NEW ISSUE - BOOK ENTRY ONLY **RATING: S&P: SP-1+**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City of Richmond, 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 with respect to the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The amount treated as interest on the Notes and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Notice 94-84. In the further opinion of Bond Counsel, interest with respect to the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest with respect to, the Notes. See "TAX MATTERS" herein.

$7,650,000
CITY OF RICHMOND, CALIFORNIA
2011-2012 TAX AND REVENUE ANTICIPATION NOTES
INTEREST RATE: 2.000%
PRICED TO YIELD: 0.55%
CUSIP NO.: 764411BL7†

Dated: Date of Delivery **Due: October 31, 2012**

The City of Richmond, California (the "City") 2011-2012 Tax and Revenue Anticipation Notes (the "Notes") are being issued to finance the seasonal cash flow requirements of the City during the fiscal year ending June 30, 2012. The Notes will be issued as fixed-rate notes in fully registered form. The Notes are not subject to redemption prior to maturity.

The Notes, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchases of the Notes will be made only through DTC Participants under the book-entry system maintained by DTC in denominations of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Notes purchased. See APPENDIX F– "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Notes will be dated the date of delivery thereof and will not be subject to redemption prior to maturity. The Notes will bear interest at a fixed rate per annum from their dated date. Principal of and interest on the Notes are payable at maturity on October 31, 2012.

In accordance with California law, the Notes are general obligations of the City, but are payable only out of the taxes, income, revenue, cash receipts and other General Fund moneys of the City allocable to Fiscal Year 2011-12 or accrued to or held by the City and provided for or attributable to Fiscal Year 2011-12 and legally available for payment thereof. The City is not authorized to levy or collect any tax for the repayment of the Notes. See "THE NOTES–Security for the Notes."

This cover page contains certain information for quick reference only and is ***not*** a summary of the transaction. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Notes are offered when, as and if issued by the City and received by the Underwriter, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the City. Certain other legal matters will be passed upon for the City by the City Attorney and for the City and the Underwriter by Lofton & Jennings, San Francisco, California, Disclosure Counsel. It is anticipated that the Notes in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about November 3, 2011.

WEDBUSH

Date of Official Statement: October 27, 2011

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No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes 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 Notes. 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 the Electronic Municipal Market Access site maintained by the Municipal Securities Rulemaking Board

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

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

The issuance and sale of the Notes have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

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 Notes.

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 City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur or do not occur.

Appendix A to this Official Statement contains information concerning the ratings assigned by the Moody's Investors Service, Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and Fitch, Inc. for the Swap Counterparties and the Guarantors of the Swap Counterparties, if any (each as defined herein). Such ratings reflect only the view of the agency giving such rating and are provided for convenience of reference only. Such rating information has been obtained from sources believed to be reliable but has not been confirmed or re-verified by such rating agencies. Neither the City nor the Underwriter takes any responsibility for the accuracy of such ratings, gives any assurance that such ratings will apply for any given period of time, or that such ratings will not be revised downward or withdrawn if, in the judgment of the agency providing such rating, circumstances so warrant.

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CITY OF RICHMOND, CALIFORNIA

CITY COUNCIL

Gayle McLaughlin, *Mayor*
Tom Butt, *Vice Mayor*
Nathaniel Bates, *Councilmember*
Jovanka Beckles, *Councilmember*
Courtland "Corky" Booze, *Councilmember*
Jeff Ritterman, *Councilmember*
Jim Rogers, *Councilmember*

CITY ADMINISTRATION

William A. Lindsay, *City Manager*
James C. Goins, *City Finance Director*
Randy Riddle†, *City Attorney*

SPECIAL SERVICES

Orrick, Herrington & Sutcliffe LLP
San Francisco, California
Bond Counsel

Lofton & Jennings
San Francisco, California
Disclosure Counsel

Tamalpais Advisors, Inc.
Sausalito, California
Financial Advisor

Union Bank, N.A.
San Francisco, California
Paying Agent

† On October 5, 2011, Mr. Riddle announced that following the expiration of his contract on December 31, 2011, he would be leaving the City in early 2012. The City has retained an executive search and consulting firm to identify a qualified candidate to replace Mr. Riddle.

$7,650,000
CITY OF RICHMOND, CALIFORNIA
2011-2012 TAX AND REVENUE ANTICIPATION NOTES

INTRODUCTION

The purpose of this Official Statement, which includes the front cover through the attached Appendices, is to provide certain information concerning the issuance, sale and delivery of $7,650,000 principal amount of 2011-2012 Tax and Revenue Anticipation Notes (the "Notes") of the City of Richmond, California (the "City"). Issuance of the Notes will provide moneys to help meet Fiscal Year 2011-12 City General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the City.

The Notes are authorized by and are being issued in accordance with Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the Government Code of the State of California (the "Government Code"), and Resolution No. 78-11 adopted by the City Council on July 26, 2011, entitled "Resolution Authorizing the Issuance and Sale of Not to Exceed $15,000,000 City of Richmond, California, 2011-2012 Tax and Revenue Anticipation Notes; Approving the Forms of and Directing the Distribution of a Note Purchase Agreement, an Official Statement and a Continuing Disclosure Certificate; Delegating to Officers of the City Authorization to Negotiate a Sale of Said Notes; and Authorizing Taking of Necessary Actions and Execution of Necessary Documents" (the "Resolution").

The Notes are issued subject to the Government Code and the terms and conditions of the Resolution. Pursuant to California law, the Notes and the interest thereon are general obligations of the City payable from and secured by a pledge of unrestricted taxes, income, revenue, cash receipts and other General Fund moneys to be received, accrued or held by the City and provided for or attributable to Fiscal Year 2011-12 and lawfully available therefor. **The City is not authorized to levy or collect any tax for the repayment of the Notes.** See "THE NOTES–Security for the Notes."

THE NOTES

General

The Notes will be issued in fully registered form in the principal amount of $7,650,000. The Notes will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchasers of the Notes will not receive certificates representing their ownership interest in the Notes purchased. Beneficial ownership interests in the Notes may be transferred only in accordance with the rules and procedures of DTC. See APPENDIX F–"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Notes will be dated the date of issuance thereof and will pay interest at maturity of the Notes on October 31, 2012. The Notes are not subject to redemption prior to maturity. Principal of the Notes is payable at maturity.

The Notes will be issued in denominations of $5,000 or any integral multiple thereof ("Authorized Denominations") and will bear interest at the rate per annum set forth on the cover page hereof. Interest on the Notes will be computed on the basis of twelve 30-day months and a 360-day year. Principal and interest payable at maturity will be payable in immediately available funds to the registered owners of the Notes, upon presentation and surrender of the Notes at the office of Union Bank, N.A., as initial paying agent for the Notes (the "Paying Agent") in San Francisco, California, upon the maturity thereof. No interest will be payable on any Note for any period after maturity during which the registered owner thereof fails to properly present such Note for payment.

As long as the Notes are held by DTC or a successor securities depository, ownership of the Notes will be evidenced by book-entry as described in APPENDIX F–"DTC AND THE BOOK-ENTRY ONLY SYSTEM." Principal of and interest on the Notes will be payable when due on behalf of the City by the Paying Agent to DTC which will, in turn, remit such principal and interest to its Participants, which will, in turn, remit such principal and interest to the Indirect Participants or Beneficial Owners of the Notes. See APPENDIX F–"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Authority for Issuance

The Notes are issued under the authority of the Government Code and pursuant to the Resolution and are subject to the terms and conditions of the Government Code and the Resolution.

Purpose of Issue

The Notes are being issued to finance cash flow requirements of the General Fund of the City during Fiscal Year 2011-12 (July 1, 2011 through June 30, 2012). General Fund expenditures tend to occur in relatively level amounts throughout the Fiscal Year. Conversely, receipts have followed an uneven pattern attributable primarily to: (i) secured property tax collections being concentrated in December and April and (ii) non-uniform receipt of sales taxes and utility users taxes, which are the three largest sources of City revenues. The proceeds received from the sale of the Notes will allow the City to cover periods of cash flow deficits resulting from such uneven flow of revenues and are an alternative to borrowing from City-held pooled investment funds. The proceeds of the Notes will be invested in the City Investment Portfolio (the "City Portfolio") until expended. See "CITY INVESTMENT PORTFOLIO."

Security for the Notes

The 2011-12 Tax and Revenue Anticipation Notes issued under the Resolution are secured by a pledge of taxes, income, revenue, cash receipts and other moneys which are received by the City for the General Fund for Fiscal Year 2011-12 and which are lawfully available for the payment of current expenses and other obligations of the City (the "General Fund Revenues"). As security for the payment of the principal of and interest on the Notes, the City pledges to deposit in trust in a special fund established by the City Finance Director designated as the "2011-12 Tax and Revenue Anticipation Note Repayment Fund" (the "Repayment Fund") (i) an amount equal to 20% of the principal amount of the Notes from the first General Fund Revenues received by the City during the month ending January 31, 2012, inclusive (the "First Pledge Period"), (ii) an amount equal to 20% of the principal amount of the Notes from the first General Fund Revenues received by the City during the month ending February 29, 2012, inclusive (the "Second Pledge Period"), and (iii) an amount equal to 60% of the principal amount of the Notes from the first General Fund Revenues received by the City during the month ending April 30, 2012, inclusive (the "Third Pledge Period"), together with an amount sufficient to (x) satisfy and make up any deficiency in the Repayment Fund with respect to any prior Pledge Period and (y) pay the interest on the Notes due upon maturity. The amounts pledged by the City for deposit into

the Repayment Fund from the General Fund Revenues received during each indicated accounting period are called the "Pledged Revenues."

Pursuant to Section 53856 of the Government Code, the principal of the Notes and the interest thereon are a first lien and charge against, and are payable from, such pledged moneys. In addition to such pledged moneys, pursuant to Section 53857 of the Government Code, the Notes are general obligations of the City, and, to the extent not paid from General Fund Revenues of the City pledged for the payment thereof, shall be paid with interest thereon only from any other moneys of the City lawfully available therefor. The City is not authorized to levy or collect any tax for the repayment of the Notes.

In accordance with the terms of the Resolution, if insufficient General Fund Revenues are received by the City by the third business day prior to the end of any such Pledge Period to permit deposit into the Repayment Fund of the full amount of the Pledged Revenues required to be deposited with respect to such Pledge Period, then the amount of any deficiency in the Repayment Fund is required to be satisfied and made up from any other moneys of the City lawfully available for the payment of the principal of the Notes and the interest thereon, as provided in Sections 53856 and 53857 of the Government Code (the "Other Available Moneys"), on such date or thereafter on a daily basis, when and as such Pledged Revenues and Other Available Moneys are received by the City. The Resolution provides that such amounts may not be used for any other purpose and may be invested only in Permitted Investments. See "–Investment of the Repayment Fund" and "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION–Permitted Investments."

The Pledged Revenues are required to be deposited by the Finance Director in the Repayment Fund on or prior to the last business day of each respective Pledge Period, and applied as directed in the Resolution; and the Other Available Moneys, if any, are required to be deposited by the Finance Director in the Repayment Fund on the last business day of such Pledge Period and on each business day thereafter, until the full amount of the moneys required by the Resolution has been so deposited in the Repayment Fund; provided that, if on the date that is six months from the date of issuance of the Notes all amounts attributable to the proceeds of the Notes (including investment earnings thereon) have not been expended in accordance with the Resolution, the amounts to be deposited in the Repayment Fund during the period in which received are required to be deposited as soon as received.

The Finance Director is required by the Resolution to transfer moneys in the Repayment Fund to the Paying Agent on the interest payment date or dates of each series of Notes to pay interest on the Notes then due and on the maturity date or dates of each series of Notes to pay the principal of and interest on the Notes then due. Any moneys remaining in the Repayment Fund after all such payments, or after provision for such payments have been made, will be transferred to the General Fund of the City.

If for any reason amounts in the Repayment Fund are insufficient to pay the Notes in full on the same maturity date, such amounts shall be applied *pro rata* to the payment of each series the Notes based on the total principal of and interest payable upon the Notes , taking into account anticipated earnings to be received on amounts in the Repayment Fund.

On July 15, 2010, the City issued, $10,850,000 principal amount of City of Richmond, California 2010-11 Tax and Revenue Anticipation Notes (the "2010 Notes") that matured on July 14, 2011. The City made all deposits in a payment account held by a trustee in the amount sufficient to fully repay the 2010 Notes at maturity as required by the 2010 Notes authorizing resolution.

Lien in Bankruptcy

On January 24, 1996, the United States Bankruptcy Court for the Central District of California held in the case of *County of Orange v. Merrill Lynch* that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county, but was not required to directly address the State statute that provides for the lien in favor of holders of tax and revenue anticipation notes.

The City will be in possession of a portion of the taxes and other revenues that will be set aside and pledged to repay the Notes, and these funds and other funds held by the Paying Agent may be invested in various commingled investment pools or other instruments, including the investment portfolio of the City or others. In the event of a petition for the adjustment of debts of the City under Chapter 9 of the federal bankruptcy code, a court might hold that the Owners of the Notes do not have a valid and/or prior lien on the Pledged Revenues where such amounts are deposited in a commingled investment pool.

Investment of the Repayment Fund

Moneys in the Repayment Fund will be invested in one or more instruments of the types included in the definition of Permitted Investments, which will, as nearly as practicable, mature on or before the date on which such money is anticipated to be needed for disbursement to repay the Notes and interest thereon. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION–Permitted Investments." The proceeds of any such investments will retained in the Repayment Fund until payment of principal of and interest on the Notes (or provision therefor) has been made, at which time any excess amount will be transferred to the General Fund of the City.

Available Sources of Payment

In accordance with California law, the Notes are general obligations of the City, but are payable only out of the taxes, income, revenue, cash receipts and other moneys received for the General Fund of the City attributable to Fiscal Year 2011-12 and legally available for payment thereof. Under the Government Code, no obligations, including the Notes, may be issued thereunder if the principal thereof and interest thereon exceeds 85% of the estimated amount of the then-uncollected taxes, income, revenue, cash receipts and other moneys which will be available for payment of such principal and interest. The principal amount of Notes and interest thereon is $7.8 million which represents approximately 7.4% of the estimated sources available for payment of the Notes.

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The City estimates that the total moneys available for payment of the Notes will be $105.532 million as indicated in Table 1. Except for pledged amounts, these moneys will be expended during the course of Fiscal Year 2011-12, and no assurance can be given that any moneys, other than the pledged amounts, will be available to pay the Notes and the interest thereon. For detailed information regarding estimated debt service coverage at each respective pledge period for the Notes, see Table 4–"City of Richmond Estimated Cash Flows for Fiscal Year 2011-12."

Table 1
CITY OF RICHMOND
ESTIMATED GENERAL FUND REVENUES
NOVEMBER 1, 2011 THROUGH JUNE 30, 2012[1]

Sources	**Amount ($ in 000's)**
Property Taxes	$24,658
Sales and Use Taxes	19,806
Utility Users Tax and Settlement Revenues[2]	30,171
Other Taxes	4,419
Licenses, Permits and Franchise Fees	4,597
Use of Money and Property	196
Charges for Current Services	770
Other Revenue	2,877
Operating Transfers In	10,278
Proceeds of the Notes	7,660
Total	105,532
Less amount pledged for payment of the Notes[3]	(7,802)
Net Total in excess of pledged revenues	$97,730

(1) The budgeted revenues of the City are set forth in the Fiscal Year 2011-12 Adopted Budget which was approved on June 28, 2011; the estimated cash flows related to said budgeted revenues are presented in Table 4A–"Projected Cash Flows for Fiscal Year 2011-12," with the amounts in Table 4A reflecting estimated cash from July 1, 2011 through the accounting period ending June 30, 2012.

(2) See APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND–FINANCIAL OPERATIONS–Major General Fund Revenue Sources–*Utility Users Tax.*"

(3) Based on $7.65 million principal amount of Notes plus an amount equal to interest thereon calculated at the rate of 2.0% per annum, assuming delivery on November 3, 2011.

Source: City of Richmond, Finance Department.

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Intrafund Borrowing Capacity

The City could temporarily borrow, for General Fund purposes, funds held by the City outside the General Fund ("intrafund borrowing"). The intrafund borrowing capacity (the "Intrafund Borrowing Capacity") of the City is projected to be approximately $35.2 million as of June 30, 2012. The City has used intrafund borrowing to address temporary cash shortfalls in the past but did not in Fiscal Year 2010-11 does not expect to do so in Fiscal Year 2011-12. Table 2 sets forth the estimated borrowable cash resources of the City as of June 30, 2011 and projected borrowable cash resources as of June 30, 2012.

Table 2
CITY OF RICHMOND
INTRAFUND BORROWING CAPACITY

Fund	Estimated Balance at June 30, 2011 ($ in millions)	Estimated Balance in Fiscal Year 2011-12 ($ in millions)
Various City Governmental Funds	$8.8	$7.0
Insurance Reserves and Information Technology Fund	29.8	28.2†
TOTAL	$38.6	$35.2

† The Information Technology Fund was moved to the General Fund in Fiscal Year 2011-12. Thus, the $28.2 million figure represents *only* Insurance Reserves.
Source: City of Richmond, Finance Department.

Cash Flow Projections

The Finance Department of the City (the "Finance Department") has prepared the following two-year summary of month-end cash flows in the General Fund. The estimated coverage factors (with and without the inclusion of intrafund borrowing capacity) for the Notes are shown at the bottom of Table 4. The cash flow projections are based on the Fiscal Year 2011-12 Adopted Budget. See APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND–FINANCIAL OPERATIONS–City Budget Process" and "–State Budgets–*Fiscal Year 2011-12*."

A maximum cumulative cash flow deficit (the "Deficit") of approximately $5.88 million is anticipated to occur in the General Fund in December 2012. Adding an estimated $1.98 million working capital reserve to the Deficit results in a maximum permissible size of approximately $7.86 million for the Notes. Taking into account: (a) any unrestricted moneys that are expected to be available from sources other than the General Fund to address the projected Deficit and (b) the likelihood that the projected cash flows are susceptible to forecast error, the City has elected to issue the Notes in a principal amount that is equal to approximately 97% of such maximum sizing.

Table 3A sets forth the actual cash flows for Fiscal Year 2010-11 and Table 3B explains the variances in cash flow between the actual Fiscal Year 2010-11 cash flows compared to the projected Fiscal Year 2010-11 cash flows at the time the 2010 Notes were issued.

Table 4A sets forth the actual and projected cash flows for Fiscal Year 2011-12, assuming issuance of the Notes. Table 4B explains the variances between the actual and projected cash flows for Fiscal Year 2011-12 and the actual cash flows for Fiscal Year 2010-11.

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Table 3A
CITY OF RICHMOND
ACTUAL CASH FLOWS FOR FISCAL YEAR 2010-11
($ IN THOUSANDS)

ACCOUNTING PERIOD ENDING	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010
BEGINNING BALANCE	$9,185	$26,066	$19,417	$15,990	$9,042	$3,056
RECEIPTS:						
Property Taxes	$–	$–	$–	$1,136	$–	$13,441
Sales & Use Tax	1,028	(1,028)	1,063	1,078	750	1,389
Utility Users Tax/ Chevron Settlements	13,634	1,474	2,307	2,948	2,868	2,820
Other Taxes	368	(10)	635	521	435	48
Licenses, Permits & Fees	91	102	132	119	86	829
Use of Money And Property	4	92	1	7	80	58
Charges For Services	–	8	886	(550)	81	102
Other Revenue	1,459	(461)	234	572	56	202
Operating Transfers In	–	–	–	2,591	–	9,083
Notes Sold	10,902	–	–	–	–	–
Intra Fund Borrowing	–	–	–	–	–	–
TOTAL RECEIPTS	$27,486	$177	$5,257	$8,422	$4,356	$27,972
DISBURSEMENTS:						
Salaries and Benefits	$7,877	$5,676	$7,784	$7,901	$7,789	$10,695
Professional & Administration	118	455	488	550	399	271
Other Operating	1,645	403	173	423	349	279
Other Expenditures	142	212	238	6,496	1,782	1,549
Operating Transfers Out	821	80	–	–	22	8,496
Interest Expense – Notes	–	–	–	–	–	–
Notes: Principal Repay	–	–	–	–	–	3,255
Intra Fund Borrow Repay	–	–	–	–	–	–
TOTAL DISBURSEMENTS	$10,604	$6,825	$8,684	$15,370	$10,342	$24,545
ENDING BALANCE	$26,066	$19,417	$15,990	$9,042	$3,056	$6,484
TRANs REPAYMENT FUND						
Beginning Balance	$0	$0	$0	$0	$0	$0
Receipts	0	0	0	0	0	3,255
Disbursements	0	0	0	0	0	0
Ending Balance	$0	$0	$0	$0	$0	$3,255
					Coverage Factors (without Intra Fund Borrowing Capacity):	2.99
					Coverage Factors (with Intra Fund Borrowing Capacity):	10.21

January 2011	February 2011	March 2011	April 2011	May 2011	June 2011	Total
$6,484	$4,931	$1,738	$1,219	$2,382	$1,587	$9,185
$–	$–	$–	$9,858	$–	$1,842	$26,277
1,161	5,503	1,486	924	5,674	3,484	22,512
3,109	3,080	2,247	8,648	2,952	3,920	50,008
312	955	285	2,308	313	1,656	7,824
1,400	234	211	126	98	1,197	4,623
18	18	19	10	32	268	608
88	74	84	131	77	194	1,174
484	612	242	198	568	2,410	6,577
2,497	–	170	–	–	75	14,417
–	–	–	–	–	–	10,902
–	–	5,000	–	–	–	5,000
$9,070	$10,477	$9,744	$22,203	$9,713	$15,046	$149,922
$7,914	$7,974	$7,804	$8,400	$8,061	$1,439	$89,314
425	411	491	530	366	1,952	6,456
307	399	268	296	287	782	5,610
1,976	1,857	1,700	1,715	1,732	2,658	22,059
–	317	–	–	62	50	9,849
–	–	–	216	–	–	216
–	2,713		4,883	–	–	10,850
–	–	–	5,000	–	–	5,000
$10,623	$13,670	$10,263	$21,041	$10,508	$6,881	$149,354
$4,931	$1,738	$1,219	$2,382	$1,587	$9,753	$9,753
$3,255	$3,255	$5,968	$5,968	$11,066	$11,066	$0
0	2,713	0	5,099	0	0	15,850
0	0	0	0	0	0	15,850
$3,255	$5,968	$5,968	$11,066	$11,066	$11,066	$0
	1.64		1.47			1.88
	10.30		6.08			4.00

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TABLE 3B
CITY OF RICHMOND
EXPLANATION OF VARIANCES
FISCAL YEAR 2010-11 ACTUALS COMPARED TO FISCAL YEAR 2010-11 AT THE TIME OF THE 2010 NOTES
($ IN THOUSANDS)

Item	Variance	Explanation
Beginning Balances	($3,987)	Beginning cash was reduced to reflect auditor's requirement that the General Fund cover a cash deficit for the Richmond Housing Authority.
Receipts:		
Property Taxes	$727	Property Taxes came in higher than budgeted; most of the gain was due to home sales activity and not to the supplemental roll.
Sales & Use Tax	(1,472)	Sales and use taxes came in lower than anticipated at the time of issuance of the 2010 Notes.
Utility Users Tax/Settlements	(917)	UUT monthly variances are relatively erratic; with the overall results for Fiscal Year 2010-11 about 1.7% lower than anticipated at the time of the 2010 Notes.
Other Taxes	114	Minor variance
Licenses, Permits & Fees	618	Minor variance
Use of Money and Property	53	Minor variance
Charges for Services	238	Minor variance
Other Revenue	366	Reflects declines of $85,000 in rental income; $318,000 in intergovernmental State taxes; $300,000 in federal grants and $119,000 in State grants that were not expected at the time of the 2010 Notes.
Operating Transfers In	2,836	Reflects $2.7 million transferred from the Pension Stabilization Fund that was not anticipated at the time of the TRANs.
Notes Sold	0	No variance
Intra Fund Borrowing	5,000	Reflects interfund borrowing undertaken to keep the General Fund balance positive in March.
TOTAL RECEIPTS	$7,563	
Disbursements:		
Salaries and Benefits	($750)	Salaries and Benefits were slightly lower than projected at the time of the 2010 Notes.
Professional & Administration	1,491	Expenditures were somewhat higher than anticipated at the time of the 2010 Notes.
Other Operating	(10)	Minor variance
Other Expenditures	655	Minor variance
Operating Transfers Out	413	Minor variance
Interest Exp - Notes	0	No variance
Notes: Principal Repay	0	No variance
Intra Fund Borrow Repay	5,000	Reflects repayment of interfund borrowing undertaken in March.
TOTAL DISBURSEMENTS	$6,800	
ENDING BALANCE	($3,224)	

Table 4A
CITY OF RICHMOND
PROJECTED CASH FLOWS FOR FISCAL YEAR 2011-12
($ IN THOUSANDS)

ACCOUNTING PERIOD ENDING	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011
BEGINNING BALANCE	$9,753	$17,164	$11,229	$8,855	$5,166	$8,344
RECEIPTS:						
Property Taxes	$–	$–	$–	$1,065	$–	$12,602
Sales & Use Tax	1,020	1,547	1,547	1,100	1,292	1,417
Utility Users Tax/Chevron Settlements	13,578	3,046	2,515	3,147	3,062	3,011
Other Taxes	1,311	500	488	528	441	48
Licenses, Permits & Fees	91	132	170	153	137	1,072
Use of Money and Property	26	74	1	6	42	47
Charges for Services	2	86	88	90	78	99
Other Revenue	717	136	169	335	200	206
Operating Transfers In	–	–	2,671	–	–	4,415
Notes Sold (including Original Issue Premium)	–	–	–	–	7,760	–
Intra Fund Borrowing	–	–	–	–	–	–
TOTAL RECEIPTS	$16,746	$5,521	$7,649	$6,424	$13,012	$22,918
DISBURSEMENTS:						
Salaries and Benefits	$8,105	$7,756	$7,819	$7,737	$7,401	$10,574
Professional & Administration	329	856	806	818	848	971
Other Operating	142	526	519	546	518	693
Other Expenditures	757	889	880	1,013	1,067	953
Operating Transfers Out	–	1,430	–	–	–	7,118
Interest Expense – Notes	–	–	–	–	–	–
Notes: Principal Repay	–	–	–	–	–	–
Intra Fund Borrow Repay	–	–	–	–	–	–
TOTAL DISBURSEMENTS	$9,334	$11,457	$10,023	$10,113	$9,834	$20,310
ENDING BALANCE	$17,164	$11,229	$8,855	$5,166	$8,344	$10,952
TRANs Repayment Fund						
Beginning Balance	$0	$0	$0	$0	$0	$0
Receipts	0	0	0	0	0	0
Disbursements	0	0	0	0	0	0
Ending Balance	$0	$0	$0	$0	$0	$0

Coverage Factors (without Intra Fund Borrowing Capacity):

Coverage Factors (with Intra Fund Borrowing Capacity):

Intra Fund Borrowing Capacity

	January 2012	February 2012	March 2012	April 2012	May 2012	June 2012	Total
	$10,952	$12,392	$11,376	$5,332	$10,940	$9,646	$9,753
	$–	$–	$–	$9,243	$–	$2,813	$25,723
	1,185	5,716	1,616	1,043	5,890	1,647	25,020
	3,319	3,288	2,398	8,894	3,151	3,046	52,457
	316	968	289	1,540	317	500	7,246
	1,812	302	273	163	127	712	5,145
	14	15	15	8	26	28	303
	86	72	82	127	75	151	1,036
	519	369	266	411	153	755	4,234
	5,538	–	–	–	–	325	12,950
	–	–	–	–	–	–	7,760
	–	–	–	–	–	–	–
	$12,789	$10,730	$4,939	$21,429	$9,738	$9,976	$141,872
	$7,383	$7,419	$8,528	$8,552	$8,366	$8,422	$98,062
	794	786	858	843	825	840	9,574
	672	672	645	642	588	572	6,734
	969	1,027	952	1,043	1,099	1,007	11,657
	–	312	–	–	153	–	9,015
	–	–	–	152	–	–	152
	1,530	1,530	–	4,590	–	–	7,650
	–	–	–	–	–	–	–
	$11,349	$11,747	$10,983	$15,821	$11,032	$10,840	$142,843
	$12,392	$11,376	$5,332	$10,940	$9,646	$8,781	$8,781
	$0	$1,530	$3,060	$3,060	$7,802	$7,802	$0
	1,530	1,530	0	4,742	0	0	7,802
	0	0	0	0	0	0	0
	$1,530	$3,060	$3,060	$7,802	$7,802	$7,802	$7,802
Coverage Factors (without Intra Fund Borrowing Capacity):	9.10	8.44		3.38			2.17
Coverage Factors (with Intra Fund Borrowing Capacity):	32.11	31.44		11.05			6.77

Table 4B
CITY OF RICHMOND
EXPLANATION OF MAJOR VARIANCES
FISCAL YEAR 2011-12 COMPARED TO FISCAL YEAR 2010-11 ACTUALS
($ IN THOUSANDS)

Item	Variance	Explanation
Beginning Balances	$568	
Receipts:		
Property Taxes	$(555)	Decrease due to Chevron assessment appeal payback.
Sales & Use Tax	2,508	Projected increases stemming from medical marijuana sales tax, Chevron facilities upgrade and pending accruals of $2 million in Fiscal Year 2010-11.
Utility Users Tax/Chevron Settlements/	2,449	Projected increase in UUT from Chevron, cable, gas and electricity charges.
Other Taxes	(578)	Minor Variance
Licenses, Permits & Fees	521	Higher permits expected in Fiscal Year 2011-12 based on medical marijuana dispensaries.
Use of Money and Property	(305)	Minor Variance
Charges for Services	(138)	Minor Variance
Other Revenue	(2,343)	Received $1 million reimbursement in Fiscal Year 2010-11 that will not recur in Fiscal Year 2011-12. Lower motor vehicle fees expected from the State. No loan or bond proceeds expected in Fiscal Year 2011-12.
Operating Transfers In	(1,467)	Except for Secured Pension Override Fund, lower excess funds are projected in other funds to transfer to the General Fund.
Notes Sold	(3,142)	TRANs size is smaller than that in prior year.
Intra Fund Borrowing	(5,000)	No interfund borrowing expected in Fiscal Year 2011-12.
TOTAL RECEIPTS	($8,050)	
Disbursements:		
Salaries and Benefits	$8,748	The Public Works and Information Technology departments moved to the General Fund during Fiscal Year 2011-12; also reflects salary increases for police and increases in PERS and health benefits.
Professional & Administration	3,119	Information Technology and facility maintenance expenses were brought into the General Fund in Fiscal Year 2011-12; increase in Police services.
Other Operating	1,124	Public Works department fuel costs and equipments services were moved to General Fund during Fiscal Year 2011-12.
Other Expenditures	(10,403)	Internal service charges for information technology, utilities, and some facilities and maintenance charges are not charged to departments as they were in previous years.
Operating Transfers Out	(834)	Transfers vary based on needs of the operating funds.
Interest Exp - Notes	(64)	Minor Variance
Notes: Principal Repay	(3,200)	TRANs size is smaller than that in prior year.
Intra Fund Borrow Repay	(5,000)	No interfund borrowing expected in Fiscal Year 2011-12.
TOTAL DISBURSEMENTS	($6,511)	
ENDING BALANCE	($971)	

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

CITY INVESTMENT PORTFOLIO

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 most recent Investment Policy was adopted by the City Council on October 17, 2010. For a summary of the Investment Policy, see APPENDIX C–"CITY INVESTMENT POLICY."

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(which investments are not pledged to the payment of the Notes), 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.

In July 2009, the Finance Department was formally recognized for having the City's written Investment Policy certified by the Association of Public Treasurers of the United States and Canada (the "Association"). The City 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.

The par value, market value, adjusted cost basis and percent of total investments for each category of the City's investments, as of August 31, 2011, are set forth in Table 5.

Table 5
City of Richmond
Schedule of Investments
as of August 31, 2011

Investments	Par Value	Market Value	Book Value	% of Par Value	Term (Days)	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Local Agency Investment Fund	$1,506,142	$1,506,142	$1,506,142	2.59%	1	1	0.402%	0.408%
Money Markets	1,669,435	1,669,435	1,669,435	2.86	1	1	0.286	0.292
Federal Agency Issues - Coupon	52,050,000	52,751,194	51,973,253	89.27	1,776	673	2.296	2.328
Sweep Account	3,081,893	3,081,893	3,081,893	5.29	1	1	0.197	0.200
SUBTOTAL	58,307,470	59,008,663	52,230,723	100.00%	1,586	600	2.078	2.107
Cash and Accrued Interest	961,737	962,795	962,795		1	1	–	–
Total Cash and Investments	$59,269,206	$59,971,458	$59,193,518		1,586	600	2.078%	2.107%

Total Earnings	August 30, 2011 Month Ending	Fiscal Year to Date
Current Year	$100,625	$200,237
Average Daily Balance	$66,773,626	$67,041,958
Effective Rate of Return	1.77%	1.76%

† Represents an average.
Source: City of Richmond, Finance Department.

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution. This summary is not to be considered a full statement of the terms of the Resolution and accordingly is qualified by reference thereto and is subject to the full text thereof. Except as otherwise defined herein, capitalized terms used in this Official Statement without definition have the respective meanings set forth in the Resolution.

Resolution to Constitute Contract

The provisions of the Notes and of the Resolution constitute a contract between the City and the registered owners of the Notes and such provisions may be enforceable by mandamus or any other appropriate suit, action or proceeding at law or in equity in any court of competent jurisdiction, and, upon issuance of the Notes, will be irrepealable. See also "THE NOTES–Lien in Bankruptcy."

Representations and Covenants of the City

The City has determined and represents in the Resolution that with respect to Fiscal Year 2011-12, the amount of $15,000,000 when added to the interest estimated to be payable thereon, does not exceed 85% of the estimated amount of the uncollected taxes, income, revenue, cash receipts, and other moneys of the General Fund of the City attributable to Fiscal Year 2011-12 and available for the payment of the principal of and the interest on the Notes.

In order to maintain the exclusion from gross income for federal income tax purposes of interest on the Notes, the City covenants to comply with each applicable requirement of the Internal Revenue Code of 1986, as amended, necessary to maintain the exclusion of interest on the Notes from gross income for federal income tax purposes and the City agrees to comply with the requirements of the Tax Certificate of the City. The City further covenants that it will make all calculations relating to any rebate of excess investment earnings on the Note proceeds due to the United States Department of the Treasury in a reasonable and prudent fashion and will segregate and set aside the amounts such calculations indicate may be required to be paid to the United States Department of the Treasury from revenues attributable to the 2011-12 Fiscal Year or from any other lawfully available moneys. See "TAX MATTERS."

Notwithstanding any other provision of the Resolution to the contrary, upon the failure of the City to observe, or refusal to comply with, the foregoing tax covenants, no one other than the owners or former owners of the Notes are entitled to exercise any right or remedy with respect to the failure of the City to observe or comply with such covenants under the Resolution.

Paying Agent and Note Registrar

Union Bank, N.A. will initially act as Paying Agent and as registrar for the Notes. This appointment does not preclude the City from appointing another financial institution to act as Paying Agent. Any such successor Paying Agent will be, or have co-paying agent relationships with, one or more banks or trust companies organized under the laws of the United States or a State thereof with a minimum of $500 million in capital.

Exchange and Transfer of the Notes

The registered owners of the Notes which are evidenced by registered certificates may transfer such Notes upon the books maintained by the Note Registrar, but only in accordance with the Resolution.

Pursuant to the Resolution, the City and any Paying Agent may deem and treat the registered owner of any Note as the absolute owner of such Note for the purpose of receiving payment thereof and for all other purposes, and neither the City nor the Paying Agent will have any responsibility for transmitting payments to, communicating with, notifying or otherwise dealing with any beneficial owners of the Notes, and neither the City nor any Paying Agent will be affected by any notice to the contrary. Cede & Co., as nominee of DTC, or such other nominee of DTC or any successor securities depository or the nominee thereof, will be the registered owner of the Notes as long as the beneficial ownership of the Notes is held in book-entry form in the records of such securities depository. See APPENDIX F–"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Permitted Investments

Moneys on deposit in the Repayment Fund will be retained therein until applied to the payment of the principal of and interest on the Notes. Such amounts may not be used for any other purposes, although they may be invested in Permitted Investments, which will mature on or before the dates on which such money is anticipated to be required to pay principal of or interest on the Notes. The Resolution specifically designates the following investments as Permitted Investments, subject to certain limitations more fully described in the Resolution:

(i) United States Treasury notes, bonds, 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.

(ii) Obligations of instrumentalities or agencies of the United States of America limited to the following: (a) the Federal Home Loan Bank Board (FHLB); (b) Federal Farm Credit Bank (FFCB); (c) Government National Mortgage Association (GNMA); (d) Federal Agricultural Mortgage Association (FRM); and (e) guaranteed portions of Small Business Administration (SBA) notes.

(iii) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances. Purchases of bankers' acceptances may not exceed a maturity of 180 days. The financial institution must have a minimum short-term rating of "A-1" by S&P and a long-term rating of no less than "A."

(iv) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by S&P ("A-1"). Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of $500,000,000. Purchases of eligible commercial paper may not exceed a maturity of 270 days.

(v) Negotiable certificates of deposits issued by a nationally or state-chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank in each case which has, or which is a subsidiary of a parent company which has, the highest letter and numerical rating from S&P ("A-1").

(vi) Investments in repurchase agreements of any securities listed in clauses (i) through (iv) above. Investments in repurchase agreements may be made with financial institutions, which are rated in one of the two highest long-term rating categories by S&P, when the term of the repurchase agreement does not exceed 30 days and are fully secured at or greater than 102% of the market value plus accrued interest by obligations of the United States Government, its agencies and instrumentalities, in accordance with clause (ii) above.

(vii) Money market funds rated at least "AAm" or "AAm-G" by S&P.

(viii) Forward purchase and delivery agreements (a) the securities delivered under which are described in clauses (i) through (iv) above, and (b) entered into with, or the obligations of which are guaranteed by, a domestic bank, financial institution, broker, dealer or insurance company the financial capacity to honor its senior obligations of which is rated at least "AA-" by S&P.

(ix) Investment agreements with, or the obligations of which are guaranteed by, (a) a domestic bank, financial institution or insurance company the financial capacity to honor its senior obligations of which is rated at least "AA-" by S&P; or (b) a foreign bank the long-term debt of which is rated at least "AA-" by S&P (each a "Qualified Provider"); provided, that, by the terms of the investment agreement:

(1) if for the Repayment Fund, interest and principal payments are to be made to the Paying Agent at times and in amounts as necessary to pay debt service on the Notes;

(2) if for the proceeds of the Notes, the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice (which notice may be amended or withdrawn at any time prior to the specified withdrawal date); provided, that, the Paying Agent shall give notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(3) the investment agreement states that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof;

(4) a fixed guaranteed rate of interest is to be paid on invested funds and all future deposits, if any, required to be made to such funds;

(5) the term of the investment agreement shall not exceed the term of the Notes;

(6) the City or the Paying Agent receives the opinion or opinions of domestic counsel (which opinion or opinions shall be addressed to the City and the Paying Agent) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms; and

(7) the investment agreement shall provide that if during its term the provider's (or, if guaranteed, the guarantor's) rating by S&P falls below "AA-" the provider must within 10 business days assign the investment agreement to a Qualified Provider reasonably acceptable to the City or collateralize the investment agreement by delivering or transferring in accordance with applicable State and federal laws (other than by means of entries on the provider's books) to the City, the Paying Agent or a third party acting solely as agent therefor, United States Treasury and Agency Obligations which are free and clear of any third-party liens or claims at such collateral levels and valued at such frequencies as shall be necessary to maintain the highest short-term ratings on the Notes by S&P.

(x) Deposits in the State of California Treasurer's Local Agency Investment Fund (LAIF).

(xi) Shares of beneficial interest issued by the Investment Trust of California (CalTRUST) pursuant to California Government Code Section 6509.7 and authorized for local agency investment pursuant to California Government Code Section 53601(o).

(xii) The City Investment Portfolio.

(xiii) The County of Contra Costa Investment Pool.

CERTAIN RISK FACTORS

Described below are certain factors which could impact the ability of the City to pay debt service on the Notes. See also APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND" for certain financial and other information concerning the City. The following information does not purport to be an exhaustive listing of the risks and other considerations which may be relevant to an investment in the Notes and the order in which they are presented is not intended to reflect the relative important of such risks. There can be no assurance made that other risk factors will not become relevant in the future.

City Financial Stress

A variety of circumstances affecting the City (and other cities in the State) have resulted in significant financial stress on the City over the last few years. Certain of these circumstances are described in Appendix A, and include (i) the financial condition of the State, which resulted in decreased revenues from the State to the City; (ii) increases in labor costs, including police overtime and other amounts required to be paid by the City to fund current and future retirement benefits, resulting from the negotiation of labor agreements and enhancement of retirement benefits and the resulting impact on the required annual General Fund contribution to its employee pension plans; (iii) increases in employee and retiree health care costs paid by the City; and (iv) declines in assessed valuation and property tax revenues. See APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND–FINANCIAL OPERATIONS."

State Budget Finances

Approximately 40.2% of the City's General Fund revenues for Fiscal Year 2010-11 consisted of payments collected by the State and passed-through to local governments or collected by the County and allocated to local governments by State law. Approximately 43.1% of the City's budgeted General Fund revenues for Fiscal Year 2011-12 are expected to come from such sources. There can be no assurance that current or future State budget difficulties will not adversely affect the City's revenues. See APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND–FINANCIAL OPERATIONS–State Budgets" and "–Major General Fund Revenue Sources."

Internal Revenue Service Correspondence Examination of 2009-10 TRANS

On September 22, 2011, the City received a correspondence examination request from the United States Internal Revenue Service (the "IRS") with respect to the $18,014,846 California Communities Tax and Revenue Anticipation Note Program, Note Participations, Series 2009-A-8 issued on behalf of the City. The letter states that the IRS has no reason to believe that the financing fails to comply with any of the federal tax law requirements. A correspondence examination is intended to assess the overall compliance risk of the bond issue and requests only general information responses and *not* supporting documentation. The City is in the process of providing a timely response to the request.

IRS Audit

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

Risk of State or Local Legislation

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

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

Assessment Appeals and Reductions in Assessed Valuation

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county assessment appeals board (a "Proposition 8" appeal). In addition to reductions in assessed value resulting from Proposition 8 appeals, Proposition 8 also allows assessors to reduce assessed value unilaterally to reflect reductions in market value. See APPENDIX A–"CERTAIN FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF RICHMOND–FINANCIAL OPERATIONS–FINANCIAL OPERATIONS–Major General Fund Revenue Sources–*Declines in Assessed Valuation.*"

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

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

On September 3, 2006, the County Appeals Board ruled that the property taxes assessed against Chevron USA ("Chevron"), the largest secured taxpayer in the City, for Fiscal Years 2004-05 through 2006-07 were too high by a combined $1.2 billion and that Chevron had overpaid property taxes by at least $12.6 million. The County and Chevron have reached an agreement on a repayment plan for a $17.84 million refund owed to Chevron, of which $2.3 million will be paid by the City. One half of the payment was made in December 2010 and the remaining half is scheduled to be paid in December 2011. See APPENDIX A–"CERTAIN FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF RICHMOND–FINANCIAL OPERATIONS–Major General Fund Revenue Sources–*Assessment Appeals.*"

Property tax revenues, which comprise approximately 20% of the revenues of the City significantly affected by a reduction in taxable property assessed values due to successful property owner appeals and/or unilateral reductions by the County Assessor over the past two years. However, the City's assessed valuation for Fiscal Year 2011-12 increased 5.6% over the prior Fiscal Year. There can be no assurance that assessed valuation will continue to grow in the future. See APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND–FINANCIAL OPERATIONS–Major General Fund Revenue Sources–*Assessment Appeals*."

Public Safety and Security Issues

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

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

Obligations of the City

The City has a significant amount of obligations payable from the same revenues of the City that are sources to fund the Repayment 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 "–Other Post Employment Benefits."

Investment of Funds

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

Natural Disasters

Earthquakes, floods, fires or other natural disasters in the jurisdiction of the City could negatively impact the operations and finances of the City.

There are several geological faults in the greater San Francisco Bay Area that have the potential to cause serious earthquakes which could result in damage to buildings, roads, bridges, and property within the City. The City is located in the Hayward Fault Zone. Past experiences, including the 1989 Loma Prieta earthquake on the San Andreas fault, with a magnitude of 7.1 on the Richter scale and with the epicenter located in Santa Cruz, approximately 65 miles south of the City, have resulted in minimal damage to the infrastructure and property within the City.

It is possible that new geological faults could be discovered in the area and a significant earthquake along these or other faults is possible during the period that the Notes will be outstanding which may cause a delay or suspension of receipt of revenues by the City.

Portions of the City are situated on landfill. During an earthquake, landfill areas are subject to liquefaction, which is the temporary change of a saturated soil or fill to a liquid with the loss of support strength for structures. Commercial properties, residential properties and infrastructure in this these areas could sustain damage in a major seismic event from ground motion and liquefaction of underlying soils.

It is believed that the City is not at great risk of earthquake-triggered tsunamis due to natural attenuation across San Francisco Bay and Brooks Island near the City. If a tsunami did occur on the open ocean, it is expected that waves would dissipate as they moved through the San Francisco Bay and past Angel Island, and that the tidal flats would absorb much of the impact. There were no tsunami impacts to the City as a result of the 9.0 magnitude Tōhoku, Japan earthquake that occurred on March 11, 2011.

Bankruptcy

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

As described herein, the City covenants in the Resolution to cause to be deposited directly in the Repayment Fund, by the dates identified as the respective Pledge Periods, as described in "THE NOTES–Security for the Notes," such amounts equal to the percentages of the principal and interest due on the Notes required for each Pledge Period until the payment of principal of and interest on the Notes is paid. See "THE NOTES–Cash Flow Projections." Any filing of bankruptcy by the City could delay or impair the timely deposit of Pledged Revenues into the Repayment Fund and payment of the Notes. Further, the opinion of Bond Counsel as to the enforceability of the Notes is expressly qualified by the declaration of bankruptcy. See also THE NOTES–Lien in Bankruptcy."

Litigation

The City may be or become a party to litigation which has an impact on the General Fund. While the City maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents, the City cannot predict what types of liabilities may arise in the future.

Change in Law

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws of the State in a manner that could result in a reduction of the City's revenues and therefore a reduction of the funds legally available to the City to make debt service payments on the Notes. See, for example, "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS–Article XIII C and Article XIII D of the State Constitution."

Secondary Market

There can be no guarantee that there will be a secondary market for the Notes or, if a secondary market exists, that any Notes can be sold for any particular price. Prices of municipal securities for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price. No assurance can be given that the market price for the Notes will not be affected by the introduction or enactment of any future legislation, or changes in interpretation of existing law.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A, Article XIII B, Article XIII C, Article XIII D, Proposition 62, Proposition 1A of 2004, Proposition 22 and Proposition 26, each discussed below, were adopted as measures that qualified for the ballot through California's initiative process.

Article XIII A of the California Constitution

In 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A was subsequently amended on several occasions in various respects. Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes on real property may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness and or bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities approved by 55% of the voters voting on the proposition. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash" or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

Legislation Implementing Article XIII A

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

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

Article XIII B of the California Constitution

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

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

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

For Fiscal Year 2011-12, the City's Article XIII B limit is estimated to be $284,606,282 and budgeted appropriations subject to limitation are estimated to be $134,940,731. For Fiscal Year 2010-11, the City's Article XIII B limit is estimated to be $275,516,105 and budgeted appropriations subject to limitation are estimated to be $131,187,601. For Fiscal Year 2009-10, the City's Article XIII B limit was $279,620,770 and budgeted appropriations subject to limitation were $144,019,521. The City has never exceeded its Article XIII B appropriations limit and does not anticipate having any difficulty in operating within the appropriations limit.

