by insurance, if in the judgment of the Authority the insurance proceeds are sufficient to repair, reconstruct or replace the damaged or destroyed portion of the Facilities, such proceeds shall be held by the Trustee and used to repair, reconstruct or replace the damaged or destroyed portion of the Demised Premises, pursuant to the procedure set forth in the Facility Lease for proceeds of insurance), all or any part of Base Rental Payments then unpaid so that the aggregate annual amounts of Base Rental Payments which will be payable after such prepayment date will be as nearly proportional as practicable to the aggregate annual amounts of Base Rental Payments unpaid prior to the prepayment date (taking into account the reduction in Base Rental allocable to future interest on the Bonds that are redeemed), at a prepayment amount equal to the redemption payment of the maximum amount of Bonds, including the principal thereof and the interest thereon to the date of redemption, plus any applicable premium redeemable from such proceeds.

(b) The City may prepay, from any source of available funds, all or any portion of Base Rental Payments by depositing with the Trustee moneys or securities as provided in the defeasance provisions of the Indenture sufficient to defease Bonds corresponding to such Base Rental Payments when due; provided that the City furnishes the Trustee with an Opinion of Counsel that such deposit will not cause interest on the Bonds to be includable in gross income for federal income tax purposes. The City agrees that if following such prepayment the Demised Premises are damaged or destroyed or taken by eminent domain, it is not entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and will not be entitled to any reimbursement of such Base Rental Payments.

(c) Before making any prepayment pursuant to the Facility Lease, the City will, within five (5) days following the event creating such right or obligation to prepay, give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be made, which date shall be not less than 45 days from the date such notice is given.

(d) When (1) there has been deposited with the Trustee at or prior to the due dates of the Base Rental Payments or date when the City may exercise its option to purchase the Demised Premises or any portion or item thereof, in trust for the benefit of the Owners of the Bonds and irrevocably appropriated and set aside to the payment of the Base Rental Payments or option price, sufficient moneys and Permitted Investments described in subparagraph (1) of the definition thereof in the Indenture, not redeemable prior to maturity, the principal of and interest on which when due will provide money sufficient to pay all principal, premium, if any, and interest on the Bonds to the due date of the Bonds or date when the City may exercise its option to purchase the Demised Premises, as the case may be; (2) all requirements of the defeasance provisions of the Indenture have been satisfied; and (3) an agreement has been entered into with the Trustee for the payment of its fees and expenses so long as any of the Bonds remain unpaid, then and in that event the right, title and interest of the Authority in the Facility Lease and the obligations of the City thereunder will thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Authority and the obligation of the City to have such moneys and such Permitted Investments applied to the payment of the Base Rental Payments or option price) and the Authority's interest in and title to the Project or applicable portion or item thereof will be transferred and conveyed to the City. In such event, the Authority shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the Authority and evidence such discharge and satisfaction, and the Authority shall pay over to the City as an overpayment of Base Rental Payments all such moneys or Permitted Investments held by it pursuant to the Facility Lease other than such moneys and such Permitted Investments as are required for the payment or prepayment of the Base Rental Payments or the option price and the fees and expenses of the Trustee, which moneys and Permitted Investments will continue to be held by the Trustee in trust for the payment of Base Rental Payments or the option price and the fees and expenses of the Trustee and applied by the Authority to the payment of the Base Rental Payments or the option price and the fees and expenses of the Trustee.

Option to Purchase; Sale of Personal Property

The City will have the option to purchase the Authority's interest in any part of the Demised Premises upon payment of an option price consisting of moneys or securities of the category specified in clause (1) of the definition of the term Permitted Investments contained in the Indenture (not callable by the issuer thereof prior to maturity) in an amount sufficient (together with the earnings and interest on such securities) to provide funds to pay the aggregate amount for the entire remaining term of the Facility Lease of the part of the total rent under the Facility Lease attributable to such part of the Demised Premises (determined by reference to the proportion which the cost of such part of the Demised Premises bears to the cost of all of the Demised Premises). Any such payment will be made to the Trustee and will be treated as rental payments and will be applied by the Trustee to pay the principal of and interest on the Bonds and to redeem Bonds if such Bonds are subject to redemption pursuant to the terms of the Indenture. Upon the making of such payment to the Trustee, (a) the Base Rental Payments thereafter payable under the Facility Lease will be reduced by the amount thereof attributable to such part of the Demised Premises and theretofore paid as described in this paragraph, (b) the abatement provision of the Facility Lease will not thereafter be applicable to such part of the Demised Premises, (c) the insurance required by the Facility Lease need not be maintained as to such part of the Demised Premises, and (d) title to such part of the Demised Premises and of the portion of the Demised Premises upon which such part of the Demised Premises is located will vest in the City and the term of the Facility Lease will end as to the portion of the Demised Premises upon which such part of the Demised Premises is located and to such part of the Demised Premises.

The City, in its discretion, may request the Authority to sell or exchange any personal property which may at any time constitute a part of the Demised Premises, and to release said personal property from the Facility Lease, if (a) in the opinion of the City the property so sold or exchanged is no longer required or useful in connection with the operation of the Demised Premises, (b) the consideration to be received from the property is of a value substantially equal to the value of the property to be released, and (c) if the value of any such property will, in the opinion of the Authority, exceed the amount of $100,000, the Authority will have been furnished a certificate of an independent engineer or other qualified independent professional consultant (satisfactory to the Authority) certifying the value thereof and further certifying that such property is no longer required or useful in connection with the operation of the Demised Premises. In the event of any such sale, the full amount of the money or consideration received for the personal property so sold and released will be paid to the Authority. Any money so paid to the Authority may, so long as the City is not in default under any of the provisions of the Facility Lease, be used upon the Written Request of the City to purchase personal property, which property will become a part of the Demised Premises leased under the Facility Lease. The Authority may require such opinions, certificates and other documents as it may deem necessary before permitting any sale or exchange of personal property subject to the Facility Lease or before releasing for the purchase of new personal property money received by it for personal property so sold.

THE INDENTURE

The Indenture, among other things, sets forth the terms of the Bonds, the nature and extent of security, the various rights of the Holders of the Bonds, provides for the creation of certain of the funds described below, includes certain covenants of the Authority, defines events of default and remedies therefor, and sets forth the rights and responsibilities of the Trustee.

Certain provisions of the Indenture setting forth the terms of the Series 2009 Bonds, the redemption provisions thereof and the use of the proceeds of the Series 2009 Bonds are set forth elsewhere in this Official Statement. See “ESTIMATED SOURCES AND USES OF FUNDS,” “THE SERIES 2009 BONDS” and “SECURITY FOR THE SERIES 2009 BONDS.”

The Trustee

Zions First National Bank has been appointed by the Authority as Trustee. The Trustee will receive all of the Bond proceeds and the Revenues for disbursement in conformity with the Indenture. In addition, the Trustee will act as Tender Agent of the Bonds. Payments of principal of, interest or redemption premiums, if any, on the Bonds will be made through the Los Angeles, California, corporate trust office of the Trustee.

Pledge of Revenues; Creation of Special Funds and Accounts

All Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Indenture (other than amounts on deposit in the Bond Purchase Fund and the Rebate Fund) are irrevocably pledged to secure the payment of the principal of and premium, if any, and interest on the Bonds as provided in the Indenture, and to secure the payment of any Related Obligations, and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted under the Indenture. This pledge constitutes a first lien on and security interest upon the Revenues and all other moneys on deposit in the funds and accounts established un the Indenture (excluding amounts on deposit in the Bond Purchase Fund and the Rebate Fund) for the payment of the interest on and principal of the Bonds in accordance with the terms of the Indenture and of the Bonds and the amounts due and payable by the Authority in connection with any Related Obligations.

The Indenture provides for the establishment of the following special trust funds and accounts, among others, all to be held and administered by the Trustee: the Revenue Fund (within which the Interest Account, the Principal Account and the Provider Payment Account are established and maintained), the Costs of Issuance Fund, the Series 2009 Bonds Costs of Issuance Fund, the Project Fund (within which the 2007 Bond Proceeds Account, the Agency Account, the City Equity Account and the Owner Contingency Account are established and maintained), the Reserve Fund, the Bond Purchase Fund, the 2007 Capitalized Interest Fund (within which the Bond Proceeds Account and the City Equity Account are established and maintained), the 2007 Capitalized Fees Fund (within which the Bond Proceeds Account and the City Equity Account are established and maintained), the Redemption Fund (within which the Optional Redemption Account and the Special Redemption Account are established and maintained), and the Rebate Fund. All money in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds and any Regular Swap Payments as they become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity) pursuant to the Indenture. All money in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as it become due and payable, whether at maturity or redemption, except that any money in any sinking account will be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such sinking account was created. All money in the Provider Payment Account will be used and withdrawn by the Trustee solely for the purpose of paying any amounts owed to Providers, including Extraordinary Swap Payments or other amounts with respect to Related Obligations as they become due and payable; provided, however, that payment of such amounts is subordinate to all amounts then due and payable on all Bonds and any Regular Swap Payments. Moneys in the Reserve Fund will be used to replenish the Interest Account and the Principal Account, in that order, to the extent there are insufficient amounts in either of such accounts. Moneys in the Costs of Issuance Fund will be used to pay the Costs of Issuance of the Bonds. Moneys in the Project Fund will be used and withdrawn by the Trustee to pay costs of the Project. Moneys in the Bond Purchase Fund will be used and withdrawn by the Trustee exclusively for the satisfaction of any claim for the Purchase Price of Tendered Bonds. Interest payments becoming due and payable on Moneys in the Redemption Fund will be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, as specified in the Indenture. Moneys in the Rebate Fund will be used to make payments to the United States of America.

Revenue Fund

On or before the dates specified below, the Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

First: to the Interest Account, on or before each Interest Payment Date and Swap Payment Date, the amount of interest becoming due and payable on such Interest Payment Date on all Bonds and any Regular Swap Payments becoming due and payable on Swaps, until the balance in said account is equal to said amount of payments due; and

Second: to the Principal Account, on or before each August 1, commencing August 1, 2008, the amount of the principal payment or Sinking Fund Installment becoming due and payable on such August 1, until the balance in said account is equal to said amount of such principal or Sinking Fund Installment; and

Third: to the Provider Payment Account, the amount of any Extraordinary Swap Payments or other amounts with respect to Related Obligations becoming due and payable on any date; provided however that payment of such amounts shall be subordinate to all amounts due and payable in such Bond Year on all Bonds and any Regular Swap Payments becoming due and payable on Swaps.

On the fifteenth day of each month, following payment of principal of and interest on the Bonds and any Regular Swap Payments on Swaps and prior to the scheduled Base Rental Payment, any excess amount on deposit in the Revenue Fund shall be transferred to the Reserve Fund to the extent necessary to increase the amount therein to the Reserve Fund Requirement or to pay any Reserve Facility Costs then due and owing and any excess shall then be returned to the City as an excess payment of Base Rental Payments or applied to the next scheduled Base Rental Payment.