Article XIII C and Article XIII D of the California Constitution

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

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. Further, any general purpose tax which the City imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election which must be held within two years of November 5, 1996. The City believes that no existing City-imposed taxes deposited into its General Fund will be affected by the voter approval requirements of Proposition 218, although as indicated below certain tax levies may be affected by Proposition 62. The voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIII D, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. The City estimates that in Fiscal Year 2011-12 it will collect no such fees and assessments. Article XIII C also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. If such repeal or reduction occurs, the City's ability to repay the Notes could be adversely affected.

Proposition 62

Proposition 62, a statutory initiative that was adopted by the voters voting in the State at the November 4, 1986 general election, (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities be approved by a majority vote of the voters of the

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

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

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

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

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

Proposition 1A of 2004

The California Constitution and existing statutes give the legislature authority over property taxes, sales taxes and the VLF. The State legislature has authority to change tax rates, the items subject to taxation and the distribution of tax revenues among local governments, schools, and community college districts. The State has used this authority for many purposes, including increasing funding for local services, reducing State costs, reducing taxation, addressing concerns regarding funding for particular local governments, and restructuring local finance.

The California Constitution generally requires the State to reimburse the local governments when the State "mandates" a new local program or higher level of service. Due to the ongoing financial difficulties of the State, it has not provided in recent years reimbursements for many mandated costs. In other cases, the State has "suspended" mandates, eliminating both responsibility of the local governments for complying with the mandate and the need for State reimbursements.

On November 3, 2004, the voters of the State approved Proposition 1A (the "Proposition 1A of 2004") that amended the California Constitution to, among other things, reduce the State Legislature's authority over local government revenue sources by placing restrictions on the State's access to local government's property, sales and vehicle license fee revenues.

Proposition 1A of 2004 generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to a county for any fiscal year under the laws in effect as of November 3, 2004. The measure also specifies that any change in how property tax revenues are shared among local governments within a county must be approved by two-thirds of both houses of the Legislature (instead of by majority vote). Finally, the measure prohibits the State from reducing the property tax revenues provided to a county as replacement for the local sales tax revenues redirected to the State and pledged to pay debt service on State deficit-related bonds approved by voters in March 2004.

If the State reduces the VLF rate below its current level of 0.65% of the vehicle value, Proposition 1A of 2004 requires the State to provide local governments with equal replacement revenues. Proposition 1A of 2004 provides two significant exceptions to the above restrictions regarding sales and property taxes. Beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues if: the Governor proclaims that the shift is needed due to a severe State financial hardship, the legislature approves the shift with a two-thirds vote of both houses and certain other conditions are met. The State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A of 2004 allows the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. In connection with the Fiscal Year 2008-09 State Budget, the State chose to shift $1.9 billion in local *ad valorem* property taxes as permitted under Proposition 1A of 2004.

Proposition 1A of 2004 amends the California Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. Beginning in Fiscal Year 2005-06, if the State does not provide funding for the activity that has been determined to be mandated, the requirement on cities, counties or special districts to abide by the mandate would be suspended. In addition, Proposition 1A of 2004 expands the definition of what constitutes a mandate to encompass State action that transfers to cities, counties and special districts financial responsibility for a required program for which the State previously had complete or partial financial responsibility. This provision does not apply to mandates relating to schools or community colleges, or to those mandates relating to employee rights.

Proposition 1A of 2004 restricts the State's authority to reallocate local tax revenues to address concerns regarding funding for specific local governments or to restructure local government finance. For example, the State could not enact measures that changed how local sales tax revenues are allocated to cities and counties. In addition, measures that reallocated property taxes among local governments in a county would require approval by two-thirds of the members of each house of the legislature (rather than a majority vote). As a result, Proposition 1A of 2004 could result in fewer changes to local government revenues than otherwise would have been the case.

Proposition 22

On November 2, 2010, the voters of the State also approved Proposition 22, called the "Local Taxpayer, Public Safety and Transportation Protection Act of 2010," which supersedes some parts of Proposition 1A of 2004, prohibits any future action by the State Legislature to take, reallocate or borrow money raised by local governments for local purposes and prohibits changes in the allocation of property taxes among local governments designed to aid State finances. The Proposition 1A of 2004 borrowing completed in Fiscal Year 2008-09 is grandfathered. In addition, superseding Proposition 1A of 2006 (which protects Proposition 42 motor vehicle fuel sales tax transportation revenues from further suspensions), the State is prohibited from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local governments except pursuant to specified procedure involving public notices and hearings. Any law enacted after October 29, 2009 inconsistent with Proposition 22 is repealed. The inability of the State to borrow or redirect property tax or redevelopment funds will reduce the State's flexibility in reaching budget solutions in the future, but may provide local governments with more budgetary stability.

Proposition 26

On November 2, 2010, the voters of the State also approved Proposition 26, known as the "Supermajority Vote to Pass New Taxes and Fees Act." Proposition 26, among other things, amended Article XIII C to the California Constitution principally to define what constitutes a "tax" under the limitations and requirements of that provision. Article XIII C imposes limitations on local governments like the City when imposing certain taxes, including a requirement that the local government submit certain taxes to the electorate for its approval. Prior to the passage of Proposition 26, Article XIII C did not define the term "tax." The purpose of Proposition 26 is to broadly define what constitutes a tax under Article XIII C to include "any levy, charge, or exaction of any kind imposed by a local government." Proposition 26 lists several exceptions to the definition of "tax," which include (a) a charge for a specific benefit conferred or privilege granted, that does not exceed the reasonable costs of providing the benefit or granting the privilege, (b) a charge for a specific government service or product, that does not exceed the reasonable costs of providing the service or product, (c) a charge for the reasonable regulatory costs of issuing licenses and permits, performing investigations, inspections, and audits, and the administrative enforcement thereof, (d) a charge for entrance to or use of local government property, or the purchase, rental, or lease of local government property, (e) a fine, penalty, or other monetary charge imposed as a result of a violation of law, (f) a charge imposed as a condition of property development and (g) assessments and property related fees imposed in accordance with the provisions of Article XIII D.

CITY INFORMATION

For a discussion of the financial, economic and demographic profiles of the City, see APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND" and APPENDIX B–"AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2010."

The audited financial statements for the Fiscal Year June 30, 2011 are expected to be available on or before December 31, 2011 and will be available on the City's website.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), Bond Counsel to the City, 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 Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. The amount treated as interest on the Notes and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Notice 94-84. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of the opinion of Bond Counsel is set forth in APPENDIX D–"PROPOSED FORM OF OPINION OF BOND COUNSEL."

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the "IRS") is studying whether the amount of the payment at maturity on debt obligations such as the Notes that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity, or (ii) the difference between the issue price of the Notes and the aggregate amount to be paid at maturity of the Notes (the "original issue discount"). For this purpose, the issue price of the Notes is the first price at which a substantial amount of the Notes is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the IRS provides further guidance, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax exempt debt obligations with a term that is not more than one year from the date of issue in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of the Notes if original issue discount treatment is elected.

Notes purchased, whether at original issuance or otherwise, for an amount higher than the principal amount payable at maturity ("Premium Notes") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Noteholder's basis in a Premium Note, will be reduced by the amount of amortizable bond premium properly allocable to such Noteholder. Holders of Premium Notes 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 Notes. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Notes 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 Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

One of the covenants of the City referred to above requires the City to reasonably and prudently calculate the amount, if any, of excess investment earnings on the proceeds of the Notes which must be rebated to the United States, to set aside from lawfully available sources sufficient moneys to pay such amounts and to otherwise do all things necessary and within its power and authority to ensure that interest on the Notes is excluded from gross income for federal income tax purposes. Under the Code, if the City spends 100% of the proceeds of the Notes within six months after issuance, there is no requirement that there be a rebate of investment profits in order for interest on the Notes to be excluded from gross income for federal income tax purposes. The Code also provides that such proceeds are not deemed spent until all other available moneys (less a reasonable working capital reserve) are spent. The City expects to satisfy this expenditure test or, if it fails to do so, to make any required rebate payments from moneys received or accrued during the 2011-12 Fiscal Year. To the extent that any rebate cannot be paid from such moneys, California law is unclear as to whether such covenant would require the City to pay any such rebate. This would be an issue only if it were determined that the City's calculation of expenditures of Notes proceeds or of rebatable arbitrage profits, if any, was incorrect.

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Notes to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Notes for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of 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 City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Noteholders regarding the tax-exempt status of the Notes in the event of an audit examination by the IRS. Under current procedures, parties other than the City and its appointed counsel, including the Noteholders, 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 the IRS's positions with which the City legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Notes for audit, or the course or result of

such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Notes, and may cause the City or the Noteholders to incur significant expense.

LEGAL MATTERS

Bond Counsel's engagement is limited to a review of the legal proceedings required for the authorization of the Notes and to rendering the opinion set forth in APPENDIX D hereto. Bond Counsel takes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the City by the City Attorney and for the City and the Underwriter by Lofton & Jennings, San Francisco, California, Disclosure Counsel.

Compensation paid to Bond Counsel and Disclosure Counsel is contingent on the sale and delivery of the Notes.

LEGALITY FOR INVESTMENT IN CALIFORNIA

Under provisions of the California Financial Code, the Notes are legal investments for commercial banks in the State to the extent that the Notes, in the informed opinion of the investor bank, are prudent for the investment of funds of its depositors and, under provisions of the California Government Code, are eligible to secure deposits of public moneys in the State.

FINANCIAL ADVISOR

The City has retained Tamalpais Advisors, Inc., Sausalito, California, as Financial Advisor for the sale of the Notes. Tamalpais Advisors, Inc. is an independent public financial advisor and is not engaged in the business of underwriting, trading or distributing municipal or other financial securities. Tamalpais Advisors, Inc. takes no responsibility for the accuracy, completeness or fairness of this Official Statement. Compensation paid to the Financial Advisor is contingent on the sale and delivery of the Notes.

RATING

The City has received a rating of "SP-1+" from Standard & Poor's Ratings Services, a Division of the McGraw Hill Companies, Inc. ("S&P") on the Notes. Certain information was supplied by the City to S&P to be considered in evaluating the Notes. The rating issued reflects only the views of S&P and is not a recommendation to buy, sell or hold the Notes. Any explanation of the significance of such rating may be obtained from Standard & Poor's, 55 Water Street, New York, New York 10041. There is no assurance that the rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by S&P if in its judgment, circumstances so warrant. Other than as provided in the Continuing Disclosure Certificate, the City undertakes no responsibility either to bring to the attention of the owners of any Notes any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Notes.

NO MATERIAL LITIGATION

No material litigation is pending or threatened against the City concerning the validity of the Notes, and an opinion of the City Council to that effect will be furnished to the purchaser(s) at the time of the original delivery of the Notes. The City is not aware of any litigation pending or threatened against the City questioning the political existence of the City or contesting the City's ability to levy and collect *ad valorem* property taxes or contesting the City's ability to issue and repay the Notes.

There are a number of lawsuits and claims pending against the City. The aggregate amount of the uninsured liabilities of the City and the timing of any anticipated payments of judgments which may result from suits and claims will not, in the opinion of the City Council and the City Finance Director, materially affect the City's finances or impair its ability to repay the Notes.

UNDERWRITING

Pursuant to the terms of a Note Purchase Agreement dated October 27, 2011 (the "Purchase Agreement"), between the City and Wedbush Securities Inc. (the "Underwriter"), the Underwriter will purchase all of the Notes, if any are purchased. The Underwriter purchased the Notes, at a price of $7,744,401 (representing the principal amount of the Notes, plus original issue premium in the amount of $109,701, less an Underwriter's discount in the amount of $15,300).

The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the Purchase Agreement.

CONTINUING DISCLOSURE

Pursuant to the Resolution, the City has agreed to give, or cause to be given, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA"), notices, during the time the Notes are outstanding, of the occurrence of certain enumerated events, in accordance with the continuing disclosure certificate to be executed by the City upon delivery of the Notes to enable the Underwriter to comply with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). The specific nature of the notices of significant events and certain other terms of the continuing disclosure obligation are described in APPENDIX E–"FORM OF CONTINUING DISCLOSURE CERTIFICATE."

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.

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ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective purchasers of the Notes. Summaries and explanations of the Notes, the Resolution, and statutes and documents contained herein do not purport to be complete, and reference is made to said documents and statutes for a full and complete statement of their provisions. This Official Statement is not to be construed as a contract between the City and any purchasers or owners of the Notes. The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

The City regularly prepares a variety of reports, including audits, budgets and related documents, as well as certain monthly activity reports. Any owner of a Note may obtain a copy of any such report, as available, from the City by writing to the Finance Director, City of Richmond, 450 Civic Center Plaza, Richmond, California 94804.

This Official Statement and its distribution have been duly authorized and approved by the City Council of the City.

CITY OF RICHMOND

By: /s/ James C. Goins
Finance Director

APPENDIX A

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

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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. Redevelopment 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 2009-10. The unrestricted General Fund cash was approximately $9.1 million as of June 30, 2010, a decrease of $21.8 million from the prior year, largely attributable to refunding of Measure T taxes that the City had been collecting during the period that a lawsuit challenging the validity of the lawsuit was settled. See Table A-1–"City of Richmond General Fund Balance Sheet–footnotes (16) and (17)" and "–Major General Fund Revenue Sources–*Business License Act Tax ("Measure T")*. The City maintained its $10.0 million contingency fund in its reserved fund balance and reserved the entire amount of its Advances to other funds. Unrestricted cash in the amount of $9.19 million was sufficient to cover the entire Unreserved, Undesignated General Fund balance.

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Table A-1 presents the City's Audited General Fund Balance Sheet, including assets, liabilities, and fund equity for Fiscal Years 2006-07 through 2009-10 and estimated unaudited for Fiscal Year 2010-11.

Table A-1
City of Richmond
General Fund Balance Sheet
Fiscal Years 2005-06 through 2009-10

	2005-06	2006-07	2007-08	2008-09	2009-10
ASSETS					
Assets:					
Cash and investments	$30,326,744	$30,020,859	$14,910,701	$30,855,630[10]	$9,081,490[17]
Restricted cash and investments	17,020	19,014	15,961	5,154	18,166,487[18]
Receivables:					
Accounts, net	6,640,872	9,751,511[3]	8,126,501	8,440,156	18,875,397[19]
Accrued, net	–	–	–	–	–
Interest	84,483	67,605	33,206	7,190[11]	5,226
Grants	-	-	3,840	3,840	413,529[20]
Loans	1,055,124	1,276,861	1,376,940	1,351,853	1,362,648
Due from other funds	5,263,031	3,217,051	12,580,755[5]	6,345,529[12]	–
Advances to other funds[1]	17,139,855	22,179,884[4]	24,353,654[4]	22,660,371	22,754,145[21]
Inventories	–	–	–	–	–
Prepaids, supplies and other assets	247,048	310,466	211,792	496,888	423,320
TOTAL ASSETS	$60,774,177	$66,843,251	$61,613,350	$70,166,611	$71,082,242
LIABILITIES AND FUND BALANCES					
Liabilities:					
Cash overdraft	–	–	–		
Accounts payable and accrued liabilities	$1,046,498	$1,959,984	$3,404,146	$23,529,209[13]	$2,174,500[22]
Refundable deposits	1,504,483	399,164	595,211	178,849	253,161
Due to other funds	–	–	8,706,778	25,570	–
Advances from other funds	103,685	101,685	99,685	99,685	95,685
Deferred revenue	9,889,742	9,950,518	2,370,902	795,620	11,197,472[23]
Note payable		–	–	–	18,155,011[24]
TOTAL LIABILITIES	$12,544,408	$12,411,351	$15,176,722	$24,628,933[14]	$31,875,829
Fund Balances:					
Reserved for:					
Encumbrances	$926,760	$2,919,795	$1,824,308[6]	$875,407[6]	$1,009,480[6]
Prepaids, supplies and other assets	247,048	310,466	211,792	496,888	423,320
Advance to other funds	8,108,231	18,316,706	24,353,654[7]	22,660,371[15]	22,356,620
Loans receivable	356,804	543,573	659,224	649,823	580,656
Unreserved, designated for:					
Contingencies[2]	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Unreserved, reported in:					
General fund	28,590,926	22,341,360	9,387,650[8]	10,855,189[16]	4,836,337
Undesignated	–	–	–	–	
TOTAL FUND BALANCES	48,229,769	54,431,900	46,436,628[9]	45,537,678	39,206,413
TOTAL LIABILITIES AND FUND BALANCES	$60,774,177	$66,843,251	$61,613,350	$70,166,611	$71,082,242

(Footnotes on the following page.)

(Footnotes continued on next page.)

(1) The City booked $10.0 million into the Contingency Reserve in each of Fiscal Years 2006-07 through 2009-10 pursuant to the City's cash reserve policy. See "–Financial Policies–*Budget and Contingency Reserves Policy*."

(2) The City deposited $10.0 million into the Contingency Reserve in each of Fiscal Years 2005-06 through 2009-10 pursuant to the City's cash reserve policy. See "–Financial Policies–*Budget and Contingency Reserves Policy*."

(3) The increase in the amount of $3,110,639 in Fiscal Year 2006-07 reflects the inclusion of additional accrued receivables in the amount of $2.2 million, the majority of which was accrued Utility Users Tax revenue paid by Chevron in previous years.

(4) The $5.04 million increase compared to Fiscal Year 2005-06 reflects an advance made to the Richmond Housing Authority (the "RHA"), which amount varies each Fiscal Year based upon the amount paid by the City on behalf of the RHA or collected by the City from the RHA. The $2.17 million decrease compared to Fiscal Year 2006-07 is attributable to a $1.8 million advance to Storm Sewer Fund that was subsequently moved from the General Fund to the Insurance Reserve Fund during Fiscal Year 2008-09.

(5) The $9.36 million increase compared to Fiscal Year 2006-07 is attributable to $9.8 million due from the Richmond Community Redevelopment Agency (the "RCRA"), of which $8.7 million is offset by amounts due to the RCRA. See the line item "Due to Other Funds" under Fiscal Year 2007-08.

(6) Represents outstanding purchase orders.

(7) The $6.07 million increase compared to Fiscal Year 2006-07 represents a $5.3 million advance made to the RHA.

(8) The $12.95 million decrease compared to Fiscal Year 2006-07 is primarily attributed to $6 million allocated to reserve against "Advances to Other Funds" and increased one-time expenses in the amount of $5.9 million for "Public Safety" in connection with the relocation of the Police Department to the former Dicon building.

(9) The $7.99 million decrease compared to Fiscal Year 2006-07 represents the net result of $15.5 million in excess expenditures over revenues and net "Other Financing Uses" and a $7.5 million restatement of deferred revenue that had been earned in prior Fiscal Years.

(10) The increase in the amount of $15.94 million compared to Fiscal Year 2007-08 reflects Measure T receipts. Measure T, approved by the voters on November 4, 2008, imposed a tax on manufacturing businesses effective January 1, 2009. On February 27, 2009, Chevron Corp. filed a lawsuit alleging that Measure T violated State and federal law. The City continued to collect the tax pursuant to Measure T and such amounts were held in reserve pending resolution of the litigation. On December 16, 2009, Measure T was held invalid and the City was required to refund the $20.5 million in taxes collected plus $1.2 million in prejudgment interest. On May 11, 2010, the City approved execution of a settlement agreement, pursuant to which, among other matters, Chevron waived the prejudgment interest and agreed to pay the City $114 million over 15 years. See "–Major General Fund Revenue Sources–*Business License Act Tax ("Measure T")*.

(11) The $26,016 decline compared to Fiscal Year 2007-08 is the result of the City having less money to invest. Of the $30.8 million in Cash and Investments shown in Table A-1, $21 million represents Measure T receipts. Interest on these funds was held in a separate account and the principal and interest were recorded as liabilities pending resolution of the litigation.

(12) The $6.24 million decrease compared to Fiscal Year 2007-08 is primarily attributable to a $5.6 million short-term advance to the RCRA scheduled to be repaid soon after the end of Fiscal Year 2008-09 and was reported as a short-term transaction.

(13) The $21 million increase compared to Fiscal Year 2007-08 is due to the classification of Measure T Funds as "Accrued Liabilities" in response to the resolution of the Measure T Litigation. See "–Major General Fund Revenue Sources–*Business License Act Tax ("Measure T")*.

(14) The $9.45 million increase compared to Fiscal Year 2007-08 reflects the net result of: (i) a $21 million increase in Accrued Liabilities due to the Measure T lawsuit; (ii) clearing of a "Due to" entry in the amount of $8.7 million to the RCRA; and (iii) reclassification of $1.5 million in Deferred Revenue to Revenue.

(15) The $1.69 million decrease compared to Fiscal Year 2007-08 represents the reclassification of the advance to the Storm Sewer Fund into the Insurance Reserve Fund.

(16) The $1.47 million increase is primarily due to the reclassification of the $1.7 million advance to the Storm Sewer Fund into the Insurance Reserve Fund.

(17) The decrease in the amount of $21 million compared to Fiscal Year 2008-09 is due to the settlement of the Measure T litigation. See "–Major General Fund Revenue Sources–*Business License Act Tax ("Measure T")."*

(18) The increase in the amount of $18 million in Fiscal Year 2009-10 compared to Fiscal Year 2008-09 is due to repayment of Measure T.

(19) The increase in the amount of $10 million in Fiscal Year 2009-10 compared to Fiscal Year 2008-09 reflects the collection of the second set-aside payment in connection with the Fiscal Year 2009-10 tax and revenue anticipation note participations (the "2009-10 TRANs").

(20) The increase in the amount of $409,689 in Fiscal Year 2009-10 compared to Fiscal Year 2008-09 is due to completion of an additional street paving project.

(21) Represents accrued interest on a loan to the Port of Richmond.

(22) The decrease in the amount of $21,354,709 in Fiscal Year 2009-10 compared to Fiscal Year 2008-09 is a result of Measure T being held invalid on December 16, 2009 and the City being required to the return the funds to the payees and a deduction in accounts payable being made shortly thereafter.

(23) The increase in the amount of $10 million in Fiscal Year 2009-10 to compared to Fiscal Year 2009-10 is due to an increase in Accounts Receivable.

(24) Represents the 2009-10 TRANs issued on November 5, 2009.

Sources: Comprehensive Annual Financial Reports and the City of Richmond, Finance Department.

Table A-2 presents the City's Audited General Fund Statement of Revenues, Expenditures and Change in Fund Balance for Fiscal Years 2005-06 though 2009-10.

Table A-2
City of Richmond
Summary of General Fund Revenues, Expenditures, and Change in Fund Balance
Fiscal Years 2005-06 through 2009-10

	2005-06	2006-07	2007-08	2008-09	2009-10
Revenues:					
Property taxes[1]	$28,284,861	$33,069,812	$34,296,322	$33,296,446	$29,746,915
Sales taxes	25,402,253	28,217,895	29,005,711	27,922,698	25,000,182
Utility user fees and Settlements[2]	30,199,388	27,007,410	29,553,243	48,953,004	40,298,719
Other taxes	14,590,884	11,517,437	7,659,207[15]	7,959,683	6,092,050
Licenses, permits and fees	3,028,837	3,221,612	2,975,914	2,191,711	2,635,258
Fines, forfeitures and penalties	372,951	286,759	283,918	332,524	245,099
Use of money and property[3]	693,463	1,707,627	756,288	183,318	352,132
Intergovernmental	1,854,613	4,596,113	5,101,207	747,134[17]	1,580,801
Charges for services	1,153,341	2,760,033	2,314,495	2,566,597	746,217
Other	726,503	1,153,406	1,878,275	8,240,818	3,462,912
Rent[4]	161,382	383,319	308,946	295,064	2,527,264
Total Revenues	$106,468,476	$113,915,423	$114,106,526	$132,688,997	$112,687,549
Expenditures:					
Current:					
General government[5]	$12,686,072	$15,032,093	$17,794,828	$10,169,478	$7,291,519
Public safety[6]	59,834,214	65,989,536	80,799,922	87,578,216	87,548,895
Public works[7]	10,927,180	5,730,208	7,780,750	14,411,773	13,355,265
Community development[8]	849,369	1,095,080	1,610,874	–	–
Cultural and recreational[9]	9,270,951	14,784,253	20,165,663	15,188,002	13,735,412
Capital outlay[10]	21,750	1,084,802	763,184	776,014	5,958
Debt service:					
Principal	–	–	–	520,439	446,191
Interest and fiscal charges	–	–	–	26,552	570,804
Total Expenditures[11]	$93,589,536	$103,715,972	$128,915,221	$128,670,474	$122,954,044
Excess (Deficiency) of Revenues Over (Under) Expenditures	$12,878,940	$10,199,451	($14,808,695)	$4,018,523	($10,266,495)
Other Financing Sources (Uses):					
Bond premium	–	–	–	-	$214,846
Proceeds of sale of property	$ 869,880	$ 116,037	$ 4,008,197	$ 40,000	–
Transfers in[12]	12,101,059	3,706,920	5,503,497	9,752,825	8,952,371
Transfers out	(21,214,000)	(7,820,277)	(10,183,160)	(14,710,298)	(5,231,987)
Total Other Financing Sources (Uses)	($8,243,061)	($3,997,320)	($671,466)	($4,917,473)	$3,935,230
Revenues and other financing sources over (under) expenditures and other financing uses[13]	$4,635,879	$6,202,131	($15,480,161)	($898,950)	($6,331,265)
Net Change in Fund Balances	–	–	–	–	–
Fund Balances:					
Beginning of year	$43,593,890	$48,229,769	$61,916,789[16]	$46,436,628	$45,537,678
End of year[14]	$48,229,769	$54,431,900	$46,436,628	$45,537,698	$39,206,413

(footnotes on the following page)

(1) For a discussion regarding the declines in assessed value see "–Major General Fund Revenue Sources–*Declines in Assessed Valuation*."

(2) The 10.6% decrease in Utility User Taxes in Fiscal Year 2006-07 compared to the prior Fiscal Year is due primarily to a major utility user electing not to pay under the cap agreement. The 9.2% increase in Utility User Taxes in Fiscal Year 2007-08 compared to the prior Fiscal Year is due primarily to a change in Chevron's tax rate. The 65.6% increase in Fiscal Year 2008-09 is due to initial the UUT Settlement payment made by Chevron. The 17.2% decrease in Utility User Taxes in Fiscal Year 2009-10 compared to the prior Fiscal Year is due to the decreased payment by Chevron as part of the UUT Settlement Agreement. See "–Major General Fund Revenue Sources–Utility Users Tax."

(3) The $1.0 million increase in Fiscal Year 2006-07 compared to the prior Fiscal Year is due to interest earnings on a larger balance. The $951,339 decrease in Fiscal Year 2007-08 compared to the prior Fiscal Year is due to lower interest earnings on General Fund balances. The $572,970 decrease in Fiscal Year 2008-09 compared to the prior Fiscal Year is due to lower General Fund balances and low interest rates.

(4) The $2.2 million increase in Fiscal Year 2009-10 compared to the prior Fiscal Year is due primarily to recreation rentals.

(5) The $7.6 million decrease in Fiscal Year 2008-09 compared to the prior Fiscal Year reflects cost plan reimbursements recorded as expenditures which were made in the mid-year budget reductions in response to projected revenue reductions. The $2.9 million decrease in Fiscal Year 2009-10 compared to the prior Fiscal Year includes a bad debt expenditures adjustment in the amount of $2.8 million and retiree health reimbursement expenses.

(6) The $14.8 million increase in Fiscal Year 2007-08 Public Safety expenditures compared to the prior Fiscal Year includes a one-time expenditure in the amount of $5.9 million incurred in connection with the relocation of the Police Department into the former Dicon building, $6.0 million in overtime, $1.5 million in annual rent for the former Dicon building and $1.2 million for eight additional sworn officers. The $6.7 million increase in Fiscal Year 2008-09 compared to the prior Fiscal Year reflects a cost of living increases ranging from 4% to 6.5% and expenses associated with the move to the former Dicon building.

(7) The $6.6 million decrease in Fiscal Year 2008-09 for Public Works compared to the prior Fiscal Year reflects a 4% payroll cost of living increase. Commencing in Fiscal Year 2008-09, parks and landscape expenses were transferred from the Recreation budget to Public Works.

(8) Commencing in Fiscal Year 2008-09, planning division costs are included in "General Government."

(9) The $5.4 million increase in Fiscal Year 2007-08 for Cultural and Recreational expenses compared to the prior Fiscal Year includes costs of existing hours of operation at the Main Library and two branch libraries. Commencing in Fiscal Year 2008-09, the Parks & Landscaping division was transferred from Cultural and Recreational to Public Works. The $4.9 million decrease in Fiscal Year 2008-09 compared to the prior Fiscal Year reflects this transfer.

(10) The $1.063 million increase in Fiscal Year 2006-07 in Capital Outlay compared to Fiscal Year 2005-06 is due primarily to expenses relating to the relocation of the Police Department. The $770,056 decrease in Fiscal Year 2009-10 compared to the prior Fiscal Year is due to capital expenditures for computer equipment in the Police Department.

(11) The $25.1 million increase in Total Expenditures for Fiscal Year 2007-08 compared to the prior Fiscal Year reflects a combination on one-time costs and restoration of 17 positions. The $5.7 decrease in expenditures in Fiscal Year 2009-10 compared to the Fiscal Year is due to overall expenditure reductions identified in the revised budget approved in October 2009 to adjust for changes in the economy.

(12) For Fiscal Year 2005-06, 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. For Fiscal year 2008-09 includes transfers of approximately $5.2 million from the Secured Property Tax Override fund and approximately $4.4 million from Non-Major Governmental Funds and for Fiscal Year 2009-10 includes transfers of approximately $2.6 million from Non-Major Governmental Funds, approximately $4 million from Internal Revenue Service Funds and approximately $1.8 million released from debt service funds for refunded bonds.

(13) The $1.6 million increase in Fiscal Year 2006-07 compared to the prior Fiscal Year reflects a portion of a non-recurring transfer to the Internal Service Fund.

(14) The end of year fund balance in Fiscal Year 2006-07 includes $5.7 million collected from the Pension Stabilization Fund. The net decrease in the amount of $7.9 million in Fiscal Year 2007-08 compared to the prior Fiscal Year reflects a restatement of the beginning balance to reflect $7.5 million of deferred revenue that was earned in prior years as well as a $15.1 million net deficit in Fiscal Year 2007-08. The net decrease in Fiscal Year 2009-10 in the amount of $6.3 million (14%) compared to the prior Fiscal Year is reflects the overall decrease in the three major revenue sources while expenditures experienced a decline of only 4%.

(15) The decline in Other Taxes in Fiscal Year 2007-08 compared to the prior Fiscal Year is primarily due to lower Property Transfer Taxes.

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

(17) The $4.2 million decrease in Fiscal Year 2008-09 compared to the prior Fiscal Year is due to a decrease in State and federal grant revenues.

Sources: Comprehensive Annual Financial Reports and City of Richmond, Finance Department.

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.

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 audited budget results for Fiscal Year 2009-10 are discussed under "–Financial Operations."

Fiscal Year 2010-11. City staff prepared proposed budget actions that were presented to the City Council for consideration on June 1, 2010. As a result of a settlement with Chevron USA with respect to the Measure T litigation, the City received a $10 million settlement payment in July 2010 and will receive additional payments in the aggregate amount of $104 million through Fiscal Year 2024-25. As a result of receipt of the settlement payment, fewer departmental operating cost reductions and layoffs were required to the Fiscal Year 2010-11 proposed budget than otherwise would have been required.

The City adopted its Fiscal Year 2010-11 budget on June 22, 2010 (the "Adopted Fiscal Year 2010-11 Budget") which anticipated an approximately $8.60 million decline in revenues and a $11.88 million decline in expenditures compared to the Fiscal Year 2009-10 Budget Mid-Year Review. The Adopted Fiscal Year 2010-11 Budget estimated a small contingency operating surplus, net of other financing sources of $77,834 in the General Fund.

During Fiscal Year 2010-11, the City expected to budget its contingency reserve at $8.5 million which is lower than the $10 million Reserve Policy target, although the Reserve Policy allows a lower reserve under certain circumstances, including managing the finances of the City during weak economic cycles. See "–Financial Policies–*Budget and Contingency Reserves*."

<u>Mid Year Adjustments</u>. On February 15, 2011, the City Council received the Fiscal Year 2010-11 Budget Mid Year Review that estimated an operating deficit, net of net Other Financing Sources, of $411,000 in the General Fund. Adjustments were made to close the projected deficit.

Preliminary Results. The City estimates that the General Fund final balance for Fiscal Year 2010-11 was $38.8 million, a projected decline of $0.4 million from the prior year.

Fiscal Year 2011-12. City staff prepared proposed budget actions that were presented to the City Council for consideration on May 24, 2011. The proposed budget assumed total General Fund revenues in the amount of $134.1 million (including transfers in), expenditures in the amount of $134.9 million (including transfers out) and an ending General Fund balance of approximately $38.0 million.

The City adopted its Fiscal Year 2011-12 budget on June 22, 2011 (the "Adopted Fiscal Year 2011-12 Budget") which anticipates an approximately $1.1 million reduction in total net revenues and transfers in and a $725,792 reduction in expenditures and transfers out compared to the adjusted budget for Fiscal Year 2010-11.

Table A-3 presents the City's actual revenues and expenditures for Fiscal Years 2008-09 and 2009-10, adopted and adjusted Fiscal Year 2010-11 revenues and expenditures, and adopted revenues and expenditures for Fiscal Year 2011-12.

Table A-3
City of Richmond
Summary of Budgeted General Fund Revenues and Expenditures
For Fiscal Years 2008-09 through 2011-12

	Actual 2008-09	Actual 2009-10	Adopted Budget 2010-11	Adjusted Budget 2010-11	Adopted Budget 2011-12
Revenue:					
Property Taxes	$33,296,446	$29,746,915	$25,550,000	$26,200,000	$25,722,700
Sales & Use Tax	27,922,698	25,000,182	23,984,487	23,789,779	25,019,970
Utility Users Tax and Settlements	48,953,004	40,298,719	50,924,399	50,924,399	52,456,890
Franchise Taxes, Licenses and Fees	2,191,711	2,635,258	4,005,500	4,229,762	5,144,700
Charges for Services	2,566,597	3,462,912	936,000	936,000	1,036,000
All Other Revenues	17,798,541	11,758,409	15,065,944	14,989,842	11,782,299
Total Revenue	132,728,997	112,902,395	120,466,330	121,069,782	121,162,559
Operating Transfers In	9,752,825	8,952,371	11,689,115	14,186,025	12,949,715
Total Funds Available	142,481,822	121,854,766	132,155,445	135,255,807	134,112,274
Expenditures:					
Salaries and Benefits	90,325,331	87,769,075	90,085,149	90,460,044	98,061,623
Other Operating Expenditures	37,798,152	34,167,974	33,457,905	35,708,920	27,864,584
Total Expenditures	128,123,483	121,937,049	121,937,049	126,168,964	125,926,207
Operating Transfers Out and Debt Service	15,257,289	6,248,982	9,435,704	9,497,559	9,014,524
Total Funds Required	143,380,772	128,186,031	131,372,753	135,666,523	134,940,731
Net Change in Fund Balance from Operations	(898,950)	(6,331,265)	782,692	(410,716)	(828,457)

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 complete audited financial report for Fiscal Year 2009-10 is attached as Exhibit B and is also available on the City's website. 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, 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. City 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.

Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to 10% of their fund-type total and 5% 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.

Governmental Funds. The City has 23 governmental funds of which seven are considered major 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. The major revenue sources are property taxes, utility users' tax and sales tax. The major expenditures are salaries and administrative expenses.

Redevelopment Agency Administration Special Revenue Fund. This fund accounts for all administrative activities of the Redevelopment Agency.

Redevelopment Agency Low and Moderate Income Housing Capital Projects Fund. This fund accounts for the 20% housing set-aside from the tax increment proceeds of each of the project area of the Redevelopment Agency. This set-aside is required by State redevelopment law, and must be used to provide housing for people with low and moderate incomes.

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.

Civic Center Debt Service Fund. This fund was established to account for activities of the new Civic Center Project. The Certificate of occupancy for this project was issued on November 25, 2009 and this fund was closed on November 30, 2009.

Cost Recovery Special Revenue Fund. This fund was established to record the receipt and use of moneys for services provided to the public and developers.

Enterprise 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. This fund accounts for all funds provided by the Department of Housing and Urban Development (HUD) to assist low income families in obtaining safe, decent and sanitary housing.

Port of Richmond Fund. This fund accounts for all financial transactions relating to the City-owned marine terminal facilities and commercial property rentals.

Municipal Sewer Fund. This fund accounts for all financial transactions relating to the City's wastewater and collection services. Services are provided on a user charge basis to residents and businesses located within the City.

Internal Service Funds. These 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.

Trust Funds. These funds account for assets held by the City as an agent for various functions. The General Pension, Police and Fireman's and Garfield Pension Funds account for the accumulation of resources to be used for retiree pension payments at appropriate amounts and times in the future. The Pointe Molate Private-Purpose Trust Fund to account for assets held by the City as an agent for the U.S. Navy and a private developer for the cleanup of Point Molate. The financial activities of the Trust Funds are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

Agency Funds. These funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments, including special assessment districts within the City and non-public organizations. The financial activities of these funds are excluded from the government-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

Financial Policies

The City is in the process of developing a long-term financial policy, which is expected to be completed and adopted by the City Council during Fiscal Year 2011-12.

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

Cash Reserve 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 $18.9 million for Fiscal Year 2011-12. Due to the impact of the weak economy on City revenues, the City temporarily reduced the reserve to $7.0 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, permitted investments, on-going debt administration and post-issuance tax compliance procedures for tax-exempt bonds and Build America Bonds. 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 short-term variable rate issues. The City's Debt Policy limits aggregate debt service payments funded from General Fund sources to no more than 10% of General Fund revenues and sets forth detailed debt management and refunding practices. The City is in compliance with the Debt Policy.

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.

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 reviews the Swap Policy and makes modifications as appropriate due to changes in the business environment or market conditions. The current Swap Policy was adopted on October 10, 2010. A summary of the City's swap agreements as of September 30, 2011 is set forth in Table A-4.

Table A-4
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%	($14,375,730)	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	(14,375,730)	August 1, 2034
City of Richmond Variable Rate Wastewater Revenue Refunding Bonds, Series 2008A[(4)]	November 23, 2009	$32,260,000/ 32,260,000	Royal Bank of Canada	Aa-/Aaa/AA	–	3.897	(10,557,716)	August 1, 2037
Richmond Community Redevelopment Agency Subordinate Tax Allocation Refunding Bonds (Merged Project Areas) 2010 Series A[(2)]	July 12, 2007	$65,400,000/ 59,475,000	Royal Bank of Canada	AA-/Aaa/AA	–	SIFMA + 3.16%	(9,631,154)	September 1, 2036
Joint Powers Financing Authority Lease Revenue Refunding Bonds (Civic Center) Series 2007[(3)]	September 19, 2007	$110,420,000/ 84,450,000	Royal Bank of Canada	AA-/Aaa/AA	–	3.657	(14,868,895)	August 1, 2037
TOTAL		$402,300,730/ 379,405,730					($63,968,536)	

† As of September 30, 2011.
(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 Water Enterprise Fund.
Source: Swap Financial Group LLC.

State Budget

Approximately 40.2% of the City's General Fund revenues for Fiscal Year 2011-12 are expected to consist of payments collected by the State and passed-through to local governments or collected by the County and allocated to local governments by State law. See also "–Major General Fund Revenue Sources–*Revenue from the State.*"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 2011-12 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 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.

Information about the State budget and State spending is regularly available at various State-maintained websites. Text of the budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the State budgets may be found at the website of the State Treasurer, www.treasurer.ca.gov. Information on these websites has not been reviewed or verified by either the City, the Underwriter or the Financial Advisor and is not incorporated by reference in this Official Statement. The City takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there.

Fiscal Year 2011-12. On June 30, 2011, the Budget Act for Fiscal Year 2011-12 was passed by the Legislature and signed by the Governor (the "2011 State Budget Act"). The 2011 State Budget Act projected that the State would end Fiscal Year 2011-12 with a $543 million State General Fund reserve. State General Fund revenues and transfers for Fiscal Year 2011-12 were projected at $88.5 billion, a reduction of $6.3 billion compared with Fiscal Year 2010-11. State General Fund expenditures for Fiscal Year 2011-12 were projected at $85.9 billion – a reduction of $5.5 billion compared to the prior Fiscal Year. These amounts compare to the following figures proposed in the Fiscal Year 2011-12 Governor's Budget: revenues and transfers of $89.7 billion, expenditures of $84.6 billion, and an ending reserve of $955 million. In approving the 2011 State Budget Act, the Governor exercised his line item veto power to reduce State General Fund expenditures by about $24 million, mostly in the judicial branch ($22.9 million related to parole revocation workload). The 2011 State Budget Act also includes special fund expenditures of $34.2 billion and bond fund expenditures of $9.4 billion.

The estimated State General Fund revenue reflects a combination of factors, including expiration of temporary taxes and surcharges (which totaled approximately $7.1 billion in Fiscal Year 2010-11) and transfer of about one percent of the state sales tax rate to local governments to fund the realignment described further below. Offsetting these reductions was improved revenue estimates for the remaining State tax sources. Expenditures reflected increases needed to offset the termination of federal stimulus

funding (ARRA) which supported about $4.2 billion of State General Fund programs in Fiscal Year 2010-11.

The 2011 State Budget Act closed a projected budget gap of $26.6 billion over the two Fiscal Years 2010-11 and 2011-12, and projected a $543 million reserve by June 30, 2012, for a total of $27.2 billion in solutions (including a combination of expenditure reductions, additional revenues, and other solutions) and improved revenue results for the tax base of the State.

Legislation enacted as part of the 2011 State Budget Act eliminates redevelopment agencies (RDAs) (savings of $1.7 billion in Fiscal Year 2011-12 associated with ABx1 27) but optionally allows them to continue in existence if their sponsoring agency pays a fee to local schools and certain special districts. For those RDAs that are dissolved, the statute directs the property tax increment they would have received, after payment of redevelopment debt obligations, to be paid to local agencies and school districts according to their base property tax allocations. The 2011 State Budget Act reflects an allocation of $1.7 billion of these funds to offset K-14 Proposition 98 State General Fund expenditures in Fiscal Year 2011-12. If most agencies dissolve under ABX1 26, the maximum amount of property tax that would flow to schools and offset State General Fund costs in Fiscal Year 2011-12 would be approximately $1.1 billion, but this funding level would continue and eventually grow in future years and continue to offset State General Fund Proposition 98 costs. If most agencies participate in the ABX1 27 program, the one-time offset of State General Fund costs is estimated to be $1.7 billion in Fiscal Year 2011-12. Schools would benefit by about $340 million in following years and this funding could potentially grow. If both statutes are upheld by the court, some mixture of these fiscal effects is likely but this will not be known until after the court decision and initial payments are received in January 2012 or whatever later date the court may provide. See also "–Litigation Challenging the Constitutionality of AB1 26 and ABx1 27."

The 2011 State Budget Act includes a major realignment of public safety programs from the State to local governments, including the City. The realignment moves program and fiscal responsibility to the level of government that can best provide the service, eliminating duplication of effort, generating savings to the State, and increasing flexibility. The implementation of the Community Corrections Grant Program authorized by AB 109 will end the costly revolving door of lower-level offenders and parole violators through the State's prisons. Other realigned programs include local public safety programs, mental health, substance abuse, foster care, child welfare services, and adult protective services.

The 2011 State Budget Act makes substantial progress in reducing this deficit through the combination of ongoing spending reductions and an improved revenue outlook. Under current projections, the structural deficit has been reduced to less than $5 billion annually.

A portion of the adopted solutions in the 2011 State Budget Act effect certain State and federal funds used for tax relief and provided to local governments, including the City. The solutions include:

- Elimination of Funding for Williamson Act Subventions — A decrease of $10 million. This funding partially backfilled revenues lost by local governments when they entered into voluntary contracts with landowners to assess property at a lower rate in exchange for landowners' agreement to use the land only for agriculture or open space purposes.

- Redirection of Motor Vehicle License Fee (MVLF) Revenues to Realignment — Savings of $153.4 million by shifting MVLF revenues from cities and counties, and using it to fund public safety activities that have been realigned from the State to the counties. Of the shifted funds, $105.6 million was previously distributed to cities and $47.8 million

comes specifically from Orange County. The latter funds were initially provided to repay debt issued by the County in the wake of its 1994 bankruptcy.

Trigger Mechanism for Revenue Shortfall. The 2011 State Budget Act projected an additional $4 billion in Fiscal Year 2011-12 State General Fund revenues since the May Revision, based on better-than-projected revenues in May and the first part of June. This amount was estimated on an aggregate basis, and was not allocated to specific tax sources. The 2011 State Budget Act recognized the potential risk to the state's fiscal condition if the higher revenues did not materialize by including a "trigger mechanism" to provide certain automatic expenditure reductions described below if projections of Fiscal Year 2011-12 revenues to be updated in November/December 2011 are more than $1 billion lower than projected under the 2011 State Budget Act.

The first step in this process will be a determination by the Director of Finance by December 15, 2011 forecasting whether revenues will meet the projections. This determination will use the higher of the Department of Finance's own updated revenue projections which are prepared every fall, and the revenue projections of the Legislative Analyst's Office, which will be released in mid-November 2011. If revenues are projected to fall short of expectations by an amount between $1 billion and $2 billion (first "tier"), a fixed amount of $601 million in cuts to higher education, health and human services, and public safety would be implemented by the Director of Finance beginning in January 2012. If revenues are projected to fall short by more than $2 billion (second "tier"), additional cuts would occur. A fixed amount totaling $320 million in cuts would come from eliminating the home-to-school transportation program and reducing community college apportionments. Up to an additional $1.5 billion in cuts would come from shortening the school year by up to seven days, but this cut would be done on a proportionate scale of approximately $0.75 in reduction for every dollar of revenue that does not materialize past the $2 billion threshold, up to a maximum of approximately $1.5 billion in reductions. As noted, once the $1 billion or $2 billion dollar shortfall tiers are reached, the entire trigger reduction for each tier is made (not proportionate), except for shortening of the school year.

Under the legislation, the maximum of $2.5 billion of trigger reductions would not be equal to the full amount of a possible maximum projected revenue shortfall. Absent other offsetting factors or other corrective actions, the remaining shortfall (including any identified shortfall of less than $1 billion) would be paid by the State General Fund reserve or carried over to Fiscal Year 2012-13.

Legislation was introduced on September 1, 2011 and passed by the Legislature on September 8, 2011, which, if signed by the Governor, would direct the Director of Finance, upon deciding that trigger reductions are necessary, to consult with the Speaker of the State Assembly and the President Pro Tempore of the State Senate regarding alternative budget solutions which could be implemented in lieu of trigger reductions required in the current law. This legislation would not affect the Director's responsibility to implement trigger reductions as required in current law. It also would not affect the intended values in budgetary and cash savings under the current trigger. The Administration does not support this legislation.

Budget Risks. The 2011 State Budget Act and related legislation addressing the financial situation of the State, and its cash management plan, were based on a variety of assumptions. If actual results differ from those assumptions, the state's financial condition could be adversely affected. There can be no assurance that the financial condition of the State will not be materially and adversely affected by actual conditions or circumstances, including but not limited to those described below.

- Actual revenues may be less than revenues projected in the 2011 State Budget Act. In particular, the 2011 State Budget Act projects an additional $4 billion in Fiscal Year 2011-12 State General Fund revenues since the 2011-12 May Revision, and a total of

nearly $12 billion of higher revenues over a two-year period since the 2011-12 Governor's Budget was released. A "trigger mechanism" (described above) was enacted in case new projections of State General Fund revenues show a shortfall of more than $1 billion.

- Approximately $2.4 billion ($1.8 billion related to Medi-Cal) in expenditure savings in the Health and Human Services area are contingent on receiving federal administrative approval. The Administration is working closely with the federal government to obtain these approvals, but there is no assurance that they will be obtained in full. The eventual federal budget for Fiscal Year 2012 could have some impact on the State General Fund spending level also.