Reserve Fund

All money in the Reserve Fund shall be deposited with, used and withdrawn by the Trustee solely for the purpose of funding the Interest Account or the Principal Account, in that order, in the event of any deficiency in either of such accounts on a Principal Payment Date or Interest Payment Date, except that so long as the Authority is not in default under the Indenture, any cash amounts in the Reserve Fund in excess of the Reserve Fund Requirement shall be withdrawn from the Reserve Fund and transferred to the Revenue Fund or, if so directed by the Authority, deposited into a Project Fund during construction of any Project on each August 1, following the payment of any amounts due on such date and on each date Bonds are redeemed or defeased. The Trustee shall notify the City and each Bond Insurer if any withdrawal is made from the Reserve Fund for the purpose of funding the Interest Account or the Principal Account. The Reserve Fund Requirement shall be determined upon the issuance of a Series of Bonds, the defeasance or optional redemption of Bonds and upon the retirement of a Series of Bonds. The Authority shall certify to the Trustee the amount of the Reserve Fund Requirement.

If the Reserve Fund Requirement is satisfied by a Reserve Facility, the Trustee shall draw on such Reserve Facility in accordance with its terms and the terms of the Indenture, in a timely manner, to the extent necessary to fund any such deficiency in the Interest Account or the Principal Account. The Authority shall repay solely from Revenues any draws under a Reserve Facility and any Reserve Facility Costs related thereto. Interest shall accrue and be payable on such draws and expenses from the date of payment by a Reserve Facility provider at the rate specified in the agreement with respect to such Reserve Facility.

Before any drawing may be made on a Reserve Facility, the Trustee shall have withdrawn all cash and investments in the Reserve Fund to replenish the Principal Account and the Interest Account. If any obligations are due and payable under the Reserve Facility, any new funds deposited into the Reserve Fund shall be used and withdrawn by the Trustee to pay such obligations. The pledge of the Revenues by the Authority to secure the payment of the Reserve Facility Costs is subordinate to the pledge of Revenues to the Trustee for the Bonds.

Amounts in respect of Reserve Facility Costs paid to a Reserve Facility provider shall be credited first to the expenses due, then to interest due and then to principal due. As and to the extent payments are made to a Reserve Facility provider on account of principal due, the coverage under the Reserve Facility will be increased by a like amount, subject to the terms of the Reserve Facility.

Draws on all Reserve Facilities on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund; provided that if a Reserve Facility only applies to a single Series or portion of the Bonds, such Reserve Facility shall be drawn upon to pay such Series or portion of Bonds if any payments are required to be made from the Reserve Fund with respect to such Series or portion. Payment of Reserve Facility Costs and reimbursement of amounts with respect to other Reserve Facilities shall be made on a pro-rata basis prior to the replenishment of any cash drawn from the Reserve Fund.

If the Authority fails to pay any Reserve Facility Costs in accordance with the above requirements, a Reserve Facility provider shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than (i) acceleration of the maturity of the Bonds or (ii) remedies which would adversely affect Owners of the Bonds.

The Indenture shall not be discharged until all Reserve Facility Costs owing to a Reserve Facility Provider shall have been paid in full. The Authority's obligation to pay such amounts shall expressly survive payment in full of the Bonds.

The Authority may, with the consent of each Bond Insurer, satisfy the Reserve Fund Requirement at any time by the deposit with the Trustee for the credit of the Reserve Fund of a Reserve Facility.

In the event a letter of credit is deposited in the Reserve Fund in accordance with the Indenture, notice of that event shall be given to Moody's and to S&P by the Authority. In the event that the rating on the unsecured long-term debt securities of the bank which has issued or confirmed any letter of credit is withdrawn or reduced by Moody's or S&P to a rate below the requirements set forth above, the Authority will obtain a substitute or replacement letter of credit within 30 days from the date of such reduction or withdrawal from a state, national or foreign bank meeting the requirements set forth above to the extent that, in the judgment of the Authority, such a substitute or replacement letter of credit is available upon reasonable terms and at a reasonable cost, or will deposit into the Reserve Fund a replacement surety bond or insurance policy meeting the requirements of the Indenture, or the Authority shall deposit cash or other Permitted Investments meeting the requirements of the Indenture (to the extent the same are available from Revenues), in order to provide that there will be on deposit in the Reserve Fund an amount equal to the Reserve Fund Requirement.

Unless the Bonds have been fully paid and retired, the Trustee shall draw the full amount of any letter of credit credited to the Reserve Fund for such Bonds on the third Business Day preceding the date such letter of credit (taking into account any extension, renewal or replacement thereof) would otherwise expire, and shall deposit moneys realized pursuant to such draw in the Reserve Fund.

If the Authority causes a cash-funded Reserve Fund to be replaced with a Reserve Facility, amounts on deposit in the Reserve Fund shall, upon Written Request of the Authority to the Trustee, be transferred to the City and applied for any lawful purpose, subject, in the case where such moneys are proceeds of Bonds, to the receipt by the Authority of an Opinion of Counsel that such transfer will not cause the interest on the Bonds to be included in gross income for purposes of federal income taxation.

Application of Provider Payment Account.

All amounts in the Provider Payment Account shall be used and withdrawn by the Trustee solely for the purpose of paying any amounts owed to Providers, including Extraordinary Swap Payments, when due; provided that obligations to pay Providers that are subordinate obligations under the Indenture, such as Extraordinary Swap Payments, shall only be paid after any obligations senior in right to pay Providers have been satisfied. To the extent amounts deposited therein are insufficient to pay all amounts owed to Providers, such amounts shall be applied on a pro rata basis to the payment of amounts owed to Providers.

Application of Insurance Proceeds

In the event of any damage to or destruction of any part of the Facilities covered by insurance, the Authority shall cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Facilities, and the Trustee shall hold said proceeds in a fund established by the Trustee for such purpose separate and apart from all other funds designated the "Insurance and Condemnation Fund", to the end that such proceeds shall be applied to the repair, reconstruction or replacement of the Facilities to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The City shall file a Certificate of the City with the Trustee that sufficient funds from insurance proceeds or from any funds legally available to the City, or from any combination thereof, are available in the event it elects to repair, reconstruct or replace the Facilities. Unless such requirement is waived in writing by the Bond Insurer the Trustee shall invest said proceeds in Investment Securities pursuant to the Request of the City, as agent for the Authority under the Facility Lease, and withdrawals of said proceeds shall be made from time to time upon the filing with the Trustee of a Request of the City, stating that the City has expended moneys or incurred liabilities in an amount equal to the amount therein stated for the purpose of the repair, reconstruction or replacement of the Facilities, and specifying the items for which such moneys were expended, or such liabilities were incurred, in reasonable detail. Any balance of such proceeds not required for such repair, reconstruction or replacement and the proceeds of use and occupancy insurance shall be paid to the Trustee as Base Rental Payments and applied in the manner provided by the Indenture. Alternatively, the City, if the proceeds of such insurance together with any other moneys then available for such purpose are sufficient to prepay all, in case of damage or destruction in whole of the Facilities, or that portion, in the case of partial damage or destruction of the Facilities, of the Base Rental Payments and all other amounts relating to the damaged or destroyed portion of the Facilities, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Facilities and thereupon shall cause said proceeds to be deposited in the Special Redemption Account and used for the redemption of Outstanding Bonds pursuant to the applicable provisions of the Indenture. The City shall not apply the proceeds of insurance as set forth in this paragraph to redeem the Bonds in part due to damage or destruction of a portion of the Facilities unless the Base Rental Payments on the undamaged portion of the Facilities will be sufficient to pay the scheduled principal and interest on the Bonds remaining unpaid after such redemption.

Investments

All moneys in any of the funds and accounts established pursuant to the Indenture (other than the Bond Purchase Fund) shall be invested by the Trustee, upon direction of the City, solely in Investment Securities. Moneys in the Bond Purchase Fund shall remain uninvested. Investment Securities shall be purchased at such prices as the City may direct. In the absence of directions from the City, the Trustee shall invest in Investment Securities specified in subsection (i) of the definition thereof. Moneys in all funds and accounts (other than the Bond Purchase Fund) shall be invested in Investment Securities maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture. Investment Securities purchased under a repurchase agreement will mature on the date or dates on which the Trustee may deliver such Investment Securities for repurchase under such agreement. Investment Securities purchased under an investment agreement may be deemed to mature on the date or dates on which the Trustee may withdraw the full amount invested therein, without penalty.

Additional Bonds

The Authority may at any time issue Additional Bonds pursuant to a Supplemental Indenture, payable from the Revenues as provided in the Indenture and secured by a pledge of and charge and lien upon the Revenues as provided therein equal to the pledge, charge and lien securing the Outstanding Bonds theretofore issued thereunder, but only subject to the following specific conditions:

(a) The Authority shall be in compliance with all agreements and covenants contained in the Indenture.

(b) The Supplemental Indenture shall require that the proceeds of the sale of such Additional Bonds shall be applied to the acquisition (by purchase or lease) or construction of facilities to be added to the Facilities or for the refunding of Outstanding Bonds.

(c) The Supplemental Indenture will provide, if necessary, that from such proceeds or other sources an amount will be deposited in the Reserve Fund so that following such deposit there shall be on deposit in the Reserve Fund an amount at least equal to the Reserve Fund Requirement.

(d) The aggregate principal amount of Bonds issued and at any time Outstanding under the Indenture shall not exceed any limit imposed by law, by the Indenture or by any Supplemental Indenture.

(e) The Facility Lease shall have been amended, if necessary, so that the Base Rental Payments payable by the City thereunder in each Fiscal Year shall at least equal projected Debt Service, including Debt Service on the Additional Bonds, in each Fiscal Year.

(f) The Facility Lease shall have been amended so as to lease to the City the project being financed from the proceeds of such Additional Bonds or facilities of comparable worth and economic life and such facilities shall be ready for immediate use and occupancy by the City or funds shall be deposited with the Trustee as capitalized interest until the expected date of use and occupancy of such facilities.

(g) If the proceeds of such Additional Bonds are to be used, in whole or in part, to finance construction on real property not described in the Facility Lease or the additional Facilities to be leased are not situated on property described in the Facility Lease, (1) a site lease shall have been executed so as to lease to the Authority such additional real property; and (2) the Facility Lease shall have been amended so as to lease to the City such additional real property.

(h) To the extent practicable the principal payments shall be August 1.

(i) If the Bonds are issued for a purpose other than the refunding of all Outstanding Bonds, the consent of the Bond Insurer to such issuance shall be required.

(j) The supplemental Indenture shall provide, if necessary, for the establishment of a separate Bond Purchase Fund for each Series of Bonds for which a Liquidity Facility is in effect.

Limitations on the Issuance of Obligations Payable from Revenues

The Authority will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, however denominated, payable in whole or in part from Revenues except the following:

(a) Bonds of any Series authorized pursuant to the Indenture;

(b) Agreements providing for a Reserve Facility or Related Obligations;

(c) Swaps payable on a parity with the Bonds and which will have, when executed, an equal lien and charge upon the Revenues, provided that the following conditions to the execution of such Swaps are satisfied:

(1) The Authority shall be in compliance with all agreements and covenants contained in the Indenture;

(2) The Authority will have filed with the Trustee a Certificate of the Authority certifying that the requirements of Indenture have been satisfied; and

(3) The Authority will have notified Moody's and S&P of the proposed Swap and will have determined that the execution of the Swap would not cause the reduction or withdrawal of the current rating from such rating agencies on the Bonds.

(d) Obligations owing with respect to a Reserve Facility, including principal, interest and fees relating thereto and Related Obligations; provided such obligations will be payable on a subordinate basis to principal and interest on the Bonds.