- Lawsuits challenging any of the solutions included in the 2011 State Budget Act could prevent the state from achieving those solutions. At this time the only lawsuit filed with significant budgetary impact ($1.7 billion) relates to redevelopment agencies. See "–Litigation Challenging the Constitutionality of AB1 26 and ABx1 27."

- Opponents of some of the measures included in the 2011 State Budget Act are moving forward to seek a referendum on those particular measures. A referendum to overturn a law requiring Internet retailers to collect the same sales or use taxes as other retailers is currently being circulated for signatures. This law expands the definition of retailers considered "engaged in business" in the State to include certain Internet retailers selling to California consumers, so that these out-of-state Internet retailers also collect existing sales or use taxes. This legislation is projected to increase revenues by $200 million in Fiscal Year 2011-12, which would be lost if the law is rejected at the ballot.

On September 8, 2011, it was reported that a conceptual agreement had been reached between members of the Legislature and Amazon, Inc., the sponsor of the referendum referred to in the previous paragraph, under which, in return for Amazon stopping the referendum process, the State would defer until the fall of 2012 the law to require payment of sales and use tax on internet sales, during which time efforts would be made to seek national legislation on this subject from Congress. The Governor has not been party to these negotiations and has not taken any position on this proposal.

Litigation Challenging the Constitutionality of ABx1 26 and ABx1 27. On July 18, 2011, the League of California Cities (the "League"), the California Redevelopment Association (the "CRA"), the City of San Jose and Union City filed a petition for a writ of mandate with the California *Supreme Court (California Redevelopment Assn v. Matosantoas - S194861)* ("*Matosantoas*") challenging the constitutionality of ABx1 26 and ABx1 27. The lawsuit was filed directly with the California Supreme Court to expedite the process also requests the Court to issue a stay to prevent the legislation from becoming effective until the Court rules on the merits of the claims.

The central claim in the lawsuit is that ABx1 26 and ABx1 27 violate Proposition 22, the constitutional amendment passed by 61% of California voters in November 2010, just eight months ago. Proposition 22 was passed by voters to "conclusively and completely prohibit State politicians in Sacramento from seizing, diverting, shifting, borrowing, transferring, suspending, or otherwise taking or interfering with" revenue dedicated to local government. The revenues projected by Proposition 22 specifically include the annual increments of property taxes allocated to the 400 redevelopment agencies within the State.

Unless nullified, ABx1 26 and ABx1 27 will result in the elimination of redevelopment agencies or force payments by local agencies that will greatly reduce the ability of local agencies to pursue revitalization and job-creation projects. Additional information regarding the Fiscal Year 2011-12 Governor's Budget may be obtained from the LAO at www.lao.ca.gov and from the Department of Finance at www.dof.ca.gov/budget.

On August 9, 2011, the State Supreme Court (the "Court") issued an order directing the parties to show cause why the relief sought in the petition should not be granted. The Court also established an expedited briefing schedule and to facilitate oral arguments as early as possible in 2011 and a decision before January 15, 2012. Until there is a ruling on the merits, the Court agreed to allow the provisions of ABx1 26 to remain in effect to the extent that it precludes existing redevelopment agencies from incurring new indebtedness, transferring assets, acquiring real property, entering into new contracts or partnerships, modifying existing contracts, adopting or amending redevelopment plans, etc., but stayed enforcement of both ABx1 26 and ABx1 27 in all other respects.

On August 15, 2011, the City filed an appeal with the State Department of Finance (the "Department of Finance") challenging payment of a required remittance in the amount of $10,356,000 to the State pursuant to ABx1 27 for Fiscal Year 2011-12. The City expects to receive notice from the Department of Finance whether the appeal will be heard, and if so, a decision on the appeal is not expected until after the Court renders a decision in *Matosantoas* in January 2012.

Depending upon the decision by the Court, the City may elect to adopt an ordinance to continue operation of its redevelopment agency under the Voluntary Alternative Redevelopment Program.

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.

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 largest revenue source for the City in Fiscal Year 2009-10. In Fiscal Year 2009-10, Utility Users Taxes were collected by the City in the amount of approximately $40.3 million, and accounted for approximately 32% of total General Fund revenues, which includes $5 million from Chevron as part of the Settlement between the City and Chevron (the "UUT Settlement Agreement"). For Fiscal Year 2010-11, the City estimates that it will collect approximately $50.9 million in Utility Users Tax, which represents approximately 38.2% of total General Fund revenues and includes $5.5 million paid by Chevron as part of the UUT Settlement Agreement.

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.

On February 27, 2009, the City and Chevron reached the UUT Settlement pursuant to which Chevron agreed to (i) pay the maximum Utility User Tax for each Fiscal Year from 2008-09 through 2011-12; (ii) pay the Utility User Tax on the basis of actual cost commencing Fiscal Year 2012-13; (iii) pay to the City $28 million ($13 million of which was paid in Fiscal Year 2008-09 and the remaining $15 million paid in three annual installments of $5 million through Fiscal Year 2011-12); and (iv) refrain from submitting an initiative to amend the Utility User Tax.

Table A-5 shows Utility Users Tax receipts and their respective percentage of General Fund revenues since Fiscal Year 2006-07 and the budgeted amount for Fiscal Year 2011-12.

Table A-5
City of Richmond
Utility Users Tax Receipts
Fiscal Years 2006-07 through 2009-10, Estimated Fiscal Year 2010-11
and Budgeted Fiscal Year 2011-12

	Utility Users Taxes		Percentage of General Fund
Fiscal Year	Tax Receipts	% Change	Revenues
2006-07	$27,007,410	(10.57%)	23.71%
2007-08	29,553,243	9.43	25.90
2008-09	48,953,004[(1)]	65.64	35.32
2009-10[(2)]	40,298,719[(3)]	(17.68)	32.99
2010-11[(4)]	50,924,399	26.37	37.65
2011-12[(5)]	52,456,890	3.01	39.52

(1) Includes a portion of the Chevron UUT Settlement payment (discussed above) in the amount of $13 million.
(2) Fiscal Year 2009-10 Adjusted Budget.
(3) Includes a portion of the Chevron UUT Settlement payment in the amount of $5 million.
(4) Estimated.
(5) Budgeted. Includes payment resulting from tax settlement agreement with Chevron.
Sources: *City of Richmond, Comprehensive Annual Financial Report for Fiscal Years 2004-05 through 2008-09, the Fiscal Year 2009-10 Adjusted Budget and the Adopted Fiscal Year 2011-12 Budget.*

County Property Tax Collection Process and Assessed Valuation. 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 levies and collects the *ad valorem* property taxes. Taxes arising from the 1% Proposition 13 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 and voter approved pension costs are levied by the County and allocated to the relevant 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. See also "–State Budget–*Fiscal Year 2011-12"* and "–Litigation Challenging the Constitutionality of ABx1 27 and ABx1 26.

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 of 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 property 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 market value. A decline in assessed 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 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.

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The table below summarizes the assessed valuation of taxable property in the City for Fiscal Years 2007-08 through 2011-12.

Table A-6
City of Richmond, California
Assessed Valuation of Taxable Property
Fiscal Years 2006-07 through 2010-11

Fiscal Year	Local Secured	Utility	Unsecured	Total Before Redevelopment Increment	Total After Redevelopment Increment
2007-08	$12,791,207,859	$10,092,578	$764,091,227	$13,565,691,664	$11,231,920,323
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	11,753,772,000	10,017,225,935
2010-11	9,400,081,347	10,484,620	825,052,363	10,235,618,330	8,644,031,513
2011-12†	9,852,365,174	8,524,691	959,821,723	10,820,711,588	9,229,124,771

† Adopted Budget.
Sources: Contra Costa County.

Fiscal Year 2010-11. On July 2, 2010, the City received a copy of a letter dated July 1, 2010 from the County Assessor to the County Board of Supervisors to the effect that the Fiscal Year 2010-11 assessment roll had been prepared and reflected a 3.38% decline Countywide in assessed valuation from the prior Fiscal Year. The letter further stated that the effect to the City would be a 12.28% decline in assessed valuation. The City assumed a 12% decline in preparing the Adjusted Fiscal Year 2010-11 Budget to account for anticipated declines in the supplemental tax roll. Absent any supplemental property tax receipts, property taxes will be approximately $3.3 million lower than the amounts assumed when the Fiscal Year 2010-11 Adopted Budget was adopted in June 2010.

Fiscal Year 2011-12. On July 6, 2011, the City received a copy of a letter dated July 1, 2011, from the County Assessor to the County Board of Supervisors to the effect that the Fiscal Year 2011-12 assessment roll had been prepared. While it reflected a 0.49% decrease Countywide in assessed valuation from the prior Fiscal Year, the assessed valuation within the City increased by approximately 5.7%, the greatest increase in the County. The City assumed a conservative percentage decrease of approximately $0.5 million in preparing the Fiscal Year 2011-12 Budget. Absent any other adjustments, property taxes will be approximately $1.5 million higher than the amounts assumed when the Fiscal Year 2011-12 Adopted Budget was adopted in June 2011.

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The table below summarizes the change in assessed value in the City and the County by source (i.e. whether due to a Proposition 8 temporary reduction or due to a Proposition 13 reduction, representing the sale of property at current market value.)

Table A-7
City of Richmond, California and Contra Costa County
Change in Secured Assessed Valuation by Source
Fiscal Years 2008-09 through 2010-11
($ in 000's)

	Total Secured Assessed Value†		Source of Change in Assessed Valuation					
			Proposition 13			Proposition 8		
	No. of Parcels	Amount	No. of Parcels	Amount	% of Total AV	No. of Parcels	Amount	% of Total AV
City								
2008-09	23,528	$10,345,061	19,081	$8,694,452	84.0%	4,447	$1,650,610	16.0%
2009-10	22,872	8,090,892	12,780	6,186,889	76.5	10,092	1,904,004	23.5
2010-11	22,833	6,892,914	13,401	4,950,000	71.8	9,432	1,942,914	28.2
County								
2008-09	366,430	$157,497,255	284,471	$118,523,803	75.3%	81,959	$38,973,452	24.8%
2009-10	360,032	140,809,225	210,334	88,418,140	62.8	149,698	52,391,085	37.2
2010-11	360,066	136,112,315	205,184	79,565,067	58.5	154,882	56,547,247	41.5

† Data is based on July 1 Assessor's statutory roll wherein the Proposition 8 and Proposition 13 attributes reside. Any difference in the assessed value presented in this table and in the County Auditor-Controller's equalized roll represents the changes and adjustments made by the County Assessor and/or County Auditor between the July 1 statutory roll and the County Auditor-Controller's equalized roll published in early September.

Source: ParcelQuest.

Assessment Appeals. Property tax values determined by the County Assessor 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. Hearings on appeals generally are expected to occur within two years of the filing date, although waivers and extensions are available. 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.

Property tax appeals were filed for 211 parcels for Fiscal Year 2010-11, which represented an aggregate of $2.6 billion in disputed value (of which the majority represents appeals by Chevron USA). Of these appeals, 80 were allowed (representing an aggregate decline in value of $49.9 million), one was denied and 130 were pending. Major property tax assessment appeals by businesses; industries and commercial owners totaled $2.597 billion for Fiscal Year 2010-11.

Major property tax assessment appeals by businesses, industry and commercial owners during Fiscal Year 2006-07 totaled an aggregate of $2.866 billion in disputed value. The largest secured property taxpayer in the City, 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 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.

On April 1, 2010, the County and Chevron reached an agreement for a repayment plan for a $17.84 million refund owed to Chevron. Pursuant to the terms of the agreement, the County and its agencies would pay approximately $6 million to Chevron in August 2010 and would pay the remaining approximately $12 million in August 2011. The City's portion of such amount totals $2.3 million, of which $360,000 represents the City's share of the 1% *ad valorem* property tax and of which $1.94 million represents *ad valorem* property taxes levied annually at the rate of 0.14%, which was approved by the voters, to pay eligible pension costs for certain retirees and beneficiaries under the Police and Firemen's Pension Plan. The City's portion of the August 2010 payment, in the amount of $118,800, will be deducted from the property tax receipts received from the County in December 2011 and the remainder, in the amount of $241,200, will be deducted from the property tax receipts received from the County in December 2012. Chevron is also appealing its assessed valuation for the Fiscal Years 2007-08 through 2009-10. The City cannot predict whether additional appeals will be filed by Chevron or any other major property taxpayer in the future, or if filed whether or to what extent such appeals will be successful. Appeals are decided upon the Appeals Board and the City has no control over the actions of such officials.

On June 23, 2011, 13 cities and six special districts filed a Petition for Writ of Mandate (CIVMSN11-1029) claiming that the County improperly required them to repay *ad valorem* property taxes they never received to refund Chevron for the over assessment of its property The plaintiffs contend that only governments that received the *ad valorem* property taxes, primarily the City of Richmond, should repay the amount to be refunded to Chevron. A special hearing is set for October 27, 2011. While the City is unable to predict the eventual outcome of this case, if the plaintiffs are successful and the court compels the County Auditor-Controller to revise the allocation among the taxing jurisdictions for repayment of the refund to Chevron, the City would be responsible for the repayment of an additional $8.4 million to the County for redistribution to the 13 cities and six special districts.

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Property Taxes. 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)]
Fiscal Years 2006-07 through 2009-10, Estimated Fiscal Year 2010-11 and Budgeted Fiscal Year 2011-12[†]

	Property Tax		Percentage of General Fund
Fiscal Year	Receipts	% Change	Revenues
2006-07	$33,069,812	6.92%	29.03%
2007-08	34,269,322	3.63	30.03
2008-09	33,296,446	(2.84)	23.95
2009-10	29,746,915	(10.66)	24.35
2010-11[(2)]	26,200,000	(11.92)	19.37
2011-12[†(3)]	25,722,700	(1.82)	19.38

[†] Budgeted.
(1) Excludes property tax override receipts of which approximately $12.5 million were budgeted for Fiscal Year 2010-11.
(2) Estimated. Fiscal Year 2010-11 Adjusted Budget.
(3) Property taxes for Fiscal Year 2011-12 are budgeted at 2.6% lower ($0.6 million) than the amounts expected to be received based on the Fiscal Year 2010-11 Adjusted Budget. The amount to be received in Fiscal Year 2011-12 will be reduced further by $241,200 to account for repayment of amounts owed to Chevron USA as a result of its successful assessment appeal. See "*–Assessment Appeals.*"

Sources: City of Richmond, Comprehensive Annual Financial Report for Fiscal Years, 2005-06 through 2009-10, Fiscal Year 2010-11 Adjusted Year Budget and the Adopted Fiscal Year 2011-12 Budget.

Property tax receipts in Fiscal Year 2010-11 are estimated to be $26.2 million, representing approximately 19.37% of budgeted General Fund revenues and a projected 11.92% decrease compared to Fiscal Year 2009-10. Property tax receipts for Fiscal Year 2011-12 are estimated to be $25.7 million, representing approximately 19.38% of budgeted General Fund revenues and a projected 1.8% decrease compared to Fiscal Year 2010-11.

In Fiscal Year 2009-10, the State borrowed property tax receipts from local governments (including approximately $3.6 million from the City) to help balance the State budget. These funds were replaced by funds raised in a property tax securitization with the effect being that the City did not experience a $3.6 million decrease in property tax revenues in Fiscal Year 2009-10. See "FINANCIAL OPERATIONS–State Budgets–*Budget Actions After the 2009 February State Budget*."

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 a 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.

The City receives its entire secured tax levy amount each year under the Teeter Plan. A history of collections for the last five Fiscal Years is shown in Table A-9 and the aggregate amount of County secured tax levies, 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[1]
Fiscal Years 2006-07 through 2009-10 and Estimated for Fiscal Year 2010-11

Fiscal Year Ended June 30	Total Current Fiscal Year Tax Levy	Reimbursed Tax Levy	Percent Current Levy Delinquent June 30[2]
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
2009-10	33,111,961	886,295	2.68
2010-11	29,107,690	499,882	1.72

(1) Includes property tax override receipts collected for payment of certain pension benefits. See "–Pension Plans–Police and Firemen's Pension Plan."
(2) Due to the County use of the Teeter Plan, the City receives 100% of its tax levy, with the County responsible for collection of delinquent amounts.
Source: Contra Costa County Auditor-Controller.

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Table A-10
Contra Costa County
Secured Property Tax Levies, Delinquencies and
Tax Losses Reserve Balances
Fiscal Years 2005-06 through 2010-11†
($ in 000's)

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
2005-06	$1,720,978	$35,699	2.07%	$47,004	$26,335	56%
2006-07	1,967,771	80,852	4.11	97,324	33,559	34
2007-08	2,077,283	106,032	5.10	143,491	45,174	31
2008-09	2,061,930	86,035	4.17	129,971	66,209	51
2009-10	1,964,724	55,418	2.82	10,461	84,269	83
2010-11	1,932,504	35,685	1.85	78,164	94,110	120

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 between 2005 and 2010 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 MDA DataQuick Information, an independent data collection service, for calendar year 2010, mortgage holders had sent 1,012 notices of default with respect to properties located within the City compared to 1,486 during calendar year 2009 (a decline of 31.9%), and 680 trustee deeds had been recorded (indicating that the property has been lost to foreclosure) during calendar year 2009 compared to 797 during calendar year 2009 (a decline of 14.7%). During the first half (January through June) of calendar year 2011, mortgage holders sent 428 notices of default and recorded 338 trustee deeds compared to 483 notices of default sent and 340 trustee deeds recorded during the first half (January through June) of calendar year 2010.

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A summary of the notices of default sent and trustee deeds recorded for the City and the County during calendar years 2008 through 2010 and for the first half (January through June) of calendar years 2010 and 2011 is summarized in Table A-11.

Table A-11
City of Richmond and Contra Costa County
Summary of Foreclosure Activity
Calendar Years 2008 through 2010 and First Quarter of Calendar Years 2010 and 2011

	Notices of Default					Trustee Deeds (Foreclosures)				
	Calendar Year			First Half January through June)		Calendar Year			First Half January through June)	
	2008	2009	2010	2010	2011	2008	2009	2010	2010	2011
CITY										
Number	1,562	1,486	1,012	483	428	1,203	797	680	340	338
% Change	12.1%	(4.9%)	(31.9%)	–	(11.4%)	189.2%	(33.7%)	(14.7%)	–	(0.6%)
COUNTY										
Number	16,453	18,194	12,568	6,737	5,558	11,281	7,940	7,298	3,830	3,690
% Change	51.7%	10.6%	(30.9%)	–	(17.5%)	178.7%	(29.6%)	(8.1%)	–	(3.7%)

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 Assessor 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.

Due to the continued downturn in the real estate market, during Fiscal Year 2008-09, growth in assessed valuation in the County was flat (a 0.23% increase), in Fiscal Year 2009-10 assessed valuation in the County declined by $11.3 billion (-7.2%) and in Fiscal Year 2010-11 assessed valuation in the County declined by approximately $4.9 billion (3.4%) and in Fiscal Year 2011-12, the County Assessor estimates that assessed valuation will decline Countywide by approximately $700 million (0.49%), with only three cities (Richmond, Moraga and San Ramon) experiencing increases.

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Largest Taxpayers. Set forth in Table A-12 are the 10 largest secured taxpayers in the City for the Fiscal Year ending June 30, 2011 (the most current data available), based on assessed valuations within the City.

Table A-12
City of Richmond
Largest Property Taxpayers
Fiscal Year 2010-11
($ in 000's)

	Primary	2010-11 Assessed Value			
Property Owner	Land Use	Secured	Unsecured	Total	% Total
Chevron USA Inc.†	Industrial	$2,026,593,317	$342,199,128	$2,368,792,445	22.9%
Guardian of KW Hilltop LLC	Residential	101,836,626	–	101,836,626	0.9
Richmond Parkway Associates	Commercial	64,209,854	466,024	64,675,878	0.6
Kaiser Foundation Hospitals†	Institutional	39,678,736	22,640,242	62,318,978	0.6
Berlex Laboratories, Inc.†	Industrial	61,445,753	–	61,445,753	0.6
Richmond Essex, LP	Residential	47,662,859	–	47,662,859	0.5
Cherokee Simeon Venture I LLC†	Commercial	47,660,777	–	47,660,777	0.5
DDRM Hilltop Plaza LP	Commercial	46,000,000	–	46,000,000	0.4
Lennar Emerald Marina Bay LLC	Residential	44,443,000	–	44,443,000	0.4
Foss Maritime Company	Industrial	–	42,695,763	42,695,763	0.4
SUBTOTAL		2,479,530,922	408,001,157	2,887,532,079	27.9
Remaining Property Owners		7,041,034,445	417,310,932	7,458,345,377	72.1
TOTAL		$9,520,565,367	$825,312,089	$10,345,877,456	100.0%

† Indicates appeals pending.

Sources: HdL Coren & Cone based, on data obtained from the Contra Costa County Assessor 2010-11 Combined Tax Rolls, and the SBE Non Unitary Tax Roll as updated with MDA DataQuick Information sales transfer information.

On March 9, 2010, Chevron Corporation announced details of a restructuring plan that was announced earlier in January 2010. The restructuring plan includes elimination of 2,000 positions in 2010 and more in 2011 and the sale of a refinery in Wales but does not include the closure or sale of any other refineries, including the refinery in Richmond. The restructuring plan did not specifically address whether Chevron intends to continue to pursue up to $1.5 billion of improvements to its Richmond refinery.

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.

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Sales and Use Taxes. The sales tax is an excise tax imposed on retailers for the privilege of selling tangible personal property. The use tax is an excise tax imposed on a person for the storage, use or other consumption of tangible personal property purchased from any retailer. The proceeds of sales and use taxes (collectively, "Sales Tax") imposed within the boundaries of the City are distributed by the State to various agencies as shown below in Table A-13. The total Sales Tax rate for the City as of July 1, 2011 is 8.75% and is allocated as follows:

Table A-13
City of Richmond
Composition of Sales Tax Rate
(As July 1, 2011)

State - General State – Fiscal Fund	5.00%
State – Fiscal Recovery Fund	0.25
State – Local Public Safety Fund (Proposition 172)	0.50
State - Local Revenue Fund	0.50
Local - City of Richmond	0.75
Local - Contra Costa County	0.25
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	8.75%

† 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. The authorization to collect taxes pursuant to Measure Q commenced in April 2005 and continues until repealed. 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 faces significant budget shortfalls. In addition, significant budget shortfalls are currently anticipated in the coming Fiscal Years. See also "–State Budgets."

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Table A-14 sets forth a history of taxable sales for the City for calendar years 2005 through 2009 (the most recent annual data available).

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

	2005	2006	2007	2008	2009[1]
Apparel stores	$38,965	$38,864	$36,152	$37,367	$41,966
General merchandise stores	208,358	206,293	235,802	247,666	236,229
Food stores	25,867	24,508	25,349	25,152	29,939
Eating and drinking establishments	52,911	54,188	56,778	57,667	56,336
Home furnishings and appliances	26,346	27,656	23,421	19,941	13,329
Building materials and farm implements	100,174	96,514	42,248	20,064	[2]
Auto dealers and auto supplies	210,173	217,904	210,123	149,657	124,373
Service stations	185,474	203,878	242,647	271,424	218,917
Other retail stores	72,474	71,781	63,694	74,411	83,046
SUBTOTAL RETAIL STORES	920,742	941,586	936,214	903,350	804,135
All other outlets	188,917	181,326	292,526	257,622	212,106
TOTAL ALL OUTLETS	$1,109,659	$1,122,912	$1,228,740	$1,160,972	$1,016,242

(1) Most recent annual data available.
(2) Sales omitted because their publication would result in the disclosure of confidential information.
Source: California State Board of Equalization.

Sales tax receipts for Fiscal Year 2011-12 are budgeted at $25.0 million, representing approximately 18.7% of General Fund revenues and transfers in and an approximately 5.2% increase compared to Fiscal Year 2010-11.

Table A-15 shows Sales Tax receipts and their respective percentage of General Fund revenues since Fiscal Year 2006-07 and the budgeted amount for Fiscal Year 2011-12.

Table A-15
City of Richmond
Sales Tax Receipts

	Sales Tax		Percentage of General Fund
Fiscal Year	Receipts	% Change	Revenues
2006-07	$28,217,895	11.08%	24.77%
2007-08	29,005,711	2.79	25.42
2008-09	27,922,698	(3.73)	19.08
2009-10	25,000,182	(10.47)	20.47
2010-11[1]	23,789,779	(4.84)	17.85
2011-12[2]	25,019,970	5.17	18.66

(1) Estimated. Fiscal Year 2009-10 Adjusted Budget.
(2) Budgeted.
Sources: City of Richmond, Comprehensive Annual Financial Report for Fiscal Years 2006-07 through 2009-10, Fiscal Year 2010-11 Adjusted Budget and Fiscal Year 2011-12 Adopted Budget.

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.

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 27, 2009, Chevron U.S.A., Inc. ("Chevron") filed a suit in Contra Costa Superior Court *(Chevron v. City of Richmond*) alleging that Measure T violated: (i) 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, (ii) State laws that ban taxes on business inventory, and (iii) State regulations on local sales and use taxes. The City continued to collect the tax and held such amounts in reserve pending resolution of the litigation.

On December 16, 2009, the trial court agreed with some of the claims made by Chevron and invalidated Measure T as a violation of the commerce clause and the Bradley Burns Act (which allows local governments to collect a 1% sales tax). In addition, the trial court required the City to refund to Chevron the taxes it paid under Measure T and to pay Chevron $1.2 million in prejudgment interest. In February 2010, the City refunded the taxes collected in the amount of $20.9 million but did not pay the prejudgment interest. On March 9, 2010, the City filed an appeal.

On May 11, 2010, the City Council approved execution of a settlement agreement with Chevron to resolve the remaining Measure T issues and other outstanding matters that requires: (i) the City dismiss its appeal of the trial court decision invalidating Measure T, and (ii) Chevron to: (a) waive the Measure T prejudgment interest; (b) agree not to submit the proposed initiative that would amend the UUT; (c) agree to pay to the City a total of $114 million over 15 years ($10 million in each of Fiscal Years 2010-11 and 2011-12; $13 million in each of Fiscal Year 2012-13 through 2014-15; $7 million in each of Fiscal Year 2015-16 through 2018-19, and $4 million in each of Fiscal Year 2019-20 through 2023-24) in addition to its liability under the existing UUT and Business License Tax settlement (See "–Major General Fund Revenue Sources–*Utility Users Tax*"); (d) continue to make the payments under the settlement agreement if a new tax measure is enacted by the voters during the term of the settlement agreement that would otherwise increase Chevron's tax liability; and (e) affirm its Community Benefits Agreement obligations with respect to support for providing fence line air quality monitoring and collection and Greenprint transportation funding in the amount of $2 million payable in three equal installments commencing July 1, 2010, in connection with the court invalidating the approval by the City of the Chevron Hydrogen Renewal Project. Chevron timely made the payment for Fiscal Year 2010-11.

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 2008-09 were approximately $3.4 million, representing approximately 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 2010-11 Adopted Budget were estimated at approximately $3.50 million, representing approximately 2.6% of budgeted General Fund revenues. For Fiscal Year 2011-12, documentary transfer tax revenues are budgeted at $3.57 million, representing 2.7% of budgeted General Fund Revenues. Table A-16 summarizes Documentary Transfer Tax receipts

and their respective percentage of General Fund revenues for the past five Fiscal Years and budgeted for Fiscal Year 2011-12.

Table A-16
City of Richmond
Documentary Transfer Tax Receipts

Fiscal Year	Documentary Transfer Tax Receipts	Documentary Transfer Tax % Change	Percentage of General Fund Revenues
2006-07	$7,297,735	(31.61%)	6.41%
2007-08	3,647,333	(50.02)	3.20
2008-09	3,419,724	(6.24)	2.37
2009-10	2,901,177	(15.20)	2.38
2010-11[(1)]	3,500,000	20.64	2.63
2011-12[(2)]	3,570,000	2.00	2.66

(1) Estimated. Fiscal Year 2010-11 Adjusted Budget..
(2) Budgeted.
Sources: Comprehensive Annual Financial Report for Fiscal Years 2006-07 through 2009-10, Fiscal Year 2010-11 Adjusted Budget and Fiscal Year 2011-12 Adopted 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 2010-11 Adjusted Budget was approximately $6.6 million, representing approximately 4.9% of budgeted General Fund revenues and a decrease of approximately 8.3% from Fiscal Year 2009-10. Table A-17 shows receipts of revenue from the State and their respective percentage of General Fund revenue since Fiscal Year 2006-07, the estimated amount for Fiscal Year 2010-11 and the budgeted amount for Fiscal Year 2011-12.

Table A-17
City of Richmond
Revenue from the State

Fiscal Year	Revenue from the State Receipts	Revenue from the State % Change	Percentage of General Fund Revenue
2006-07	$7,289,895	(1.95%)	6.40%
2007-08	8,529,591	17.01	7.48
2008-09	8,612,784	0.98	5.96
2009-10	7,253,244	(15.79)	5.94
2010-11[(1)]	6,652,634	(8.28)	4.99
2011-12[(2)]	6,360,000	(4.40)	4.74

(1) Estimated.
(2) Budgeted.
Sources: Comprehensive Annual Financial Reports for Fiscal Years 2006-07 through 2009-10, Fiscal Year 2010-11 Adjusted Budget and Fiscal Year 2011-12 Adopted 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 "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS–Proposition 1A of 2004" in the front of this Official Statement.

Other Taxes and Fees. 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, represented approximately 2.1% of the City's General Fund revenues for Fiscal Year 2009-10 and are budgeted to represent approximately 2.5% of the City's General Fund revenues for Fiscal Year 2010-11. For Fiscal Year 2011-12, these sources are budgeted to represent approximately 2.8% of General Fund revenues.

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 information regarding the three City-administered plans, see "–City Administered Pension Plans."

The following information concerning PERS has been obtained from publicly available information on the PERS and State Treasurer 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.

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: Lincoln Plaza North, 400 Q 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 October 2010 covered PERS' Fiscal Year 2008-09). 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, 2009, which was prepared in October 2010, are effective during the City's Fiscal Year 2011-12). PERS rules require the City to implement the actuary's recommended rates. The actuarial valuation as of June 30, 2010 (the "2010 Actuarial Valuation"), is expected to be delivered to the City on or before October 31, 2011. Information contained in the 2010 Actuarial Valuation is expected to be included in the final Official Statement.

The actuarial assumptions used in determining actuarial liabilities and required employer contributions include both economic and non-economic assumptions. These assumptions represent the actuary's best estimate of anticipated future experience and are reviewed in depth periodically. The current economic assumptions include assumed inflation of 3.0% compounded annually, investment return (net of administration and investment expenses) of 7.7% percent per year, compounded annually, and annual payroll increases of 3.25%.

The State Actuarial Valuation for the year ended June 30, 2009 uses the Market Value of Assets ("MVA") basis to report the funded status of the system rather than the Actuarial Value of Assets ("AVA") basis. PERS is monitoring the funded status of the plan using the MVA to ensure that the new rate stabilization methods do not impair the security of benefits. The MVA funded ratios are more volatile than the actuarial funded ratios due to the smoothing effects of the actuarial value. Using the MVA basis in times when returns are profitable gives the perception of a larger funded status. However, a much lower funded status will be shown if the market slows down and returns decline. The AVA is used for rate setting purpose because it maintains some consistency over fluctuating markets through rate smoothing.

The State contributes an amount equal to the sum of the normal cost and amortization of the unfunded actuarial accrued liability, if any. Actuarial valuations of the PERS plans are released in the summer of each calendar year and based on data through June 30 of the preceding Fiscal Year. The most recent actuarial valuation of PERS, based on data through June 30, 2009, showed an accrued unfunded liability allocable to State employees of $23.450 billion on the AVA and $48.648 billion on the MVA. The actuarial valuation for PERS plans was based upon an assumed 7.75% investment return. According to PERS, the weighted rates of return experienced PERS plans over the past 20 years, 10 years, five years and three years (in each case through Fiscal Year 2008-09) has been 7.4%, 2.3%, 1.6%, and -4.9%, respectively.

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.

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For the six month period ended December 31, 2009, PERS experienced a net investment gain of 12.57%.

Table A-18
Public Employees' Retirement Fund
Schedule of Funding Projections (State Only)
(Dollar in Millions)

	Fiscal Year Ended June 30				
	2005	2006	2007	2008	2009
Market Value of Assets (MVA)	$74,050	$81,968	$96,988	$91,349	$68,179
Actuarial Value of Assets (AVA)	71,830	77,143	83,439	89,304	93,377
Actuarial Accrued Liabilities (AAL)-entry age	86,595	92,557	100,352	107,642	116,827
Excess of Actuarial Value of Assets over AAL or Surplus Unfunded AAL (UAAL) - MVA Basis	(12,545)	(10,589)	(3,365)	(16,293)	(48,648)
Excess of Actuarial Value of Assets over AAL or Surplus UAAL - AVA Basis	(14,765)	(15,414)	(16,913)	(18,338)	(23,450)
Covered Payroll	12,935	13,299	14,571	15,890	16,333
Funded Ratio (MVA)	85.5%	88.6%	96.6%	84.9%	58.4%
Funded Ratio (AVA)	82.9%	83.4%	83.1%	83.0%	79.9%

Source: PERS.

Because of the rate stabilization methods adopted by the Board in April 2005 and in August 2009, the impact of current market returns, and in particular, the Fiscal Year 2008-09 investment loss, on employer rates for the future will be mitigated. When PERS sets rates, the actuarial value of assets cannot be more than 120% of the market value nor less than 80% of the market value. Any asset value changes outside these ranges will result in a greater impact on future employer contributions.

As of June 30, 2007, PERS had set aside approximately 14% of the market value of the fund as a reserve. The negative 5.1% return for Fiscal Year 2007-08 used up all but 1% of the 14% set aside for the "rainy day" fund. The remaining 1% was used in developing employer contribution rates for Fiscal Year 2009-10. Therefore, the reserve is no longer available. It is important to note, that as described in PERS Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009, in recent years, the demographic experience of most plans translated to increases in employer rates.

PERS' rate stabilization methods help to mitigate short term increases in the State's required annual contribution. While this will limit extreme increase in the State's required annual contribution to PERS in the near term, absent extraordinary investment returns (over and above 7.5% assumed by PERS), it is expected to result in significantly higher required contribution in future Fiscal Years. Depending on actual investment returns and other factors, the State's required annual contribution (which is estimated to be $3.8 billion for Fiscal Year 2010-11) could increase by 50% or more.

Although the investment horizon for pension plans is long term, PERS recognizes that investment returns over the short term fluctuate and can lead to volatile employer contribution rates, despite the current smoothly policy in place. Announced in December 2009, PERS has implemented an

enhancement to their current rate stabilization method, which will utilize a 3-year phase-in of the negative 24% Fiscal Year 2008-09 investment loss.

According to PERS, the 3-year phase-in of Fiscal Year 2008-09 investment loss is achieved by temporarily relaxing the constraints on the smoothed value of assets. Previously, the actuarial value of assets could not be more than 120% of the market value nor less than 80% of the market value. Under the 3-year phase-in, assets are treated as follows:

1. For Fiscal Year 2011-12, the actuarial value of assets cannot be more than 140% of the market value nor less than 60% of the market value on June 30, 2009.

2. For Fiscal Year 2012-13, the actuarial value of assets cannot be more than 130% of the market value nor less than 70% of the market value on June 30, 2010.

3. For Fiscal Year 2013-14, the actuarial value of assets cannot be more than 120% of the market value nor less than 80% of the market value on June 30, 2011, a return to the previous values.

Lastly, the asset loss outside of the 80% - 120% will be isolated, and paid down with a fixed and certain 30-year amortization schedule. By utilizing a fixed and certain 30 year payment schedule, these losses will be paid in full at the end of 30 years, and will be independent of any investment gain/loss experienced by the remaining portfolio as a whole.

The level of future required contributions depends on a variety of other factors, including future investment portfolio performance, actuarial assumptions and additional potential changes in retirement benefits. There can be no assurance that the required annual contribution to PERS will not continue to significantly increase, despite the recent enhancement to rate stabilization methods, and that such increases will not materially adversely affect the financial condition of the State.

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

Employer Contribution Rate History. The tables below provide recent history of the employer contribution for the PERS Plans, as determined by the PERS annual actuarial valuation. It does not account for prepayments or benefit changes made in the middle of the year. For additional information regarding annual pension costs for the PERS Plans, see Tables A-21A and A-21B.

Table A-19A
City of Richmond
Required Employer Contribution Rates
Safety Plan
(PERS)

Fiscal Year	Employer Normal Cost	Unfunded Rate	Total Employer Contribution Rate	Annual Pension Cost
2007-08	16.655%	0.857%	17.512%	$6,086,347
2008-09	16.915	(0.175)	16.740	6,464,293
2009-10	16.784	0.787	17.571	7,066,434
2010-11	16.972	1.837	18.809	7,953,838
2011-12	18.367	5.654	24.021	8,307,018

Sources: PERS Actuarial Valuation - June 30, 2009 and City of Richmond, Finance Department for Fiscal Year 2011-12.

Table A-19B
City of Richmond
Required Employer Contribution Rates
Miscellaneous Plan
(PERS)

Fiscal Year	Employer Normal Cost	Unfunded Rate	Total Employer Contribution Rate	Annual Pension Cost
2007-08	11.386%	1.255%	12.641%	$5,690,141
2008-09	11.510	(0.309)	11.201	5,483,856
2009-10	11.629	(0.159)	11.470	5,674,777
2010-11	11.646	(0.099)	11.547	5,489,965
2011-12	11.557	2.838	14.395	5,896,555

Sources: PERS Actuarial Valuation - June 30, 2009 and City of Richmond, Finance Department for Fiscal Year 2011-12.

Funding History. 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, 2009, the actuarial value of the assets in each of the Safety Plan and the Miscellaneous Plan was approximately $383.9 million and $317.2 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.

The investment return for Fiscal Year 2008-09 was negative 23.4%.

Table A-20A
City of Richmond
Schedule of Funding History
Safety Plan
(PERS)

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded (Overfunded) Liability (a)-(b)	Funded Ratios AVA (b)/(a)	Funded Ratios Market Value	Annual Covered Payroll (c)	Unfunded Liability (Overfunded) as % of Payroll [(a)-(b)]/(c)
06/30/05	$326,157,639	$259,483,882	$66,673,757	79.6%	82.1%	$22,128,726	301.3%
06/30/06	339,241,980	339,619,607	(377,627)	100.1	106.0	21,314,998	(1.8)
06/30/07	362,133,278	359,089,009	3,044,269	99.2	115.2	24,752,789	12.3
06/30/08	382,363,901	374,325,089	8,038,812	97.9	100.2	27,344,889	29.4
06/30/09	407,109,238	383,907,898	23,201,340	94.3	68.7	28,768,994	80.6

Sources: PERS Actuarial Valuation and City of Richmond, Comprehensive Annual Financial Reports for Fiscal Year 2009-10.

Table A-20B
City of Richmond
Schedule of Funding History
Miscellaneous Plan
(PERS)

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded (Overfunded) Liability (a)-(b)	Funded Ratios AVA (b)/(a)	Funded Ratios Market Value	Annual Covered Payroll (c)	Unfunded Liability (Overfunded) as % of Payroll [(a)-(b)]/(c)
06/30/05	$269,183,479	$221,754,486	$47,428,993	82.4%	85.0%	$28,600,241	165.8%
06/30/06	277,497,262	278,531,185	(1,033,923)	100.4	106.4	29,837,781	(3.5)
06/30/07	294,179,170	294,827,825	(648,655)	100.2	116.6	33,931,419	(1.9)
06/30/08	308,163,049	308,983,271	(820,222)	100.3	102.8	37,795,755	(2.2)
06/30/09	332,776,287	317,157,663	15,618,624	95.3	69.5	40,864,019	39.2

Source: City of Richmond, Comprehensive Annual Financial Reports for Fiscal Year 2009-10.

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 2008-09 at an actuarially determined rate of 11.201% and 16.807% 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 $10,130,432 for the year ended June 30, 2010.

Annual Pension Cost. For Fiscal Year 2010-11, the City's total annual pension cost of approximately $13.4 million 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 seven Fiscal Years are set forth in the tables below.

For Fiscal Year 2011-12, the City's total annual pension cost for PERS is expected to be approximately $14.2 million.

Table A-21A
City of Richmond
Schedule of Annual Pension Cost
Safety Plan
(PERS)

Fiscal Year	Annual Pension Cost (APC)	Source of APC Payment: Paid by City	Source of APC Payment: Prepaid Pension Obligation	Percentage of APC Contributed	Balance Prepaid Pension Obligation
2004-05	$7,248,178	–	–	100%	$0
2005-06	7,111,495	–	–	100	65,171,265
2006-07	5,506,687	$4,130,015	$1,376,672	100	63,785,279
2007-08	6,086,347	4,625,424	1,460,724	100	62,354,249
2008-09	6,464,293	4,986,754	1,477,539	100	60,876,710
2009-10	7,066,434	5,540,875	1,525,559	100	59,351,151
2010-11	7,953,838	6,276,776	1,677,062	100	57,674,089

Sources: City of Richmond, Comprehensive Annual Financial Reports for Fiscal Years 2005-06 through 2009-10 and City of Richmond, Finance Department for Fiscal Year 2010-11.

Table A-21B
City of Richmond
Schedule of Annual Pension Cost
Miscellaneous Plan
(PERS)

Fiscal Year	Annual Pension Cost (APC)	Source of APC Payment: Paid by City	Source of APC Payment: Prepaid Pension Obligation	Percentage of APC Contributed	Balance Prepaid Pension Obligation
2004-05	$5,036,493	–	–	100%	$0
2005-06	5,708,395	–	–	100	46,360,181
2006-07	4,830,259	$3,864,207	$966,052	100	45,374,247
2007-08	5,690,141	4,665,916	1,024,225	100	44,356,270
2008-09	5,483,856	4,432,795	1,051,061	100	43,305,209
2009-10	5,674,777	4,589,557	1,085,220	100	42,219,989
2010-11	5,489,965	4,381,007	1,108,958	100	41,111,031

Sources: City of Richmond, Comprehensive Annual Financial Reports for Fiscal Years 2005-06 through 2009-10 and City of Richmond, Finance Department for Fiscal Year 2010-11.

City Administered Pension Plans

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, 2009, the date of the most recent actuarial valuation, the actuarial present value of pension benefits under the General Pension Plan was $5,916,052, and the assets of the General Pension Plan at fair market value were $1,770,210, resulting in an unfunded accrued actuarial liability ("UAAL") of $4,145,842. 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.

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 established the Secured Pension Reserve Trust Fund, to which a portion of the proceeds of an *ad valorem* property tax override levied annually at the rate of 0.14% of the assessed value of all taxable property within the City and 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 2009-10, the revenue received by the Police and Firemen's Pension Plan from the tax was $4,600,000, while benefits paid were $4,545,417. As a result of a successful appeal by Chevron of its assessed valuations for Fiscal Year 2004-05, 2005-06 and 2006-07, and an agreement reached by the County and Chevron on April 1, 2010 for the repayment of a total of $17.84 million refund owed to Chevron, $759,000 will be deducted from the City's *ad valorem* property tax override receipts received by the County in December 2011 and the remainder in the amount of $1.541 million, will be deducted from the December 2012 City's *ad valorem* property tax override receipts received by the County. A pro rata portion of the reduced property tax override revenues will consequently reduce revenue deposited into the Secured Pension Reserve Trust Fund and funds available to pay benefits to Police and Fire retirees. See "–Major General Fund Revenue Sources–*Pending Assessment Appeals*."

As of July 1, 2011, the actuarial present value of pension benefits under the Police and Firemen's Pension Plan was $34,467,926, representing principally prior service costs and cost-of-living adjustments, and the market value of assets of the Police and Firemen's Pension Plan was $21,299,059, resulting in a UAAL of $13,168,867. In computing the actuarial valuation, Police and Firemen's Pension Plan assets were assumed to yield a 6.0% return and benefit increases were assumed to increase at a rate of 3.5% annually.

The City's contributions to the General Pension Plan and the Police and Firemen's Pension Plan for Fiscal Years 2005-06 through 2010-11 and estimated for Fiscal Year 2011-12 are presented below:

Table A-22
City of Richmond
City Administered 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
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
2008-09	307,948	307,948	100	1,887,057	4,800,000	254
2009-10	486,092	486,092	100	2,477,902	4,600,000	186
2010-11	486,092	486,092	100	2,257,912	478,812	21
2011-12[1]	486,092	486,092	100	1,669,769	0[2]	0

(1) Estimated.

(2) In each of Fiscal Years 2007-08 through 2009-10, the City's annual contribution to the Police and Fireman's Pension Plan exceeded the respective Annual Required Contribution (the "ARC") for that Fiscal Year. Through Fiscal Year 2009-10, the excess cumulative contributions totaled $7,835,582, which was an important element in increasing the funded ratio from 46% as of July 1, 2009 to 62% as of July 1, 2011. In Fiscal Year 2010-11, the City contributed $478,812 to the Police and Fireman's Pension Fund, or 21% of the ARC for that Fiscal Year. As of July 1, 2011, the ARC was reduced to $1,669,719, reflecting the net impact of experience gains totaling $6.3 million and total contributions being $0.8 million less than anticipated. The City expects to adjust its Fiscal Year 2011-12 budget to include payment of the full ARC for Fiscal Year 2011-12.

Sources: *City of Richmond, Comprehensive Annual Financial Report for Fiscal Year 2009-10, and City of Richmond, Finance Department and Police and Firemen's Pension Plan Actuarial Valuation dated July 1, 2011.*

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Table A-23A
City of Richmond
Schedule of Funding Progress
Police and Firemen's Plan

Valuation Date (July 1)	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) % of Payroll
2005	$19,251,702	$41,653,180	$22,401,478	46%	0[1]	N/A
2006	18,258,093	N/A[2]	N/A[2]	N/A[2]	0[1]	N/A
2007	22,910,310	43,591,093[3]	20,680,783	53	0[1]	N/A
2008	22,117,407	N/A[2]	N/A[2]	N/A[2]	0[1]	N/A
2009	18,850,504	40,786,586[4]	21,936,082	46	0[5]	N/A
2010	21,347,731	N/A[2]	N/A[2]	N/A[2]	0	N/A
2011	21,299,059	34,467,926	13,168,867	62	0	N/A

N/A = Not applicable.
(1) Shown at zero because only one participant had not retired and was assumed to retire on the valuation date.
(2) Actuarial valuations are prepared every two years and were not completed for this year.
(3) Future pension increase assumption increased to 4.5% from 3.75%.
(4) The investment return assumption was decreased from 6.5% to 6.0% and the mortality assumptions were updated
(5) Sole employee retired on June 30, 2009 and transferred to the PERS Plan.
Sources: *City of Richmond, Comprehensive Annual Financial Report for Fiscal Year 2009-10, City of Richmond, Finance Department and Police and Firemen's Pension Plan Actuarial Valuation dated July 1, 2011.*

Table A-23B
City of Richmond
Schedule of Funding Progress
General Pension Plan

Valuation Date (July 1)	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) % of Payroll
2005	$3,141,392	$5,614,489	$2,473,097	56%	[1]	N/A
2006	N/A[2]	N/A[2]	N/A[2]	N/A[2]	[1]	N/A
2007	2,416,881	5,242,136	2,825,255	46	[1]	N/A
2008	2,114,326	N/A[2]	N/A[2]	N/A[2]	[1]	N/A
2009	1,770,210	5,916,052	4,145,842	30	[1]	N/A
2010[3]	1,540,161	5,412,029	3,871,868	28	[1]	N/A

N/A = Not applicable.
[1] All participants were retired as of valuation date.
[2] Actuarial valuations are prepared every two years and were not completed for this year.
[3] Most recent actuarial valuation available.
Source: *City of Richmond, Comprehensive Annual Financial Report for Fiscal Year 2009-10.*

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 2009-10, the City contributed $76,692 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, 2009, the date of the most recent actuarial valuation, the actuarial present value of pension benefits under the Garfield Pension Plan was $893,734, and the assets of the Garfield Pension Plan at fair market value were $336,274, resulting in a UAAL of $557,460. 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 for Fiscal Year 2011-12 is $76,692, all of which is expected to be paid from the General Fund.