(e) Obligations which are junior and subordinate to the payment of the principal, premium, interest and reserve fund requirements for the Bonds and Related Obligations and which subordinated obligations are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Revenues (i) after the prior payment of all amounts then required to be paid under the Indenture from Revenues for principal, premium, interest and reserve fund requirements for the Bonds and Related Obligations, as the same become due and payable and at the times and in the manner as required in the Indenture, and (ii) at the end of each Bond Year.

Covenant Against Encumbrances

The Authority covenants in the Indenture that it will not create any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds or Swaps are Outstanding, except the pledges and assignments created by the Indenture, and will assist the Trustee in contesting any such pledge, lien, charge or other encumbrance which may be created. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes and reserves the right to issue other obligations for such purposes.

Defaults and Remedies

The following events are Events of Default under the Indenture:

(A) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration or otherwise or default in the redemption of any Bonds from Sinking Fund Installments in the amount and at the times provided therefor;

(B) default in the due and punctual payment of any installment of interest on any Bond or any Regular Swap Payment when and as such interest installment or Regular Swap Payment shall become due and payable;

(C) default in any material respect by the Authority in the observance of any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, if such default has continued for a period of 60 days after written notice thereof, has been given to the Authority and the City by the Trustee, or to the Authority, the City and the Trustee by either of the Bond Insurer or the Holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; or

(D) an Event of Default occurring under the Facility Lease.

Upon any Event of Default, the Trustee shall notify the Authority, the City, the Liquidity Facility Provider and the Bond Insurer in writing as soon as practicable; provided, however, that the Trustee need not provide notice of any event of default pursuant to subparagraph (D) above (a "Lease Default Event") if the City has expressly acknowledged the existence of such Lease Default Event in a writing delivered to the Trustee, the Bond Insurer, the Liquidity Facility Provider and the Authority. Additionally, the Trustee shall immediately notify the applicable Bond Insurer if at any time there are insufficient moneys to make any payments of principal of and/or interest on the Insured Bonds insured by such Bond Insurer and immediately upon the occurrence of any Event of Default under the Indenture.

Whenever any of the above Events of Default have happened and are continuing, the Trustee may and at the direction of the Bond Insurer shall take the following remedial steps:

(A) In the case of an Event of Default described in subparagraphs (A) or (B) above, the Trustee may notify the Authority and the City of such Event of Default, may make a demand for payment under the

Indenture and, with the consent of the Bond Insurer, may declare the principal of all obligations issued under the Indenture then outstanding to be due and immediately payable. Upon the direction of the Bond Insurer, the Trustee shall declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture to the contrary notwithstanding;

(B) In the case of an Event of Default described in subparagraph (C) above, the Trustee may take whatever action at law or in equity is necessary or desirable to enforce the performance, observance or compliance by the Authority with any covenant, condition or agreement by the Authority under the Indenture; and

(C) In the case of an Event of Default described in subparagraph (D) above, the Trustee may take whatever action the Authority would be entitled to take, and shall take whatever action the Authority would be required to take, pursuant to the Facility Lease in order to remedy the Lease Default Event.

Nothing contained in the Indenture, however, shall require the Trustee to exercise any remedies in connection with an Event of Default unless the Trustee shall have actual knowledge or shall have received written notice of such Event of Default.

Notwithstanding the foregoing provisions, the Trustee shall not without the written consent of the Bond Insurer (i) declare the principal of Insured Bonds insured by such Bond Insurer, or the interest accrued with respect thereto, to be due and payable immediately, or (ii) rescind and annul any declaration of acceleration or waive any default under the Indenture with respect to the Insured Bonds insured by such Bond Insurer.

<u>Amendments to Facility Lease or Site Lease</u>

The Authority shall not amend any of the terms of the Facility Lease or Site Lease, or consent to any such amendment, without the prior written consent of the Trustee and of the Bond Insurer. The Trustee shall give such written consent only (a) if such amendment will not materially adversely affect the interests of the Bondholders or result in any material impairment of the security given for the payment of the Bonds (provided that such amendment shall not be deemed to have such adverse effect or to cause such material impairment solely by reason of substitution of real property pursuant to the Facility Lease); (b) to add to the agreements, conditions, covenants and terms required to be observed or performed thereunder by any party thereto, or to surrender any right or power therein reserved to the Authority or the City, (c) to cure, correct or supplement any ambiguous or defective provision contained therein, which action does not materially adversely affect the interests of the Bondholders, (d) to accommodate any substitution in accordance with the Facility Lease, (e) to modify the legal description of the Demised Premises to conform to the requirements of title insurance or otherwise to add or delete property descriptions to reflect accurately the description of the parcels intended or preferred to be included therein, or (f) the Trustee first obtains the written consent of the Bondholders of a majority in principal amount and Accreted Value, as the case may be, of the Bonds then Outstanding to such amendment; <u>provided</u>, that no such amendment shall reduce the amount of Base Rental Payments to be made to the Authority or the Trustee by the City pursuant to the Facility Lease, or extend the time for making such payments, or permit the creation of any lien prior to or on a parity with the lien created by the Indenture on the Base Rental Payments (except as expressly provided in the Facility Lease), in each case without the written consent of all of the Bondholders of the Bonds then Outstanding and of the Bond Insurer.

Any amendment shall not be deemed to materially adversely affect the interest of the Bondholders or result in any material impairment of the security given for the payment of the Bonds so long as (i) all Bonds are insured by a Bond Insurance Policy, (ii) each Bond Insurer shall have given its written consent to such amendment, and (iii) each Bond Insurer shall at the time of such consent be rated in the highest rating category by two of the Rating Agencies.

<u>Amendment of Indenture</u>

The Indenture and the rights and obligations of the Authority and of the Holders of the Bonds and of the Trustee and of any Swap Provider may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into when the written consent of the Bond Insurer, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, and the City shall have been filed with the Trustee. No such modification or amendment shall (1) extend the stated maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof or change the Purchase Price to be paid to Holders tendering their Bonds, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds, the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds or the Swap Provider of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Holders of all Bonds then Outstanding and the Swap Provider

The Indenture and the rights and obligations of the Authority, of the Trustee and of the Holders of the Bonds, except as it relates to the Swap Agreement, may also be modified or amended from time to time and at any time by an indenture or indentures supplemental to the Indenture, which the Authority and the Trustee may enter into with the consent of the City, and the Bond Insurer, but without the consent of any Bondholders, for any purpose that will not materially adversely affect the interests of the Holders of the Bonds, including (without limitation) any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the Authority;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority or the Trustee may deem necessary or desirable;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(4) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in the Indenture (which shall be deemed not to adversely affect Bondholders);

(5) to evidence or give effect to, or to conform to the terms and provisions of, any Liquidity Facility;

(6) to evidence or give effect to, or to conform to the terms and provisions of, any insurance policy, letter of credit, surety bond or other credit enhancement for the Bonds;

(7) to facilitate and implement any book entry system (or any termination of a book entry system) with respect to the Bonds;

(8) to maintain the exclusion from gross income of interest payable with respect to the Bonds; or

(9) to make any modification or amendment to the Indenture which will be effective upon the remarketing of Bonds following the mandatory tender of the Bonds pursuant to the Indenture.

Any Supplemental Indenture entered into pursuant to the above provisions shall not materially adversely affect the interest of the Bondholders so long as (a) all Bonds are insured by a Bond Insurance Policy or are Variable Rate Bonds, (b) each Bond Insurer shall have given its written consent to such Supplemental Indenture,

(c) each Bond Insurer shall at the time of such consent be rated in the highest Rating Category by S&P and Moody's and (d) if there are Variable Rate Bonds, the Supplemental Indenture shall not become effective until notice thereof shall have been given to Bondholders and 30 days shall have passed during which time Owners of the Variable Rate Bonds shall have had the opportunity to tender their Bonds for purchase.

Discharge of Indenture

The Bonds may be paid by the Authority or the Trustee on behalf of the Authority in any of the following ways:

(A) by paying or causing to be paid the principal or Redemption Price of and interest on all Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Trustee, in trust, at or before maturity, moneys or securities in the necessary amount (as provided in the Indenture) to pay when due or redeem all Bonds then Outstanding; or

(C) by delivering to the Trustee, for cancellation by it, all Bonds then Outstanding.

If the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority and under any Related Obligations and all Swaps have been terminated and are no longer outstanding, then and in that case at the election of the Authority (evidenced by a Certificate of the Authority filed with the Trustee signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture (except as otherwise provided in therein) shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the request of the Authority, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption; provided that in all events moneys in the Rebate Fund shall be subject to the provisions of the Indenture.

APPENDIX D

ANNUAL BASE RENTAL PAYMENT SCHEDULE

Year Ending August 1	Principal	Interest	Related Obligations	Total
2010	$405,000	$3,433,673.13	$326,098.59	$4,164,771.72
2011	505,000	5,010,712.50	475,748.00	5,991,460.50
2012	525,000	4,993,037.50	473,571.38	5,991,608.88
2013	550,000	4,972,037.50	469,332.68	5,991,370.18
2014	575,000	4,950,037.50	466,900.00	5,991,937.50
2015	1,800,000	4,927,037.50	463,680.00	7,190,717.50
2016	1,880,000	4,855,037.50	454,224.77	7,189,262.27
2017	1,970,000	4,775,137.50	442,461.74	7,187,599.24
2018	2,080,000	4,676,637.50	432,040.00	7,188,677.50
2019	2,190,000	4,577,837.50	420,392.00	7,188,229.50
2020	2,315,000	4,468,337.50	408,690.14	7,192,027.64
2021	2,445,000	4,352,587.50	394,619.72	7,192,207.22
2022	2,580,000	4,230,337.50	381,472.00	7,191,809.50
2023	2,740,000	4,081,987.50	367,024.00	7,189,011.50
2024	2,915,000	3,924,437.50	352,164.39	7,191,601.89
2025	3,100,000	3,756,825.00	334,894.09	7,191,719.09
2026	3,295,000	3,578,575.00	317,996.00	7,191,571.00
2027	3,500,000	3,389,112.50	299,544.00	7,188,656.50
2028	3,725,000	3,187,862.50	280,329.58	7,193,192.08
2029	3,960,000	2,973,675.00	258,727.15	7,192,402.15
2030	4,650,000	2,745,975.00	236,908.00	7,632,883.00
2031	4,950,000	2,472,787.50	213,332.00	7,636,119.50
2032	5,265,000	2,181,975.00	188,503.28	7,635,478.28
2033	5,605,000	1,872,656.26	161,337.47	7,638,993.73
2034	5,965,000	1,543,362.50	133,140.00	7,641,502.50
2035	6,350,000	1,192,918.76	102,900.00	7,645,818.76
2036	6,760,000	819,856.26	70,797.38	7,650,653.64
2037	7,195,000	422,706.26	36,405.79	7,654,112.05
TOTAL	$89,795,000	$98,367,160.67	$8,963.234.15	$197,125,394.82

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the City of Richmond (the "City") and Zions First National Bank, as trustee (the "Trustee") and Willdan Financial Services, as dissemination agent (the "Dissemination Agent") in connection with the issuance of $89,795,000 principal amount of Richmond Joint Powers Financing Authority Lease Revenue Refunding Bonds (Civic Center Project), Series 2009 (the "Series 2009 Bonds"). The Series 2009 Bonds are being issued pursuant to the terms of a Indenture, dated as of September 1, 2007, as amended by a First Amendment to Indenture, dated as of May 1, 2008, and as further amended and supplemented by a First Supplemental Indenture, dated as of November 1, 2009 (the "First Amendment to Indenture" and collectively, the "Indenture"), each by and between the Authority and the Trustee. Pursuant to the Facility Lease, dated as of September 1, 2007, as amended by the First Amendment to the Facility Lease, dated as of November 1, 2009, each by and between the Richmond Joint Powers Financing Authority and the City, the City has covenanted to comply with its obligations hereunder and to assume all obligations for continuing disclosure with respect to the Series 2009 Bonds. The City the Trustee and the Dissemination Agent hereby covenant and agree as follows:

SECTION 1. <u>Purpose of this Disclosure Agreement</u>. This Disclosure Agreement is being executed and delivered by the City and the Trustee and Dissemination Agent for the benefit of the Owners and Beneficial Owners of the Series 2009 Bonds and in order to assist the Participating Underwriters (as defined below) in complying with the Rule (as defined below).