The City expects that it will have fully funded the UAAL as of June 30, 2016.

Table A-24A
City of Richmond
Historical Trend
Garfield Plan

Fiscal Year	Annual Required Contribution	Amount Contributed	Percent Contributed
2005-06	$73,917	$73,917	100%
2006-07	73,917	73,917	100
2007-08	72,484	72,484	100
2008-09	72,484	72,484	100
2009-10	76,692	76,692	100
2010-11	76,692	76,692	100

Source: City of Richmond, Comprehensive Annual Financial Report for Fiscal Year 2009-10 and City of Richmond, Finance Department for Fiscal Year 2010-11.

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Table A-24B
City of Richmond
Schedule of Funding Progress
Garfield Plan

Valuation Date (July 1)	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) % of Payroll
2005	$915,287	$301,298	$613,989	33%	–[2]	N/A
2006	N/A[1]	N/A[1]	N/A[1]	N/A[1]	–[2]	N/A
2007	899,777	326,228	573,549	36	–[2]	N/A
2008	N/A[1]	334,456	N/A[1]	N/A[1]	–[2]	N/A
2009	893,734	336,274	557,460	38%	0[3]	N/A
2010	853,442	257,205	596,216	N/A[1]	0[3]	N/A

(1) Actuarial valuations were not completed.
(2) All participants were retired as of valuation date.
(3) Shown at zero because only one participant had not retired and was assumed to retire on valuation date.
Source: City of Richmond, Comprehensive Annual Financial Report for Fiscal Year 2009-10 and City of Richmond, Finance Department for Fiscal Year 2010-11.

Net Pension Obligation (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, 2010, the Police and Firemen's Pension Plan and the General Pension Plan had net pension assets of $7,088,632 and $1,556,770, respectively. At June 30, 2010, the Garfield Pension Plan had a net pension liability of $158,063.

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, 2010, were 13, 11 and seven 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 Year 2009-10 were as follows:

	Police and Fireman's Plan	General Pension Plan	Garfield Pension Plan
Annual required contribution	$2,477,902	$486,092	$76,692
Interest on net pension obligation	(314,656)	(75,034)	7,864
Adjustment to annual required contribution	397,287	195,503	(24,043)
Annual pension cost	2,560,533	606,561	60,513
Contributions made	(4,600,000)	(486,092)	(76,692)
(Decrease) increase in net pension obligations	(2,039,467)	120,469	(16,179)
Net pension obligation (asset) June 30, 2009	(5,049,165)	(1,677,239)	147,242
Net pension obligation (asset) June 30, 2010	($7,088,632)	($1,566,770)	$158,063

Source: City of Richmond, Comprehensive Annual Financial Report for Fiscal Year 2009-10.

The Plans' annual pension cost, percentage contributed, and net pension obligation (asset) for the last three years were as follows:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Police and Fireman's Plan			
2007-08	$2,184,062	229%	($2,433,227)
2008-09	2,184,062	229	(5,049,165)
2009-10	2,560,533	180	(7,088,632)
General Pension Plan			
2007-08	418,265	74	($1,787,556)
2008-09	418,265	74	(1,677,239)
2009-10	606,561	80	(1,556,770)
Garfield Pension Plan			
2007-08	55,631	130	$191,095
2008-09	55,631	130	174,242
2009-10	60,513	127	158,063

Source: City of Richmond, Comprehensive Annual Financial Report for Fiscal Year 2009-10.

Other Post-Employment Benefits

In addition to the retirement and pension benefits described above, the City provides post employment medical and dental benefits ("OPEB Obligations"). In order to qualify for these 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, certain eligibility rules and contribution requirements apply for future retirees, followed by current retirees as specified in City ordinances. In accordance with City ordinances, OPEB eligibility applies 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. 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 began 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, and the City had set aside $2.0 million in Fiscal Year 2005-06 to begin prefunding the liability. The City ceased the pre-funding plan in Fiscal Year 2008-09 and does not expect to resume pre-funding until the economy improves. The recognition of any liability on the City's financial statements could have a negative effect on the City's credit ratings unless the City manages the liability in a manner that keeps the City's financial margins healthy.

Table A-25
Post Employment Benefit Summary
Number of Participating Retirees

Fiscal Year	Number of Participating Retirees	City Contribution
2005-06	418	$1,846,855
2006-07	413	1,973,346
2007-08	408	5,906,179
2008-09	402	3,700,000
2009-10	445	2,445,642
2010-11	457	2,850,906

Source: City of Richmond.

Funding Policy and Actuarial Assumptions. In Fiscal Year 2009-10, the City retained an actuary to determine the unfunded liability of these benefits for active employees and retirees. That study indicated that as of July 1, 2009, the unfunded actuarial liability was estimated to be $76,070,000 and the actuarial accrued liability was estimated to be $82,883,000. An update to the study is expected to be received by the City by October 31, 2011. During Fiscal Year 2007-08, the City joined the Public Agencies Post-Retirement Health Care Plan, a multiple employer trust administered by Public Agency Retirement Services ("PARS"). PARS issues a publicly available financial report that includes financial statements and required supplementary information. A copy of the PARS financial report may be obtained from the Public Agency Retirement Services, 4350 von Karman Avenue, Suite 100, Newport Beach, California 92660.

The City's policy is to partially prefund these benefits by accumulating assets with PARS along with making pay-as-you-go payments pursuant to Resolution No. 52-06 dated as 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 the July 1, 2009 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) 4.25% investment rate of return, (ii) 3.25% projected annual salary increase, and (iii) health care cost inflation rates of 5.00% to 9.30% for medical benefits and 4.25% for dental benefits. 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 on a closed basis.

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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, 2010, the City contributed $2,477,428 to the plan for pay-as-you-go premiums, which represented 3.5% of the $69,788,000 of covered payroll. The City recorded a Net OPEB Asset in Fiscal Year 2009-10, representing the difference between the annual OPEB cost and actual contributions, and the Net OPEB asset at the beginning of Fiscal Year 2009-10, as presented below:

	2008-09	2009-10
Annual required contribution	$3,709,303	$6,841,000
Interest on net OPEB obligation	170,258	(249,000)
Adjustment to annual required contribution	(215,508)	183,000
Annual OPEB cost	3,664,053	6,775,000
Contributions made	(6,072,449)	(2,477,428)
Change in net OPEB obligations	(2,408,396)	4,297,572
Net OPEB obligation June 30	(2,196,876)[1]	(4,605,272)[2]
Net OPEB obligation (asset) June 30	($4,605,272)[2]	($307,700)[3]

(1) As of June 30, 2008.
(2) As of June 30, 2009.
(3) As of June 30, 2010.

The actuarial accrued liability AAL representing the present value of future benefits, included in the actuarial study dated July 1, 2009, amounted to $82,883,000.

The Plan's annual required contributions and actuarial contributions for the last three Fiscal Years 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)
6/30/2009	3,664,053	6,072,449	166.73	(4,605,272)
6/30/2010	6,775,000	2,477,428	37.00	(307,700)

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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 actuarial studies 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%)
7/1/2009	$6,813,000	82,883,000	(76,070,000)	8	69,788,000	(109)

City Employees; Collective Bargaining

For Fiscal Year 2010-11 the City budgeted for 818.4 permanent, full-time equivalent positions and has budgeted 805.1 permanent, full-time equivalent positions for Fiscal Year 2011-12. The City has never experienced a work stoppage.

Table A-26
City of Richmond
Full-Time Equivalent Positions
Fiscal Years 2006-07 through 2011-12

Fiscal Year	Budgeted FTE Positions
2006-07	926.0
2007-08	962.5
2008-09	944.8
2009-10	911.4
2010-11	818.4
2011-12†	805.1

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

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The City's employees are currently represented by six collective bargaining units, as follows: Fire Fighters, Fire Management, General, Management, Police Management and Police Officers. Table A-27 summarizes the number of employees included in the largest labor organizations. These six organizations cover 69.0% of the represented employees.

Table A-27
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[2]	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	95[3]	July 1, 2004 - June 30, 2009[2]	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 1021	14	July 1, 2006 - June 30, 2012[4]	7/1/07 – 4.0% 7/1/08 – 4.0% 7/1/09 – 4.0%
General (Full time), S.E.I.U. Local 1021	378	July 1, 2004 - June 30, 2012[4]	7/1/07 – 4.0% 7/1/08 – 4.0% 7/1/09 – 4.0%
Management, IFPTE Local 21	133	July 1, 2004 - June 30, 2012[4]	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	184[5]	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	804		

(1) Number of funded positions in the Fiscal Year 2009-10 Budget Mid-Year Review.
(2) This contract is in negotiation, however no increases in compensation are anticipated. The members of this bargaining unit continue to work under the terms of the expired contract.
(3) Represents combined budgeted positions for Fire Fighters and Fire Management.
(4) A contract extension through June 30, 2012 has been negotiated, which does not include any salary increases. The contract was approved by the City on June 15, 2010.
(5) 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 2011-12 through 2015-16 identifies approximately $24.4 million of funded capital improvement projects for Fiscal Year 2011-12 and approximately $331 million of unfunded capital improvement projects. The CIP is available on the City's website at www.ci.richmond.ca.us.

Risk Management

The City is exposed to various risks of loss related to torts, 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 liabilities in 1976. In July 2009, the City joined the California Joint Powers Risk Management Authority ("CJPRMA") for general liability and employment practices coverage. In April 2009, the City joined the California State Association of Counties Excess Insurance Authority (the "CSAC-EIA") for worker's compensation insurance. The City has chosen to establish a 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 risk categories excluding inverse condemnation is provided by policies with various commercial insurance carriers. Current self-insurance, self insured retention ("SIR") levels, deductibles and insurance company limits are as follows:

Type of Coverage	Self-Insurance/Deductible	Coverage Limit	Insurance Carrier
Difference in Conditions Earthquake and Earthquake Sprinkler Leakage	Earthquake 10% of total insured value (TIV) for pre-1970 buildings, minimum $100,000; 5% of TIV for post-1970 buildings with a minimum of $100,000; All other perils: $25,000 with a TIV equal to $263,022,153	$50,000,000 Total	Varies for each layer of coverage
Crime/Employee Dishonesty	Earthquake and Earthquake Sprinkler Leakage $10,000	$1,000,000	National Union Fire Insurance Company of Pittsburgh
Property	$10,000 per claim	$1,000,000,000	Lexington
Boiler and Machinery	$5,000 per claim	$100,000,000	Lexington
General Liability (Special Events Program)	$1,000,000 each occurrence	$2,000,000 aggregate	Evanston Insurance
Excess Workers Compensation	$750,000 SIR $1,000,000 $5,000,000	$1,000,000 4,000,000 45,000,000	CSAC-EIA (See also "*–CSAC-CIA.*")
General Liability	$500,000 SIR	$40,000,000	CJPRMA (See also "*–CJPRMA.*")
Employment Liability	$500,000 SIR	$8,000,000	CJPRMA
Student Volunteer		$50,000 accidental	Zurich Insurance

Source: City of Richmond

CJPRMA. The CJPRMA provides coverage against the following types of loss risks under the terms of a joint-powers agreement with the City.

Once the City's self-insured retention for general liability claims is met, CJPRMA becomes responsible for payment of all claims up to the limit. The City paid premiums of $816,252 for the year ended June 30, 2011. 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 CJPRMA are available from CJPRMA, 3252 Constitution Drive, Livermore, California 94551.

CSAC EIA. CSAC EIA is a public entity risk pool of cities and counties within Northern California. The CSAC EIA provides workers' compensation coverage up to the statutory limit of $50 million and the City retains a self insured retention of $750,000. Loss contingency reserves established by the CSAC EIA are funded by contributions from member agencies. The City pays an annual contribution to the CSAC EIA, which includes its pro-rata share of excess insurance premiums, charges for pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the risk pool. The City paid premiums of $188,903 for the year ended June 30, 2011. CSAC EIA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained. CSAC EIA has never made an additional assessment and is currently fully funded. No provision has been made on the financial statements of the City for liabilities related to possible additional assessments.

Audited financial statements for CSAC EIA are available from CSAC EIA, 3017 Gold Canal Drive, Rancho Cordova, California 95670.

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-28 summarizes the lease obligations payable from or backed by the General Fund of the City as of June 30, 2011. 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-28
City of Richmond
General Fund Lease Obligations
As of June 30, 2011

Issuer/Issue	Date Issued	Projects	Amount Issued	Amount Outstanding	Final Maturity
City of Richmond					
Capital Leases	Various	Various	$12,757,251	$4,688,167	Various
Richmond Joint Powers Financing Authority					
Lease Revenue Refunding Bonds Series 2009	2009	Civic Center Bonds	89,795,000	89,390,000	2037
Lease Revenue Bonds Series 2009A	2009	Port and Rail Improvements	26,830,000	26,830,000	2024
Lease Revenue Bonds Series 2009B	2009	Port and Rail Improvements	20,280,000	20,280,000	2019
			$149,662,251	$141,188,167	

Source: City of Richmond, Department of Finance.

In addition to the above obligations as of June 30, 2011, the City 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 $16,470,000 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 $103,155,132.50 principal amount remains outstanding (excluding accreted value), and a percentage of which (14%) is payable from the City's General Fund revenues.

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City Overlapping and Bonded Debt

The estimated direct and overlapping bonded debt of the City as of June 30, 2011, is shown in Table A-29 below. The information in Table A-29 has been provided by California Municipal Statistics, Inc. The City has not independently verified the information in Table A-29 and does not guarantee its accuracy.

Table A-29
City of Richmond
Statement of Direct and Overlapping Debt
As of June 30, 2011

2010-11 Assessed Valuation:	$10,345,898,152 (1)	
Redevelopment Incremental Valuation:	1,594,286,654	
Adjusted Assessed Valuation:	$ 8,751,611,498	
OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/30/11
Bay Area Rapid Transit District	2.011%	$ 8,322,825
Contra Costa Community College District	7.012	16,625,101
West Contra Costa Unified School District	52.005	386,307,179
West Contra Costa Healthcare District Parcel Tax Obligations	47.041	10,546,592
East Bay Municipal Utility District, Special District No. 1	0.861	211,332
East Bay Regional Park District	3.117	4,799,868
City of Richmond Community Facilities District No. 1998-1	100.	3,545,000
City of Richmond 1915 Act Bonds	100.	17,855,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$448,212,897
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Contra Costa County General Fund Obligations	6.983%	$ 22,336,376
Contra Costa County Pension Obligations	6.983	27,920,827
Alameda-Contra Costa Transit District Certificates of Participation	6.222	2,331,072
Contra Costa Community College District Certificates of Participation	7.012	64,861
West Contra Costa Unified School District Certificates of Participation	52.005	10,507,610
City of Richmond General Fund Obligations	**100.**	**136,500,000**
City of Richmond Pension Obligations	**100.**	**119,625,133**
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$319,285,879
Less: Contra Costa County general fund obligations supported by revenue funds		8,343,118
City of Richmond obligations supported by port revenues		**49,791,700**
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$261,151,061
GROSS COMBINED TOTAL DEBT		$767,498,776 (2)
NET COMBINED TOTAL DEBT		$709,363,958

(1) The Fiscal Year 2011-12 assessed valuation, before the redevelopment incremental valuation is $10,820,711,588. See "–Major General Fund Revenue Sources–*County Property Tax Collection Process and Assessed Valuation–Table A-6*."

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

Ratios to 2010-11 Assessed Valuation:
Total Overlapping Tax and Assessment Debt 4.33%

Ratios to Adjusted Assessed Valuation:
Gross Combined Direct Debt ($256,125,133).....2.93%
Net Combined Direct Debt ($206,333,433).....2.36%
Gross Combined Total Debt.....8.77%
Net Combined Total Debt 8.11%

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-30 below shows the population of the City, the County and the State according to the U.S. Census for the years 2000 and 2010 and the California Department of Finance for 2006 through 2009.

Table A-30
City, County and State Population Statistics

Year	City of Richmond	Contra Costa County	State of California
2000†	99,216	948,816	33,873,086
2006	100,732	1,007,169	36,116,202
2007	101,805	1,015,672	36,399,676
2008	102,313	1,027,264	36,704,375
2009	102,887	1,038,390	36,966,713
2010	103,764	1,047,948	37,223,900
2011	103,661	1,056,064	37,510,766

† Census 2000 counts include changes from the Count Question Resolution program. Data may not match that published in Census 2000 reports.

Sources: U.S. Census Bureau (2000 and 2010), California Department of Finance, E-1: Population Estimates for Cities, Counties and the State, with Annual Percentage Change - January 1, 2010 and 2011 (May 2011) and E-4 Population Estimates for Cities, Counties and State with Annual Percentage Change, 2001-2010 and 2010 Census counts (August 2011).

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.

The City is continuing its efforts to attract 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.

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 (the "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 Refinery 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. The equipment would improve the ability of the Refinery to process high-sulfur crude oil. The new equipment would improve refinery reliability, energy efficiency, and add environmental controls. The revised project is awaiting preparation of revised or new CEQA documentation.

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

Bio-Rad, a manufacturer of products for life science research and clinical diagnostics, leases 116,250 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.

Green and High Technology. Green-technology companies located in the City include SunPower, Polymers Systems, Heliodyne, Alion, PAX Water, Advanced Home Energy, Intellergy and MBA.

SunPower Systems, an international leader in design and manufacturing and distributor of high efficiency solar electric technology; has been operating in the City since 2007. SunPower System occupies 175,000 square feet in the refurbished, historic 520,000 square foot Ford Point Building in the Marina District.

Heliodyne, a leading US manufacturer of solar water heating equipment, has been located in the City since 1976 and 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 the City. 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, other East Bay cities and 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 (two Interstate freeways Interstate 80 and Interest 580 are located within the city, the Richmond Parkway, Amtrak, the Bay Area Rapid Transit District (BART) System and AC Transit, as well as heavy 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 in a variety of neighborhoods, housing types and price ranges.

Among the high tech companies located within the City is Dicon Fiberoptics ("Dicon"). 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.

Future Development. 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) spurred new industrial and commercial development along the freeway corridor throughout the South Shoreline area of the City. Green and Cleantech companies, such as Advanced Home Energy and SunPower Solar have served as magnets to similar enterprises at stages of development: start up, research and development, emerging and mature. In addition to being the home of the 90-acre UC Field Station, the City is one of six finalists named by the Lawrence Berkeley National Laboratory (LBNL) for development of its second camps. LBNL is expected to make a decision in November 2011.

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:

- Completing the transfer of title for the remainder of Point Molate from the Navy for the City and facilitate site clean-up and development.
- Facilitating site remediation and entitlements for the development of Campus Bay.
- Facilitating 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.
- Continuing to attract and increase the density of development in accordance with the City's General Plan.
- Development efforts continue for Campus Bay, an approximately 87 acre office/research and development campus to the south along Interstate 580 totaling 500,000 square feet, which is being developed by Simeon Properties.

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Employment

Table A-31 provides a listing of principal employers located in the City.

Table A-31
Principal Employers in the City
(As of February 2011)

Employer Name	Product/Service	Estimated Number of Employees
Chevron	Oil Refinery	1,950
West Contra Costa Unified School District	Education	1,500
City of Richmond	Governmental Services	911[(1)]
Kaiser Permanente	Healthcare Services	786
Sunpower Corp.	Solar Panel Manufacturing	600
Inovis Inc.	Internet Services	499
Richmond Health Center	County Public Health Programs	350
Macy's	Department Store	300
California Autism Foundation, Inc.	Social Services	270
Galaxy Desserts	Wholesale Baking	250
Universal Building Services	Janitorial Services	245
Valley Health Care	Health Care Services	240
Grace Baking Company	Wholesale Baking	203
Bay Area Beverages Co.	Wholesale Beverages	200
Costco	Wholesale/Retail Goods	200
Health Net	Hospital and Medical Services Plans	200
U.S. Post Office	Post Office	200[(2)]
Target	Department Store	200
Wal-Mart	Department Store	150
Mechanics Bank	Banking	140

(1) Represents the number of budgeted, permanent full-time equivalent employees for Fiscal Year 2010-11.
(2) The United States Postal Service announced that the distribution center would be downsized and 85 employees would have the option to be reassigned to Southern California or be terminated.
Sources: City of Richmond and infoUSA.com, a service of infoGroup™.

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The following Table A-32 compares estimates of the labor force, civilian employment and unemployment for the City, County, State and United States from 2006 through 2010.

Table A-32
Civilian Labor Force, Employment and Unemployment
Annual Average for Years 2006 through 2010†

Year and Area	Labor Force	Civilian Employment	Unemployment	Unemployment Rate
2010†				
City	53,600	44,000	9,600	17.9%
County	522,200	463,500	58,700	11.2
State	18,176,200	15,916,300	2,259,900	12.4
United States	153,889,000	139,064,000	14,825,000	9.6
2009				
City	53,700	44,800	8,900	16.6
County	526,000	471,700	54,300	10.3
State	18,204,200	16,141,500	2,062,700	11.3
United States	154,142,000	139,877,000	14,265,000	9.3
2008				
City	52,500	46,900	5,300	10.2
County	526,900	494,400	32,400	6.2
State	18,191,000	16,883,400	1,307,600	7.2
United States	154,287,000	145,362,000	8,924,000	5.8
2007				
City	51,700	47,600	4,100	7.9
County	526,100	501,200	24,900	4.7
State	17,928,700	16,970,200	958,500	5.3
United States	153,124,000	146,047,000	7,078,000	4.6
2006				
City	50,700	47,100	3,600	7.2
County	518,500	496,300	22,200	4.3
State	17,686,700	16,821,300	865,400	4.9
United States	151,428,000	144,427,000	7,001,000	4.6

† 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 and Department Labor Market Information Division; U.S. Bureau of Labor Statistics.

Personal Income

The United State Department of Commerce, Bureau of Economic Analysis (the "BEA") produces economic accounts statistics that enable government and business decision-makers, researchers, and the public to follow and understand the performance of the national economy.

The BEA defines "personal income" as income received by persons from all sources, including income received from participation in production as well as from government and business transfer payments. Personal income represents the sum of compensation of employees (received), supplements to wages and salaries, proprietors' income with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. Per capita personal income is calculated as the personal income divided by the resident population based upon the Census Bureau's annual midyear population estimates.

Table A-33 below presents the latest available total personal income and per capita personal income for the City, the County, the State and the nation for the calendar years 2005 through 2009 (the most recent year for which annual data is available for the City, the County, the State and the nation).

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Table A-33
City of Richmond, Contra Costa County, State of California and United States
Personal Income[1]
Calendar Years 2005 Through 2009[2]

Year and Area	Personal Income (millions of dollars)	Per Capita Personal Income (dollars)
2009[2]		
City	$2,407	$24,781
County	59,044	56,703
State	1,566,999	42,395
United States	12,168,161	39,635
2008[1]		
City	2,651	25,967
County	59,711	58,228
State	1,604,155	43,853
United States	12,380,225	40,674
2007[1]		
City	2,203	23,767
County	58,044	57,438
State	1,566,400	43,240
United States	11,900,562	39,461
2006[1]		
City	2,124	22,126
County	55,319	55,247
State	1,495,533	41,567
United States	11,256,516	37,698
2005[1]		
City	2,054	22,326
County	51,534	51,572
State	1,387,661	38,767
United States	10,476,669	35,424

(1) Revised. Per capita income was computed using Census Bureau Midyear population estimates. Estimates for 2000-2009 reflect population estimates available as of April 2010.
(2) Most recent year for which annual data for the City, the County, the State and the nation is available.
Sources: U.S. Department of Commerce, Bureau of Economic Analysis and California Department of Finance.

Construction Activity

Table A-34 sets forth a five-year summary of building permit valuations and new dwelling units within the City.

Table A-34
City of Richmond
Building Permit Valuations
Calendar Years 2006 through 2010
($ in Thousands)

	Single Family		Multifamily		Value of Alterations and	Total Residential	Nonresidential	
Year	Units	Valuation	Units	Valuation	Additions	Valuation	Valuation	Total†
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
2009	7	1,842	40	8,331	9,929	20,102	73,282	93,383
2010	70	24,271	49	3,826	12,859	40,955	37,915	78,870

† 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. Four 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. In 2009, the Port executed 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, Buchanan Field Airport, located in the City of Concord, in central Contra Costa County, is 25 miles to the east of the City and Byron Airport, located in the unincorporated community of Byron, also in central Contra Costa County, each provide 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).

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 36 elementary schools (18 of which are located in the City), seven middle and junior high schools (two of which are located in the City), and 14 senior high schools, alternative schools and continuation schools (six of which are located in the City) five charter schools and had total K-12 enrollment of approximately 29,842 students for Fiscal Year 2010-11, the most recent data available. In addition, private schools operate in the City and several institutions of higher education are located 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

AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2010

RICHMOND, CALIFORNIA

CITY OF RICHMOND, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Prepared by

THE FINANCE DEPARTMENT

Cover Photo

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CITY OF RICHMOND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2010

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CITY OF RICHMOND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2010

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FINANCE DEPARTMENT

450 Civic Center Plaza
RICHMOND, CA 94804
(510) 620-6740

December 15, 2010

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, 2010, 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, 2010, 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, 2010. 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 blended 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 103,828. 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. At the same time, the Port of Richmond has found 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 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, 2010 include the following:

Public Safety

- Increased number of Closed Circuit TV Cameras (CCTV) installed throughout the City to 42. All cameras are operational and monitored 24 hours a day by the Police Dispatch Center.
- The Northern District (Hilltop) Police Substation was completed.
- The Richmond Public Library and the Contra Costa County Library entered into a Memorandum of Understanding (MOU) to collaborate at the Juvenile Hall Library in Martinez, and the Orin Allen Youth Rehabilitation Facility (OAYRF) in Byron to help provide incarcerated youth with access to literature and learning.

Economic & Neighborhood Development

- Held the Honda Port of Entry Project ground breaking ceremony on October 25, 2009. Port received the first shipment of Honda vehicles April 20, 2010.
- 21 businesses participated and contributed to the Summer Youth Employment Program by providing 705 jobs.
- Began construction for the Lillie Mae Jones Plaza in April 2010.
- Held the grand re-opening of the Arbors, a 36 unit "green rehabilitation" affordable housing project that includes a new community room on February 4, 2010.
- In collaboration with the American Lung Association of California, the City worked to develop several ordinances that restrict tobacco use in outdoor areas. These ordinances allowed the City to receive an "A" grade in the Annual State of Tobacco Control Report.
- The City entered into a Memorandum of Understanding with the Contra Costa County Vocational and Mental Health Services Department and established on-site counseling services at the Hacienda Development.

Recreation & Cultural Services

- The Bookmobile received a new wrap making it more attractive to children. In October of 2009, more than 6,000 children stepped onboard the Bookmobile to check out books.
- The gymnasium at the Recreation Complex was refurbished with new fitness equipment and sports equipment.
- Expanded recreation programs.
- Over 2,000 summer reading program participants.
- Over 675 adults receiving pre-GED and English literacy instruction.

Public Works

- Completed the Skate Park on October 21, 2009 which received the "Award of Excellence" for outstanding Park and Recreation Facility.
- Incorporated post consumer rubberized asphalt concrete (RAC) specifications into City standard specifications.
- Adopted a city-wide street cut ordinance that establishes a moratorium for trench cuts in newly paved streets.
- Completed Phase II of the Greenway project.
- Completed re-roofing of Fire Station Nos. 62 and 64.

Strategic Support

- The City Council adopted the Five-Year Strategic Business Plan on October 27, 2009.
- The City continued to expand the functionality of its website to promote greater transparency of City activities; it was re-launched March 15, 2010.
- Held the Civic Center Grand Re-Opening Celebration at the Civic Center Plaza September 12, 2009.
- The City of Richmond received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA) for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2009.
- The City of Richmond received the Excellence in Public Communications award from the California Society of Municipal Finance Officers for its Budget-in-Brief for the fiscal year ending June 30, 2010.
- The City of Richmond was recognized by the Contra Costa County Board of Supervisors as a certified "Green Business" for the year in April 2010.
- The City received the Model Investment Policy Award from the Association of Public Treasurers of the United States and Canada (APTUSC).
- All City credit ratings have been affirmed.

Long-Term Financial Planning

- Adopted and adhered to a structurally balanced budget for 2009-10 that resulted in the continued designation of $10 million for contingency reserves.
- Utilization of Multi-Year Revenue and Expenditure forecasts.
- Restructured or refund debt as needed to achieve most efficient form of financing of City's capital needs and abate unacceptable risk factors.
- Continue to use one-time moneys for one-time uses, to ensure adequate revenues are available to finance the City's operations.

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 November 17, 2009. 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, 2010 was 2.69 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.

Up until April 17, 2009, the City self-insured the first $1 million of its Workers' Compensation program and purchased excess commercial insurance coverage for claims up to $25 million in excess of the annually determined self-insured retention ($1 million). Effective April 18, 2009, the City became a member of the California State Associate of Counties – Excess Insurance Authority (CSAC-EIA) to participate in their excess workers' compensation risk pool. The City's self-insured retention was reduced to $750,000 effective with this change. The excess workers' compensation coverage will now be renewed on a fiscal year basis on July 1st. 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 the first $500,000 of liability risk exposures and purchases excess insurance from a governmental risk pool, currently with limits of $40 million. 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 15 for a complete discussion of Richmond's risk management program.

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 Secured Pension Override 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 11 and 12, 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, 2010, 447 retirees met those eligibility requirements. The City has funded these benefits on a pay-as-you-go basis. During fiscal year 2010, expenditures of $2,477,428 were recognized for post employment health care benefits. Please see notes 11, 12, and 13 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, 2009. 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.

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

Mayor ..... Gayle McLaughlin
Vice Mayor ..... Jeff Ritterman
Councilmember ..... Jim Rogers
Councilmember ..... Maria Viramontes
Councilmember ..... Nathaniel Bates
Councilmember ..... Tom Butt
Councilmember ..... Ludmyna Lopez

ADMINISTRATION AND DEPARTMENT HEADS

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

CITY OF RICHMOND, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended June 30, 2010

Prepared by the City of Richmond Department of Finance
Accounting Division

PROJECT TEAM

James C. Goins
Finance Director/Treasurer

General Accounting
Tina Mckenney, *Chief Accountant*
Nena Gapasin, *Senior Accountant*
Yolanda Skelton, *Senior Accountant*
Crispin Nunez, *Accountant II*
Rhonda Jackson, *Accountant II*
Getachew Demeku-Ousman, *Accountant II*

Other Finance Department Contributors

Administration Division
Accounts Payable Division
Treasury Division
Purchasing Division
Revenue Division
Payroll Division
Budget Division
Capital Projects/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, 2009

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

President

Executive Director

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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, 2010, 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, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2010 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.

As described in Note 8, the City implemented the provisions of GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments* effective in fiscal 2009-10.

Management's Discussion and Analysis and the Budget and Actual Statements for the General Fund, the Redevelopment Agency Administration Fund, and the Cost Recovery Special Revenue 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.

Mazze and Associates

December 15, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2010

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, 2010. We encourage readers to consider the information presented here in conjunction with the financial statements, which begin on page 25.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $272.8 million (net assets). Of this amount, $93.3 million is restricted for specific purposes (restricted net assets), $287.6 million is invested in capital assets, net of related debt, and $108.1 million represents a deficit in unrestricted net assets.

- The City's total net assets decreased by $50.1 million during the fiscal year. This decrease includes a $44.3 million and $5.6 million decrease in net asset for governmental and business-type activities, respectively. Restricted net assets for governmental activities decreased $63.7 million to $72.1 million. Unrestricted deficit net assets for governmental activities decreased $19.8 million to $66.1 million. Restricted net assets for business-type activities increased by $20.6 million to $21.2 million. Unrestricted deficit net assets for business type activities increased $33.1 million to a $42.0 million.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending balances of $114.6 million, a decrease of $79.3 million in comparison to prior year. This decrease of $79.3 million includes a $58.5 million decrease in total assets and a $20.8 million increase in liabilities. Approximately 10 percent of the fund balance, $11.6 million, is available for spending at the government's discretion (unreserved fund balance). The amount available for spending decreased $122.7 million from prior year.

- At the end of the fiscal year, the General Fund had fund balance of $39.2 million, of which $10 million was designated for contingencies. This reflects a $6.3 million decrease over the prior year.

- The City's investment in its capital assets continues to increase. Total capital assets increased $32.4 million over the prior year. The majority of the increase occurred in the Business-type activities in which total capital assets increased $33.2 million primarily due to increase in construction in progress in conjunction with the Port Rehabilitation and Wastewater Treatment plant.

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).

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 and Recreational, and Housing & Redevelopment.

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 25-27 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 23 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, Redevelopment Agency Debt Service Fund, Redevelopment Agency Capital Projects Fund, Civic Center Debt Service Fund and Cost Recovery Special Revenue Fund. The basic governmental fund financial statements can be found on pages 30 through 36 of the financial report. Data from the other sixteen 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, Police Telecommunications and Facilities Maintenance.

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, Pt. Molate Private-Purpose Trust Fund 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 127 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, the Redevelopment Agency Administration Special Revenue Fund and the Cost Recovery Special Revenue Fund. Required supplementary information can be found on pages 131 through 135 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Assets:

As noted earlier, net assets over time may serve as a useful indicator of a government's financial position. The City's combined net assets (government and business type activities) totaled $272.8 million at the close of the fiscal year ending June 30, 2010. The City's net assets decreased by $50.1 million during the current fiscal year. Governmental activities decreased by $44.3 million due to the refunding of 2007A Tax Allocation Bonds in which $36 million of unspent proceeds and other funds were used to refund the outstanding balance of the 2007A bonds and approximately $8.0 million in expenses were incurred in connection with the Civic Center renovation. Business-type activities decreased by $5.8 million primarily due to the negative change in the fair value of the investment derivatives and costs associated with the issuance of the 2009 Point Potrero Lease Revenue Bonds.

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 $287.6 million, representing a $6.5 million increase from the prior year. 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's 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.

$93.3 million 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. Restricted net assets decreased $43.1 million primarily due to the refunding of 2007A Tax Allocation Bonds with unspent proceeds and other funds discussed above.

City of Richmond's Net Assets
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009
Assets:						
Current assets	$351,081	$424,009	$22,579	$ 3,106	$373,660	$427,115
Capital assets	360,784	361,581	159,934	126,729	520,718	488,310
Total assets	711,865	785,590	182,513	129,835	894,378	915,425
Liabilities:						
Current liabilities	116,375	73,129	22,000	3,535	138,375	76,664
Long-term liabilities	388,282	460,920	94,934	55,002	483,216	515,922
Total liabilities	504,657	534,049	116,934	58,537	621,591	592,586
Net Assets:						
Invested in capital assets, net of related debt	201,198	201,607	86,432	79,541	287,630	281,148
Restricted	72,115	135,801	21,151	612	93,266	136,413
Unrestricted	(66,104)	(85,867)	(42,004)	(8,855)	(108,108)	(94,722)
Total net assets	$207,209	$251,541	$65,579	$71,298	$272,788	$322,839

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, 2010
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009
Revenues:						
Program revenues:						
Charges for services	$ 15,966	$ 14,187	$ 25,143	$ 25,766	$ 41,109	$ 39,953
Operating grants/contributions	12,286	8,403	21,550	18,683	33,836	27,086
Capital grants/contributions	9,686	6,998	2,430	50	12,116	7,048
General revenues:						
Property taxes-current collections	62,620	78,280			62,620	78,280
Sales taxes	25,000	27,923			25,000	27,923
Utility user taxes	50,299	48,953			50,299	48,953
Documentary transfer taxes	2,901	3,420			2,901	3,420
Other taxes	3,191	4,540			3,191	4,540
Use of money and property	(7,618)	(8,719)	(2,768)	(2,531)	(10,386)	(11,250)
Unrestricted Intergovernmental	957	2,197			957	2,197
Gain on sale of capital assets		5,000			-	5,000
Pension stabilization revenue	2,728	5,293			2,728	5,293
Developer revenue sharing	138	51			138	51
Settlement			1,922		1,922	-
Other	5,465	9,221	188	8	5,653	9,229
Total revenues	183,619	205,747	48,465	41,976	232,084	247,723
Expenses:						
General government	19,044	18,746			19,044	18,746
Public safety	95,147	91,432			95,147	91,432
Public works	43,343	43,290			43,343	43,290
Community development	7,699	4,317			7,699	4,317
Cultural & recreation	14,952	16,619			14,952	16,619
Housing & redevelopment	18,015	19,209			18,015	19,209
Interest and fiscal charges	30,251	22,962			30,251	22,962
Richmond Housing Authority			27,709	23,336	27,709	23,336
Port of Richmond			8,611	4,739	8,611	4,739
Richmond Marina			233	235	233	235
Municipal Sewer			13,611	14,291	13,611	14,291
Storm Sewer			2,528	4,467	2,528	4,467
Cable TV			992	898	992	898
Total expenses	228,451	216,575	53,684	47,966	282,135	264,541
Excess (Deficiency) of Revenues Over (Under) Expenses	(44,832)	(10,828)	(5,219)	(5,990)	(50,051)	(16,818)
Special item					-	-
Transfers	500	(693)	(500)	693	-	-
Changes in Net Assets	(44,332)	(11,521)	(5,719)	(5,297)	(50,051)	(16,818)
Net assets at beginning of year, as restated	251,541	263,062	71,298	76,595	322,839	339,657
Net assets at end of year	$ 207,209	$ 251,541	$ 65,579	$ 71,298	$ 272,788	$ 322,839

Governmental Activities:

Governmental activities decreased the City's net assets by $44.3 million accounting for 88 percent of the City's total decrease in net assets of $50.1 million. The decrease represents the amount by which expenses of $228.5 million exceeded the revenues of $183.6 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 Community Development reflecting the increase in personnel costs associated early retirements and emergency costs resulting from a large sinkhole that developed in one area of the City.

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

Revenue Highlights:

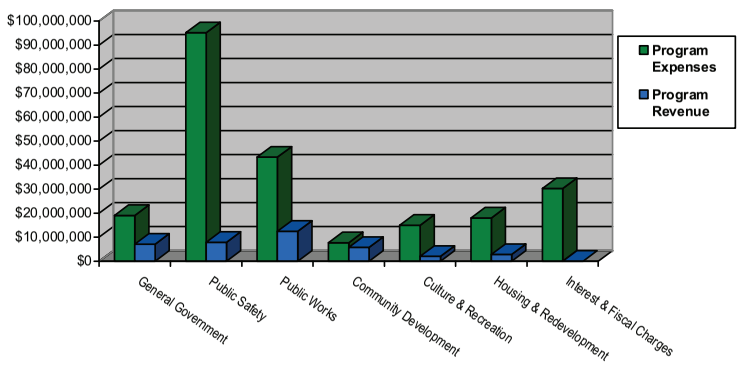
- Current year revenues of $183.6 million reflect a $22.1 million decrease from the prior year. The elements representing the $22.1 million net decrease in revenue is discussed below.
- Property taxes (current collections) in the current year reached $62.6 million, a decrease of $15.7 million, or approximately 20 percent as a result of significant assessed valuation declines.
- Current fiscal year receipts from sales tax of $25 million reflect a $2.9 million decrease, or 10 percent, from the prior year reflective of the decline in consumer spending.
- The decline in other taxes of $1.3 million is attributable to less franchise fee collections. The $3.2 million realized is a 30 percent decrease from the prior year.
- The use of money and property deficit balance was a net improvement of $1.1 million. Of this amount, $17.7 million difference is due to the variance between the $15.6 million prior year adjustment made for the implementation of GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments* that requires the recording of the fair value of investment hedges (swap agreements) the City has entered into in order to receive favorable interest rates on several bond issues and the $10.9 million fair value adjustment made in FY 09/10. The remaining $3.5 million is reflective of the continued decline in interest rates associated with the City investments.
- Intergovernmental revenues decreased $1.2 million from prior year. The bulk of this decrease is due to a decline in state and federal grant awards.
- The variance in the Pension Stabilization revenue of $2.6 million is consistent with the amounts required to be set-aside according to the 2005 Taxable Pension Obligation Bond Indenture.
- Other revenues decreased by $3.8 million because of $4 million received from Chevron in the prior year for Richmond Community Benefit was a one-time revenue source.

- Net assets increased by $3.4 million primarily due to a change in how the allowance for doubtful accounts is calculated. The procedure was revised to exempt outstanding public agency invoices from the policy of establishing an allowance for 100% of accounts receivable unpaid after 120 days.

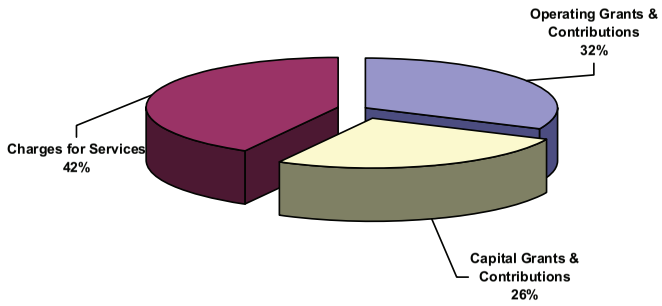
Expense Highlights:

- Expenses of $228.5 reflect a $11.9 million, or an approximately 5 percent, increase from prior year.
- Current year interest and fiscal charges of $30.3 million is a $7.3 million, or 32 percent, increase over the prior year primarily due to increased costs related to the refunding of the 2007 Lease Revenue Bonds.
- Public Works expenses of $43.3 million represent a $53 thousand increase from prior year. The increase is attributed to emergency costs in Engineering and Public Works resulting from the sinkhole.
- Public Safety expenses of $95.1 million represent a $3.7 million increase from prior year. The majority of this increase is due to a five percent increase in Police salary costs in accordance with the employee Memorandum of Understanding.
- General Government expenses of $19 million represent a $298 thousand increase from prior year primarily due to the recording of the long-term portion of an amount due to Chevron for a property tax reassessment settlement.
- Community Development expenses of $7.7 million represent a $3.4 million, or 79 percent, increase from prior year due to an increase in activity related to federal grant awards.

Expenses and Program Revenues
Governmental Activities



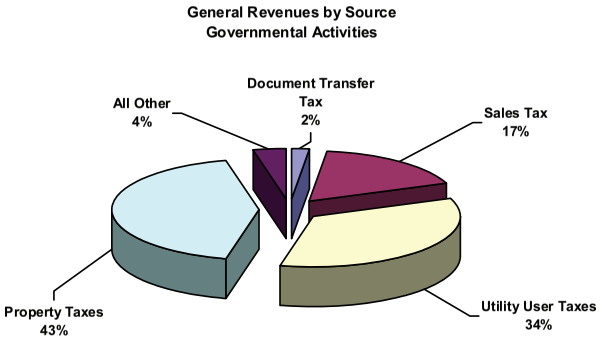
Program Revenue by Source
Governmental Activities



Total governmental activities expenses were $228.5 million in fiscal year 2010. The largest expenses, in descending order, were for Public Safety, Public Works, Interest on Long Term Debt, General Government, Housing and Redevelopment, Cultural and Recreational and Community Development. These expenses do not include capital outlays, which are reflected in the City's capital assets.

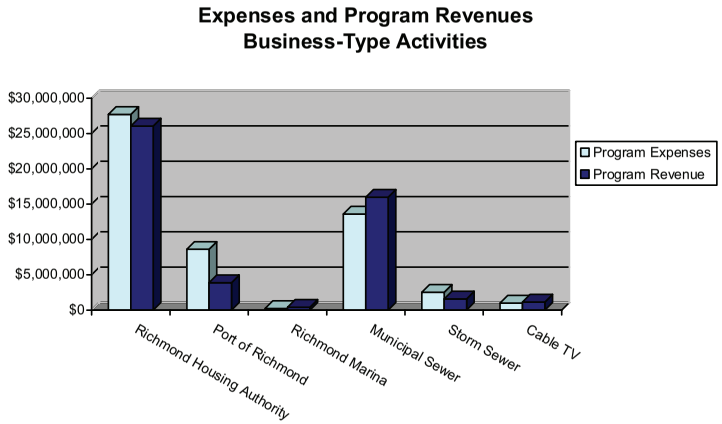
Total program revenues from governmental activities were $37.9 million in fiscal year 2010. Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues. As reflected in the pie chart above, 42 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. The 58 percent of governmental program revenues came from Operating and Capital Grants and Contribution which include restricted revenues such as Gas Tax, Transportation and Sales Tax, and Federal/State Grants.

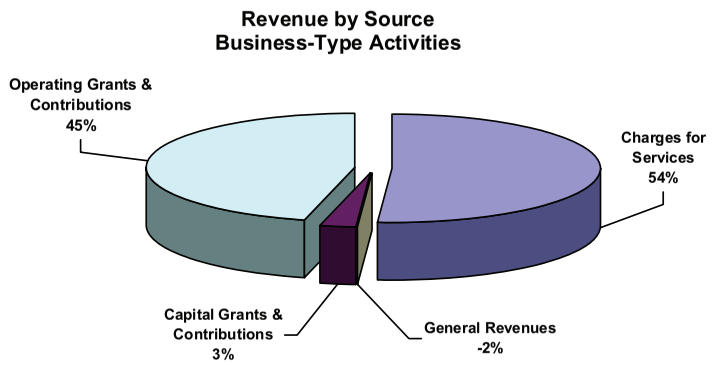
General revenues are all other revenues not categorized as program revenues such as property taxes, sales taxes, utility users' tax, documentary transfer taxes, investment earnings, grants and contributions not related to specific programs and several miscellaneous general revenues. Total general revenues and transfers from governmental activities were $146 million in fiscal year 2010. The three largest components of general revenues received during fiscal year 2010 for governmental activities were Property Taxes-current collections of $62.6 million, Utility User Taxes of $50.3 million and Sales Taxes of $25 million. These three components represent approximately 94 percent of all general revenues.



Business Type Activities: Business-type activities decreased the City's net assets by $5.7 million. Key factors in the decrease in business-type activities are as follows:

- The Port of Richmond net assets decreased $4.7 million from prior year. The Port reported a $519 thousand operating loss, operating expenses over operating revenues. Additionally, the Port had a $4.2 million non-operating loss caused, in part, by interest expenses associated with the issuance of the 2009A and 2009B Point Potrero Lease Revenue Bonds.
- The Richmond Housing Authority net assets decreased by $1.5 million. Although total revenues of $26.3 million increased $4.4 million from the previous year, operating expenses of $27.7 million also increased by $4.3 million, or 19 percent, from the previous year. Similar to prior year, the revenues were not sufficient to cover the expenses.
- Storm Sewer net assets decreased by $968 thousand. The Storm Sewer Fund reported a $905 thousand operating loss, operating expenses over operating revenues. The Storm Sewer fund revenue for the year was not sufficient to cover expenses incurred in connection with the Storm Sewer operation. The gap between expenses and revenues was reduced by shifting street sweeping administrative costs to the General Fund while the City continues to explore additional revenue sources.
- The Municipal Sewer net assets increased by $1.4 million in the current year. The Municipal Sewer reported operating income of approximately $5 million, up $2.2 million, or 78 percent, from prior year which can be attributed to a $1.6 million increase in operating revenues and $623 thousand decrease in operating expenses.





General revenues for business-type activities shown as a negative percentage due to the recording of $3.1 million adjustment for the changes in fair value of swap agreements. It represents the maximum loss that would be recognized at the reporting date if the swap counterparty agent failed to perform as contracted.

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 $114.6 million, an $83.5 million decrease from prior year. Approximately $11.6 million of the ending fund balance constitutes unreserved fund balance, which is available for spending at the government's discretion. Of the $11.6 million, $10.0 million has been designated for contingency reserve in compliance with Council's established policy. The remaining $103 million of ending fund balance 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 $4.8 million of a total fund balance of $39.2 million. During the current year, the overall fund balance decreased by $6.3 million as a result of a $15.1 million, or 14 percent, overall decrease in all three major revenue sources while expenditures only decreased by approximately 4 percent. The designation for contingencies remained at $10 million. The unreserved, undesignated fund balance of $4.8 million decreased by $6 million, or 55 percent, from prior year as a result of expenditures exceeding revenues by $6.3 million during the fiscal year.