SECTION 2. <u>Definitions</u>. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms have the following meanings:

"Annual Report" means any Annual Report of the City provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2009 Bonds (including persons holding Series 2009 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2009 Bonds for federal income tax purposes.

"Commission" means the Securities and Exchange Commission.

"*Disclosure Representative*" means the Director of Finance of the City or any designee, or such other officer of employee as the City may designate in writing to the Trustee and the Dissemination Agent from time to time.

"Dissemination Agent" means initially the Willdan Financial Services, or any successor Dissemination Agent designated in writing by the City and which has filed a written acceptance of such designation with the City and the Trustee.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Agreement.

"*Official Statement*" means the Official Statement dated November 10, 2009 relating to the Series 2009 Bonds.

"*Participating Underwriters"* means RBC Capital Markets Corporation and Wedbush Securities Inc., as the original underwriters of the Series 2009 Bonds required to comply with the Rule in connection with the offering of the Series 2009 Bonds.

"*Repository*" means the Electronic Municipal Market Access site maintained by Municipal Securities Rulemaking Board at http://emma.msrb.org or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule.

"*Rule*" means paragraph (b) (5) of Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"*State*" means the State of California.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than two hundred seventy (270) days after the end of the City's Fiscal Year (currently June 30), commencing with the report for the City's Fiscal Year ended June 30, [2009], provide to the Repository copies of an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report shall be submitted in electronic format, accompanied by such identifying information as is prescribed by the Repository, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of such Annual Report and later than the date required above for the filing of such Annual Report if they are not available by that date. If the City's Fiscal Year changes, the City shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to the date specified in Section 3(a) for providing each Annual Report to the Repository, the City shall provide such Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent); provided, however, that the City my distribute the Annual Report to the Repository itself after providing written notice to the Trustee and the Dissemination Agent. If by said date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the City of such failure to receive the Annual Report.

(c) If the City is unable to provide to the Dissemination Agent an Annual Report by the date required in Section 3(a), the Dissemination Agent is irrevocably instructed to file a notice, in electronic format, to the Repository in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided.

SECTION 4. Content of Annual Reports. The Annual Report of the City shall contain or incorporate by reference the following:

(a) The audited financial statements of the City, for the Fiscal Year most recently ended, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Reports are required to be filed pursuant to Section 3(a) of this Disclosure Agreement, the Annual Reports shall contain unaudited financial statements in a format similar to the financial statements contained in the final official statement relating to the Series 2009 Bonds, and the audited financial statements shall be filed in the same manner as the Annual Reports when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3(a), financial information and operating data with respect to the City for preceding Fiscal Year, substantially similar to that provided in the tables and charts in the Official Statement, as follows:

(i) A maturity schedule for the outstanding Series 2009 Bonds, and a listing of Series 2009 Bonds redeemed prior to maturity during the prior Fiscal Year.

(ii) The balance in each of the following funds established pursuant to the Indenture as of the close of the prior Fiscal Year:

(A) total deposits in the Revenue Fund for the prior Fiscal Year (with a statement of the debt service requirement discharged by the Revenue Fund in the prior Fiscal Year);

(B) the Reserve Fund (with a statement of the current Reserve Fund Requirement and the name of the guaranteed investment contract provider, if any).

(iii) a summary of financial information on revenues, expenditures and change in fund balances for the City's general fund for the Fiscal Year of the City most recently ended, similar to the information presented in Table A-2;

(iv) a summary of financial information on the proposed and adopted budgets of the City for the current Fiscal Year and any changes in the adopted budget, similar to the information presented in Table A-3;

(v) a summary of assessed valuation of taxable property of the City for the current Fiscal Year, similar to the information presented in Table A-6;

(vi) a summary of secured tax levies and delinquencies in the City for the current Fiscal Year, similar to the information presented in Table A-7;

(vii) a summary of property tax receipts of the City for the current Fiscal Year, similar to the information presented in Table A-8;

(viii) a summary of the largest secured taxpayers in the City for the current Fiscal Year, similar to the information presented in Table A-12; and

(ix) a summary of sales tax receipts in the City for the current Fiscal Year, similar to the information presented in Table A-16.

Any or all of the items listed above may be included by specific reference to other documents, including official statements or other disclosure documents of debt issues of the City or related public entities, which have been filed with the Repository or the Commission. If the document included by reference is a final official statement, it must be available from the Repository. The City shall clearly identify each such other document so included by reference.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the City to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the City or to reflect changes in the business, structure, operations, legal form of the City or any mergers, consolidations, acquisitions or dispositions made by or affecting the City; provided that any such modifications shall comply with the requirements of the Rule.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2009 Bonds, if material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or events affecting the tax status of the Series 2009 Bonds;

(vii) modifications to the rights of Owners of the Series 2009 Bonds;

(viii) bond calls other than mandatory sinking fund redemptions;

(ix) defeasances;

(x) release, substitution, or sale of property, if any, securing repayment of the Series 2009 Bonds; and

(xi) rating changes.