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 2010, the Administration Fund had a deficit unreserved fund balance of $7.1 million, a decrease of $10.6 million from the prior year. This decrease is primarily due to the recording of a $10.1 million Supplemental Educational Revenue Augmentation Fund (SERAF) liability which directs a portion of the incremental property taxes received to be paid to the County as determined by the State Department of Finance. Since the Redevelopment Agency was unable to make the payment that was required during the current fiscal year, the fund liability was established.

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 2010, the unreserved fund balance was zero since all available funds are reserved for low and moderate income housing.

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 2010, the unreserved fund balance was $4.1 million, a decrease of $1.7 million, or 30 percent, from the prior year. This decrease is primarily attributable to a decline in tax increment of $9.4 million or 34 percent from the prior year.

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 2010, the Project Fund had a deficit unreserved fund balance of $5.8 million, a decrease of $57.1 million from the prior year. The majority of this decrease was due to the retirement of the Series 2007A Subordinate Tax Allocation Bonds that were refunded by the 2010A Bonds. In addition, the deficit unreserved balance is the result of encumbrances related to the BART parking garage project that were outstanding at June 30, 2010, but will be funded by tax increment and grants in the subsequent fiscal year.

Civic Center Debt Service This fund was established to account for the activities of the Civic Center Lease Revenue Refunding Bonds. At the end of fiscal year 2010, the fund had a deficit unreserved fund balance of $3.1 million, a $12.9 million decrease from the prior year. The $12.9 million decrease is the net result of expenditures exceeding revenues in the current year primarily due to the refunding of the 2007 Lease Revenue Bonds. The deficit unreserved balance is the result of funds from the prior year prepayment by the Redevelopment Agency for its share of future debt service being used for the Civic Center project. The deficit will be eliminated by future transfers from other funds.

Cost Recovery This fund was established to record the receipt and use of monies for services provided to the public and developers. At the end of fiscal year 2010, the fund had a deficit fund balance of $12.7 million, an $11.1 million decrease from prior year representing the amount by which expenditures exceeded revenues as of fiscal year end due to increased costs for the Richmond Plunge, Greenway projects and cost allocations for the use of the Civic Center building.

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 $50.2 million at June 30, 2010, a $1.5 million decrease from prior year. Of the $50.2 million, $45.8 million is invested in capital assets, net of related debt, $563 thousand is restricted for housing programs and $3.9 million is unrestricted

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 deficit net assets of $1.2 million as of June 30, 2010, which represents a $5.1 million decrease in net assets from the prior year. The $5.1 million decrease is primarily attributed to an increase in debt service expenses associated with the Series 2009A and 2009B Point Potrero Lease Revenue Bonds that were issued to fund construction at the Port.

Municipal Sewer Fund This fund is used to account for a variety of sewer service-related revenues and expenses. At the end of fiscal year 2010, the total net assets for the sewer fund were $8.5 million, which was a $1.5 million increase from the prior fiscal year primarily due to a $3.1 million or 27 percent decrease in sewer charges.

Fiduciary Funds:

The City's fiduciary funds are the pension trust funds, private-purpose trust fund 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 General Pension, Police and Firemen Pension and Garfield Pension Funds. The City uses a Private-Purpose Trust Fund to account for a pass-thru federal grant which is being used for pollution remediation in the development of the Naval Fuel Depot Point Molate (Point Molate). The assets are not accessible for City operations. 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, 2010 were $23.2 million held in trust for employees' pension benefits. Net Assets increased by $2.3 million primarily due to a realized gain on investments in the Police and Firemen's Pension Trust Fund.

The Pt. Molate Private-Purpose Trust Fund total assets at June 30, 2010 were $23.6 million to be held in trust for pollution remediation costs incurred by the Developer of Point Molate.

Agency Funds total assets at June 30, 2010 were $28.4 million which is recorded on the City books as a liability to third parties.

GENERAL FUND BUDGETARY HIGHLIGHTS

The adopted budget, excluding transfers and proceeds from sale of property, reflected $141.5 million in estimated revenues and $141.2 million in appropriations.

The City Council took a prudent approach to the downturn in the economy and revised the City budget in October and again at mid-year. Budget adjustments reflect extensive analysis and updates arising from the Mid-Year Revenue and Expenditure Review, and Council approved amendments that occurred during the fiscal year.

The final amended budget included a $22.3 million decrease in estimated revenue and a $12.6 million decrease in appropriations. Actual revenues of $112.7 million were $6.5 million less than adjusted operating revenue projections, a variance of 6 percent. Key elements of the increases and decreases in revenues are discussed as follows:

The original budget for property taxes of $36.8 million was followed with a mid-year adjustment downward to $31.8 million. However, only $29.7 million in property tax was realized causing a $2.0 million variance. Property tax revenue declined as a result of a 13.6% decrease in assessed valuations ("AV"). The City of Richmond experienced a decline in property tax revenue even though Richmond's housing stock is fairly old with new developments making up a small percentage of the assessed valuation.

While sales tax projections of $29.5 million were followed with a mid-year adjustment downward to $24.2 million, actual revenue received was $25.0 million, $836 thousand above projections. Sales tax revenue declined due to the downturn in the economy and overall reduction in consumer spending. Moderate growth is expected as the economy slowly recovers and consumer spending gradually returns. Sales tax revenues are projected to remain steady in fiscal year 2010-11 with a focus on additional retail outlets opening and business-to-business sales acceleration.

The utility user tax is a tax imposed on various a utilities and is usually collected from customers through their utility bills. The final budget of $39.0 million reflects a decrease of $900 thousand from the adopted projection of $39.9 million. Actual revenues of $40.3 million are $1.3 million above projections as a result of an increase in gas and electricity charges collected by PG&E and a reduction in telephone usage stemming from people switching from land lines to VOIP home phone usage.

Other taxes original budget of $8.4 million was followed by an adjustment downward to $7.6 million at mid-year. Actual other tax revenue of $6.1 million is $1.5 million less than projected as a result of a decline in franchise taxes collected for gas utilities.

Intergovernmental revenue original budget was reduced from $4.2 million to $2.9 million at mid-year; however, only $1.6 million was realized. This was largely due to grant awards received late in the fiscal year and no corresponding drawdown activity.

Other revenue original budget was reduced from $8.9 million to $7.6 million final budget projection. Actual revenue in this category is $5.1 million less than projection as a result of OPEB and Pension Stabilization budgeted as revenue and actual recorded as a contra-expenditure, since it was a reimbursement from the City's OPEB trust for current year premiums.

Transfers in budget of $7.1 million were $1.8 million less than actual transfers of $8.9 million. This is a result of an unbudgeted transfer in the amount of $1.8 million to reimburse the General Fund for a Civic Center Debt Service Fund swap receipt payment made by the General Fund.

The final adjusted appropriations were $128.6 million, a decrease of $12.6 million over the adopted budget appropriation. Actual operating expenditures of $122.9 million were $5.7 million below appropriations approved at the Mid-Year Budget Review. General government actual expenditures were $2.0 million less than budget; public safety actual was $2.5 million less than budget; public works actual was $955 thousand less than budget; and interest and fiscal charges were $471 thousand over budget. This is largely due to salary savings from early retirements, internal staff transfers, and operating expenditure reductions identified with the revised budget in October 2009 to adjust for the change in the economy.

Transfers out budget of $4.1 million were $1.1 million more than actual transfers of $5.2 million. This is largely a result of an unbudgeted transfer in the amount of $956 thousand to transfer code enforcement accounts receivable from the General Fund to a cost recovery fund.

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, 2010, amounted to $520.7 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 $32.4 million or 7 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	
	2010	2009	2010	2009	2010	2009
Land	$ 30,172,424	$ 29,721,376	$ 11,611,407	$ 11,596,510	$ 41,783,831	$ 41,317,886
Construction in Progress	69,437,266	164,976,640	64,902,966	32,422,868	134,340,232	197,399,508
Building and improvements	118,879,433	18,770,352	45,068,550	44,904,232	163,947,983	63,674,584
Machinery and equipment	18,029,158	14,939,675	4,337,436	2,238,044	22,366,594	17,177,719
Infrastructure	124,266,135	133,173,071	34,013,598	35,567,867	158,279,733	168,740,938
Total Capital assets	$ 360,784,416	$ 361,581,114	$ 159,933,957	$ 126,729,521	$ 520,718,373	$ 488,310,635

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 66 - 69 in the financial statements.

Debt Administration:

Long Term Debt - At the end of the current fiscal year, the City had $483.2 million in debt outstanding compared to the $482.4 million the previous year; an increase of $817 thousand. The change results from the pay down and refunding of the JPFA 2007 Lease Revenue Bonds and the issuance of the and the Point Potrero Lease Revenue Bonds.

Outstanding Debt
June 30

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Tax Allocation bonds	$130,953,999	$165,200,399			$130,953,999	$165,200,399
Revenue bonds	1,150,000	1,490,000	$41,416,658	$41,934,902	42,566,658	43,424,902
Lease revenue bonds	87,121,545	96,260,000	49,015,199	3,203,312	136,136,744	99,463,312
Pension obligation bonds	152,059,727	150,493,392			152,059,727	150,493,392
Total bonds payable	371,285,271	413,443,791	90,431,857	45,138,214	461,717,128	458,582,005
Loans payable	10,460,463	10,544,185	4,501,732	4,971,845	14,962,195	15,516,030
Capital leases	6,536,310	8,300,966			6,536,310	8,300,966
Total outstanding debt	$388,282,044	$432,288,942	$94,933,589	$50,110,059	$483,215,633	$482,399,001

The City does not have any general obligation bonds as of June 30, 2010.

The City maintains an Issuer Credit Rating of "A+" from Standard & Poor's Ratings Services ("S&P") and "A2" from Moody's Investor Services ("Moody's"). Other credit ratings include S&P's assigned underlying rating (SPUR) of "A" for the Redevelopment Agency, and "AA-" for the Wastewater Enterprise Fund; raised from "A+" in October, 2008. For all ratings, specific credit strengths include strong financial controls, policies, and management practices.

The City has purchased municipal bond insurance policies on its bond issuances in the past, including for the Redevelopment Agency's 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 March 2010, the City refunded the Redevelopment Agency's 2007 TABs with fixed rate bonds. In November 2009, the City refunded the 2007 Lease Revenue Bonds with fixed rate bonds. 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 removed Ambac as the bond insurer. Since this restructuring, the bonds have traded at a level below the Securities Industry & Financial Market Association Index ("SIFMA").

For more detailed information on the City's long-term debt see Note 8 on pages 70-103.

Economic Factors, Next Year's Budget and Inflation Rates

- The City currently faces a continuing weak economic environment. Although the City experienced strong growth in assessed valuation ("AV") in past years, FY 2010-2011 AV decreased by 13.64% and consequently reduced the fiscal year 2011 budget by $3,355,643.

- 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 seven 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 is in the process of establishing a Long-Term Financial Plan, which will be tied to both the Five-Year Strategic Business Plan and the City's General Plan. The Long-Term Financial Plan will enable the City to better plan how it will fund and incorporate strategic goals. The implementation of the plan is scheduled for fiscal year 2011-12.

- 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 if a specific, new revenue stream can be identified, thus preventing the creation of structural deficits.

- The City continues to closely monitor revenue and expenditures through variance reports to assure adherence to budget controls. Simultaneously, position control is being strictly enforced, ensuring that any employee hired 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.

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, 450 Civic Center Plaza, Richmond, CA 94804. Alternatively, you may send your inquiries via e-mail to Finance@ci.richmond.ca.us.

City of Richmond
June 30, 2010

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.

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CITY OF RICHMOND
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	RHA Properties
ASSETS				
Cash and investments (Note 3)	$77,193,071	$13,143,387	$90,336,458	$410,017
Restricted cash and investments (Note 3)	73,218,385	21,738,791	94,957,176	2,993,203
Receivables:				
Accounts, net	21,863,127	1,937,169	23,800,296	24,198
Interest	21,061	3,601	24,662	
Grants	5,534,279	1,207,163	6,741,442	
Due from developer (Note 17)		8,289,189	8,289,189	
Loans (Note 5)	35,844,506	15,689	35,860,195	
Internal balances (Note 4)	25,803,210	(25,803,210)		
Prepaids, supplies, and other assets	1,079,531	483,270	1,562,801	2,750
Bond issuance costs and other investments, net of amortization		1,563,814	1,563,814	985,457
Net pension asset (Notes 11 and 12)	110,216,542		110,216,542	
Net OPEB asset (Note 13)	307,700		307,700	
Capital assets (Note 6):				
Nondepreciable	99,609,690	76,514,373	176,124,063	10,431,153
Depreciable, net	261,174,726	83,419,584	344,594,310	18,010,873
Total Assets	711,865,828	182,512,820	894,378,648	32,857,651
LIABILITIES				
Accounts payable and accrued liabilities	11,034,938	10,322,147	21,357,085	1,109,432
Interest payable	5,385,557	2,648,762	8,034,319	
Refundable deposits	1,291,435	157,670	1,449,105	251,180
Unearned revenue (Note 9)	93,590		93,590	
Note payable (Note 7)	18,155,011		18,155,011	
SERAF payable (Note 18)	10,118,826		10,118,826	
Deferred investment in derivative instrument (Note 8)	39,509,293	7,948,525	47,457,818	
Net pension obligation (Note 12)	158,063		158,063	
Compensated absences (Note 2D):				
Due within one year	1,387,944	165,005	1,552,949	
Due in more than one year	9,780,660	758,188	10,538,848	
Claims liabilities (Note 15):				
Due within one year	4,420,696		4,420,696	
Due in more than one year	15,038,818		15,038,818	
Long-term debt (Note 8):				
Due within one year	16,227,002	1,810,116	18,037,118	700,000
Due in more than one year	372,055,042	93,123,473	465,178,515	31,600,893
Total Liabilities	504,656,875	116,933,886	621,590,761	33,661,505
NET ASSETS (Note 10)				
Invested in capital assets, net of related debt	201,197,639	86,432,590	287,630,229	(865,664)
Restricted for:				
Capital projects	36,737,771		36,737,771	
Debt service	19,538,348	20,587,727	40,126,075	
Housing and redevelopment	13,624,352	563,013	14,187,365	2,993,203
Pension benefits	2,214,514		2,214,514	
Total Restricted Net Assets	72,114,985	21,150,740	93,265,725	2,993,203
Unrestricted (Deficit)	(66,103,671)	(42,004,396)	(108,108,067)	(2,931,393)
Total Net Assets (Deficit)	$207,208,953	$65,578,934	$272,787,887	($803,854)

See accompanying notes to financial statements

CITY OF RICHMOND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total	Net (Expense) Revenue and Changes in Net Assets Component Unit: RHA Properties
Primary Government:								
Governmental Activities:								
General government	$19,044,449	$6,612,893	$72,709	$396,829	($11,962,018)		($11,962,018)	
Public safety	95,147,888	5,674,457	986,883	1,203,724	(87,282,824)		(87,282,824)	
Public works	43,342,529	1,656,353	3,828,819	6,953,885	(30,903,472)		(30,903,472)	
Community development	7,698,693	504,726	4,253,706	982,250	(1,958,011)		(1,958,011)	
Cultural and recreational	14,952,438	1,294,976	563,897	149,254	(12,944,311)		(12,944,311)	
Housing and redevelopment	18,014,624	222,459	2,580,113		(15,212,052)		(15,212,052)	
Interest on long-term debt	30,251,260				(30,251,260)		(30,251,260)	
Total Governmental Activities	228,451,881	15,965,864	12,286,127	9,685,942	(190,513,948)		(190,513,948)	
Business-type Activities:								
Richmond Housing Authority	27,709,496	2,100,519	21,549,967	2,404,709		($1,654,301)	(1,654,301)	
Port of Richmond	8,611,216	3,882,153		25,000		(4,704,063)	(4,704,063)	
Richmond Marina	232,855	417,679				184,824	184,824	
Municipal Sewer	13,611,098	15,991,488				2,380,390	2,380,390	
Storm Sewer	2,527,838	1,593,792				(934,046)	(934,046)	
Cable TV	991,506	1,157,502				165,996	165,996	
Total Business-type Activities	53,684,009	25,143,133	21,549,967	2,429,709		(4,561,200)	(4,561,200)	
Total Primary Government	$282,135,890	$41,108,997	$33,836,094	$12,115,651	(190,513,948)	(4,561,200)	(195,075,148)	
Component Unit:								
RHA Properties	$3,583,545	$2,963,668						($619,877)
General revenues:								
Taxes:								
Property taxes-current collections					62,620,002		62,620,002	
Sales taxes					25,000,182		25,000,182	
Utility user taxes					50,298,719		50,298,719	
Documentary transfer taxes					2,901,177		2,901,177	
Other taxes					3,190,873		3,190,873	
Use of money and property					(7,618,093)	(2,768,103)	(10,386,196)	4,417
Unrestricted intergovernmental					957,140		957,140	
Pension stabilization revenue					2,728,314		2,728,314	
Developer revenue sharing					138,454		138,454	
Settlement						1,922,260	1,922,260	
Other					5,465,467	188,143	5,653,610	166,589
Transfers (Note 4)					500,000	(500,000)		
Total general revenues and transfers					146,182,235	(1,157,700)	145,024,535	171,006
Change in Net Assets					(44,331,713)	(5,718,900)	(50,050,613)	(448,871)
Net Assets (Deficit)-Beginning, as restated (Note 8)					251,540,666	71,297,834	322,838,500	(354,983)
Net Assets (Deficit)-Ending					$207,208,953	$65,578,934	$272,787,887	($803,854)

See accompanying notes to financial statements

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City of Richmond
June 30, 2010

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 2010. 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.

CIVIC CENTER DEBT SERVICE FUND

The Civic Center Debt Service Fund accounts for principal and interest payments on the Civic Center project Lease Revenue Bonds.

COST RECOVERY SPECIAL REVENUE FUND

The Cost Recovery Special Revenue Fund records the receipt and use of monies for services provided to the public and developers.

CITY OF RICHMOND
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010

	General	Redevelopment Agency Administration	Redevelopment Agency Low/Mod Income Housing	Redevelopment Agency Debt Service	Redevelopment Agency Projects	Civic Center Debt Service	Cost Recovery	Other Governmental Funds	Total Governmental Funds
ASSETS									
Cash and investments	$9,081,490	$1,848,005	$5,202,305	$6,288,190	$6,308,806	$372,143		$24,490,838	$53,591,777
Restricted cash and investments	18,166,487	1,447,870	7,987,898	7,821,804	20,250,687	212,314		16,639,916	72,526,976
Receivables:									
Accounts, net	18,875,397	62,333	10,717		766,029		$820,679	635,232	21,170,387
Interest	5,226	143	32	(233)	330	609	(2,529)	6,973	10,551
Grants	413,529						2,871,165	2,249,585	5,534,279
Loans	1,362,648	2,470,771	15,698,230		7,909,075			8,403,782	35,844,506
Due from other funds		29,118	378,452					2,457	410,027
Advances to other funds	22,754,145	2,174,067			95,685				25,023,897
Prepaids, supplies and other assets	423,320	7,817,729					8,218	29,506	8,278,773
Total Assets	$71,082,242	$15,850,036	$29,277,634	$14,109,761	$35,330,612	$585,066	$3,697,533	$52,458,289	$222,391,173
LIABILITIES									
Accounts payable and accrued liabilities	$2,174,500	$49,834	$107,830		$1,924,599		$1,029,208	$1,833,432	$7,119,403
Refundable deposits	253,161	32,904			65,511		939,748		1,291,324
Due to other funds		2,457					8,615,860	2,877,963	11,496,280
SERAF payable		10,118,826							10,118,826
Advances from other funds	95,685				2,500,000			2,211,686	4,807,371
Deferred revenue	11,197,472	2,644,838	15,545,452		8,675,104	$3,718,208	2,480,000	10,543,962	54,805,036
Note payable	18,155,011								18,155,011
Total Liabilities	31,875,829	12,848,859	15,653,282		13,165,214	3,718,208	13,064,816	17,467,043	107,793,251
FUND BALANCES									
Fund balance									
Reserved for:									
Encumbrances	1,009,480	60,784	1,746,241		27,902,256		3,346,319	13,528,456	47,593,536
Prepaids, supplies and other assets	423,320	7,817,729					8,218	29,506	8,278,773
Debt service				$10,054,383					10,054,383
Advances to other funds	22,356,620	2,174,067			95,685				24,626,372
Loans receivable	580,656		152,778						733,434
Low and moderate income housing			11,725,333						11,725,333
Unreserved, designated for:									
Contingencies	10,000,000								10,000,000
Unreserved, Undesignated, Reported in:									
General Fund	4,836,337								4,836,337
Special Revenue Funds		(7,051,403)					(12,721,820)	5,671,949	(14,101,274)
Debt Service Funds				4,055,378		(3,133,142)		8,561,729	9,483,965
Capital Projects Funds					(5,832,543)			7,199,606	1,367,063
Total Fund Balances	39,206,413	3,001,177	13,624,352	14,109,761	22,165,398	(3,133,142)	(9,367,283)	34,991,246	114,597,922
Total Liabilities and Fund Balances	$71,082,242	$15,850,036	$29,277,634	$14,109,761	$35,330,612	$585,066	$3,697,533	$52,458,289	$222,391,173

See accompanying notes to financial statements

CITY OF RICHMOND
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balances reported on the governmental funds balance sheet	$114,597,922
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.	360,784,416
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	23,601,294
Restricted cash and investments	691,409
Accounts receivable	692,740
Interest receivable	10,510
Due from other funds	12,385,381
Advances to other funds	4,287,556
Prepaids and supplies	618,487
Accounts payable, accrued liabilities and interest payable	(1,615,535)
Refundable deposits	(111)
Compensated absences	(741,457)
Unearned revenue	(4,099,521)
Claims payable	(19,459,514)
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.	50,993,238
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:	
Accounts payable	(2,300,000)
Interest payable	(5,385,557)
Long-term debt	(388,282,044)
Deferred investment in derivative instrument	(39,509,293)
Net pension obligation	(158,063)
Net pension asset	110,216,542
Net OPEB asset	307,700
Governmental activities portion of compensated absences	(10,427,147)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$207,208,953

See accompanying notes to financial statements

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CITY OF RICHMOND
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

	General	Redevelopment Agency Administration	Redevelopment Agency Low/Mod Income Housing	Redevelopment Agency Debt Service	Redevelopment Agency Projects	Civic Center Debt Service	Cost Recovery	Other Governmental Funds	Total Governmental Funds
REVENUES									
Property taxes	$29,746,915			$18,559,284				$15,551,944	$63,858,143
Sales taxes	25,000,182								25,000,182
Utility user taxes	40,298,719								40,298,719
Other taxes	6,092,050								6,092,050
Licenses, permits and fees	2,635,258	$222,459					$3,948,780	791,910	7,598,407
Developer revenue sharing					$138,454				138,454
Fines, forfeitures and penalties	245,099						210,599	25,566	481,264
Use of money and property	352,132	95,101	$33,834	259,366	415,969	$141,083	(119,732)	672,131	1,849,884
Intergovernmental	1,580,801	169,842	450,000		1,121,464		3,433,497	14,871,909	21,627,513
Charges for services	3,462,912					2,619,427	1,012,232	1,422,667	8,517,238
Pension stabilization revenue								2,728,314	2,728,314
Other	2,527,264	291,909	19,447		308,005		11,570	1,608,213	4,766,408
Rent	746,217				19,800				766,017
Total Revenues	112,687,549	779,311	503,281	18,818,650	2,003,692	2,760,510	8,496,946	37,672,654	183,722,593
EXPENDITURES									
Current:									
General government	7,291,519						6,105,033	1,016,419	14,412,971
Public safety	87,548,895						2,375,261	6,064,897	95,989,053
Public works	13,355,265						3,992,253	3,650,329	20,997,847
Community development								7,692,545	7,692,545
Cultural and recreational	13,735,412							1,402,236	15,137,648
Housing and redevelopment		4,830,073	1,256,444		2,723,912			3,288,354	12,098,783
SERAF		10,118,826							10,118,826
Capital outlay	5,958		508,151		4,087,483		5,327,508	15,213,592	25,142,692
Debt service:									
Principal	446,191	810,000	535,000	3,550,000	64,418,000	96,260,000		5,695,000	171,714,191
Interest and fiscal charges	570,804	1,478,454		2,633,047	4,554,569	9,462,986		2,718,737	21,418,597
Total Expenditures	122,954,044	17,237,353	2,299,595	6,183,047	75,783,964	105,722,986	17,800,055	46,742,109	394,723,153
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(10,266,495)	(16,458,042)	(1,796,314)	12,635,603	(73,780,272)	(102,962,476)	(9,303,109)	(9,069,455)	(211,000,560)
OTHER FINANCING SOURCES (USES)									
Issuance of debt					33,740,000	87,121,545			120,861,545
Bond premium	214,846								214,846
Proceeds from sale of property								23,300	23,300
Transfers in	8,952,371	5,693,403	4,977,686	2,170,467	7,672,233	8,572,863	443,133	11,481,089	49,963,245
Transfers (out)	(5,231,987)	(144,589)	(1,292,612)	(16,747,619)	(1,542,775)	(1,836,735)	(91,200)	(16,673,089)	(43,560,606)
Total Other Financing Sources (Uses)	3,935,230	5,548,814	3,685,074	(14,577,152)	39,869,458	93,857,673	351,933	(5,168,700)	127,502,330
NET CHANGE IN FUND BALANCES	(6,331,265)	(10,909,228)	1,888,760	(1,941,549)	(33,910,814)	(9,104,803)	(8,951,176)	(14,238,155)	(83,498,230)
BEGINNING FUND BALANCES (DEFICITS) (AS RESTATED)	45,537,678	13,910,405	11,735,592	16,051,310	56,076,212	5,971,661	(416,107)	49,229,401	198,096,152
ENDING FUND BALANCES (DEFICITS)	$39,206,413	$3,001,177	$13,624,352	$14,109,761	$22,165,398	($3,133,142)	($9,367,283)	$34,991,246	$114,597,922

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, 2010

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	($83,498,230)
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	22,596,846
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of $2,036,079 which has already been allocated to serviced funds)	(15,032,353)
Retirements of capital assets are deducted from the fund balance	(8,844,775)
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	171,714,191
Capital appreciation bonds accretion is deducted from fund balance	(8,104,935)
Interest accrued to principal is deducted from fund balance	(75,000)
Proceeds from debt issuance is deducted from fund balance	(120,861,545)
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):	
Accounts payable	(2,300,000)
Interest payable	(652,728)
Deferred revenue	12,608,410
Deferred investment in derivative instrument is deducted from fund balance	(10,877,834)
Compensated absences	169,574
Net pension asset (obligation)	(675,602)
Net OPEB asset	(4,297,572)
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	3,799,840
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	($44,331,713)

See accompanying notes to financial statements

City of Richmond
June 30, 2010

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 2010.

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, 2010

	Business-type Activities-Enterprise Funds					Governmental Activities-
	Richmond Housing Authority	Port of Richmond	Municipal Sewer	Other Enterprise Funds	Totals	Internal Service Funds
ASSETS						
Current assets:						
Cash and investments	$453,085	$2,190,895	$5,656,181	$4,843,226	$13,143,387	$23,601,294
Restricted cash and investments	306,569	20,587,727	844,495		21,738,791	691,409
Receivables:						
Accounts, net	334,146	176,751	413,104	541,539	1,465,540	692,740
Interest		817	1,709	1,075	3,601	10,510
Grants	1,207,163				1,207,163	
Notes				15,689	15,689	
Prepaids and other assets	483,270				483,270	618,487
Due from other funds						12,385,381
Total current assets	2,784,233	22,956,190	6,915,489	5,401,529	38,057,441	37,999,821
Noncurrent assets:						
Receivables:						
Accounts, net	471,629				471,629	
Due from developer	8,289,189				8,289,189	
Capital assets:						
Nondepreciable	8,814,034	34,066,116	33,400,970	233,253	76,514,373	698,081
Depreciable, net	36,952,610	16,425,672	20,898,993	9,142,309	83,419,584	11,822,843
Advances to other funds						4,287,556
Bond issuance costs net of amortization		533,377	1,030,437		1,563,814	
Total noncurrent assets	54,527,462	51,025,165	55,330,400	9,375,562	170,258,589	16,808,480
Total Assets	57,311,695	73,981,355	62,245,889	14,777,091	208,316,030	54,808,301
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	1,019,678	6,409,244	2,663,733	229,492	10,322,147	1,612,384
Interest payable		1,690,405	826,197	132,160	2,648,762	3,151
Due to other funds				1,299,128	1,299,128	
Refundable deposits	144,370	13,300			157,670	111
Compensated absences	87,835			77,170	165,005	
Claims payable						4,420,696
Deferred investment in derivative instrument		469,365	7,479,160		7,948,525	
Current portion of long-term debt		405,000	1,342,475	62,641	1,810,116	1,391,171
Total current liabilities	1,251,883	8,987,314	12,311,565	1,800,591	24,351,353	7,427,513
Noncurrent liabilities:						
Advances from other funds	5,279,146	17,437,380		1,787,556	24,504,082	
Compensated absences	558,690	178,510	20,988		758,188	741,457
Unearned revenue						4,099,521
Claims payable						15,038,818
Long-term debt, net		48,610,199	41,372,039	3,141,235	93,123,473	3,686,940
Total noncurrent liabilities	5,837,836	66,226,089	41,393,027	4,928,791	118,385,743	23,566,736
Total Liabilities	7,089,719	75,213,403	53,704,592	6,729,382	142,737,096	30,994,249
NET ASSETS						
Invested in capital assets, net of related debt	45,766,644	22,064,316	12,429,944	6,171,686	86,432,590	8,134,222
Restricted for housing programs	563,013				563,013	
Restricted for debt service		20,587,727			20,587,727	
Unrestricted	3,892,319	(43,884,091)	(3,888,647)	1,876,023	(42,004,396)	15,679,830
Total Net Assets	$50,221,976	($1,232,048)	$8,541,297	$8,047,709	$65,578,934	$23,814,052

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, 2010

	Business-type Activities-Enterprise Funds					Governmental Activities-
	Richmond Housing Authority	Port of Richmond	Municipal Sewer	Other Enterprise Funds	Totals	Internal Service Funds
OPERATING REVENUES						
Rental	$1,578,827				$1,578,827	
Service charges		$3,112,836	$15,919,320	$2,564,225	21,596,381	$43,142,537
Lease income		755,145		421,279	1,176,424	
Other	521,692	14,172	72,168	183,469	791,501	
Total Operating Revenues	2,100,519	3,882,153	15,991,488	3,168,973	25,143,133	43,142,537
OPERATING EXPENSES						
Salaries and benefits	5,846,831	1,076,538	632,230	675,246	8,230,845	14,003,419
General and administrative	1,184,266	1,483,175	9,691,881	1,858,341	14,217,663	6,914,335
Maintenance	1,179,130	368,404	17,382		1,564,916	3,332,615
Depreciation	298,474	1,393,558	634,080	1,045,000	3,371,112	2,036,079
Housing assistance	19,200,795				19,200,795	
Claims losses						7,712,123
Other		79,338	21,160		100,498	120,494
Total Operating Expenses	27,709,496	4,401,013	10,996,733	3,578,587	46,685,829	34,119,065
Operating Income (Loss)	(25,608,977)	(518,860)	4,994,755	(409,614)	(21,542,696)	9,023,472
NONOPERATING REVENUES (EXPENSES)						
Loss on retirement of capital assets		(452,495)			(452,495)	(55,830)
Interest income	3,200	(17,096)	(2,865,888)	111,681	(2,768,103)	989,956
Grants	23,954,676	25,000			23,979,676	
Other income	188,143				188,143	
Settlement			1,922,260		1,922,260	
Interest (expense)		(3,757,708)	(2,614,365)	(173,612)	(6,545,685)	(255,119)
Total Nonoperating Revenues (Expenses)	24,146,019	(4,202,299)	(3,557,993)	(61,931)	16,323,796	679,007
Income (Loss) Before Transfers	(1,462,958)	(4,721,159)	1,436,762	(471,545)	(5,218,900)	9,702,479
TRANSFERS						
Transfers in						1,227,361
Transfers (out)				(500,000)	(500,000)	(7,130,000)
Net transfers				(500,000)	(500,000)	(5,902,639)
Change in net assets	(1,462,958)	(4,721,159)	1,436,762	(971,545)	(5,718,900)	3,799,840
BEGINNING NET ASSETS (AS RESTATED)	51,684,934	3,489,111	7,104,535	9,019,254	71,297,834	20,014,212
ENDING NET ASSETS (DEFICIT)	$50,221,976	($1,232,048)	$8,541,297	$8,047,709	$65,578,934	$23,814,052

See accompanying notes to financial statements

CITY OF RICHMOND
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	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	$2,282,390	$3,949,522	$15,676,193	$3,006,577	$24,914,682	$42,596,927
Payments to suppliers	(21,304,162)	(1,928,995)	(7,511,564)	(1,860,735)	(32,605,456)	(11,557,824)
Payments to employees	(5,838,481)	(1,063,617)	(620,234)	(678,277)	(8,200,609)	(14,209,095)
Other income	188,143				188,143	
Insurance premiums and claims paid						(10,653,609)
Cash Flows from Operating Activities	(24,672,110)	956,910	7,544,395	467,565	(15,703,240)	6,176,399
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund receipts		397,525		328,680	726,205	
Interfund payments	(303,751)				(303,751)	(8,966,006)
Settlement			1,922,260		1,922,260	
Receipts from other governments	24,028,443	36,212			24,064,655	
Transfers in						1,227,361
Transfers (out)				(500,000)	(500,000)	(7,130,000)
Cash Flows from Noncapital Financing Activities	23,724,692	433,737	1,922,260	(171,320)	25,909,369	(14,868,645)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(894,178)	(22,818,333)	(6,423,932)	(233,253)	(30,369,696)	(2,645,461)
Proceeds from sale of capital assets						69,967
Issuance of debt		49,783,455			49,783,455	
Cost of issuance		(1,289,263)			(1,289,263)	
Principal payments on capital debt		(3,270,000)	(1,275,170)	(59,943)	(4,605,113)	(1,334,184)
Interest paid		(2,068,790)	(2,203,511)	(176,086)	(4,448,387)	(256,412)
Cash Flows from Capital and Related Financing Activities	(894,178)	20,337,069	(9,902,613)	(469,282)	9,070,996	(4,166,090)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest	3,200	88,289	84,782	112,491	288,762	1,001,288
Cash Flows from Investing Activities	3,200	88,289	84,782	112,491	288,762	1,001,288
Net Cash Flows	(1,838,396)	21,816,005	(351,176)	(60,546)	19,565,887	(11,857,048)
Cash and investments at beginning of period	2,598,050	962,617	6,851,852	4,903,772	15,316,291	36,149,751
Cash and investments at end of period	$759,654	$22,778,622	$6,500,676	$4,843,226	$34,882,178	$24,292,703
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:						
Operating income (loss)	($25,608,977)	($518,860)	$4,994,755	($409,614)	($21,542,696)	$9,023,472
Adjustments to reconcile operating income to cash flows from operating activities:						
Depreciation	298,474	1,393,558	634,080	1,045,000	3,371,112	2,036,079
Other income	188,143				188,143	
Change in assets and liabilities:						
Receivables, net	190,394	70,969	(315,295)	(162,396)	(216,328)	(483,074)
Prepaids and other assets	(42,738)				(42,738)	(153,054)
Accounts payable and accrued liabilities and other accrued expenses	302,767	1,922	2,218,859	(2,394)	2,521,154	(1,037,326)
Refundable deposits	(8,523)	(3,600)			(12,123)	111
Unearned revenue						(62,647)
Compensated absences payable	8,350	12,921	11,996	(3,031)	30,236	(205,676)
Claims payable						(2,941,486)
Cash Flows from Operating Activities	($24,672,110)	$956,910	$7,544,395	$467,565	($15,703,240)	$6,176,399
Non cash transactions:						
Change in fair value of investment derivative		($106,338)	($2,950,182)		($3,056,520)	
Amortization of bond issuance costs		(102,458)	(38,188)		(140,646)	
Retirement of capital assets	($87,853)	(452,495)			(540,348)	($125,797)

See accompanying notes to financial statements

City of Richmond
June 30, 2010

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, or other governments.

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 Trust and Agency 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, 2010

	Pension Trust Funds	Pt. Molate Private-Purpose Trust Fund	Agency Funds
ASSETS			
Cash and investments (Note 3)			$6,319,987
Restricted cash and investments (Note 3)		$23,581,443	5,381,419
Investment in reassessment bonds (Note 3)			16,520,000
Pension plan cash and investments (Note 12):			
City of Richmond Investment Pool	$5,217,984		
Local Agency Investment Fund	189,024		
Mutual Fund Investments	17,794,056		
Accounts receivable	22,462		170,792
Interest receivable	827	9,129	1,546
Total Assets	23,224,353	23,590,572	$28,393,744
LIABILITIES			
Accounts payable and accrued liabilities			$954,797
Refundable deposits payable			855,794
Due to assessment district bondholders			26,583,153
Total Liabilities			$28,393,744
NET ASSETS			
Held in trust for employees' pension benefits and other purposes	$23,224,353	$23,590,572	

See accompanying notes to financial statements

CITY OF RICHMOND
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	Pension Trust Funds	Pt. Molate Private-Purpose Trust Fund
ADDITIONS		
Contributions from the U.S. Navy		$28,500,000
Net investment income:		
Net increase (decrease) in the fair value of investments	$1,707,350	
Interest income	883,112	21,612
Investment management fees	(102,649)	
Contribution from the City	562,784	
Contribution from Pension Reserve	4,600,000	
Total Additions	7,650,597	28,521,612
DEDUCTIONS		
Pension benefits	5,383,232	
Payments in accordance with trust agreements		4,930,000
Other expense		1,040
Total Deductions	5,383,232	4,931,040
Net Increase (Decrease)	2,267,365	23,590,572
NET ASSETS, BEGINNING OF YEAR	20,956,988	
NET ASSETS, END OF YEAR	$23,224,353	$23,590,572

See accompanying notes to financial statements

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NOTE 1 - ORGANIZATION AND DEFINITION OF REPORTING ENTITY

The City was incorporated in 1905 under the laws of the State of California and adopted its charter in 1909. The City operates under a Council-Manager form of government and provides the following services to its citizens as authorized by its charter: police and fire protection, planning and community development, streets and roads, parks and recreation, sewage treatment, drainage and capital projects. In addition, the City has a port, marina, municipal and storm sewer enterprises, a housing authority, a redevelopment agency, a joint powers financing authority, and a parking authority which is inactive.

The accompanying basic financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of its component units, which are entities for which the City is financially accountable. Although they are separate legal entities, *blended* component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. The 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.

A. 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, 450 Civic Center Plaza, 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, 450 Civic Center Plaza, 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.

B. 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.

A. 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, Private-Purpose 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 and Private-Purpose Trust funds are accounted for on an economic resources measurement focus under the accrual basis of accounting.

B. 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.

Civic Center Debt Service Fund – The Civic Center Debt Service Fund accounts for principal and interest payments on the Civic Center project Lease Revenue Bonds.

Cost Recovery Special Revenue Fund – The Cost Recovery Special Revenue Fund records the receipt and use of monies for services provided to the public and developers.

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.

Trust Funds. The Pension Trust Funds account for assets held by the City as an Agent for various functions. The General Pension, Police and Fireman's and Garfield Pension Funds account for the accumulation of resources to be used for retiree pension payments at appropriate amounts and times in the future. The Pt. Molate Private-Purpose Trust Fund is used to account for assets held by the City as an agent for the U.S. Navy and a private developer for the cleanup of Point Molate as discussed in Note 17. The financial activities of the Trust Funds are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

Agency Funds. These funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments, including special assessment districts within the City and non-public organizations. The financial activities of these funds are excluded from the government-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

C. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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 that have matured, 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	$11,543,854	$892,957	$12,436,811
Additions	8,606,519	249,306	8,855,825
Payments	(8,981,769)	(219,070)	(9,200,839)
Ending Balance	$11,168,604	$923,193	$12,091,797
Current Portion	$1,387,944	$165,005	$1,552,949

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.

E. 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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

F. Expenditures in Excess of Appropriations

The following funds incurred departmental expenditures in excess of appropriations. The funds had sufficient fund balances or revenues to finance these expenditures.

Fund	Excess of Expenditures Over Appropriations
State Gas Tax Special Revenue Fund:	
Public Works	$108,451
General Purpose Special Revenue Fund:	
General Government	62,995
Developer Impact Fees Special Revenue Fund:	
Cultural and Recreational	10,673

G. Renamed Funds, New Fund, and Closed Fund

The Hilltop Landscaping Maintenance Special Revenue Fund was renamed to the Lighting and Landscaping Districts Special Revenue Fund.

The Measure C Special Revenue Fund was renamed to the Measure J Capital Projects Fund to reflect the renewal of the half-cent transportation sales tax approved under Measure J.

The Community Development Block Grant Special Revenue Fund was renamed to the Housing and Community Development Fund.

The Special Programs Special Revenue Fund was closed as of June 30, 2010.

NOTE 3 - CASH AND INVESTMENTS

A. 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.

All investments are stated at fair value. Market value is used as fair value for all securities.

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 $250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

B. 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.

C. Classification

Cash and investments are classified in the financial statements as shown below at June 30, 2010:

Cash and investments	$90,336,458
Restricted cash and investments	94,957,176
Total Primary Government cash and investments	185,293,634
Cash and investments	410,017
Restricted cash and investments	2,993,203
Total Component Unit cash and investments	3,403,220
Cash and investments in Fiduciary Funds (Separate Statement)	
Cash and investments	6,319,987
Restricted cash and investments	28,962,862
Investments in reassessment bonds	16,520,000
Total cash and investments	$240,499,703

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. 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		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		$50 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)

E. Investments Authorized by Debt Issues and Lease Agreements

Under the terms of the City's, Agency's and RHA Properties' debt issues and lease agreements, the City, Agency and RHA Properties are 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, Agency'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, 2010, the City, Agency and RHA Properties were in compliance with the terms of all these restrictions.

F. 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	$46,211,550	$3,000,000	$3,000,000		$52,211,550
Money Market Mutual Funds (U.S. Securities)	10,512,486				10,512,486
California Local Agency Investment Fund	24,278,425				24,278,425
CalTrust Short Term Fund	298,606				298,606
Certificates of Deposit	255,997				255,997
Held by Trustee:					
Federal Agency Securities			1,228,894		1,228,894
Money Market Mutual Funds (U.S. Securities)	64,156,910				64,156,910
California Local Agency Investment Fund	9,046,621				9,046,621
CalTrust Short Term Fund	9,250,640				9,250,640
Investment Agreements				$1,039,778	1,039,778
Guaranteed Investment Contracts				4,580,948	4,580,948
Reassessment Bonds	812,500	807,500	2,715,000	12,185,000	16,520,000
RHA Properties:					
Money Market Mutual Funds (U.S. Securities)	1,477,654				1,477,654
Total Investments	$166,301,389	$3,807,500	$6,943,894	$17,805,726	194,858,509
Cash in Banks and on hand - *Primary Government*					43,715,628
Cash in banks - *RHA Properties*					1,925,566
Total Cash and Investments					$240,499,703

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, 2010, these investments matured in an average of 203 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, 2010, these investments matured in an average of 415 days.

Money market funds and mutual funds are available for withdrawal on demand and as of June 30, 2010 have an average maturity from 7 to 48 days.

NOTE 3 - CASH AND INVESTMENTS (Continued)

G. 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, 2010 for each investment type:

Investment Type	AAA/AAAm	AAf/S1+	Total
Federal Agency Securities	$53,440,444		$53,440,444
Money Market Mutual Funds (U.S. Securities)	76,147,050		76,147,050
CalTrust Short Term Fund		$9,549,246	9,549,246
Totals	$129,587,494	$9,549,246	139,136,740
Not rated:			
California Local Agency Investment Fund			33,325,046
Investment Agreements			1,039,778
Guaranteed Investment Contracts			4,580,948
Certificates of Deposit			255,997
Reassessment Bonds			16,520,000
Total Investments			194,858,509
Cash in Banks and on hand			45,641,194
Total Cash and Investments			$240,499,703

H. 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, 2010:

Issuer	Type of Investments	Amount
Federal National Mortgage Association	Federal Agency Securities	$22,477,050
Federal Home Loan Mortgage Corporation	Federal Agency Securities	17,992,500

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, 2010 were as follows:

Fund	Issuer	Type of Investments	Amount
Redevelopment Agency Administration Fund	MBIA Inc	Guaranteed Investment Contract	$1,429,000
Redevelopment Agency Low/Mod Income Housing Fund	Federal Home Loan Bank	Federal Agency Securities	795,584
Redevelopment Agency Debt Service Fund	FGIC Capital Market Services	Guaranteed Investment Contract	2,226,948
	Morgan Guaranty Trust of NY	Investment Agreement	1,039,778

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, in Agency Funds at June 30, 2010 were as follows:

Agency Fund	Issuer	Type of Investment	Amount
JPFA Reassessment District	City of Richmond	Municipal Bonds	$6,430,000
2006A&B Reassessment District	City of Richmond	Municipal Bonds	10,090,000

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, 2010 were as follows:

Due From Other Funds	Due To Other Funds	Amount
Redevelopment Agency Administration Fund	Non Major Governmental Funds	$29,118
Redevelopment Agency Low/Mod Income Housing Fund	Non Major Governmental Funds	378,452
Non Major Governmental Funds	Redevelopment Agency Administration Fund	2,457
Internal Service Fund	Cost Recovery Fund	8,615,860
	Non Major Governmental Funds	2,470,393
	Non Major Enterprise Fund	1,299,128
		$12,795,408

B. Long-Term Interfund Advances

At June 30, 2010 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	$95,685
Redevelopment Agency Projects Fund	Internal Service Funds	2,500,000
Non Major Governmental Funds	General Fund	211,686
	Redevelopment Agency Administration Fund	2,000,000
Richmond Housing Authority Enterprise Fund	General Fund	5,105,079
	Redevelopment Agency Administration Fund	174,067
Port of Richmond Enterprise Fund	General Fund	17,437,380
Non Major Enterprise Fund	Internal Service Funds	1,787,556
Total		$29,311,453

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

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, 2008, 2009 and 2010 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 repayment terms were amended in April 2010 and the advance bears no interest and is payable in 135 monthly installments of $30,000 and one final installment of $22,446 on or before August 1, 2021. The balance as of June 30, 2010 is $5,105,079.

In fiscal 2007 the Redevelopment Agency Administration Fund advanced $2,000,000 to the City's Civic Center Capital Projects Fund for the Civic Center Project and in fiscal 2006 and the Redevelopment Agency Capital Projects Fund advanced $101,685 to the City's General Fund. The current balances of the advances as of June 30, 2010 are $2,000,000 and $95,685, respectively.

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 the balance is payable on or before June 30, 2015. The balance of the advance and accrued interest as of June 30, 2010 is $17,437,380.

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. In fiscal year 2009 the advance was moved to the Insurance Reserves Internal Service Fund. The advance bears interest of 4.34% and is payable as follows: Semi-annual 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 interest payment of $52,298, and the total principal balance is due April 30, 2039. The balance of the advance and accrued interest as of June 30, 2010 is $1,787,556.

In fiscal 2009 the Insurance Reserves Internal Service Fund advanced $2,500,000 to the Redevelopment Agency to assist with funding the loan for the renovation of the East Bay Center of Performing Arts Winters Building. The advance bears interest at a rate of 3% and interest payments began July 15, 2009. The Agency will repay the total principal amount when the advance matures on June 30, 2012.

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, 2010 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Civic Center Debt Service Fund	$1,835,097
	Non-Major Governmental Funds	2,617,274
	Non-Major Enterprise Funds	500,000
	Internal Service Funds	4,000,000
Redevelopment Agency Administration Fund	Redevelopment Agency Low/Mod Income Housing	70
	Redevelopment Agency Debt Service Fund	5,682,833
	Non-Major Governmental Funds	10,500
Redevelopment Agency Low/Mod Income Housing	Redevelopment Agency Administration Fund	144,589
	Redevelopment Agency Debt Service Fund	4,168,247
	Redevelopment Agency Projects Fund	664,850
Redevelopment Agency Debt Service Fund	Redevelopment Agency Low/Mod Income Housing	1,292,542
	Redevelopment Agency Projects Fund	877,925
Redevelopment Projects Fund	Redevelopment Agency Debt Service Fund	6,896,539
	Non-Major Governmental Funds	775,694
Civic Center Debt Service Fund	General Fund	2,940,675
	Non-Major Governmental Funds	5,632,188
Cost Recovery Special Revenue Fund	General Fund	390,000
	Non-Major Governmental Funds	53,133
Non-Major Governmental Funds	General Fund	1,901,312
	Civic Center Debt Service Fund	1,638
	Non-Major Governmental Funds	7,528,139
	Internal Service Funds	2,050,000
Internal Service Funds	Cost Recovery Special Revenue Fund	91,200
	Non-Major Governmental Funds	56,161
	Internal Service Funds	1,080,000
Total Interfund Transfers		$51,190,606

None of these transfers were unusual or non-recurring in nature.

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, 2010, notes and loans receivable consisted of the following:

	Amount
City Loans:	
CalTrans Loan	$781,992
Police Activities League Loan	462,380
Police Chief Loan	118,276
Watershed Nursery Loan	15,689
Community Development Block Grant and Home Investment Partnership Program Loans:	
Mechanics Bank Loans	41,096
Deferred Loans	3,565,363
Home Improvement Program Loans	895,957
Rental Rehab Loans	310,327
Creely Avenue Housing Rehabilitation Loan (Arbors)	1,614,056
Scattered Site Infill Housing Development Loan (Wood)	853,000
Lillie Mae Jones Project Loan	780,144
Nevin Court Homeowner Development Project	343,839
Subtotal - CDBG and HOME Loans	8,403,782
Redevelopment Agency Loans:	
EDA Loans	511,716
Harbour Capital Projects Loan	2,040,359
MacDonald Place Senior Housing	3,411,328
Creely Avenue Housing Rehabilitation Loan (Arbors)	1,594,057
Scattered Site Infill Housing Development Loan (Wood)	800,000
Rental Rehab Loans	30,700
Atchison Village Annex Apartments	396,110
Heritage Park Development	318,642
Silent Second Mortgage Loans	2,074,661
Chesley Avenue Mutual Housing Development	4,741,492
Ford Assembly Building Loan	2,857,000
CALHome Program	1,215,641
Easter Hill Project	2,281,960
East Bay Center for the Performing Arts	2,500,000
The Carquinez Project	1,000,000
Lillie Mae Jones Project Loan	304,410
Subtotal- Redevelopment Agency Loans	26,078,076
Total Notes and Loans Receivable	##########

NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)

CalTrans Loan

The total of $781,992 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.

Watershed Nursery Loan

On October 28, 2008, the City approved a loan of $35,601 to the Watershed Nursery to help fund set-up costs for the Nursery. The loan does not bear interest and is payable in equal monthly payments in the amount of $1,048. The final payment on the loan is due September 1, 2011.

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 and the City 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. On October 31, 2008, the loan was amended to provide the developer a total loan amount of $3,208,113. Funding for the loan is as follows: $1,539,056 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.

Scattered Site Infill Housing Development (Wood)

On March 1, 2006, the Redevelopment Agency and the City 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 the City of 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. During fiscal year 2009 the loan was amended to extend the repayment date and all unpaid principal and interest on the loan is due on June 30, 2011.

EDA loans

The Agency'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.

NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)

Lillie Mae Jones Project

On January 19, 2010, the Redevelopment Agency and the City entered into an agreement with Lillie Mae Jones Plaza, L.P. and the Community Housing Development Corporation of North Richmond to loan $3,119,000 to construct and provide 26 housing units to very low and low income households. Funding for the loan is as follows: $1,081,291 in HOME funds, $84,000 in Section 108 funds and $1,953,709 in 2007 Series B bonds. The loan bears an interest rate of 3% per year and repayments on the loan are to be made from residual receipts as defined in the agreement. All unpaid principal and accrued interest is due in January 2065. As of June 30, 2010, Lillie Mae Jones drew down $1,084,554.

Nevin Court Homeowner Development Project

In May 2005, the City entered into an agreement with Community Housing and Development Corporation of North Richmond (Development), in the original amount of $227,000 to construct and develop 10 single family homes for low and moderate income households. The agreement was amended in November 2008, to increase the loan to $377,000. In fiscal year 2010, the Development drew down $343,839. The loan bears interest of 3% per year and the unpaid balance is due in November 2063.

Olson Urban Housing, LLC.

This loan in the amount of $4,951,143 was made to provide assistance in the construction of low and moderate income housing. It provided for the eventual forgiveness of the balance upon the issuance of the Certificate of Completion for the Phase One Residential/ Retail Improvements. In April 2009, Phase One of the project was completed and the loan was forgiven in fiscal year 2010.

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. During fiscal year 2009, the developer paid $2.4 million of the loan by a cash payment.

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.

NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)

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 of principal and interest are 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 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.

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. In fiscal year 2010, $143,000 of the loan was paid by the developer.

NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)

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, 2010, the Agency had issued loans of $1,215,641.

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.

East Bay Center for the Performing Arts

On June 12, 2009 the Redevelopment Agency entered into an agreement to loan $2,500,000 to the East Bay Center for the Performing Arts to fund renovations to the Winters Building. The East Bay Center for the Performing Arts is a California nonprofit public benefit corporation that offers programs and training in theater, music and dance. The Loan bears interest of 3% per year and repayments of accrued interest are due in quarterly installments. All unpaid principal and accrued interest is due on June 30, 2012.

The Carquinez Project

Under a loan agreement dated November 14, 2008, the Redevelopment Agency loaned Carquinez Associates, L.P., $1,000,000 to fund rehabilitation of a five story building, with 36 apartments housing low-income seniors. Repayments on the loan are to be made from residual receipts as defined in the agreement. The loan does not bear interest and the unpaid principal balance is due in November 2043.

NOTE 6 - CAPITAL ASSETS

A. Policies

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 costing at least $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	3 – 10 years
Infrastructure	25 - 50 years
Machinery and equipment	3 – 20 years

NOTE 6 - CAPITAL ASSETS (Continued)

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.

B. Current Year Activity

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

	Balance at June 30, 2009	Additions	Retirements	Transfers	Balance at June 30, 2010
Governmental activities					
Capital assets not being depreciated:					
Land	$29,721,376	$451,048			$30,172,424
Construction in progress	164,976,640	21,365,241	($8,815,942)	($108,088,673)	69,437,266
Total capital assets not being depreciated	194,698,016	21,816,289	(8,815,942)	(108,088,673)	99,609,690
Capital assets being depreciated:					
Buildings and improvements	33,732,481			101,915,784	135,648,265
Machinery and equipment	44,309,215	3,426,017	(2,485,938)	2,807,685	48,056,979
Land improvements and infrastructure	408,750,036			3,365,204	412,115,240
Total capital assets being depreciated	486,791,732	3,426,017	(2,485,938)	108,088,673	595,820,484
Less accumulated depreciation for:					
Buildings and improvements	(14,962,129)	(1,806,703)			(16,768,832)
Machinery and equipment	(29,369,540)	(2,989,589)	2,331,308		(30,027,821)
Land improvements and infrastructure	(275,576,965)	(12,272,140)			(287,849,105)
Total accumulated depreciation	(319,908,634)	(17,068,432)	2,331,308		(334,645,758)
Capital asset being depreciated, net	166,883,098	(13,642,415)	(154,630)	108,088,673	261,174,726
Governmental activity capital assets, net	$361,581,114	$8,173,874	($8,970,572)		$360,784,416

NOTE 6 - CAPITAL ASSETS (Continued)

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, 2010 were as follows:

Governmental Activities	
General Government	$1,416,807
Public Safety	527,295
Public Services	12,757,063
Community Development	17,988
Cultural and Recreational	216,841
Housing and Redevelopment	96,359
Internal Service Funds	2,036,079
Total Governmental Activities	$17,068,432

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

	Balance at June 30, 2009	Additions	Retirements	Transfers	Balance at June 30, 2010
Business-type activities					
Capital assets not being depreciated:					
Land	$11,596,510	$15,000	($103)		$11,611,407
Construction in progress	32,422,868	37,067,606	(540,245)	($4,047,263)	64,902,966
Total capital assets not being depreciated	44,019,378	37,082,606	(540,348)	(4,047,263)	76,514,373
Capital assets being depreciated:					
Buildings and improvements	87,526,681			944,079	88,470,760
Machinery and equipment	12,787,271	33,290	(63,721)	2,626,536	15,383,376
Infrastructure	104,552,246			476,648	105,028,894
Total capital assets being depreciated	204,866,198	33,290	(63,721)	4,047,263	208,883,030
Less accumulated depreciation for:					
Buildings and improvements	(42,622,449)	(779,761)			(43,402,210)
Machinery and equipment	(10,549,227)	(560,434)	63,721		(11,045,940)
Infrastructure	(68,984,379)	(2,030,917)			(71,015,296)
Total accumulated depreciation	(122,156,055)	(3,371,112)	63,721		(125,463,446)
Capital asset being depreciated, net	82,710,143	(3,337,822)		4,047,263	83,419,584
Business-type activity capital assets, net	$126,729,521	$33,744,784	($540,348)		$159,933,957

NOTE 6 - CAPITAL ASSETS (Continued)

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

	Balance at June 30, 2009	Additions	Balance at June 30, 2010
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	23,934,981		23,934,981
Machinery and equipment	57,272	$19,395	76,667
Total capital assets being depreciated	23,992,253	19,395	24,011,648
Less accumulated depreciation for:			
Buildings and improvements	(5,076,414)	(871,498)	(5,947,912)
Machinery and equipment	(49,856)	(3,007)	(52,863)
Total accumulated depreciation	(5,126,270)	(874,505)	(6,000,775)
Capital asset being depreciated, net	18,865,983	(855,110)	18,010,873
Business-type activity capital assets, net	$29,297,136	($855,110)	$28,442,026

Business activities depreciation expenses for capital assets allocated to each program for the year ended June 30, 2010 were as follows:

Business-Type Activities	
Richmond Housing Authority	$298,474
Port of Richmond	1,393,558
Municipal Sewer	634,080
Richmond Marina	88,457
Storm Sewer	915,849
Cable TV	40,694
Total Business-Type Activities	$3,371,112
Component Unit	
RHA Properties	$874,505

NOTE 7 – NOTE PAYABLE

California Communities Tax and Revenue Anticipation Note Program Note Participations, Series 2009 A-8

On October 27, 2009, the City issued Series 2009A-8 California Communities Tax and Revenue Anticipation Note Program Note Participations in the amount of $17,800,000. The proceeds from the Note were used to provide funds to meet the City's anticipated cash flow needs for its fiscal year ending on June 30, 2010. The Note bears an interest rate of 2.00%. Principal and accrued interest in the amount of $18,155,011 on the Note is payable when the Note matures on November 4, 2010.

NOTE 8 - LONG-TERM DEBT 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.

A. Governmental Activities

Following is a summary of governmental activities long-term debt transactions during the fiscal year ended June 30, 2010:

	Balance July 01, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year	Due in More than One Year
Bonds payable	$413,443,791	$128,966,480	($171,125,000)	$371,285,271	$12,425,000	$358,860,271
Loans payable	10,544,185	75,000	(158,722)	10,460,463	1,960,227	8,500,236
Capital leases	8,300,966		(1,764,656)	6,536,310	1,841,775	4,694,535
Total	$432,288,942	$129,041,480	($173,048,378)	$388,282,044	$16,227,002	$372,055,042

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

Bonds Payable

Bonds payable at June 30, 2010 consisted of the following:

	Net
JPFA Revenue Refunding Bonds - 1995 Series A	$1,150,000
Harbour Tax Allocation Refunding Bonds - 1998 Series A	23,397,171
Pension Obligation Bonds - 1999 Series A	17,975,000
JPFA Tax Allocation Revenue Bonds - 2000 Series A	16,895,000
JPFA Tax Allocation Revenue Bonds - 2000 Series B	3,775,000
JPFA Tax Allocation Revenue Bonds - 2003 Series A	15,215,000
JPFA Tax Allocation Revenue Bonds - 2003 Series B	11,775,000
JPFA Tax Allocation Revenue Bonds - 2004 Series A	14,125,000
JPFA Tax Allocation Revenue Bonds - 2004 Series B	1,655,000
Pension Funding Bond Series 2005	134,084,727
Subordinate Tax Allocation Bonds - 2007 Series B	10,376,828
Subordinate Tax Allocation Bonds - 2010 Series A	33,740,000
JPFA Lease Revenue Refunding Bonds - 2009	87,121,545
Total	$371,285,271

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 $1,272,850. Principal and interest paid for the current fiscal year and total Gas Tax Revenues were $418,225 and $1,716,002, respectively.

NOTE 8 - 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
2011	$365,000	$60,375	$425,375
2012	380,000	41,213	421,213
2013	405,000	21,262	426,262
Total	$1,150,000	$122,850	$1,272,850

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 Bonds were fully repaid during the fiscal year.

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.

At June 30, 2010, the Bonds consisted of the following:

	Maturity Value	Accretion/ Amortization	Unamortized Premium (Discount)	Net
Current interest bonds	$11,730,000			$11,730,000
Capital appreciation bonds	15,935,000	$565,372	($4,833,201)	11,667,171
	$27,665,000	$565,372	($4,833,201)	$23,397,171

NOTE 8 - 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
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	1,830,000	484,863	2,314,863
2015	1,870,000	446,363	2,316,363
2016-2020	9,985,000	1,578,777	11,563,777
2021-2024	8,825,000	412,895	9,237,895
Total	$27,665,000	$4,563,762	$32,228,762

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 $27,331,560. Principal and interest paid for the current fiscal year and total pension tax override revenues were $2,974,450 and $9,715,258, respectively.

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

For the Years Ending June 30,	Principal	Interest	Total
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	1,280,000	987,315	2,267,315
2015	1,190,000	894,978	2,084,978
2016-2020	6,975,000	2,802,865	9,777,865
2021-2025	3,120,000	952,302	4,072,302
2026-2030	1,110,000	154,308	1,264,308
Total	$17,975,000	$9,356,560	$27,331,560

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

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 matured 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.

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

For the Years Ending June 30,	Principal	Interest	Total
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	1,715,000	595,510	2,310,510
2015	1,800,000	510,250	2,310,250
2016-2020	8,240,000	1,054,088	9,294,088
2021-2025	265,000	68,119	333,119
2026-2030	165,000	22,444	187,444
Total	$16,895,000	$4,495,201	$21,390,201

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

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

For the Years Ending June 30,	Principal	Interest	Total
2011	$300,000	$278,930	$578,930
2012	320,000	255,585	575,585
2013	345,000	229,983	574,983
2014	370,000	202,455	572,455
2015	400,000	172,810	572,810
2016-2020	1,950,000	353,896	2,303,896
2021-2025	55,000	21,400	76,400
2026-2030	35,000	8,200	43,200
Total	$3,775,000	$1,523,259	$5,298,259

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
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	955,000	1,319,253	2,274,253
2015	1,000,000	1,271,345	2,271,345
2016-2020	6,265,000	5,496,061	11,761,061
2021-2025	11,955,000	3,121,820	15,076,820
2026	4,190,000	117,908	4,307,908
Total	$26,990,000	$15,533,370	$42,523,370

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

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.

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

For the Years Ending June 30,	Principal	Interest	Total
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	270,000	776,801	1,046,801
2015	280,000	764,586	1,044,586
2016-2020	4,360,000	3,539,638	7,899,638
2021-2025	3,890,000	2,222,838	6,112,838
2026-2027	6,235,000	458,724	6,693,724
Total	$15,780,000	$10,157,995	$25,937,995

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, 2010, the City's net pension asset amounted to $101,571,140. 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

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

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.

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.

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, 2010 the initial bond interest rates discussed above are used for disclosure purposes.

At June 30, 2010, the Bonds consisted of the following:

	Maturity Value	Accretion/ Amortization	Unamortized Premium (Discount)	Net
Current interest bonds	$19,020,000			$19,020,000
Capital appreciation bonds	203,186,000	$6,921,335	($95,042,608)	115,064,727
	$222,206,000	$6,921,335	($95,042,608)	$134,084,727

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirements are as follows:

For the Years Ending June 30,	Principal	Interest	Total
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	4,205,000	2,003,131	6,208,131
2015	4,468,000	3,649,200	8,117,200
2016-2020	33,091,000	14,021,525	47,112,525
2021-2025	44,125,000	12,997,725	57,122,725
2026-2030	44,228,000	25,346,100	69,574,100
2031-2035	77,274,000	10,593,550	87,867,550
Total	$222,206,000	$70,715,478	$292,921,478

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 were 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 auction rate bonds with interest calculated every thirty-five days, however, the Agency entered into a 29-year interest rate swap agreement for the entire amount of its 2007 A Subordinate Tax Allocation Bonds. In fiscal year 2010 the Agency experienced a significant decline in tax increment revenue. In order to bring debt service in line with current revenues and maintain compliance with the required 1.4:1 tax increment to debt service coverage ratio, the Agency suspended a number of projects originally funded by the 2007 A Bonds and applied approximately $36 million of the unspent 2007 A proceeds and other available funds along with the proceeds from the issuance of the Subordinate Tax Allocation Refunding Bonds, Series 2010 A to refund the outstanding balance of the 2007 A Bonds. As part of the issuance of the 2010 A Bonds, the interest rate swap agreement associated with the 2007 A Bonds was amended and restated as discussed with the Series 2010 A Bonds below.

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 2007 B Bonds will be used to finance certain low and moderate income housing activities of the Redevelopment Agency. The 2007 B Bonds mature annually through 2037, in amounts ranging from $465,000 to $2,020,000. The 2007 B Bonds are secured by a pledge of subordinated housing and non-housing tax revenues.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

At June 30, 2010, the 2007 B Bonds consisted of the following:

	Maturity Value	Accretion/ Amortization	Unamortized Premium (Discount)	Net
Capital appreciation bonds	$23,460,000	$618,228	($13,701,400)	$10,376,828

The annual debt service requirements on the 2007B Bonds are as follows:

For the Years Ending June 30,	Principal
2011	$580,000
2012	625,000
2013	675,000
2014	725,000
2015	0
2016-2020	2,965,000
2021-2025	5,850,000
2026-2030	6,195,000
2031-2035	4,175,000
2036-2037	1,670,000
Total	$23,460,000

2010 Subordinate Tax Allocation Refunding Bonds Series A – Original Issue $33,740,000

The 2010 A Bonds were issued on March 31, 2010 by the Agency. The proceeds of the 2010 A Bonds were used to refund all of the outstanding Series 2007 A Subordinate Tax Allocation Bonds. Interest rates range from 3.00% to 6.125% and are payable semiannually on March 1 and September 1. The 2010 A Bonds mature annually through 2037 and are secured by a pledge of certain tax increment revenues derived from taxable property within the Merged Project Area.

In connection with the issuance of the Series 2007 A Subordinate Tax Allocation Bonds, the Agency entered into a swap agreement for $65,400,000, the entire amount of the 2007 A Bonds. With the issuance of the 2010 A Bonds, the Agency amended and restated the swap agreement. The amended agreement requires the Agency to make and receive payments based on variable interest rates. The Agency will make payments based on a variable interest rate equal to 100% of SIFMA plus a fixed percentage of 0.83% and the Agency will receive variable rate interest payments equal to 68% of 1-month LIBOR from the swap counterparty.

NOTE 8 - 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
2011	$1,175,000	$2,187,830	$3,362,830
2012	890,000	2,221,379	3,111,379
2013	930,000	2,179,449	3,109,449
2014	980,000	2,135,538	3,115,538
2015	1,030,000	2,088,207	3,118,207
2016-2020	5,840,000	9,482,186	15,322,186
2021-2025	6,945,000	7,376,555	14,321,555
2026-2030	10,270,000	4,010,249	14,280,249
2031-2035	3,730,000	1,584,435	5,314,435
2036-2037	1,950,000	148,165	2,098,165
Total	$33,740,000	$33,413,993	$67,153,993

Pledge of Redevelopment Tax Increment Revenues

The seven 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 $217,992,580 remaining debt service on the Tax Allocation Bonds which is scheduled to occur in 2037. For fiscal year 2010, 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, 2010 Debt Service (1)	Tax Increment	Coverage
Senior Non-Housing Obligations:					
1991 Harbour Tax Allocation Refunding Bonds	Harbour Project Area	$0	$36,225		
1998 Harbour Tax Allocation Refunding Bonds	Harbour Project Area	32,228,762	2,175,571		
Subtotal		32,228,762	$2,211,796	$10,008,491	453%
Senior Non-Housing Obligations:					
2000 A JPFA Tax Allocation Revenue Bonds	All project areas except Harbour and Pilot	21,390,201	$2,320,040	$5,481,475	236%
Senior Non-Housing Obligations:					
2003 A & B JPFA Tax Allocation Revenue Bonds	All project areas except Pilot	42,523,370	$2,282,834		
Subordinate Non-Housing Obligations:					
2004 A JPFA Tax Allocation Revenue Bonds (Two-thirds)	All project areas except Pilot	15,727,295	604,485		
2010 A Subordinate Tax Allocation Refunding Bonds	All project areas except Pilot	67,153,993	2,336,925		
Subtotal		125,404,658	$5,224,244	$15,489,966	297%
Senior Housing Obligations:					
2000 B JPFA Tax Allocation Revenue Bonds	Low and Moderate Income Housing Setaside Revenues	5,298,259	$575,061		
Subordinate Housing Obligations:					
2004 B & One-third of 2004 A JPFA Tax Allocation Revenue Bonds	Low and Moderate Income Housing Setaside Revenues	10,210,700	548,947		
2007 B Subordinate Tax Allocation Bonds	Low and Moderate Income Housing Setaside Revenues	23,460,000	535,000		
Subtotal		38,968,959	$1,659,008	$3,893,046	235%
Total Outstanding Obligations		$217,992,580			

(1) Excludes the current refunding of the 2007 A Subordinate Tax Allocation Bonds in the amount of $64,275,000.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

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 and the remaining principal amount of the 2001A Joint Powers Financing Authority Lease Revenue Bonds. The 2007 Bonds were also used to refund the remaining 1996 Port Terminal Lease Revenue Bonds, which is discussed in Note 8B below. Net proceeds from the Series 2007 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 1995 A and 2001 A Bonds. The 1995 A Bonds were called in November 2007. The outstanding balance of the defeased 2001 A Bonds was $24,290,000 at June 30, 2010. The Series 2007 Bonds in the principal amount of $97,790,000 were recorded as governmental activities debt, and $3,630,000 were recorded as business-type activities as discussed in Note 8B below. The 2007 Lease Revenue Bonds were originally issued as variable rate Bonds, however, the Authority entered into a 31 year interest rate swap agreement for the entire amount of the 2007 Lease Revenue Bonds. The 2007 Bonds were refunded by the Series 2009 Lease Revenue Refunding Bonds, and the interest rate swap agreement was terminated as discussed below.

Richmond Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2009 – Original Issue - $89,795,000

On November 10, 2009, the Authority issued Series 2009 Lease Revenue Refunding Bonds in the amount of $89,795,000. The proceeds from the Bonds were used to refund the outstanding principal amount of the Authority's 2007 Lease Revenue Bonds. The Series 2009 Bonds in the principal amount of $87,121,545 have been recorded as governmental activities debt, and $2,673,455 has been recorded as business-type activities as discussed in Note 8B below.

The Bonds bear interest rates that range from 3.50% to 5.875%. Principal payments are due annually on August 1 through 2038 and semi-annual interest payments are due August 1 and February 1 commencing on February 1, 2010.

In connection with the issuance of the 2007 Lease Revenue Bonds, the Authority entered into a swap agreement for $101,420,000, the entire amount of the Bonds. On November 10, 2009, in connection with the issuance of the Series 2009 Bonds, the Authority terminated the original swap agreement and entered into an amended swap agreement effective December 1, 2009 for $85,360,000. The amended agreement requires the Authority to make and receive payments based on variable interest rates. The Authority will make payments based on a variable interest rate equal to 100% of SIFMA plus a fixed percentage of 0.56% and the Authority will receive variable rate interest payments equal to 68% of 1-month LIBOR from the swap counterparty. Floating rate payments are due semi-annually on August 1 and February 1 commencing on February 1, 2010.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirements are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2011		$5,396,298	$5,396,298
2012		5,396,206	5,396,206
2013		5,396,069	5,396,069
2014		5,395,926	5,395,926
2015		5,395,774	5,395,774
2016-2020	$9,806,545	25,788,259	35,594,804
2021-2025	12,995,000	22,578,053	35,573,053
2026-2030	17,580,000	17,814,916	35,394,916
2031-2035	26,435,000	10,867,935	37,302,935
2036-2038	20,305,000	1,954,130	22,259,130
Total	$87,121,545	$105,983,566	$193,105,111

Interest Rate Swap Agreements

The City entered into interest swap agreements in connection with the 2010 A Subordinate Tax Allocation Refunding Bonds and the 2009 Lease Revenue Refunding Bonds. The transactions allow the City to create a synthetic fixed rate or a synthetic variable rate on the Bonds, protecting it against increases and decreases in short-term interest rates. The various risks associated with 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, 2010, are included below. The swap agreements contain scheduled reductions to the outstanding notional amount on an annual basis.

Pay-Fixed, Receive-Variable Swap Agreements

For the following Pay-Fixed, Receive-Variable 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 a 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.

NOTE 8 - 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	Fair Value at June 30, 2010	Termination Date
2005B-1 Taxable Pension Funding Bonds							
$75,230,476	8/1/2013	JPMorgan Chase Co.	A+/Aa3/AA-	5.712%	100% of USD-3 Month LIBOR	($7,216,459)	8/1/2023
2005B-2 Taxable Pension Funding Bonds							
$127,990,254	8/1/2023	JPMorgan Chase Co.	A+/Aa3/AA-	5.730%	100% of USD-3 Month LIBOR	($6,643,881)	8/1/2034

Pay Variable, Receive Variable Swap Agreements

The City entered into Pay-Variable, Receive-Variable swap agreements related to the 2010 A Subordinate Tax Allocation Refunding Bonds and the 2009 Lease Revenue Refunding Bonds under which, the City and Agency owe interest calculated at a variable rate to the counterparty of the swap and in return, the counterparty owes the City and Agency interest based on a variable rate. Debt principal is not exchanged; it or the outstanding notional amount, depending on the terms of the swap, are the basis on which the swap receipts and payments are calculated.

Outstanding Notional Amount	Effective Date	Counterparty	Long-Term Credit Rating (S&P/Moody's/Fitch)	Variable Rate Paid	Variable Rate Received	Fair Value at June 30, 2010	Termination Date
2009 Lease Revenue Refunding Bonds							
$85,360,000	12/1/2009	Royal Bank of Canada	AA-/A1/AA	100% of SIFMA Municipal Swap Index	68% of USD-1 Month LIBOR	($15,750,517)	8/1/2037
2010A Subordinate Tax Allocation Refunding Bonds							
$62,750,000	7/12/2007	Royal Bank of Canada	AA-/A1/AA	100% of SIFMA Municipal Swap Index	68% of USD-1 Month LIBOR	($10,367,801)	9/1/2036

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

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, 2010, the fair value for the each of the outstanding swaps was in favor of the respective counterparties. The fair value represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. The City has accounted for the change in fair value of each of the hedges as noted below:

	Changes in Fair Value		Fair Value at June 30, 2010	
	Classification	Amount	Classification	Amount
Governmental Activities				
Pay-Fixed, Receive-Variable				
2005B-1 Taxable Pension Funding Bonds	Investment revenue	($3,646,017)	Investment	($7,216,459)
2005B-2 Taxable Pension Funding Bonds	Investment revenue	(1,492,631)	Investment	(6,643,881)
2007A Subordinate Tax Allocations Bonds	Investment revenue	9,238,547	Investment	0
2007 Lease Revenue Bonds	Investment revenue	11,465,441	Investment	0
Pay-Variable, Receive-Variable				
2009 Lease Revenue Refunding Bonds	Investment revenue	(15,281,152)	Investment	(15,281,152)
2010A Subordinate Tax Allocation Refunding Bonds	Investment revenue	(10,367,801)	Investment	(10,367,801)
Pay-Variable, Receive-Fixed				
2007 Lease Revenue Bonds	Investment revenue	(794,221)	Investment	0
Totals		($10,877,834)		($39,509,293)

Beginning net assets in Governmental Activities have been restated in the amount of $28,631,459, to reflect the implementation of the provisions of GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments* that requires the recording of the fair value of investment hedges.

Credit risk. The fair values of the swaps represent the City's credit exposure to the counterparties. As of June 30, 2010, the City was not exposed to credit risk on the outstanding swaps because the swaps had negative fair values. However, if *interest* rates change and the fair value of the swaps were to become positive, the City would be exposed to credit risk.

Interest rate risk. The City will be exposed to interest rate risk for the Pay-Fixed, Receive-Variable swaps only if the counterparty to the swaps defaults or if the swaps are terminated. The Pay-Variable, Receive-Variable and Pay-Variable, Receive-Fixed swaps increase the City's exposure to variable interest rates. As the SIFMA Municipal Swap Index Rate increases or the LIBOR decreases, the City's net payment on the swap increases.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

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 Pay-Fixed, Receive-Variable 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.

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 counterparties to the swap contracts default or if the swap contracts are terminated. A termination of the swap 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, 2010, debt service requirements of the City's outstanding fixed rate 2010 A Subordinate Tax Allocation Refunding Bonds and fixed rate 2009 Lease Revenue Refunding 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 tables, because the swaps are not effective until August 1, 2013 and August 1, 2034, respectively. As rates vary, net swap payments will vary. These payments below for each of the Bonds are included in the Debt Service Requirements above:

2010 A Subordinate Tax Allocation Refunding Bonds

For the Years	Fixed-Rate Bonds		Interest Rate	
Ending June 30,	Principal	Interest	Swap, Net	Total
2011	$1,175,000	$1,670,702	$517,128	$3,362,830
2012	890,000	1,718,249	503,130	3,111,379
2013	930,000	1,690,949	488,500	3,109,449
2014	980,000	1,662,299	473,239	3,115,538
2015	1,030,000	1,630,861	457,346	3,118,207
2016-2020	5,840,000	7,459,597	2,022,589	15,322,186
2021-2025	6,945,000	5,895,232	1,481,323	14,321,555
2026-2030	10,270,000	3,130,639	879,610	14,280,249
2031-2035	3,730,000	1,200,097	384,338	5,314,435
2036-2037	1,950,000	121,887	26,278	2,098,165
Total	$33,740,000	$26,180,512	$7,233,481	$67,153,993

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

2009 Lease Revenue Refunding Bonds

For the Years	Fixed-Rate Bonds		Interest Rate	
Ending June 30,	Principal	Interest	Swaps, Net	Total
2011	$405,000	$5,017,800	$486,136	$5,908,936
2012	505,000	5,001,875	483,295	5,990,170
2013	525,000	4,982,538	480,301	5,987,839
2014	550,000	4,961,038	477,167	5,988,205
2015	575,000	4,938,538	473,890	5,987,428
2016-2020	9,920,000	23,582,340	2,208,188	35,710,528
2021-2025	12,995,000	20,701,933	1,876,120	35,573,053
2026-2030	17,580,000	16,380,626	1,434,290	35,394,916
2031-2035	26,435,000	10,040,228	827,707	37,302,935
2036-2038	20,305,000	1,839,022	115,108	22,259,130
Total	$89,795,000	$97,445,938	$8,862,202	$196,103,140

Loans Payable

Loans payable at June 30, 2010 consisted of the following:

Wells Fargo Loan	$500,000
CalTrans Home Loans	686,308
CHFA Help Loans	2,917,155
HUD Section 108 Loans	6,357,000
Total	$10,460,463

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.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirements on the Wells Fargo note are as follows:

For the Years			
Ending June 30,	Principal	Interest	Total
2011		$7,500	$7,500
2012		7,500	7,500
2013		7,500	7,500
2014		7,500	7,500
2015		7,500	7,500
2016-2017	$500,000	15,000	515,000
Total	$500,000	$52,500	$552,500

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.

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 2010 the interest accrued to principal totaled $75,000.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

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 2026.

For the Years Ending June 30,	Principal	Interest	Total
2011	$147,000	$128,797	$275,797
2012	150,000	123,931	273,931
2013	154,000	118,409	272,409
2014	158,000	112,308	270,308
2015	162,000	105,794	267,794
2016-2020	876,000	416,140	1,292,140
2021-2025	995,000	188,311	1,183,311
2026	215,000	5,697	220,697
Total	$2,857,000	$1,199,387	$4,056,387

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
2011		$90,300	$90,300
2012	$160,000	90,300	250,300
2013	170,000	81,786	251,786
2014	180,000	77,142	257,142
2015	190,000	72,240	262,240
2016-2020	1,100,000	278,640	1,378,640
2021-2025	1,360,000	117,132	1,477,132
2026	340,000		340,000
Total	$3,500,000	$807,540	$4,307,540

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

Capital Leases

Capital leases payable at June 30, 2010 consisted of the following:

Municipal Finance Corporation - Viron	$1,458,199
Sun Trust Leasing Corporation	5,078,111
Total	$6,536,310

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
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	$1,458,199	$108,160	$1,566,359

SunTrust 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
2011	$578,982	$19,045	$598,027

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

SunTrust Leasing Corporation Equipment Leases – Original Amount $6,027,628

On July 2, 2008 the City entered into three new capital leases for with SunTrust Leasing Corporation to finance 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 through 2018.

The annual debt service requirements on the capital leases are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2011	$812,189	$180,478	$992,667
2012	845,929	146,738	992,667
2013	881,073	111,593	992,666
2014	535,402	78,678	614,080
2015	558,481	55,600	614,081
2016-2018	866,055	57,320	923,375
Total	$4,499,129	$630,407	$5,129,536

B. Business-Type Activities

The following is a summary of long-term debt of business-type activities during the fiscal year ended June 30, 2010:

	Balance July 01, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year	Due in More than One Year
Bonds payable	$45,138,214	$49,783,455	($4,489,812)	$90,431,857	$1,325,000	$89,106,857
Loans and leases payable	4,971,845		(470,113)	4,501,732	485,116	4,016,616
Total	$50,110,059	$49,783,455	($4,959,925)	$94,933,589	$1,810,116	$93,123,473

Bonds payable at June 30, 2010 consisted of the following:

Wastewater Revenue Bonds Series 2006A	$14,103,427
Wastewater Refunding Revenue Bonds 2008A	27,313,231
2009 Lease Revenue Bonds - Port Portion	2,578,822
2009A Point Potrero Lease Revenue Bonds	26,554,545
2009B Point Potrero Lease Revenue Bonds	19,881,832
Total	$90,431,857

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

Wastewater Revenue Refunding Bonds Series 2006A and 2006B – Original Issue $48,830,000

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 defeased bonds were called during the fiscal year ended June 30, 2010. During the fiscal year ended June 30, 2009, the City issued $33,015,000 of Wastewater Revenue Refunding Bonds, Series 2008A to refund the 2006B Bonds.

At June 30, 2010, the Bonds consisted of the following:

Bonds outstanding:	$15,705,000
Unamortized deferred amount on refunding	(2,101,048)
Unamortized premium	499,475
Net	$14,103,427

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
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	1,040,000	544,875	1,584,875
2015	1,090,000	491,625	1,581,625
2016-2020	6,295,000	1,620,675	7,915,675
2021-2023	4,440,000	298,038	4,738,038
Total	$15,705,000	$4,875,739	$20,580,739

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

Richmond Variable Rate Wastewater Revenue Refunding Bonds, Series 2008 A – Original Issue $33,015,000

On October 17, 2008 the City issued Series 2008A Wastewater Revenue Refunding Bonds in the amount of $33,015,000. The proceeds from the Bonds were used to refund the City's 2006B Wastewater Revenue Bonds. The 2008A Bonds were issued as variable rate Bonds. The rate fluctuates according to the market conditions, but is capped at 12%. Along with the issuance, the City entered into an irrevocable, direct-pay letter of credit issued by Union Bank of California in order to remarket the bonds at lower interest rates. The Union Bank letter of credit is valid through October 13, 2013. The City originally entered into a 31-year interest rate swap agreement for the entire amount of the 2006B Bonds, and the City continued this interest rate swap agreement after the redemption of the 2006B Bonds, and the 2008A Bonds are associated with the interest rate swap agreement, but the notional amount of the swap is based on the 2006B Bonds. The combination of the variable rate bonds and a floating rate swap creates a synthetic fixed-rate debt for the City. The synthetic fixed rate for the Bonds was 3.735% at June 30, 2010.

At June 30, 2010, the Bonds consisted of the following:

Bonds outstanding	$33,015,000
Unamortized discount	(202,541)
Unamortized deferred amount on refunding	(5,499,228)
Net	$27,313,231

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

For the Years Ending June 30,	Principal	Interest	Total
2011	$15,000	$1,478,809	$1,493,809
2012	15,000	1,478,643	1,493,643
2013	15,000	1,479,176	1,494,176
2014	15,000	1,478,267	1,493,267
2015	20,000	1,478,139	1,498,139
2016-2020	100,000	7,388,037	7,488,037
2021-2025	3,410,000	7,190,276	10,600,276
2026-2030	9,585,000	5,455,257	15,040,257
2031-2035	11,645,000	3,042,610	14,687,610
2036-2039	8,195,000	456,167	8,651,167
Total	$33,015,000	$30,925,381	$63,940,381

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

Pledge of Wastewater Revenues

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay the 2006A and 2008A Bonds through 2039. The Municipal Sewer Enterprise Fund's total principal and interest remaining to be paid on the bonds is $84,521,120. The Municipal Sewer Enterprise Fund's principal and interest paid for the current year and total customer net revenues were $2,614,365 and $5,713,129 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 were recorded as governmental activities debt, as discussed in Note 8A above, and $3,630,000 were recorded as debt in the Port of Richmond Enterprise Fund. Net proceeds from the Series 2007 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 1996 Bonds were called in March 2008.

The 2007 Lease Revenue Bonds were originally issued as variable rate Bonds, however, the Authority entered into a 31-year interest rate swap agreement for the entire amount of the 2007 Lease Revenue Bonds. The 2007 Lease Revenue Bonds were refunded by the Series 2009 Lease Revenue Refunding Bonds, and the interest rate swap agreement was terminated as discussed below.

Richmond Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2009 – Port Refunding Bonds Original Issue $2,673,455

On November 10, 2009, the Authority issued Series 2009 Lease Revenue Refunding Bonds in the amount of $89,795,000. The proceeds from the Bonds were used to refund all of the Authority's outstanding principal amount of its 2007 Lease Revenue Bonds. The Series 2009 Bonds in the principal amount $87,121,545 have been recorded as governmental activities debt, and $2,673,455 has been recorded as business-type activities in the Port of Richmond Enterprise Fund.

The Bonds bear interest rates that range from 3.50% to 5.875%. Principal payments are due annually on August 1 through 2017 and semi-annual interest payments are due August 1 and February 1 commencing on February 1, 2010.

In connection with the issuance of the 2007 Lease Revenue Bonds, the Authority entered into a swap agreement for $101,420,000, the entire amount of the Bonds. On November 10, 2009, in connection with the issuance of the Series 2009 Bonds, the Authority terminated the original swap agreement and entered into an amended swap agreement effective December 1, 2009 for a notional amount of $85,360,000. The amended agreement requires the Authority to make and receive payments based on variable interest rates. The Authority will make payments based on a variable interest rate equal to 100% of SIFMA plus a fixed percentage of 0.56% and the Authority will receive variable rate interest payments equal to 68% of 1-month LIBOR from the swap counterparty. Floating rate payments will be made semi-annually on August 1 and February 1 commencing on February 1, 2010. Information regarding the interest rate swap agreement is discussed in Note 8A above.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

At June 30, 2010, the Bonds consisted of the following:

Bonds outstanding:	$2,673,455
Unamortized discount	(36,281)
Unamortized deferred amount on refunding	(58,352)
Net	$2,578,822

The annual debt service requirements are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2011	$405,000	$107,638	$512,638
2012	505,000	88,964	593,964
2013	525,000	66,770	591,770
2014	550,000	42,279	592,279
2015	575,000	16,654	591,654
2016-2017	113,455	2,269	115,724
Total	$2,673,455	$324,574	$2,998,029

Interest Rate Swap Agreements

On November 19, 2009, the City terminated the swap agreement associated with the 2006B Wastewater Revenue Refunding Bonds discussed above by using the proceeds from a swap agreement that is based on the $32,260,000 notional amount of the 2006B Bonds. In connection with the new swap agreement, the City received an up-front payment in the amount of $4,431,618 that was used to make the termination payment on the prior swap agreement. The fixed rate payments to the counterparty will be due semi-annually on August 1 and February 1, commencing February 1, 2010. The variable payments from the counterparty will be due on a monthly basis on the last business day of each month commencing December 31, 2009. The transaction allows the City to create a synthetic fixed rate on the 2008 A Bonds, protecting it against increases in short-term interest rates. The terms, fair value and credit risk of the swap agreement are disclosed below.

The City also entered into swap agreements associated with the 2007 Lease Revenue Bonds and the 2009 Lease Revenue Refunding Bonds, for which the terms and risks are disclosed in Note 8A above. Only disclosures related to the fair value of the 2007 Lease Revenue Bonds and 2009 Lease Revenue Refunding Bonds are included below.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

Terms. The terms, including the counterparty credit rating of the outstanding swap, as of June 30, 2010, are included below. The swap agreement contains scheduled reductions to the outstanding notional amount on an annual basis.

Outstanding Notional Amount	Effective Date	Counterparty	Long-Term Credit Rating (S&P/Moody's/Fitch)	Fixed Rate Paid	Variable Rate Received	Fair Value at June 30, 2010	Termination Date
$32,260,000	11/23/2009	Royal Bank of Canada	AA-/A1/AA	3.897%	63.42% of USD-1 Month LIBOR plus 22 basis points	($7,479,160)	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; the outstanding notional amount of the swap is 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 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, 2010, the fair value of the swaps were in favor of the counterparty.

As of June 30, 2010, the fair value for the each of the outstanding swaps were in favor of the respective counterparties. The fair value represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. The City has accounted for the change in fair value of each of the hedges as noted below:

	Changes in Fair Value		Fair Value at June 30, 2010	
	Classification	Amount	Classification	Amount
Business-Type Activities				
Pay-Fixed, Receive-Variable				
2006B Wastewater Bonds	Investment revenue	($2,950,182)	Investment	($7,479,160)
2007 Lease Revenue Bonds	Investment revenue	390,046	Investment	0
Pay-Variable, Receive-Variable				
2009 Lease Revenue Refunding Bonds	Investment revenue	(469,365)	Investment	(469,365)
Pay-Variable, Receive-Fixed				
2007 Lease Revenue Bonds	Investment revenue	(27,019)	Investment	0
Totals		($3,056,520)		($7,948,525)

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

Beginning net assets in the Municipal Sewer Enterprise Fund and the Port of Richmond Enterprise Fund have been restated in the amounts of $4,528,978 and $363,027, respectively, to reflect the implementation of the provisions of GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments* that requires the recording of the fair value of investment hedges.

Credit risk. As of June 30, 2010, 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.

Rollover Risk. Rollover risk is the risk that the swap associated with a debt issue matures or may be terminated prior to the maturity of the associated debt. When the swap terminates or a termination option is exercised by the counterparty, the City will be re-exposed to the risks being hedged by the swap. The swap based on the 2006 B Wastewater Bonds, associated with the 2008 A Wastewater Revenue Bonds, exposes the City to rollover risk because the swap terminates on August 1, 2037 while the 2008 A Wastewater Revenue Bonds mature on August 1, 2038.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

Swap payments and associated debt. Using rates as of June 30, 2010, 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	
Ending June 30,	Principal	Interest	Swap, Net	Total
2011	$15,000	$364,216	$1,114,593	1,493,809
2012	15,000	364,050	1,114,593	1,493,643
2013	15,000	364,583	1,114,593	1,494,176
2014	15,000	363,674	1,114,593	1,493,267
2015	20,000	363,546	1,114,593	1,498,139
2016-2020	100,000	1,815,072	5,572,965	7,488,037
2021-2025	3,410,000	1,786,954	5,403,322	10,600,276
2026-2030	9,585,000	1,405,099	4,050,158	15,040,257
2031-2035	11,645,000	829,318	2,213,292	14,687,610
2036-2039	8,195,000	171,127	285,040	8,651,167
Total	$33,015,000	$7,827,639	$23,097,742	$63,940,381

Richmond Joint Powers Financing Authority Point Potrero Lease Revenue Bonds, Series 2009A and 2009B – Original Issue Series 2009A ($26,830,000), Series 2009B ($20,280,000)

On July 13, 2009, the Authority issued Series 2009A and Series 2009B Point Potrero Lease Revenue Bonds in the amounts of $26,830,000 and $20,820,000, respectively. The proceeds from the Bonds will be used for the construction of an automobile warehousing and distribution facility, including rail improvements, to be located at the Point Potrero Terminal at the Port of Richmond. The Bonds bear interest rates that range from 6.25% to 8.50%. Principal payments are due annually on July 1 and semi-annual interest payments are due July 1 and January 1 commencing on January 1, 2010 through 2025 for the Series 2009A and through 2020 for the Series 2009B Bonds.

At June 30, 2010 the Series 2009 A Bonds consisted of:

Bonds outstanding	$26,830,000
Unamortized discount	(275,455)
Net	$26,554,545

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirements on the 2009A Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2011		$1,676,875	$1,676,875
2012		1,676,875	1,676,875
2013		1,676,875	1,676,875
2014		1,676,875	1,676,875
2015		1,676,875	1,676,875
2016-2020		8,384,375	8,384,375
2021-2025	$26,830,000	4,948,125	31,778,125
Total	$26,830,000	$21,716,875	$48,546,875

At June 30, 2010 the Series 2009 B Bonds consisted of:

Bonds outstanding	$20,280,000
Unamortized discount	(398,168)
Net	$19,881,832

The annual debt service requirements on the 2009B Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2011		$1,605,465	$1,605,465
2012		1,605,465	1,605,465
2013		1,605,465	1,605,465
2014	$2,405,000	1,529,708	3,934,708
2015	2,450,000	1,374,325	3,824,325
2016-2020	15,425,000	3,443,863	18,868,863
Total	$20,280,000	$11,164,291	$31,444,291

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

Loans and Leases Payable

Loans and leases payable at June 30, 2010, consisted of the following:

State Revolving Fund Loan Contract	$1,297,856
California Department of Boating and Waterways	3,203,876
Total	$4,501,732

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
2011	$422,475	$38,936	$461,411
2012	435,221	26,190	461,411
2013	440,160	13,205	453,365
Total	$1,297,856	$78,331	$1,376,187

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, 2010 was $3,203,876.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

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

For the Years Ending June 30,	Principal	Interest	Total
2011	$62,641	$144,174	$206,815
2012	65,459	141,356	206,815
2013	68,405	138,410	206,815
2014	71,483	135,332	206,815
2015	74,700	132,115	206,815
2016-2020	427,052	607,024	1,034,076
2021-2025	532,184	501,891	1,034,075
2026-2030	663,198	370,877	1,034,075
2031-2035	694,591	213,369	907,960
2036-2040	532,588	76,613	609,201
2041-2043	11,575	1,055	12,630
Total	$3,203,876	$2,462,216	$5,666,092

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, 2010:

	Balance July 01, 2009	Deletions	Balance June 30, 2010	Due Within One Year	Due in More than One Year
Bonds payable	$32,918,540	($617,647)	$32,300,893	$700,000	$31,600,893

Bonds payable at June 30, 2010 consisted of the following:

RHA Properties Affordable Housing Agency Bonds Series 2003 A	$20,800,000
JPFA Subordinate Multifamily Housing Revenue Bonds Series 2007	11,500,893
	$32,300,893

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

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 (1.80% at June 30, 2010) with interest payments due monthly commencing September 15, 2003.