(b) The Trustee shall, promptly upon obtaining actual knowledge at its principal corporate trust office as specified in Section 12 hereof of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Section (5); *provided*, that failure by the Trustee to so notify the Disclosure Representative and make such request shall not relieve the City of its duty to report Listed Events as required in this Section 5.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event, whether due to a notice from the Trustee or pursuant to Section 5(b) or otherwise, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly file, or cause to be filed, a notice of such event with the Repository. Notwithstanding the foregoing, notice of Listed Events described in Sections 5(a)(viii) and (ix) need not be given under this subsection any earlier than when the notice, if any, of the underlying event is given to Owners of affected Series 2009 Bonds pursuant to the Trust Agreement.

(e) If in response to a request under Section 5(b), the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify the Trustee in writing and instruct the Dissemination Agent not to report the occurrence.

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing, notice of Listed Events described in Section 5(a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Series 2009 Bonds pursuant to the Trust Agreement.

(g) The Dissemination Agent may conclusively rely on an opinion of counsel that the City's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2009 Bonds. If such termination occurs prior to the final maturity of the Series 2009 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing sixty (60) days written notice to the City. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement (and the Trustee and the Dissemination Agent shall consent to any amendment so requested by the City provided such amendment does not impose any greater duties, or risk of liability on the Trustee, as the case may be) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), Section 4, or Section 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2009 Bonds, or the type of business conducted;

(b) The undertakings, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2009 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Series 2009 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners of the Series 2009 Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Series 2009 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, including the information then contained in the City's official statements or other disclosure documents relating to debt issuances, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Agreement, the Trustee may (and upon written request of at least 25% aggregate principal amount of Outstanding Series 2009 Bonds shall) or any Owner or Beneficial Owner of the Series 2009 Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City, the Trustee or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture with respect to the Series 2009 Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the City, the Trustee or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Disclosure Agreement.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent and the Trustee, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Series 2009 Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the City:	City of Richmond Richmond City Hall 450 Civic Center Plaza Richmond, California 94804 Attention: Director of Finance Phone: 510-620-6740 Fax: 510-620-6522
If to the Trustee:	Zions First National Bank 550 South Hope Street, Suite 2650 Los Angeles, CA 90071 Attention: Corporate Trust Services Phone: 213-593-3151 Fax: 213-593-3160
If to the Dissemination Agent;	Willdan Financial Services 27368 Via Industria, Suite 10 Temecula, California 92590 Attention: Manager Phone: 951-587-3500 Fax: 951-587-3510

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters, the Owners and Beneficial Owners from time to time of the Series 2009 Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: November 25, 2009

CITY OF RICHMOND

By:______________________________
Finance Director

ZIONS FIRST NATIONAL BANK, as Trustee

By:______________________________
Authorized Officer

WILLDAN FINANCIAL SERVICES,
as Dissemination Agent

By:______________________________
Authorized Officer

EXHIBIT A

FORM OF NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Obligated Person:	City of Richmond, California
Name of Bond Issue:	Richmond Joint Powers Financing Authority Lease Revenue Refunding Bonds (Civic Center Project), Series 2009
Issuance Date:	November 25, 2009

NOTICE IS HEREBY GIVEN that the CITY OF RICHMOND (the "City") has not provided an Annual Report with respect to the above-named Series 2009 Bonds as required by Section 8.08 of the Facility Lease, dated as of September 1, 2007, as amended by the First Amendment to the Facility Lease, dated as of November 1, 2009, executed and delivered by the City. [The City anticipates the Annual Report will be filed by ____________________]

Dated:_____________

CITY OF RICHMOND

By:_________________________
Title:________________________

cc: Trustee and Dissemination Agent

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Richmond Joint Powers Financing Authority
Richmond, California

Richmond Joint Powers Financing Authority
Lease Revenue Refunding Bonds
(Civic Center Project), Series 2009
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Richmond Joint Powers Financing Authority (the "Authority") in connection with the issuance by the Authority of $89,795,000 aggregate principal amount of its Lease Revenue Refunding Bonds (Civic Center Project), Series 2009 (the "Bonds"), issued pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Law") and pursuant to an Indenture, dated as of September 1, 2007, as amended by a First Amendment to Indenture, dated as of May 1, 2008, and as further amended and supplemented by a First Supplemental Indenture, dated as of November 1, 2009 (collectively, "Indenture"), each by between the Authority and Zions First National Bank, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

In such connection, we have reviewed the Indenture, the Facility Lease, as amended, the Tax Certificate, certificates of the Authority, the City, the Trustee and others, opinions of counsel to the Authority, the City and the Trustee, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. 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 Indenture, the Facility Lease and the Tax Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Facility Lease and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities and cities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or subject to the lien of the Facility Lease or the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. The Facility Lease has been duly executed and delivered by, and constitutes the valid and binding obligation of, the City and the Authority.

4. The Bonds are not a debt, liability or obligation of the City or of any of the public agencies that are parties to the joint powers agreement creating the Authority. Neither the faith and credit nor the taxing powers of the City, the State of California, or any political subdivision thereof is pledged to the payment of the principal of, or redemption premium, if any, or interest on, the Bonds.

5. Interest on the Bonds 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. Interest on the Bonds 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 interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX G

DTC AND 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 each maturity of the Note Participations, each in the aggregate principal amount of such maturity, 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.

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX H

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

(THIS PAGE INTENTIONALLY LEFT BLANK)

Financial Guaranty Insurance Policy

Issuer: **Policy No.:**

Obligations: **Premium:**

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 31 West 52nd Street, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department – Public Finance Surveillance, with a copy to the General Counsel at the same address and at generalcounsel@assuredguaranty.com or at the following Facsimile

Number: (212) 445-8705, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "**Fiscal Agent**") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation, its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By:________________________________
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

____
Counsel