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
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	500,000	836,169	1,336,169
2015	500,000	814,136	1,314,136
2016-2020	3,200,000	3,683,863	6,883,863
2021-2025	4,400,000	2,869,926	7,269,926
2026-2030	5,900,000	1,765,627	7,665,627
2031-2034	5,000,000	370,593	5,370,593
Total	$20,800,000	$12,970,618	$33,770,618

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.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

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. The Series 2003 A-S Bonds were called on December 15, 2008.

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

Bonds outstanding	$12,245,000
Deferred amount on refunding	(744,107)
Net	$11,500,893

The annual debt service requirements are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2011	$300,000	$585,508	$885,508
2012	310,000	573,218	883,218
2013	325,000	560,170	885,170
2014	340,000	546,310	886,310
2015	355,000	531,925	886,925
2016-2020	2,010,000	2,412,423	4,422,423
2021-2025	2,545,000	1,877,875	4,422,875
2026-2030	3,260,000	1,164,875	4,424,875
2031-2034	2,800,000	287,000	3,087,000
Total	$12,245,000	$8,539,304	$20,784,304

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 $54,514,922. The RHA properties principal and interest paid for the current fiscal year and total rental revenues were $2,200,565 and $2,963,668, respectively.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

D. 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, 2010, the balances of these Districts' outstanding debt were as follows:

1999 JPFA Revenue Refunding Bonds, Series A, secured solely by revenues from Hilltop Area Development District F and Cutting Boulevard/Canal Boulevard	$585,000
Richmond JPFA Reassessment Revenue Bonds, 2003 Series A, secured solely by revenues from Reassessment District 2003-1 (Atlas Interchange/Atlas Road West)	6,860,000
Harbor Navigation Improvement District	1,155,000
Community Facilities District No. 1998-1	3,660,000
Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2006A (including Series 2006AT)	9,325,000
Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2006B	1,845,000

E. 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, 2010, the balances of these issuers' outstanding debt were as follows:

Bridge Housing Acquisitions, Inc.	$12,605,000
YMCA of the East Bay, 1996 Revenue Bonds	2,870,000
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 9 - DEFERRED REVENUE AND UNEARNED REVENUE

Fund Financial Statements

At June 30, 2010, the following deferred or unearned 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:

	Loans Receivable	Grants Receivable	Accounts Receivable	Interest on Interfund Advance	Prepaid Rent - Unearned	Park & Recreation Receivable - Unearned Rents	Total
General Fund	$688,136		$10,018,221	$397,525		$93,590	$11,197,472
Redevelopment Agency Administration	2,644,838						2,644,838
Redevelopment Agency Administration Low/Mod Income Housing	15,545,452						15,545,452
Redevelopment Agency Projects	8,336,845	$338,259					8,675,104
Civic Center Debt Service					$3,718,208		3,718,208
Cost Recovery Special Revenue Fund		2,480,000					2,480,000
Non-Major Governmental Funds	8,403,782	2,140,180					10,543,962
Internal Service Funds					4,099,521		4,099,521
Total	$35,619,053	$4,958,439	$10,018,221	$397,525	$7,817,729	$93,590	$58,904,557

NOTE 10 - FUND BALANCES AND NET ASSETS

A. 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.

B. 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."

NOTE 10 - FUND BALANCES AND NET ASSETS (Continued)

C. 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.

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.

NOTE 10 - FUND BALANCES AND NET ASSETS (Continued)

D. Deficit Fund Balances and Accumulated Deficits

At June 30, 2010, the following funds had deficit fund balance or deficit net assets, which will be eliminated by future services revenues:

Major Funds:	
Civic Center Debt Service	$3,133,142
Cost Recovery Special Revenue Fund	9,367,283
Port of Richmond Enterprise Fund	1,232,048
Non Major Funds:	
Paratransit Operations Special Revenue Fund	640,413
Developer Impact Fees Special Revenue Fund	513,752
Internal Service Funds:	
Facilities Maintenance	3,309,799

E. Restatements

The Redevelopment Agency contributed $22 million to the City's Civic Center Project in fiscal year 2008. Separate from that contribution, the Agency and the City entered into an agreement that allocated a portion of the contribution to prepaid rent for the Agency's portion of the City Hall complex for 30 years in the amount of $7,974,345. The City accounts for the City Hall rental activities in the Civic Center Debt Service Fund and the Facilities Maintenance Internal Service Fund, but the prepaid rent had not been recorded in the Redevelopment Agency Administration Special Revenue Fund and deferred and unearned revenue had not been recorded in the Civic Center Debt Service Fund or the Facilities Maintenance Internal Service Fund. With the completion of the City Hall project at the end of fiscal year 2009, the lease commenced July 1, 2009. Therefore, the beginning fund balance of the Redevelopment Agency Administration Special Revenue Fund has been increased by $7,974,346 and beginning fund balance of the Civic Center Debt Service Fund has been decreased by $3,812,178 and the beginning net assets of the Facilities Maintenance Internal Service Fund has been decreased by $4,162,168.

In addition the City made the restatements discussed in Note 8A and Note 8B above.

NOTE 11 - CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

A. 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.

NOTE 11 - CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Continued)

B. 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 11.470% and 17.571% of annual covered payroll for miscellaneous and safety employees, respectively. Total employer contributions based on the actuarially determined rates amounted to $10,130,432 for the year ended June 30, 2010.

Annual Pension Cost and Net Pension Asset

For 2009-2010, the City's annual pension cost of $12,741,211 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, 2010, were 31 years for both the miscellaneous and the safety employees plans for prior and current service unfunded liability.

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
6/30/2008	$6,086,347	76%	$62,354,249
6/30/2009	6,464,293	77%	60,876,710
6/30/2010	7,066,434	78%	59,351,151

Miscellaneous Plan:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Prepaid Pension Obligation
6/30/2008	$5,690,141	82%	$44,356,270
6/30/2009	5,483,856	81%	43,305,209
6/30/2010	5,674,777	81%	42,219,989

NOTE 11 - CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Continued)

The City prepaid its pension contributions with proceeds from the 2005 Pension Obligation Bonds (See Note 8). These prepaid contributions are reflected in the accompanying financial statements as Net Pension Asset which amounted to $101,571,140 at June 30, 2010. During fiscal 2010, the amortization of the prepayment increased the actuarially required contributions by $2,610,779 to arrive at Annual Pension Costs of $12,741,211 as shown below for each Plan:

	Safety	Miscellaneous	Total
Annual required contribution	$5,540,875	$4,589,557	$10,130,432
Interest on net pension obligation	(4,717,945)	(3,356,154)	(8,074,099)
Adjustment to annual required contribution	6,243,504	4,441,374	10,684,878
Annual pension cost	7,066,434	5,674,777	12,741,211
Contributions made	(5,540,875)	(4,589,557)	(10,130,432)
(Decrease) increase in net pension obligations	1,525,559	1,085,220	2,610,779
Net pension obligation (asset) June 30, 2009	(60,876,710)	(43,305,209)	(104,181,919)
Net pension obligation (asset) June 30, 2010	($59,351,151)	($42,219,989)	($101,571,140)

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 three most recent actuarial studies is presented below:

Safety Plan:

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
06/30/06	$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%
06/30/08	382,363,901	374,325,089	8,038,812	97.9%	27,344,889	29.4%

Miscellaneous Plan:

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
06/30/06	$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%)
06/30/08	308,163,049	308,983,271	(820,222)	100.3%	37,795,755	(2.2%)

NOTE 12 – OTHER CITY PENSION PLANS

A. 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 28 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 75 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.

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.

B. Pension Plan Assets

At June 30, 2010 the pension plans' reported assets available for benefits of $23,201,064. The composition of these assets at June 30, 2010 is shown below. For actuarial purposes, the value of the Plans' assets was determined to be fair value.

City of Richmond Investment Pool	$5,217,984
Local Agency Investment Fund	189,024
Wellington Trust Company Fund	17,794,056
Assets available for benefits at June 30, 2010	$23,201,064

NOTE 12 – OTHER CITY PENSION PLANS (Continued)

C. Actuarially Determined Required Contributions

General Pension Plan – As of July 1, 2009, the date of the most recent actuarial valuation available, the actuarial present value of pension benefits under the Plan was $5,916,052 and the assets of the Plan at fair value were $1,770,210 resulting in an unfunded actuarial liability of $4,145,842. 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, 2010 was $4,600,000. Pension benefits for the 2009/2010 fiscal year were $4,545,417. The actuarial present value of future pension liabilities under the Plan at July 1, 2009 the date of the most recent actuarial valuation, was approximately $40,786,586, representing principally prior service costs. Assets of the Plan were $18,850,504 resulting in an unfunded actuarial liability of $21,936,082. Actuarial assumptions included an assumed rate of return of 6.0%. 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.

Garfield Pension Plan – As of July 1, 2009, the date of the most recent actuarial valuation available, the actuarial present value of pension benefits under the Plan was $893,734 and the assets of the Plan at fair value were $336,274 resulting in an unfunded actuarial liability of $557,460. 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
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%
2008/09	307,948	307,948	100%	2,199,459	4,800,000	218%
2009/10	486,092	486,092	100%	2,477,902	4,600,000	186%

NOTE 12 – OTHER CITY PENSION PLANS (Continued)

	Garfield Pension Plan		
Fiscal Year	Annual Required Contribution	Amount Contributed	Percent Contributed
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%
2008/09	72,484	72,484	100%
2009/10	76,692	76,692	100%

The Entry Age Normal Cost Method was used for the actuarial valuation of the plans.

D. 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. Administrative costs for all plans, except the investment management fees of the Police and Fireman's Pension Plan, are paid by the City's General Fund. The investment management fees are financed through investment earnings. Assets are valued at fair value based on available market information obtained from independent sources.

E. Net Pension Obligation (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, 2010, the Police and Firemen's Pension Plan and the General Pension Plan had net pension assets of $7,088,632 and $1,556,770, respectively. At June 30, 2010, the Garfield Pension Plan had a net pension liability of $158,063. 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, 2010, were thirteen, eleven, and seven 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.

NOTE 12 – OTHER CITY PENSION PLANS (Continued)

The Plans' annual pension cost and net pension obligation for Fiscal 2009-2010 were as follows:

	Police and Firemen's Plan	General Pension Plan	Garfield Pension Plan
Annual required contribution	$2,477,902	$486,092	$76,692
Interest on net pension obligation	(314,656)	(75,034)	7,864
Adjustment to annual required contribution	397,287	195,503	(24,043)
Annual pension cost	2,560,533	606,561	60,513
Contributions made	(4,600,000)	(486,092)	(76,692)
(Decrease) increase in net pension obligations	(2,039,467)	120,469	(16,179)
Net pension obligation (asset) June 30, 2009	(5,049,165)	(1,677,239)	174,242
Net pension obligation (asset) June 30, 2010	($7,088,632)	($1,556,770)	$158,063

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, 2008	$2,184,062	229%	($2,433,227)
June 30, 2009	2,184,062	229%	(5,049,165)
June 30, 2010	2,560,533	180%	(7,088,632)
General Pension Plan			
June 30, 2008	418,265	74%	($1,787,556)
June 30, 2009	418,265	74%	(1,677,239)
June 30, 2010	606,561	80%	(1,556,770)
Garfield Pension Plan			
June 30, 2008	55,631	130%	$191,095
June 30, 2009	55,631	130%	174,242
June 30, 2010	60,513	127%	158,063

NOTE 12 – OTHER CITY PENSION PLANS (Continued)

F. Funding Progress

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 actuarial studies is presented below:

Police and Firemen's Plan:

Actuarial Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
July 1, 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
July 1, 2008	N/A (C)	22,117,407	N/A (C)	N/A (C)	(A)	N/A
July 1, 2009	40,786,586	18,850,504	21,936,082	46%	(A)	N/A

General Pension Plan:

Actuarial Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
July 1, 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
July 1, 2008	N/A (C)	2,114,326	N/A (C)	N/A (C)	(B)	N/A
July 1, 2009	5,916,052	1,770,210	4,145,842	30%	(B)	N/A

Garfield Plan:

Actuarial Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
July 1, 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
July 1, 2008	N/A (C)	334,456	N/A (C)	N/A (C)	(B)	N/A
July 1, 2009	893,734	336,274	557,460	38%	(A)	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 12 – OTHER CITY PENSION PLANS (Continued)

G. Plan Financial Statements

The Statement of Net Assets for the Plans at June 30, 2010 follows:

	General Pension	Police and Fireman's Pension	Garfield Pension
ASSETS			
Pension plan cash and investments:			
City of Richmond Investment Pool	$1,517,352	$3,553,477	$147,155
Local Agency Investment Fund			189,024
Mutual Fund Investments		17,794,056	
Accounts receivable	22,462		
Interest receivable	347	198	282
Total Assets	1,540,161	21,347,731	336,461
NET ASSETS			
Held in trust for employees' pension benefits	$1,540,161	$21,347,731	$336,461

The Statement of Changes in Plan Net Assets for the year ended June 30, 2010 follows:

	General Pension	Police and Fireman's Pension	Garfield Pension
ADDITIONS			
Net investment income:			
Net increase (decrease) in the fair value of investments	$2,111	$1,705,099	
Interest income	39,059	840,194	$3,859
Investment management fees		(102,649)	140
Contribution from the City	486,092		76,692
Contribution from Pension Reserve		4,600,000	
Total Additions	527,262	7,042,644	80,691
DEDUCTIONS			
Pension benefits	757,311	4,545,417	80,504
Total Deductions	757,311	4,545,417	80,504
Net Increase (Decrease)	(230,049)	2,497,227	187
NET ASSETS			
Beginning of year	1,770,210	18,850,504	336,274
End of year	$1,540,161	$21,347,731	$336,461

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

A. Plan Provisions

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 1021	Service Retirement: 50/20, 51/18, 52/16, 53/14, 54/12, 55/10 Disability Retirement: any age/10	Retiree only or surviving spouse: $414/$414 Retiree +1 or more: $540/$540 On 1/1/10, rates changed to $435 & $567 respectively
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
Richmond Police Officer Association (RPOA)	10 years of service	Percentage of premium for retiree/dependents/surviving spouse but no more than $750 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 25 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 13 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Provisions for Current Retirees		
Classification	**Subgroup**	**Monthly Premium Reimbursement Before/After Medicare Eligibility**
SEIU Local 1021	Retired July 1, 2007 or later	Retiree only or surviving spouse: $414/$414 Retiree +1 or more: $540/$540 On 1/1/10, rates changed to $435 & $567 respectively
	Retired prior to July 1, 2007	Retiree only or surviving spouse: $244/$202 Retiree +1 or more: $364/$304
IFPTE, Miscellaneous Executive Management	Retired July 1, 2007 or later	Same as SEIU
	Retired November 5, 1999 to June 30, 2007	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
Richmond Police Officer Association (RPOA)	Retire on or after 7/1/2008	Same as future retirees
	Retired between 7/1/2004 and 6/30/2008	Same as future retirees Reimbursement capped at $614
	Retired between 7/1/1997 and 6/30/2004	Same as future retirees Reimbursement capped at $550
	Retired between 7/1/1994 and 6/30/1997	Percentage of premium for retiree/dependents/surviving spouse including dental and vision. Percentage is 65%, increased to 75% after 20 years of service, and 100% after 27 years of service Reimbursement allowed towards dental and vision
	Retired before 7/1/1994	Percentage of premium for retiree/dependents/surviving spouse including dental and vision. Percentage is 65%, increased to 75% after 20 years of service, and 100% after 27 years of service Reimbursement capped at $210 for single coverage and $300 for 2-party coverage Reimbursement allowed towards dental and vision
Police Management and Police Executive Management	Retired on or after 7/1/2008	Same as future retirees
	Retired between 1/1/1995 and 6/30/2008	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. Retired after 1/1/2007 - Reimbursement capped at Kaiser premium for pre-Medicare and 2nd highest premium plan for post-Medicare for coverage selected Retired before 1/1/2007 - Reimbursement capped at 2nd highest premium plan for coverage selected Reimbursement allowed towards non-PERS plans Waived retirees allowed to opt back into PERS plan
	Retired before 1/1/1995	Single: $120/$85 2-Party: $220/$170

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Funding Policy and Actuarial Assumptions

In fiscal year 2010, 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, 2009, the unfunded actuarial liability was estimated to be $76,070,000. The study indicates that as of July 1, 2009, the actuarial accrued liability was estimated to be $82,883,000. During the year ended June 30, 2008, the City joined the Public Agencies Post-Retirement Health Care Plan, an agent multiple employer trust administered by Public Agency Retirement Services (PARS). PARS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from Public Agency Retirement Services, 4350 Von Karman Avenue, Suite 100, Newport Beach, CA, 92660.

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, 2009 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) 4.25% investment rate of return, (b) 3.25% projected annual salary increase, and (c) health care cost trend rates of 5.00-9.30% 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 on a closed basis.

C. 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, 2010, the City contributed $2,477,428 to the Plan for pay-as-you-go premiums, which represented 3.5% of the $69,788,000 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	$6,841,000
Interest on net OPEB obligation	(249,000)
Adjustment to annual required contribution	183,000
Annual OPEB cost	6,775,000
Contributions made	(2,477,428)
Change in net OPEB asset	4,297,572
Net OPEB obligation (asset) June 30, 2009	(4,605,272)
Net OPEB obligation (asset) June 30, 2010	($307,700)

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated July 1, 2009, amounted to $82,883,000.

The Plan's annual required contributions and actual contributions for the last three fiscal years are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2008	$3,709,303	$5,906,179	159%	($2,196,876)
6/30/2009	3,664,053	6,072,449	166%	(4,605,272)
6/30/2010	6,775,000	2,477,428	37%	(307,700)

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 actuarial studies 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%
7/1/2009	6,813,000	82,883,000	(76,070,000)	8%	69,788,000	-109%

NOTE 14 – 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 15 - 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 July 2009 the City joined the California Joint Powers Risk Management Authority (CJPRMA) for general liability and employment practices coverage. In April 2009 the City joined the California State Association of Counties Excess Insurance Authority (CSAC EIA) for worker's compensation insurance. 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
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	Lloyd's of London
Crime/Employee Dishonesty	$10,000 per claim	$1,000,000 in excess of deductible	National Union Fire Insurance Company of Pittsburge, PA
Property	$5,000 per claim	$1,000,000,000 in excess of deductible	Lexington
Boiler and Machinery	$5,000 per claim	$100,000,000 in excess of deductible	Lexington
General Liability (Special Events Program)	$1,000,000 per occurrence	$2,000,000	Evanston Insurance

CJPRMA

The CJPRMA provides coverage against the following types of loss risks under the terms of a joint-powers agreement with the City as follows:

Type of Coverage (Deductible)	Coverage Limits
Liability ($500,000)	$40,000,000

Once the City's self-insured retention for general liability claims is met, CJPRMA becomes responsible for payment of all claims up to the limit. The City paid premiums of $762,353 for the year ended June 30, 2010. 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 CJPRMA are available from CJPRMA, 3252 Constitution Drive, Livermore, CA 94551.

NOTE 15 - RISK MANAGEMENT (Continued)

CSAC EIA

CSAC EIA is a public entity risk pool of cities and counties within Northern California. The CSAC EIA provides workers' compensation coverage up to the statutory limit and the City retains a self insured retention of $750,000. Loss contingency reserves established by the CSAC EIA are funded by contributions from member agencies. The City pays an annual contribution to the CSAC EIA, which includes its pro-rata share of excess insurance premiums, charges for pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the risk pool. The City paid premiums of $189,419 for the year ended June 30, 2010. CSAC EIA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained. CSAC EIA has never made an additional assessment and is currently fully funded. No provision has been made on these financial statements for liabilities related to possible additional assessments.

Audited financial statements for CSAC EIA are available from CSAC EIA, 3017 Gold Canal Drive, Rancho Cordova, CA 95670.

Liability for Uninsured Claims

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 is based on case reserves and include amounts for claims incurred but not reported (IBNR), and is recorded in the Insurance Reserves Internal Service Fund. At June 30, 2010, the estimated claims payable of $23,880,210, 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 $22,624,641, at June 30, 2010. Changes in the claims liabilities for the years ended June 30, 2010 and 2009 were as follows:

	2010	2009
Claims liabilities, beginning of year	$22,401,000	$20,264,000
Current year claims	3,371,123	3,328,035
Change in prior year claims	1,195,619	7,172,531
Claim payments	(2,553,183)	(4,850,265)
Legal, administrative and other expenses	(4,955,045)	(3,513,301)
Claims liabilities, end of year	$19,459,514	$22,401,000
Claims liabilities, due in one year	$4,420,696	$9,918,000

For the years ended June 30, 2010, 2009 and 2008 the amount of settlements did not exceed insurance coverage.

NOTE 16 – 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 2010 condensed financial information for the Richmond Marina Enterprise Fund is as follows:

Condensed Statement of Net Assets

Assets:	
Current assets	$4,346,424
Capital assets	2,125,478
Total assets	6,471,902
Liabilities:	
Current liabilities	194,801
Long-term liabilities	3,141,235
Total liabilities	3,336,036
Net assets:	
Invested in capital assets, net of debt	(1,078,398)
Unrestricted	4,214,264
Total net assets	$3,135,866

Condensed Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues:	
Lease income	$417,679
Depreciation expense	(88,457)
Operating income	329,222
Nonoperating revenues (expenses):	
Interest income	120,234
Interest expense	(144,398)
Change in net assets	305,058
Beginning net assets	2,830,808
Ending net assets	$3,135,866

Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	$425,085
Capital and related financing activities	(206,815)
Investing activities	121,267
Net increase	339,537
Beginning cash and investments	3,953,353
Ending cash and investments	$4,292,890

NOTE 17 - COMMITMENTS AND CONTINGENCIES

Commitments

The Police Department occupies leased premises owned by DiCon Fiberoptics, Inc. The City currently has a three year lease which expired on December 31, 2009, with an option to renew for five (5) one year periods until December 31, 2014. The lease calls for minimum monthly lease payments of $94,800.

The City's future commitments under construction projects totaled approximately $42,979,458 at June 30, 2010 for various 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.

Grant Programs

The City participates in several federal and State grant programs. These programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, except as noted under Housing Authority-Disallowed Cots below.

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 had been recorded in the accompanying financial statements as due from developer. The balance outstanding as of June 30, 2010 is $8,289,189.

NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)

In 2002, the Authority chose the development team of McCormack Baron Salazar, Inc. and Em Johnson Interest, Inc. to develop the site. Em Johnson Interest has developed the 82 homeownership units affordable to low, moderate and market rate buyers. McCormack Baron was charged with the development of 300 rental units, affordable to households 60% or below the area median income for Contra Costa County.

Thus far, all new construction rental units at the former Easter Hill site have been developed. Thirty-six rehab rental units at the site are underway. The remaining 202 rental units at the site have been leased up. Similarly, all 82 homeownership units at the former Easter Hill and Cortez sites have been constructed. With the exception of one unit at the Cortez site, all homeownership units have been sold.

Due to the City Council's recent action to not allow the Authority to retain the Fire Training site originally anticipated for phase III of the project, the third phase is being revised to include the Authority's Nystrom Village and Hacienda Public Housing sites. This will include the demolition and reconstruction of the 252 rental units presently existing at the two sites. As the proposal and conceptual plans are being developed, the final financial and construction plans are not determined at this time

Housing Authority – Disallowed Costs

During fiscal 2009-10, the Office of Inspector General (OIG) from the Department of Housing and Urban Development (HUD), conducted an extensive audit of the Authority's procurement activities. In its report, OIG listed twenty four findings covering procurement activities performed over a ten year period, applicable to three programs and disallowed costs approximating $2.5 million. Staff and a consultant prepared responses to the findings, including assembling and providing additional documentation to HUD as well as performing numerous corrective actions and meeting to negotiate a settlement with HUD.

On November 19, 2010, staff and the HUD San Francisco Field Office Director met to discuss the matter further and resolve HUD's remaining concerns. As of that date, HUD agreed to recommend to OIG that cost disallowances totaling $605,866 be waived and cost disallowances totaling $548,575 be repaid. HUD requested additional documentation for the remaining findings and remaining cost disallowances included in the OIG audit and has stated that ultimate resolution is conditioned upon the Authority successfully following through with HUD's request for additional data and completing certain corrective actions. However, OIG has not issued a final report to formally close these matters. A final payment plan and the final disallowance amount has not been formally communicated by OIG. Management believes that the amount agreed to by HUD for repayment of $548,575 is the best estimate of the final disallowance amount and has recorded a liability in the accompanying financial statements.

Point Molate – Pollution Remediation

In September 2008, the City entered into an Early Transfer Cooperative Agreement (ETCA) with the United States Department of the Navy the (Navy) to facilitate the transfer of 41 acres of property that was formerly the Naval Fuel Depot Point Molate (Point Molate). The ETCA identifies certain known pollution issues with the property, and the Navy is the responsible party. However, under the provisions of the ETCA, the Navy advanced $28 million to the City representing the estimated cost of cleanup, and the City committed to manage the project. Any pollution found that was not caused by the Navy's use of the land is to be paid by the City, however, as of June 30, 2010, no additional pollution has been identified.

NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)

The City also entered into an agreement in September 2008 with a Developer to sell approximately 134 acres of land located at Point Molate along with the 41 acres of which the Navy is to transfer to the City. The Developer is to complete the cleanup on behalf of the City in accordance with the requirements of the ETCA. The City committed to pass-through the funds received from the Navy to the Developer.

In April 2010, the City and Developer entered into an agreement to establish a fiscal agent escrow account to maintain the funds held for the remediation of Point Molate. The funds advanced by the Navy are to be held in escrow with a fiscal agent and the agent is responsible for disbursing funds to the Developer as costs are incurred. The terms of the agreement are effective until a certificate of completion is issued for the remediation of the property.

Under the terms of the agreements with the Navy and the Developer, the City does not retain responsibility for the cleanup of the known pollution. The City is merely acting as a pass-thru of the grant funds from the Navy to the Developer.

Mira Flores – Pollution Remediation

The City through the Redevelopment Agency intends to undertake a known pollution remediation project at the proposed Miraflores Housing Development site. The Agency plans to clean up the 14 acre former flower nursery site located at South 45th Street and Wall Avenue, to provide for future residential and open space land uses. The property is currently owned by the Redevelopment Agency and final remediation costs and the method of remediation will be determined in fiscal year 2011 and fiscal year 2012.

Other – Major Property Taxpayer

In fiscal year 2007, a major property taxpayer filed an appeal with Contra Costa County challenging the assessed valuation of their property, and in June 2010 the Contra Costa Assessment Appeals Board ruled that the County Assessor over-valued the property from fiscal years 2005 to 2007, and awarded the property taxpayer a refund of $17.8 million. The County will make the payment to the property taxpayer by withholding the payment in two installments from fiscal year 2011 and fiscal year 2012 property tax payments. The City's share of the settlement is a total of $2.3 million. The City's property tax payments will be reduced in each of the next two fiscal years in the amounts of $759,000 in fiscal year 2011 and $1,541,000 in fiscal year 2012, however the City has recorded the entire amount as a liability in the Statement of Net Assets as of June 30, 2010.

The property taxpayer has filed an additional appeal with the California Superior Court to challenge the ruling of the Contra Costa Assessment Appeals Board and has also filed an appeal for the assessed valuations for fiscal years 2008 through 2010, however the final ruling has not been completed and the impacts, if any, on City property tax revenues could not be determined.

NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)

In fiscal year 2009, a major business license taxpayer filed a complaint challenging the legality of Measure T, a voter initiative that took effect on January 1, 2009. Measure T amended the City's business license tax calculation for manufacturers. Although the City believed Measure T to be lawful, the court ruled on December 17, 2009 that the tax was unconstitutional. The court ruled in favor of the business license taxpayer awarding a refund of the $20.5 million Measure T taxes paid. The City filed an appeal, however, in May 2010 the taxpayer and the City entered into a settlement agreement in order to achieve certainty in the tax revenue that the City will receive from the taxpayer over the next 15 years. The agreement provides for annual payments ranging from $4 million to $13 million starting July 1, 2011, with payments totaling $114 million. In addition, the agreement incorporated the prior settlement of a dispute over fiscal year 2006, 2007 and 2008 utility users taxes totaling $28 million that are to be paid in four installments beginning in fiscal year 2009. Payments totaling $5,000,000 were received under the settlement agreements in fiscal year 2010, and the City has recorded a receivable of $10,000,000 for the remaining amount of the utility users taxes portion of the settlement agreement as of June 30, 2010.

NOTE 18 - TAX INCREMENT SHIFT TO SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND (SERAF)

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by redevelopment agencies, based on the property taxes received in fiscal year 2006-07, be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2009-10 and 2010-11. The State Department of Finance determines each agency's SERAF payment by November 15 of each year, and payments are due by May 10 of the applicable year. While the Agency can use any legally available funds to make the SERAF payments, the obligation to make the SERAF payment is subordinate to obligations to repay bonds.

The Agency's obligation due May 10, 2010 was $10,118,826, but the Agency did not make the payment. In compliance with Health and Safety Code Section 33691, the Agency made findings that the tax increment allocated to the Agency was necessary for the payments on existing indebtedness, the Agency has no other funds that can be used to pay this existing indebtedness, the Agency has no other funds to make the Agency's SERAF payment, the Agency has agreements that would be impaired if the Agency reduced the amount allocated to the Low and Moderate Income Housing Fund, and the City does not have resources available to assist the Agency with the SERAF payment. As a result of the non-payment, the Agency may not encumber or expend funds other than to pay pre-existing indebtedness and contractual obligations as specified in the Code, may not add or expand its project areas, may not issue debt, and must reduce administrative expenditures beginning July 1, 2010 to 75% of fiscal year 2010 total administrative expenditures. These sanctions continue until the Agency makes the SERAF payment. In addition, beginning July 1, 2010 the Agency must allocate an additional 5% of all property taxes received to the Low and Moderate Income Housing Fund. This sanction continues as long as the Agency receives property taxes and is not repealed when the SERAF payment is made. The Agency has accounted for the liability as a current liability in the Redevelopment Agency Administration Fund as of June 30, 2010.

Based on the calculations in AB26 4X, the Agency's SERAF payment is estimated to be $2,081,255 in fiscal year 2010-11.

The requirement to make the SERAF payment was been challenged in court by an action filed by the California Redevelopment Association (CRA) and the SERAF was declared to be valid and enforceable by a judgment of the Sacramento County Superior court on May 4, 2010. The CRA has appealed the decision. It is anticipated that the Court of Appeal will render its decision before the May 10, 2011 SERAF payment is due.

NOTE 19 – PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA AND SECURITIZATION

Under the provisions of Proposition 1A and as part of the fiscal year 2009-10 budget package passed by the California State legislature on July 28, 2009, the State of California borrowed 8% of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fees, triple flip in lieu sales taxes, and supplemental property taxes, apportioned to the City. The State is required to repay the $3,637,694 it borrowed from the City, plus interest, by June 30, 2013.

Authorized with the 2009-10 State budget package was the Proposition 1A Securitization Program (Program), administered by the California Statewide Communities Development Authority (California Communities), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities. Under the Program, the participating cities receive cash equal to their share of State borrowings and forgo interest they otherwise would have received from the State on the unpaid borrowings. The City is a participant in the Program.

California Communities simultaneously purchased the Proposition 1A receivables from the City and other participants, and issued bonds to provide participants with proceeds to be remitted in two equal installments due on January 15, 2010 and May 3, 2010. All costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. As of June 30, 2010, the City received both installments due under the Program and recorded them as property taxes in the same manner as if the State had not exercised its rights under Proposition 1A. Since sales proceeds to the City equal the book value of State borrowings no gain or loss was incurred.

NOTE 20 - SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes, Series 2010-2011

On July 8, 2010, the City issued Series 2010-2011 Tax and Revenue Anticipation Note in the amount of $10,850,000. The proceeds from the Note will be used to provide funds to meet the City's anticipated cash flow needs for its fiscal year ending on June 30, 2011. The Note bears an interest rate of 2.00%. Principal and accrued interest on the Note is payable when the Note matures on July 14, 2011.

Richmond Wastewater Revenue Bonds, Series 2010A and Richmond Wastewater Revenue Bonds Taxable Build America Bonds, Series 2010B– Original Issues $3,110,000 and $41,125,000

On October 7, 2010 the City issued Series 2010A Wastewater Revenue Bonds in the amount of $3,110,000. The proceeds from the Bonds were used to finance improvements to the City's wastewater collection, treatment and disposal system. Principal payments are due annually on August 1. Interest rates on the Bonds range from 3 to 4 percent and payments are due semiannually on August 1 and February 1 beginning February 1, 2011. The Bonds mature on August 1, 2016.

NOTE 20 - SUBSEQUENT EVENTS (Continued)

On October 7, 2010 the City also issued Series 2010B Wastewater Revenue Bonds Taxable Build America Bonds in the amount of $41,125,000. The proceeds of these Bonds will be used in conjunction with the 2010A Bonds for the project listed above. The taxable 2010B Bonds were sold as "Build America Bonds" pursuant to the American Recovery and Reinvestment Act of 2009. The interest on Build America Bonds is not tax-exempt and therefore the bonds carry a higher interest rate. However, this higher interest rate will be offset by a subsidy payable by the United States Treasury equal to 35 percent of the interest payable on the Bonds. Such subsidy will be payable on or about the date that the City makes its debt service payments. Principal payments on the Bonds will be made annually on August 1. The Bonds bear interest of rates that range from 3.757 to 6.461 percent and payments are due semiannually on August 1 and February 1 beginning February 1, 2011. The Bonds mature on August 1, 2040.

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CITY OF RICHMOND
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES:				
Property tax-current collections	$36,851,138	$31,816,829	$29,746,915	($2,069,914)
Sales tax	29,463,739	24,163,338	25,000,182	836,844
Utility user fees	39,935,044	39,035,044	40,298,719	1,263,675
Other taxes	8,379,575	7,585,215	6,092,050	(1,493,165)
Licenses, permits and fees	4,001,170	1,303,769	2,635,258	1,331,489
Fines, forfeitures and penalties	303,623	303,623	245,099	(58,524)
Use of money and property	1,073,750	300,000	352,132	52,132
Intergovernmental	4,218,762	2,923,302	1,580,801	(1,342,501)
Charges for services	7,736,908	3,442,466	3,462,912	20,446
Rent	669,705	669,705	746,217	76,512
Other	8,881,704	7,647,508	2,527,264	(5,120,244)
Total Revenues	141,515,118	119,190,799	112,687,549	(6,503,250)
EXPENDITURES:				
Current				
General government	18,339,826	9,317,232	7,291,519	2,025,713
Public safety	91,523,455	90,073,506	87,548,895	2,524,611
Public works	16,433,420	14,310,460	13,355,265	955,195
Cultural and recreational	14,410,404	14,364,554	13,735,412	629,142
Capital outlay	34,000	19,841	5,958	13,883
Debt Service:				
Principal	430,469	448,155	446,191	1,964
Interest and fiscal charges	77,539	99,636	570,804	(471,168)
Total Expenditures	141,249,113	128,633,384	122,954,044	5,679,340
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	266,005	(9,442,585)	(10,266,495)	(823,910)
OTHER FINANCING SOURCES (USES)				
Bond premium			214,846	214,846
Proceeds from sale of property	25,000			
Transfers in	2,479,403	7,089,804	8,952,371	1,862,567
Transfers (out)	(2,770,408)	(4,079,458)	(5,231,987)	(1,152,529)
Total other financing sources (uses)	(266,005)	3,010,346	3,935,230	924,884
NET CHANGE IN FUND BALANCE		(6,432,239)	(6,331,265)	100,974
Fund balance, July 1	45,537,678	45,537,678	45,537,678	
Fund balance, June 30	$45,537,678	$39,105,439	$39,206,413	$100,974

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, 2010

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Licenses, permits and fees			$222,459	$222,459
Use of money and property			95,101	95,101
Intergovernmental			169,842	169,842
Other			291,909	291,909
Total Revenues			779,311	779,311
EXPENDITURES				
Current:				
Housing and redevelopment	$6,656,325	$6,812,425	4,830,073	1,982,352
SERAF			10,118,826	(10,118,826)
Debt service:				
Principal	810,000	810,000	810,000	
Interest and fiscal charges	1,472,834	1,472,834	1,478,454	(5,620)
Total Expenditures	8,939,159	9,095,259	17,237,353	(8,142,094)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,939,159)	(9,095,259)	(16,458,042)	(7,362,783)
OTHER FINANCING SOURCES (USES)				
Transfers in	10,925,529	8,281,099	5,693,403	(2,587,696)
Transfers (out)	(464,116)		(144,589)	(144,589)
Total other financing sources (uses)	10,461,413	8,281,099	5,548,814	(2,732,285)
NET CHANGE IN FUND BALANCE	1,522,254	(814,160)	(10,909,228)	(10,095,068)
Fund balance, July 1, as restated	13,910,405	13,910,405	13,910,405	
Fund balance, June 30	$15,432,659	$13,096,245	$3,001,177	($10,095,068)

CITY OF RICHMOND
COST RECOVERY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES:				
Licenses, permits and fees	$9,427,063	$3,020,586	$3,948,780	$928,194
Fines, forfeitures and penalties	383,800	383,800	210,599	(173,201)
Use of money and property			(119,732)	(119,732)
Intergovernmental	100,000	6,180,000	3,433,497	(2,746,503)
Charges for services	2,083,354	2,285,214	1,012,232	(1,272,982)
Other	16,278		11,570	11,570
Total Revenues	12,010,495	11,869,600	8,496,946	(3,372,654)
EXPENDITURES:				
Current				
General government		7,677,519	6,105,033	1,572,486
Public safety	2,740,203	4,130,536	2,375,261	1,755,275
Public works	10,891,852	5,062,526	3,992,253	1,070,273
Capital outlay		11,602,642	5,327,508	6,275,134
Total Expenditures	13,632,055	28,473,223	17,800,055	10,673,168
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,621,560)	(16,603,623)	(9,303,109)	7,300,514
OTHER FINANCING SOURCES (USES)				
Transfers in	821,670		443,133	443,133
Transfers (out)		(91,200)	(91,200)	
Total other financing sources (uses)	821,670	(91,200)	351,933	443,133
NET CHANGE IN FUND BALANCE	(799,890)	(16,694,823)	(8,951,176)	7,743,647
Fund balance, July 1	(416,107)	(416,107)	(416,107)	
Fund balance, June 30	($1,215,997)	($17,110,930)	($9,367,283)	$7,743,647

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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 on a basis consistent with Generally Accepted Accounting Principles (GAAP) for the General Fund, certain Special Revenue Funds (Redevelopment Agency Administration, State Gas Tax, General Purpose, Paratransit Operations, Special Programs, Public Safety, Cost Recovery, Lighting and Landscaping Districts, Developer Impact Fees and Housing and Community Development) and certain debt service funds (Redevelopment Agency Debt Service, 2005 Pension Obligation Bonds, General Debt Service and Civic Center Debt Service). Public hearings are conducted on the proposed budgets to review all appropriations and sources of financing. Capital projects funds are budgeted by the Mayor and City Council over the term of the individual projects. Since capital projects are not budgeted on an annual basis, they are not included in the budgetary data.

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

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

CITY OF RICHMOND
OTHER MAJOR FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	REDEVELOPMENT AGENCY DEBT SERVICE FUND			CIVIC CENTER DEBT SERVICE FUND		
	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES						
Property taxes	$17,841,606	$18,559,284	$717,678			
Charges for services				$2,877,998	$2,619,427	($258,571)
Use of money and property		259,366	259,366		141,083	141,083
Total Revenues	17,841,606	18,818,650	977,044	2,877,998	2,760,510	(117,488)
EXPENDITURES						
Debt service:						
Principal	2,550,000	3,550,000	(1,000,000)		96,260,000	(96,260,000)
Interest and fiscal charges	2,651,663	2,633,047	18,616	5,535,612	9,462,986	(3,927,374)
Total Expenditures	5,201,663	6,183,047	(981,384)	5,535,612	105,722,986	(100,187,374)
EXCESS OF REVENUES OVER EXPENDITURES	12,639,943	12,635,603	(4,340)	(2,657,614)	(102,962,476)	(100,304,862)
OTHER FINANCING SOURCES (USES)						
Issuance of debt					87,121,545	87,121,545
Transfers in	6,201,664	2,170,467	(4,031,197)	2,657,614	8,572,863	5,915,249
Transfers (out)	(21,463,804)	(16,747,619)	4,716,185		(1,836,735)	(1,836,735)
Total Other Financing Sources (Uses)	(15,262,140)	(14,577,152)	684,988	2,657,614	93,857,673	91,200,059
NET CHANGE IN FUND BALANCE	(2,622,197)	(1,941,549)	680,648		(9,104,803)	(9,104,803)
Fund Balance, July 1	16,051,310	16,051,310		5,971,661	5,971,661	
Fund Balance June 30	$13,429,113	$14,109,761	$680,648	$5,971,661	($3,133,142)	($9,104,803)

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

State Gas Tax Fund accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code. State gas taxes are restricted to uses for street construction activities including location of underground utilities, geotechnical work relating to identification of soil and groundwater contamination, materials sampling and testing.

General Purpose Fund accounts for other restricted monies that are to be used for the specific purposes for which the funds were set up.

Paratransit Operations Fund accounts for monies used to provide subsidized, accessible transportation to the seniors and disabled residents of the City of Richmond and the adjacent unincorporated areas of West Contra Costa County.

Special Programs to account for monies received and expended from public donations earmarked for non-profit organizations, youth education and after school programs.

Employment & Training Fund is a fund set up to plan, administer and operate job training programs for the adult and youth residents of Richmond.

Public Safety Fund records the receipt and use of grant monies under the Local Law Enforcements Block Grant Program, Office of Traffic Safety Grants, OES Grants, FEMA Grants and various other grants.

Lighting and Landscaping Districts Fund was set up to account for maintenance services in the nature of landscaping, lighting, cleaning provided to the Hilltop parking lot area, the Marina Way Development area, and the Marina Bay area.

Developer Impact Fees to account for monies received from fees levied by the City on new commercial and residential projects. These funds will be used to mitigate the additional public safety and infrastructure costs resulting from these development projects.

Secured Pension Override Fund – The Secured Pension Override Fund records the receipt of Pension Tax override collected through property taxes for payment of pension contributions.

Housing and Community Development Fund – The Housing and Community Development Fund is set up to record the receipt of Community Development Block Grant, HOME Investment Partnership Program, and Neighborhood Stabilization Program grant monies and the use of the grants. The grants are to be used to provide, within the City of Richmond, new affordable housing, improve existing housing conditions, assist homeless and disabled with housing, and to expand economic opportunities in business, and employment for low and moderate income residents.

DEBT SERVICE FUNDS

2005 Pension Obligation Bonds Debt Service Fund receives transfers from the General Fund and the Pension Tax Override Fund, and pays the debt service on the 2005 Pension Obligation Bonds.

General Debt Service Fund accounts for monies received in connection with the 1995A and the 1999 Series A Pension Obligation Bonds and the related payments on such debt. The 1995 Series A bonds were to refinance the cost of capital improvements, and the 1999 Series A bonds were issued to find a portion of the unfunded accrued actuarial liability in the Pension Fund.

CAPITAL PROJECTS FUNDS

General Capital Improvement Fund accounts for monies designated for capital improvement projects.

Measure C/J Fund was set up when the voters of Contra Costa County approved Measure C providing for the creation of the Contra Costa County Transportation Authority. The half-cent transportation sales tax was renewed under Measure J, effective April 1, 2009. The Authority collects one-half of one percent sales and use tax. Twenty percent of this tax is allocated to the City of Richmond to be used for the improvement of local transportation, including streets and roads in accordance with Measure C and Measure J compliance.

Harbor Navigation Fund records the expenses relating to the construction of certain public improvements relating to the Port of Richmond consisting of dredging and deepening of the Richmond Harbor.

Civic Center Project Fund accounts for activities of the Civic Center project.

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CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2010

	SPECIAL REVENUE FUNDS					SPECIAL REVENUE FUNDS					DEBT SERVICE FUNDS	
	State Gas Tax	General Purpose	Paratransit Operations	Special Programs	Employment and Training	Public Safety	Lighting and Landscaping Districts	Developer Impact Fees	Secured Pension Override	Housing and Community Development	2005 Pension Obligation Bonds	General Debt Service
ASSETS												
Cash and investments	$5,622,555	$3,456,003	$8,179		$643,577	$526,590	$795,484		$2,212,998	$552,735	$51,927	$106,981
Restricted cash and investments										2,869,197	7,790,024	612,749
Receivables:												
Accounts, net	287,710		$28,220		232,906	86,309						
Interest	1,553	1,107	(327)			122	66	($57)	1,516		15	33
Grants		297,569	594		871,304	35,009				799,896		
Loans										8,403,782		
Due from other funds										2,457		
Prepaids and other assets			10,942		16,025							
Total Assets	$5,911,818	$3,754,679	$47,608		$1,763,812	$648,030	$795,550	($57)	$2,214,514	$12,628,067	$7,841,966	$719,763
LIABILITIES												
Accounts payable and accrued liabilities	$168,591	$212,507	$6,219		$309,780	$10,429	$60,708	$46,241		$162,664		
Due to other funds			681,802					255,768		1,940,393		
Advance from other funds								211,686				
Deferred revenue					341,378					10,202,584		
Total Liabilities	168,591	212,507	688,021		651,158	10,429	60,708	513,695		12,305,641		
FUND EQUITY												
Fund balances (deficits)												
Reserved for encumbrances	4,886,244	60,718			1,185,196	72,992	63,080	440,044		746,081		
Reserved for prepaids and other assets			10,942		16,025							
Unreserved, undesignated	856,983	3,481,454	(651,355)		(88,567)	564,609	671,762	(953,796)	$2,214,514	(423,655)	$7,841,966	$719,763
Total Fund Balances (Deficits)	5,743,227	3,542,172	(640,413)		1,112,654	637,601	734,842	(513,752)	2,214,514	322,426	7,841,966	719,763
Total Liabilities and Fund Balances	$5,911,818	$3,754,679	$47,608		$1,763,812	$648,030	$795,550	($57)	$2,214,514	$12,628,067	$7,841,966	$719,763

CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2010

	CAPITAL PROJECTS FUNDS				
	General Capital Improvement	Measure C / J	Harbor Navigation	Civic Center Project	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments	$8,285,164	$532,770	$714,899	$980,976	$24,490,838
Restricted cash and investments	2,787,417		345,093	2,235,436	16,639,916
Receivables:					
Accounts, net	87				635,232
Interest	2,387	167	202	189	6,973
Grants	245,213				2,249,585
Loans					8,403,782
Due from other funds					2,457
Prepaids and other assets	2,539				29,506
Total Assets	$11,322,807	$532,937	$1,060,194	$3,216,601	$52,458,289
LIABILITIES					
Accounts payable and accrued liabilities	$657,345	$129,693		$69,255	$1,833,432
Due to other funds					2,877,963
Advance from other funds				2,000,000	2,211,686
Deferred revenue					10,543,962
Total Liabilities	657,345	129,693		2,069,255	17,467,043
FUND EQUITY					
Fund balances (deficits)					
Reserved for encumbrances	5,637,782	141,764		294,555	13,528,456
Reserved for prepaids and other assets	2,539				29,506
Unreserved, undesignated	5,025,141	261,480	$1,060,194	852,791	21,433,284
Total Fund Balances (Deficits)	10,665,462	403,244	1,060,194	1,147,346	34,991,246
Total Liabilities and Fund Balances	$11,322,807	$532,937	$1,060,194	$3,216,601	$52,458,289

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CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

	SPECIAL REVENUE FUNDS					SPECIAL REVENUE FUNDS					DEBT SERVICE FUNDS	
	State Gas Tax	General Purpose	Paratransit Operations	Special Programs	Employment and Training	Public Safety	Lighting and Landscaping Districts	Developer Impact Fees	Secured Pension Override	Housing and Community Development	2005 Pension Obligation Bonds	General Debt Service
REVENUES												
Property taxes							$1,238,141		$8,873,986		$5,439,817	
Licenses, permits and fees		$324,650			$55,775			$411,485				
Fines, forfeitures and penalties		25,566										
Use of money and property	$125,364	70,416	($25,767)	$904		$9,030	6,513	(1,356)	39,243	$30,302	55,544	$25,021
Intergovernmental	2,663,921	3,140,920	480,650		5,235,956	364,909				2,580,109		
Charges for services		820,350	73,365		448,952							
Pension stabilization revenue											2,728,314	
Other		12,799	984		639,367	85,740				219,675		
Total Revenues	2,789,285	4,394,701	529,232	904	6,380,050	459,679	1,244,654	410,129	8,913,229	2,830,086	8,223,675	25,021
EXPENDITURES												
Current:												
General government		822,104										
Public safety		494,031				140,374		13,279	4,748,186			
Public works	135,951	753,812					1,315,849	85,668				
Community development					7,532,936					151,609		
Cultural and recreational		192,373	1,134,728					55,311				
Housing and redevelopment										3,288,354		
Capital outlay	512,387	843,604				17,820		912,253		10,000		
Debt Service:												
Principal											3,785,000	1,910,000
Interest and fiscal charges											1,223,660	1,491,123
Total Expenditures	648,338	3,105,924	1,134,728		7,532,936	158,194	1,315,849	1,066,511	4,748,186	3,449,963	5,008,660	3,401,123
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,140,947	1,288,777	(605,496)	904	(1,152,886)	301,485	(71,195)	(656,382)	4,165,043	(619,877)	3,215,015	(3,376,102)
OTHER FINANCING SOURCES (USES)												
Proceeds from sale of capital assets												
Transfers in		876,478	526,302		1,078,034		390,000					3,353,032
Transfers (out)	(373,032)	(213,230)		(883,168)	(99,085)				(2,974,450)	(10,500)	(5,289,804)	
Total Other Financing Sources (Uses)	(373,032)	663,248	526,302	(883,168)	978,949		390,000		(2,974,450)	(10,500)	(5,289,804)	3,353,032
NET CHANGE IN FUND BALANCE	1,767,915	1,952,025	(79,194)	(882,264)	(173,937)	301,485	318,805	(656,382)	1,190,593	(630,377)	(2,074,789)	(23,070)
BEGINNING FUND BALANCES (DEFICITS)	3,975,312	1,590,147	(561,219)	882,264	1,286,591	336,116	416,037	142,630	1,023,921	952,803	9,916,755	742,833
ENDING FUND BALANCES (DEFICITS)	$5,743,227	$3,542,172	($640,413)		$1,112,654	$637,601	$734,842	($513,752)	$2,214,514	$322,426	$7,841,966	$719,763

(Continued)

CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

	CAPITAL PROJECTS FUNDS				
	General Capital Improvement	Measure C / J	Harbor Navigation	Civic Center Projects	Total Nonmajor Governmental Funds
REVENUES					
Property taxes					$15,551,944
Licenses, permits and fees					791,910
Fines, forfeitures and penalties					25,566
Use of money and property	$239,619	$13,912	$20,468	$62,918	672,131
Intergovernmental	372,526	32,918			14,871,909
Charges for services	80,000				1,422,667
Pension stabilization revenue					2,728,314
Other	649,648				1,608,213
Total Revenues	1,341,793	46,830	20,468	62,918	37,672,654
EXPENDITURES					
Current:					
General government	194,315				1,016,419
Public safety	669,027				6,064,897
Public works	947,938	284,629		126,482	3,650,329
Community development	8,000				7,692,545
Cultural and recreational	19,824				1,402,236
Housing and redevelopment					3,288,354
Capital outlay	3,503,368	1,433,838		7,980,322	15,213,592
Debt Service:					
Principal					5,695,000
Interest and fiscal charges	2,171		1,783		2,718,737
Total Expenditures	5,344,643	1,718,467	1,783	8,106,804	46,742,109
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,002,850)	(1,671,637)	18,685	(8,043,886)	(9,069,455)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	23,300				23,300
Transfers in	5,255,605			1,638	11,481,089
Transfers (out)	(71,938)			(6,757,882)	(16,673,089)
Total Other Financing Sources (Uses)	5,206,967			(6,756,244)	(5,168,700)
NET CHANGE IN FUND BALANCE	1,204,117	(1,671,637)	18,685	(14,800,130)	(14,238,155)
BEGINNING FUND BALANCES (DEFICITS)	9,461,345	2,074,881	1,041,509	15,947,476	49,229,401
ENDING FUND BALANCES (DEFICITS)	$10,665,462	$403,244	$1,060,194	$1,147,346	$34,991,246

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CITY OF RICHMOND
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	STATE GAS TAX			GENERAL PURPOSE			PARATRANSIT OPERATIONS			SPECIAL PROGRAMS			PUBLIC SAFETY		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES															
Property taxes															
Licenses, permits and fees				$637,000	$324,650	($312,350)									
Fines, forfeitures and penalties				26,000	25,566	(434)									
Use of money and property		$125,364	$125,364		70,416	70,416		($25,767)	($25,767)		$904	$904	$11,347	$9,030	($2,317)
Intergovernmental	$1,700,000	2,663,921	963,921	1,828,427	3,140,920	1,312,493	$511,284	480,650	(30,634)				326,799	364,909	38,110
Charges for services				630,000	820,350	190,350	95,500	73,365	(22,135)						
Pension stabilization revenue															
Other					12,799	12,799	19,850	984	(18,866)				96,954	85,740	(11,214)
Total Revenues	1,700,000	2,789,285	1,089,285	3,121,427	4,394,701	1,273,274	626,634	529,232	(97,402)		904	904	435,100	459,679	24,579
EXPENDITURES															
Current:															
General government				759,109	822,104	(62,995)									
Public safety				1,065,812	494,031	571,781							382,449	140,374	242,075
Public works	27,500	135,951	(108,451)	810,246	753,812	56,434									
Community development															
Cultural and recreational				358,233	192,373	165,860	1,147,452	1,134,728	12,724						
Housing and redevelopment															
Capital outlay	5,520,951	512,387	5,008,564	900,000	843,604	56,396							114,570	17,820	96,750
Debt Service:															
Principal															
Interest and fiscal charges															
Total Expenditures	5,548,451	648,338	4,900,113	3,893,400	3,105,924	787,476	1,147,452	1,134,728	12,724				497,019	158,194	338,825
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,848,451)	2,140,947	5,989,398	(771,973)	1,288,777	2,060,750	(520,818)	(605,496)	(84,678)		904	904	(61,919)	301,485	363,404
OTHER FINANCING SOURCES (USES)															
Transfers in				35,000	876,478	841,478	526,302	526,302							
Transfers (out)	(423,541)	(373,032)	50,509	(378,395)	(213,230)	165,165				($50,683)	(883,168)	(832,485)			
Total Other Financing Sources (Uses)	(423,541)	(373,032)	50,509	(343,395)	663,248	1,006,643	526,302	526,302		(50,683)	(883,168)	(832,485)			
NET CHANGE IN FUND BALANCES	($4,271,992)	1,767,915	$6,039,907	($1,115,368)	1,952,025	$3,067,393	$5,484	(79,194)	($84,678)	($50,683)	(882,264)	($831,581)	($61,919)	301,485	$363,404
BEGINNING FUND BALANCES (DEFICITS)		3,975,312			1,590,147			(561,219)			882,264			336,116	
ENDING FUND BALANCES (DEFICITS)		$5,743,227			$3,542,172			($640,413)						$637,601	

(Continued)

CITY OF RICHMOND
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	LIGHTING AND LANDSCAPING DISTRICTS			DEVELOPER IMPACT FEES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	$1,245,078	$1,238,141	($6,937)			
Licenses, permits and fees					$411,485	$411,485
Fines, forfeitures and penalties						
Use of money and property	10,812	6,513	(4,299)		(1,356)	(1,356)
Intergovernmental						
Charges for services						
Pension stabilization revenue						
Other						
Total Revenues	1,255,890	1,244,654	(11,236)		410,129	410,129
EXPENDITURES						
Current:						
General government						
Public safety				$14,711	13,279	1,432
Public works	1,908,077	1,315,849	592,228	137,680	85,668	52,012
Community development						
Cultural and recreational				44,638	55,311	(10,673)
Housing and redevelopment						
Capital outlay	6,060		6,060	1,289,395	912,253	377,142
Debt Service:						
Principal						
Interest and fiscal charges						
Total Expenditures	1,914,137	1,315,849	598,288	1,486,424	1,066,511	419,913
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(658,247)	(71,195)	587,052	(1,486,424)	(656,382)	830,042
OTHER FINANCING SOURCES (USES)						
Transfers in	390,000	390,000				
Transfers (out)						
Total Other Financing Sources (Uses)	390,000	390,000				
NET CHANGE IN FUND BALANCES	($268,247)	318,805	$587,052	($1,486,424)	(656,382)	$830,042
BEGINNING FUND BALANCES (DEFICITS)		416,037			142,630	
ENDING FUND BALANCES (DEFICITS)		$734,842			($513,752)	

	HOUSING AND COMMUNITY DEVELOPMENT			2005 PENSION OBLIGATION BONDS			GENERAL DEBT SERVICE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES									
Property taxes				$3,954,562	$5,439,817	$1,485,255			
Licenses, permits and fees									
Fines, forfeitures and penalties									
Use of money and property		$30,302	$30,302	400,000	55,544	(344,456)		$25,021	$25,021
Intergovernmental	$2,905,608	2,580,109	(325,499)						
Charges for services									
Pension stabilization revenue				2,728,314	2,728,314				
Other		219,675	219,675						
Total Revenues	2,905,608	2,830,086	(75,522)	7,082,876	8,223,675	1,140,799		25,021	25,021
EXPENDITURES									
Current:									
General government									
Public safety									
Public works									
Community development	559,735	151,609	408,126						
Cultural and recreational									
Housing and redevelopment	3,773,781	3,288,354	485,427						
Capital outlay	432,468	10,000	422,468						
Debt Service:									
Principal				3,785,000	3,785,000		$1,914,804	1,910,000	4,804
Interest and fiscal charges				1,220,244	1,223,660	(3,416)	1,483,187	1,491,123	(7,936)
Total Expenditures	4,765,984	3,449,963	1,316,021	5,005,244	5,008,660	(3,416)	3,397,991	3,401,123	(3,132)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,860,376)	(619,877)	1,240,499	2,077,632	3,215,015	1,137,383	(3,397,991)	(3,376,102)	21,889
OTHER FINANCING SOURCES (USES)									
Transfers in				1,811,017		(1,811,017)	2,556,409	3,353,032	796,623
Transfers (out)		(10,500)	(10,500)	(5,289,804)	(5,289,804)				
Total Other Financing Sources (Uses)		(10,500)	(10,500)	(3,478,787)	(5,289,804)	(1,811,017)	2,556,409	3,353,032	796,623
NET CHANGE IN FUND BALANCES	($1,860,376)	(630,377)	$1,229,999	($1,401,155)	(2,074,789)	($673,634)	($841,582)	(23,070)	$818,512
BEGINNING FUND BALANCES (DEFICITS)		952,803			9,916,755			742,833	
ENDING FUND BALANCES (DEFICITS)		$322,426			$7,841,966			$719,763	

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NON-MAJOR ENTERPRISE FUNDS

Richmond Marina Fund records revenues collected from berth rentals and the use of the marina facilities. The fund also records expenses incurred for the operation of the facility and for the payment of the loan from the California Department of Boating and Waterways.

Storm Sewer Fund records the revenues from storm water fees and transfers from operations reserves. It also records the expenses of maintaining a clean storm sewer system so that the City is in compliance with the federally mandated Storm Water Pollution Prevention Program.

Cable TV Fund was set up for the administration and enforcement of the franchise agreements with two cable television systems, management of municipal cable channel, departmental video services, media and public information, and telecommunications planning. The fund records revenue received from franchise fees and indirect charges to other funds and administration expenses incurred in operating the system.

CITY OF RICHMOND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010

	Richmond Marina	Storm Sewer	Cable TV	Total
ASSETS				
Current Assets				
Cash and investments	$4,292,890		$550,336	$4,843,226
Receivables:				
Accounts	52,326	$138,194	351,019	541,539
Interest	1,208	(293)	160	1,075
Notes		15,689		15,689
Total Current Assets	4,346,424	153,590	901,515	5,401,529
Noncurrent Assets				
Capital assets:				
Nondepreciable		233,253		233,253
Depreciable, net	2,125,478	6,797,496	219,335	9,142,309
Total Noncurrent Assets	2,125,478	7,030,749	219,335	9,375,562
Total Assets	6,471,902	7,184,339	1,120,850	14,777,091
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities		218,347	11,145	229,492
Interest payable	132,160			132,160
Due to other funds		1,299,128		1,299,128
Compensated absences		16,323	60,847	77,170
Current portion of long term debt	62,641			62,641
Total Current Liabilities	194,801	1,533,798	71,992	1,800,591
Noncurrent Liabilities:				
Advance from other funds		1,787,556		1,787,556
Long-term debt	3,141,235			3,141,235
Total Noncurrent Liabilities	3,141,235	1,787,556		4,928,791
Total Liabilities	3,336,036	3,321,354	71,992	6,729,382
NET ASSETS				
Invested in capital assets, net of related debt	(1,078,398)	7,030,749	219,335	6,171,686
Unrestricted	4,214,264	(3,167,764)	829,523	1,876,023
Total Net Assets	$3,135,866	$3,862,985	$1,048,858	$8,047,709

CITY OF RICHMOND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	Richmond Marina	Storm Sewer	Cable TV	Total
OPERATING REVENUES				
Service charges		$1,587,456	$976,769	$2,564,225
Lease income	$417,679	3,600		421,279
Other		2,736	180,733	183,469
Total Operating Revenues	417,679	1,593,792	1,157,502	3,168,973
OPERATING EXPENSES				
Salaries and benefits		127,000	548,246	675,246
General and administrative		1,455,775	402,566	1,858,341
Depreciation	88,457	915,849	40,694	1,045,000
Total Operating Expenses	88,457	2,498,624	991,506	3,578,587
Operating Income (Loss)	329,222	(904,832)	165,996	(409,614)
NONOPERATING REVENUES (EXPENSES)				
Interest income	120,234	(33,943)	25,390	111,681
Interest (expense)	(144,398)	(29,214)		(173,612)
Total Nonoperating Revenues (Expenses)	(24,164)	(63,157)	25,390	(61,931)
Income (Loss) Before Transfers	305,058	(967,989)	191,386	(471,545)
Transfers (out)			(500,000)	(500,000)
Net Transfers			(500,000)	(500,000)
Change in Net Assets	305,058	(967,989)	(308,614)	(971,545)
BEGINNING NET ASSETS	2,830,808	4,830,974	1,357,472	9,019,254
ENDING NET ASSETS	$3,135,866	$3,862,985	$1,048,858	$8,047,709

CITY OF RICHMOND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	Richmond Marina	Storm Sewer	Cable TV	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$425,085	$1,510,157	$1,071,335	$3,006,577
Payments to suppliers		(1,411,231)	(449,504)	(1,860,735)
Payments to employees		(130,577)	(547,700)	(678,277)
Cash Flows from Operating Activities	425,085	(31,651)	74,131	467,565
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund receipts		328,680		328,680
Transfers out			(500,000)	(500,000)
Cash Flows from Noncapital Financing Activities		328,680	(500,000)	(171,320)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Acquisition of capital assets		(233,253)		(233,253)
Repayment of long-term borrowing	(59,943)			(59,943)
Interest paid	(146,872)	(29,214)		(176,086)
Cash flows from capital financing activities	(206,815)	(262,467)		(469,282)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	121,267	(34,562)	25,786	112,491
Cash Flows from Investing Activities	121,267	(34,562)	25,786	112,491
Net Cash Flows	339,537		(400,083)	(60,546)
Cash and investments at beginning of period	3,953,353		950,419	4,903,772
Cash and investments at end of period	$4,292,890		$550,336	$4,843,226
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	$329,222	($904,832)	$165,996	($409,614)
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	88,457	915,849	40,694	1,045,000
Change in assets and liabilities:				
Accounts receivable	7,406	(83,635)	(86,167)	(162,396)
Accounts payable and accrued liabilities and other accrued expenses		44,544	(46,938)	(2,394)
Compensated absences		(3,577)	546	(3,031)
Cash Flows from Operating Activities	$425,085	($31,651)	$74,131	$467,565

INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

Insurance Reserves Fund is used to report activities related to employee's claims due to industrial injuries and activities related to general claims against the City for damages incurred.

Information Technology Fund is used to report activities related to computer maintenance_services including networks, equipment leases and telephones.

Equipment Services and Replacement Fund is used to report activities related to maintenance and replacement of City vehicles.

Police Telecommunications Fund is used to report activities related to CAD dispatch, RMS records maintenance, and 800 MHz equipment expense.

Facilities Maintenance Fund is used to report activities related to the maintenance of the City's facilities.

CITY OF RICHMOND
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010

	Insurance Reserves	Information Technology	Equipment Services and Replacement	Police Tele-communications	Facilities Maintenance	Total
ASSETS						
Current Assets						
Cash and investments	$11,955,231	$1,701,451	$3,757,143	$4,766,590	$1,420,879	$23,601,294
Restricted cash and investments			691,409			691,409
Receivables:						
Accounts	4,675			688,065		692,740
Interest	6,884	641	1,176	1,345	464	10,510
Prepaids and supplies		146,855	471,632			618,487
Due from other funds	12,385,381					12,385,381
Total Current Assets	24,352,171	1,848,947	4,921,360	5,456,000	1,421,343	37,999,821
Noncurrent Assets						
Capital assets:						
Nondepreciable	698,081					698,081
Depreciable, net		2,261,128	9,030,507	531,208		11,822,843
Advances to other funds	4,287,556					4,287,556
Total Noncurrent Assets	4,985,637	2,261,128	9,030,507	531,208		16,808,480
Total Assets	29,337,808	4,110,075	13,951,867	5,987,208	1,421,343	54,808,301
LIABILITIES						
Current Liabilities						
Accounts payable and accrued liabilities	533,261	184,502	468,181	3,083	423,357	1,612,384
Interest payable		1,054	2,097			3,151
Refundable deposits	111					111
Accrued claims liabilities	4,420,696					4,420,696
Current portion of long-term debt		578,982	812,189			1,391,171
Total Current Liabilities	4,954,068	764,538	1,282,467	3,083	423,357	7,427,513
Noncurrent Liabilities						
Compensated absences	46,388	219,486	87,831	179,488	208,264	741,457
Unearned revenue					4,099,521	4,099,521
Accrued claims liabilities	15,038,818					15,038,818
Long-term debt			3,686,940			3,686,940
Total Noncurrent Liabilities	15,085,206	219,486	3,774,771	179,488	4,307,785	23,566,736
Total Liabilities	20,039,274	984,024	5,057,238	182,571	4,731,142	30,994,249
NET ASSETS (DEFICIT)						
Invested in capital assets	698,081	1,682,146	5,222,787	531,208		8,134,222
Unrestricted	8,600,453	1,443,905	3,671,842	5,273,429	(3,309,799)	15,679,830
Total Net Assets (Deficit)	$9,298,534	$3,126,051	$8,894,629	$5,804,637	($3,309,799)	$23,814,052

CITY OF RICHMOND
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	Insurance Reserves	Information Technology	Equipment Services and Replacement	Police Tele-communications	Facilities Maintenance	Total
OPERATING REVENUES						
Charges for services-internal	$18,786,318	$6,642,097	$7,124,175	$3,382,286	$5,684,046	$41,618,922
Charges for services-external				1,523,615		1,523,615
Total Operating Revenues	18,786,318	6,642,097	7,124,175	4,905,901	5,684,046	43,142,537
OPERATING EXPENSES						
Salaries and benefits	2,892,228	2,002,760	1,713,676	3,594,291	3,800,464	14,003,419
General and administrative	1,196,193	2,617,941	624,942	172,067	2,303,192	6,914,335
Maintenance	468	512,092	2,019,299	656,651	144,105	3,332,615
Depreciation		393,293	1,560,798	81,988		2,036,079
Claims losses	7,712,123					7,712,123
Other	7,895	82,109	17,957		12,533	120,494
Total Operating Expenses	11,808,907	5,608,195	5,936,672	4,504,997	6,260,294	34,119,065
Operating Income (Loss)	6,977,411	1,033,902	1,187,503	400,904	(576,248)	9,023,472
NONOPERATING REVENUES (EXPENSES)						
Loss from sale of property			(55,830)			(55,830)
Interest income	698,790	31,635	111,437	140,265	7,829	989,956
Interest expense		(42,565)	(212,554)			(255,119)
Total Nonoperating Revenues (Expenses)	698,790	(10,930)	(156,947)	140,265	7,829	679,007
Income Before Transfers	7,676,201	1,022,972	1,030,556	541,169	(568,419)	9,702,479
Transfers in			145,286		1,082,075	1,227,361
Transfers (out)			(7,130,000)			(7,130,000)
Net Transfers			(6,984,714)		1,082,075	(5,902,639)
Change in Net Assets	7,676,201	1,022,972	(5,954,158)	541,169	513,656	3,799,840
BEGINNING NET ASSETS (DEFICIT), AS RESTATED	1,622,333	2,103,079	14,848,787	5,263,468	(3,823,455)	20,014,212
ENDING NET ASSETS (DEFICIT)	$9,298,534	$3,126,051	$8,894,629	$5,804,637	($3,309,799)	$23,814,052

CITY OF RICHMOND
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	Insurance Reserves	Information Technology	Equipment Services and Replacement	Police Tele-communications	Facilities Maintenance	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	$18,782,734	$6,642,097	$7,124,175	$4,426,522	$5,621,399	$42,596,927
Payments to employees	(2,883,773)	(2,150,598)	(1,737,359)	(3,559,888)	(3,877,477)	(14,209,095)
Payments to suppliers	(896,662)	(4,161,157)	(3,062,906)	(830,203)	(2,606,896)	(11,557,824)
Insurance premiums and claims paid	(10,653,609)					(10,653,609)
Cash Flows from Operating Activities	4,348,690	330,342	2,323,910	36,431	(862,974)	6,176,399
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund payments	(8,966,006)					(8,966,006)
Transfers in			145,286		1,082,075	1,227,361
Transfers (out)			(7,130,000)			(7,130,000)
Cash Flows from Noncapital Financing Activities	(8,966,006)		(6,984,714)		1,082,075	(14,868,645)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets		(504,673)	(2,140,788)			(2,645,461)
Principal payments on capital debt		(554,386)	(779,798)			(1,334,184)
Proceeds from sale of property			69,967			69,967
Interest and fiscal charges paid		(43,540)	(212,872)			(256,412)
Cash Flows from Capital and Related Financing Activities		(1,102,599)	(3,063,491)			(4,166,090)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest	705,210	32,464	114,014	141,493	8,107	1,001,288
Cash Flows from Investing Activities	705,210	32,464	114,014	141,493	8,107	1,001,288
Net Cash Flows	(3,912,106)	(739,793)	(7,610,281)	177,924	227,208	(11,857,048)
Cash and investments at beginning of period	15,867,337	2,441,244	12,058,833	4,588,666	1,193,671	36,149,751
Cash and investments at end of period	$11,955,231	$1,701,451	$4,448,552	$4,766,590	$1,420,879	$24,292,703
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating income (loss)	$6,977,411	$1,033,902	$1,187,503	$400,904	($576,248)	$9,023,472
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation		393,293	1,560,798	81,988		2,036,079
Change in assets and liabilities:						
Receivables, net	(3,695)			(479,379)		(483,074)
Inventories		(109,565)	(43,489)			(153,054)
Accounts and other payables	307,894	(839,450)	(357,219)	(1,485)	(147,066)	(1,037,326)
Refundable deposits	iii					iii
Unearned revenue					(62,647)	(62,647)
Compensated absences	8,455	(147,838)	(23,683)	34,403	(77,013)	(205,676)
Claims payable	(2,941,486)					(2,941,486)
Cash Flows from Operating Activities	$4,348,690	$330,342	$2,323,910	$36,431	($862,974)	$6,176,399
Non cash transactions						
Capital asset retirements			($125,797)			($125,797)

PENSION TRUST FUNDS

TRUST FUNDS are used to account for assets held by the City as a trustee agent for individuals, private organizations, and other governments. These funds include the following:

General Pension Fund records the activity of the General Pension Plan, a defined benefit pension plan that covers 28 former City employees not covered by PERS, all of whom have retired.

Police and Fireman's Pension Fund records the activity of the Police and Fireman's Pension Plan, a defined benefit pension plan that covers 75 police and fire personnel employed prior to October 1964.

Garfield Pension Fund records the activity of the Garfield Pension Plan, a defined contribution pension plan that was set up for a retired police chief.

CITY OF RICHMOND
STATEMENT OF PENSION TRUST FUNDS NET ASSETS
JUNE 30, 2010

	General Pension	Police and Fireman's Pension	Garfield Pension	Total
ASSETS				
Pension plan cash and investments:				
City of Richmond investment pool	$1,517,352	$3,553,477	$147,155	$5,217,984
Local Agency Investment Fund			189,024	189,024
Mutual Fund Investments		17,794,056		17,794,056
Accounts receivable	22,462			22,462
Interest receivable	347	198	282	827
Total Assets	1,540,161	21,347,731	336,461	23,224,353
NET ASSETS				
Held in trust for employees' pension benefits	$1,540,161	$21,347,731	$336,461	$23,224,353

CITY OF RICHMOND
PENSION TRUST FUNDS
STATEMENT OF CHANGES IN PENSION TRUST FUNDS NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	General Pension	Police and Fireman's Pension	Garfield Pension	Total
ADDITIONS				
Net investment income:				
Net increase (decrease) in the fair value of investments	$2,111	$1,705,099	$140	$1,707,350
Interest income	39,059	840,194	3,859	883,112
Investment management fees		(102,649)		(102,649)
Contribution from the City	486,092		76,692	562,784
Contribution from Pension Reserve		4,600,000		4,600,000
Total Additions	527,262	7,042,644	80,691	7,650,597
DEDUCTIONS				
Pension benefits	757,311	4,545,417	80,504	5,383,232
Total Deductions	757,311	4,545,417	80,504	5,383,232
Net Increase (Decrease)	(230,049)	2,497,227	187	2,267,365
NET ASSETS				
Beginning of year	1,770,210	18,850,504	336,274	20,956,988
End of year	$1,540,161	$21,347,731	$336,461	$23,224,353

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AGENCY FUNDS

AGENCY FUNDS account for assets held by the City as an agent for individuals, governmental entities, and non-public organizations. These funds include the following:

Special Assessment Fund accounts for the monies collected and disbursed for land-based debt, where the City is not obligated for the debt.

General Agency Fund accounts for assets held by the City as an agent for individuals, private organizations, and other governments.

Johnson Library Fund accounts for nonexpendable trust funds to be used to provide funding for special library projects.

Senior Center Fund accounts for assets held by the City in an agent capacity for programs benefiting the senior citizens residing within the City.

JPFA Reassessment Fund receives secured tax payments (from assessment rolls), and makes payments on the JPFA Revenue Reassessment Bonds Series 2003-1.

1999 Revenue Refunding Bonds Fund receives payments of principal and interest on prior assessment bonds, and makes payments on the JPFA Revenue Refunding Bonds Series 1999-A.

Payroll Benefits Fund accounts for accumulation of monies relating to employee and employer payroll liabilities.

2006 A&B Reassessment District Fund receives payments of principal and interest on prior assessment bonds, and makes payments on the JPFA Reassessment Revenue Bonds Series A and B.

CITY OF RICHMOND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010
Special Assessment				
Cash and investments	$1,765,760	$628,112	$609,581	$1,784,291
Restricted cash and investments	651,345	776		652,121
Accounts receivable	16,296	16,282	16,296	16,282
Interest receivable	1,006	499	1,006	499
Total Assets	$2,434,407	$645,669	$626,883	$2,453,193
Due to assessment district bondholders	$2,434,407	$645,669	$626,883	$2,453,193
General Agency				
Cash and investments	$850,744	$33,942	$62,882	$821,804
Interest receivable	468	237	468	237
Total Assets	$851,212	$34,179	$63,350	$822,041
Accounts payable and accrued liabilities	$9,651	$33,711	$9,651	$33,711
Refundable Deposits	841,561	468	53,699	788,330
Total Liabilities	$851,212	$34,179	$63,350	$822,041
Johnson Library				
Cash and investments	$9,438	$279		$9,717
Interest receivable	5	3	$5	3
Total Assets	$9,443	$282	$5	$9,720
Refundable deposits	$9,443	$282	$5	$9,720
Senior Center				
Cash and investments	$59,744	$2,797	$1,213	$61,328
Interest receivable	33	18	33	18
Total Assets	$59,777	$2,815	$1,246	$61,346
Accounts payable and accrued liabilities	$2,389	$2,426	$1,213	$3,602
Refundable Deposits	57,388	389	33	57,744
Total Liabilities	$59,777	$2,815	$1,246	$61,346

(Continued)

CITY OF RICHMOND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010
JPFA Reassessment				
Cash and investments	$1,407,527	$1,148,608	$1,062,270	$1,493,865
Restricted cash and investments	1,261,731	15,005		1,276,736
Interest receivable	784	409	784	409
Investment in reassessment bonds	7,022,500		592,500	6,430,000
Total Assets	$9,692,542	$1,164,022	$1,655,554	$9,201,010
Due to assessment district bondholders	$9,692,542	$1,164,022	$1,655,554	$9,201,010
1999 Revenue Refunding Bonds				
Cash investments	$1,403,036	$30,565	$687,134	$746,467
Restricted cash and investments	2,555,447	63,408		2,618,855
Interest receivable	789	210	789	210
Total Assets	$3,959,272	$94,183	$687,923	$3,365,532
Due to assessment district bondholders	$3,959,272	$94,183	$687,923	$3,365,532
Payroll Benefits				
Cash and investments	$451,875	$414,972	$103,873	$762,974
Accounts receivable	286,349		131,839	154,510
Total Assets	$738,224	$414,972	$235,712	$917,484
Accounts payable and accrued liabilities	$738,224	$414,972	$235,712	$917,484
2006 A&B Reassessment District				
Cash and investments	$877,939	$674,316	$912,714	$639,541
Restricted cash and investments	571,396	262,311		833,707
Interest receivable	482	170	482	170
Investment in reassessment bonds	10,312,500		222,500	10,090,000
Total Assets	$11,762,317	$936,797	$1,135,696	$11,563,418
Due to assessment district bondholders	$11,762,317	$936,797	$1,135,696	$11,563,418

(Continued)

CITY OF RICHMOND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Total Agency Funds	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010
Cash and investments	$6,826,063	$2,933,591	$3,439,667	$6,319,987
Restricted cash and investments	5,039,919	341,500		5,381,419
Investment in reassessment bonds	17,335,000		815,000	16,520,000
Accounts receivable	302,645	16,282	148,135	170,792
Interest receivable	3,567	1,546	3,567	1,546
Total Assets	$29,507,194	$3,292,919	$4,406,369	$28,393,744
Accounts payable and accrued liabilities	$750,264	$451,109	$246,576	$954,797
Refundable Deposits	908,392	1,139	53,737	855,794
Due to assessment district bondholders	27,848,538	2,840,671	4,106,056	26,583,153
Total Liabilities	$29,507,194	$3,292,919	$4,406,369	$28,393,744

STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends
These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time:

1. Net Assets by Component
2. Changes in Net Assets
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed Value and Estimated Value of Taxable Property
2. Property Tax Rates, All Direct Overlapping Governments
3. Principal Property Tax Payers
4. Property Tax Levies and Collections

Debt Capacity
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Revenue Bond Coverage – 1999, 2006 and 2008 Wastewater Revenue Bonds
3. Revenue Bond Coverage – 1996, 1999, and 2004 Port Terminal Lease Revenue Bonds and Note
4. Bonded Debt Pledged Revenue Coverage –Redevelopment Tax Allocation Bonds
5. General Bonded Debt – Pension Obligation Bonds
6. Computation of Direct and Overlapping Debt
7. Computation of Legal Bonded Debt Margin

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources
Unless otherwise noted, the information in these schedules is derived from the Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

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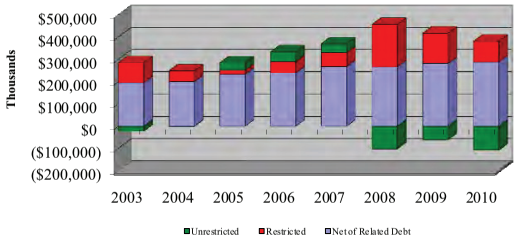
CITY OF RICHMOND
Net Assets by Component
Last Eight Fiscal Years
(accrual basis of accounting)



	Fiscal Year Ended June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities								
Invested in capital assets, net of related debt	$161,803,370	$123,741,262	$155,699,999	$155,930,914	$170,258,857	$188,467,600	$201,607,368	$201,197,639
Restricted	90,011,285	45,358,192	16,193,394	49,291,795	60,271,169	188,950,882	135,801,179	72,114,985
Unrestricted	(40,308,547)	19,096,845	42,225,569	44,525,862	48,795,188	(101,295,871)	(57,236,422)	(66,103,671)
Total governmental activities net assets	$211,506,108	$188,196,299	$214,118,962	$249,748,571	$279,325,214	$276,122,611	$280,172,125	$207,208,953
Business-type activities								
Invested in capital assets, net of related debt	$32,619,310	$75,917,317	$76,670,956	$82,419,674	$97,164,301	$77,558,806	$79,540,643	$86,432,590
Restricted		3,156,207	2,246,548	2,283,065	1,427,804	1,526,840	612,613	21,150,740
Unrestricted	17,733,546	(19,724,085)	(8,865,682)	(1,351,641)	(8,084,756)	(519,625)	(3,963,417)	(42,004,396)
Total business-type activities net assets	$50,352,856	$59,349,439	$70,051,822	$83,351,098	$90,507,349	$78,566,021	$76,189,839	$65,578,934
Primary government								
Invested in capital assets, net of related debt	$194,422,680	$199,658,579	$232,370,955	$238,350,588	$267,423,158	$266,026,406	$281,148,011	$287,630,229
Restricted	90,011,285	48,514,399	18,439,942	51,574,860	61,698,973	190,477,722	136,413,792	93,265,725
Unrestricted	(22,575,001)	(627,240)	33,359,887	43,174,221	40,710,432	(101,815,496)	(61,199,839)	(108,108,067)
Total primary government net assets	$261,858,964	$247,545,738	$284,170,784	$333,099,669	$369,832,563	$354,688,632	$356,361,964	$272,787,887

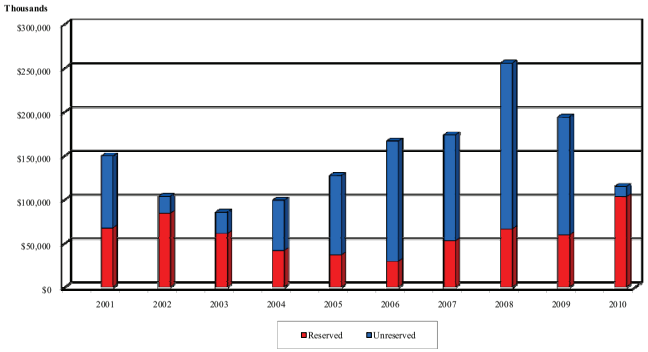
CITY OF RICHMOND
Changes in Net Assets
Last Eight Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental Activities:								
General Government	$20,866,018	$33,157,403	$11,798,558	$20,757,394	$24,107,042	$26,826,443	$18,745,594	$19,044,449
Public Safety	51,888,399	55,122,382	46,320,116	64,704,505	69,145,528	80,140,357	91,432,506	95,147,888
Public Works	32,986,223	39,509,425	36,743,774	40,119,182	25,265,766	31,252,681	43,289,943	43,342,529
Community Development	8,494,108	5,771,490	4,487,223	6,400,700	5,446,357	5,046,846	4,316,710	7,698,693
Cultural and Recreational	11,150,363	11,426,024	7,120,024	10,516,483	15,637,748	19,624,717	16,618,663	14,952,438
Housing and Redevelopment	26,645,808	9,610,845	10,883,850	14,587,522	11,338,512	17,471,811	19,209,243	18,014,624
Other	75,785							
Unallocated Cost	8,458,336							
Interest and Fiscal Charges	13,022,532	14,665,716	10,163,111	13,970,272	16,041,384	24,242,109	22,961,838	30,251,260
Total Governmental Activities Expenses	173,587,572	169,263,285	127,516,656	171,056,058	166,982,337	204,604,964	216,574,497	228,451,881
Business-Type Activities:								
Richmond Housing Authority	25,518,702	27,920,939	28,054,660	25,761,763	21,902,483	24,324,334	23,335,623	27,709,496
Port of Richmond	2,811,056	2,911,772	2,545,842	2,896,324	3,690,733	4,589,789	4,739,269	8,611,216
Richmond Marina	578,370	272,694	248,045	245,732	331,099	240,542	235,571	232,855
Municipal Sewer	10,035,988	10,047,198	9,020,928	9,599,570	12,236,185	15,084,727	14,290,536	13,611,098
Storm Sewer	2,446,743	2,461,223	2,142,358	2,953,974	3,590,975	4,685,796	4,466,645	2,527,838
Cable TV	763,738	699,809	646,770	702,849	798,758	853,646	898,370	991,506
Convention Center	319,066	291,078	269,595	274,542				
Total Business-Type Activities Expenses	42,473,663	44,604,713	42,928,198	42,434,754	42,550,233	49,778,834	47,966,014	53,684,009
Total Primary Government Expenses	$216,061,235	$213,867,998	$170,444,854	$213,490,812	$209,532,570	$254,383,798	$264,540,511	$282,135,890
Program Revenues								
Governmental Activities:								
Charges for Services:								
General Government	$5,509,407	$12,779,067	$6,195,631	$9,579,562	$12,500,031	$13,061,289	$7,813,724	$6,612,893
Public Safety	697,659	22,300	1,061,832	2,674,213	3,337,186	3,435,021	3,931,893	5,674,457
Public Works	3,848,741	5,133,200	6,829,231	2,017,908	1,641,139	952,330	1,669,681	1,656,353
Community Development	1,682,781	17	1,488,832	2,488,628	562,647	393,878	170,872	504,726
Cultural and Recreational	364,665	234,308	230,187	1,230,022	277,523	257,258	594,205	1,294,976
Housing and Redevelopment	(680)	26	54	3,145,276	320,165	1,037,112	7,000	222,459
Operating Grants and Contributions	11,485,157	10,143,316	9,035,667	10,737,556	11,310,497	9,642,093	8,402,636	12,286,127
Capital Grants and Contributions	20,454,780	2,409,429	2,502,038	4,584,637	8,659,910	4,066,710	6,997,666	9,685,942
Total Government Activities Program Revenues	44,042,510	30,721,663	27,343,472	36,457,802	38,609,098	32,845,691	29,587,677	37,937,933
Business-Type Activities:								
Charges for Services:								
Richmond Housing Authority	2,064,716	2,234,580	1,822,316	1,663,345	1,630,745	1,776,252	3,096,831	2,100,519
Port of Richmond	2,265,785	2,491,147	5,913,472	6,130,166	5,392,626	5,900,126	5,095,840	3,882,153
Richmond Marina	366,288	458,473	456,142	579,581	448,630	484,212	476,588	417,679
Municipal Sewer	8,020,968	10,008,499	9,099,788	11,009,699	12,410,236	13,864,120	14,432,849	15,991,488
Storm Sewer	1,477,853	1,478,790	1,546,345	1,545,977	1,655,799	1,637,151	1,579,698	1,593,792
Cable TV	677,314	911,227	840,773	944,693	930,168	974,924	1,084,389	1,157,502
Convention Center	172,793	202,246	273,008	326,715	37,659			
Operating Grants and Contributions	24,072,750	9,498					18,683,329	21,549,967
Capital Grants and Contributions		33,845,368	32,707,460	33,223,130	23,789,008	24,675,667	50,027	2,429,709
Total Business-Type Activities Program Revenue	39,118,467	51,639,828	52,659,304	55,423,306	46,294,871	49,312,452	44,499,551	49,122,809
Total Primary Government Program Revenues	$83,160,977	$82,361,491	$80,002,776	$91,881,108	$84,903,969	$82,158,143	$74,087,228	$87,060,742
Net (Expense)/Revenue								
Governmental Activities	($129,545,062)	($138,541,622)	($100,173,184)	($134,598,256)	($128,373,239)	($171,759,273)	($186,986,820)	($190,513,948)
Business-Type Activities	(3,355,196)	7,035,115	9,731,106	12,988,552	3,744,638	(466,382)	(3,466,463)	(4,561,200)
Total Primary Government Net Expense	($132,900,258)	($131,506,507)	($90,442,078)	($121,609,704)	($124,628,601)	($172,225,655)	($190,453,283)	($195,075,148)

CITY OF RICHMOND
Changes in Net Assets
(continued)
Last Eight Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Taxes:								
Property Taxes:								
Current Collections	$39,816,120	$36,475,512	$39,806,022	$58,637,096	$73,496,915	$77,012,808	$78,279,818	$62,620,002
Released from Pension Reserve Fund			8,342,849	17,315,525				
Sales Tax		12,352,198	20,273,363	25,402,253	28,217,895	29,005,711	27,922,698	25,000,182
Utility user taxes		29,322,850	29,721,091	30,199,388	27,007,410	29,553,243	48,953,004	50,298,719
Other Taxes	44,665,215	9,421,142	13,847,030	14,690,034	12,042,215	8,802,995	7,959,683	6,092,050
Use of Money and Property	6,568,865	2,597,233	2,993,086	5,490,761	7,895,609	9,990,413	6,851,266	(7,618,093)
Unrestricted Intergovernmental	978,228	4,157,098	3,031,587	954,905	438,625	4,330,572	2,197,148	957,140
Rental Revenue	2,819,462							
Lease Revenue	3,017,547							
Repayment of Principal	1,940,375							
Miscellaneous	3,433,249	18,778,396	152,775	3,144,463	3,253,446	3,101,841	9,220,595	5,465,467
Gain (Loss) on Sales of Capital Assets	(175,225)		11,361,312	2,361,410	3,113,487	4,008,197	5,000,000	
Pension stabilization revenue				4,175,381	4,240,135	4,256,500	5,292,746	2,728,314
Developer revenue sharing				3,254,620	591,051	201,270	51,767	138,454
Settlement reimbursement				4,226,289				
Transfers	(2,116,594)	49,486	167,153	375,740	(2,346,906)	(1,706,880)	(692,391)	500,000
Reimbursement from Pension Fund	3,928,959							
Total Government Activities	104,876,201	113,153,915	129,696,268	170,227,865	157,949,882	168,556,670	191,036,334	146,182,235
Business-Type Activities:								
Taxes:								
Property Taxes			10,193	10,867	10,576	10,382		
Use of Money and Property		1,809,249	1,222,413	1,247,868	1,618,432	919,679	390,189	(2,768,103)
Investment Income	2,281,921							
Settlement								1,922,260
Other			1,956,342			313,863	7,701	188,143
Gain (Loss) on Sales of Capital Assets	(9,527)				41,000			
Special Item						(14,425,750)		
Transfers	2,116,594	(49,486)	(167,153)	(375,740)	2,346,906	1,706,880	692,391	(500,000)
Total Business-Type Activities	4,388,988	1,759,763	3,021,795	882,995	4,016,914	(11,474,946)	1,090,281	(1,157,700)
Total Primary Government	$109,265,189	$114,913,678	$132,718,063	$171,110,860	$161,966,796	$157,081,724	$192,126,615	$145,024,535
Change in Net Assets								
Governmental Activities	($24,668,861)	($25,387,707)	$29,523,084	$35,629,609	$29,576,643	($3,202,603)	$4,049,514	($44,331,713)
Business-Type Activities	1,033,792	8,794,878	12,752,901	13,871,547	7,761,552	(11,941,328)	(2,376,182)	(5,718,900)
Total Primary Government	($23,635,069)	($16,592,829)	$42,275,985	$49,501,156	$37,338,195	($15,143,931)	$1,673,332	($50,050,613)

CITY OF RICHMOND
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)



	Fiscal Year Ended June 30,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	$40,004,328	$39,572,550	$36,921,700	$23,334,569	$17,083,473	$9,638,843	$22,090,540	$27,048,978	$24,682,489	$24,370,076
Unreserved	8,150,386	6,284,507	(4,420,944)	12,440,443	26,510,417	38,590,926	32,341,360	19,387,650	20,855,189	14,836,337
Total General Fund	$48,154,714	$45,857,057	$32,500,756	$35,775,012	$43,593,890	$48,229,769	$54,431,900	$46,436,628	$45,537,678	$39,206,413 (a)
All Other Governmental Funds										
Reserved	$27,405,012	$44,654,025	$24,082,816	$18,402,465	$19,734,505	$19,716,191	$30,517,337	$39,341,789	$34,982,192	$78,641,755
Unreserved, reported in:										
Special revenue funds	698,121	805,201	2,599,416	7,730,927	9,644,237	22,266,931	23,291,973	21,732,666	10,128,026	(14,101,274)
Debt service funds		(3,264,769)	(32,671,008)	(1,555,799)	462,267	6,647,877	11,101,399	28,551,466	26,219,974	9,483,965
Capital project funds	73,207,473	15,229,062	58,802,260	38,672,895	53,792,412	69,561,861	54,143,312	119,382,544	77,066,114	1,367,063
Total all other governmental funds	$101,310,606	$57,423,519	$52,813,484	$63,250,488	$83,633,421	$118,192,860	$119,054,021	$209,008,465	$148,396,306	$75,391,509

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

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CITY OF RICHMOND
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,						Fiscal Year Ended June 30,			
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Property taxes	$37,220,187	$37,152,483	$39,816,120	$36,475,512	$48,148,871	$76,431,421	$73,983,141	$77,764,608	$79,047,050	$63,858,143
Sales taxes	14,255,927	13,199,899	12,282,691	12,352,198	20,273,363	25,402,253	28,217,895	29,005,711	27,922,698	25,000,182
Utility user fees	21,094,681	21,144,888	23,463,409	29,322,850	29,721,091	30,199,388	27,007,410	29,553,243	48,953,004	40,298,719
Other taxes	9,755,617	7,578,673	10,810,643	9,421,142	13,847,030	14,690,034	12,042,215	8,342,809	7,959,683	6,092,050
Licenses, permits and fees	3,854,140	6,459,773	5,267,568	8,414,668	8,347,868	14,272,803	8,379,660	8,164,006	6,415,896	7,598,407
Developer revenue sharing						3,254,620	591,051	201,270	51,767	138,454
Fines, forfeitures and penalties	759,782	454,786	570,823	435,057	522,015	396,257	312,723	312,706	359,870	481,264
Use of money and property	8,521,642	11,950,076	9,710,818	2,628,566	2,496,624	5,149,718	6,879,814	10,360,029	5,278,605	1,849,884
Intergovernmental	19,539,785	15,391,085	26,727,129	15,892,578	15,980,671	16,303,188	24,439,246	18,092,672	15,753,684	21,627,513
Charges for services	4,824,336	6,158,955	6,775,324	6,775,449	3,864,491	4,421,803	4,488,092	6,026,165	5,585,383	8,517,238
Pension stabilization revenue						4,175,381	4,240,135	4,256,500	5,292,746	2,728,314
Settlement reimbursement						4,226,289				
Lease income	1,306,391	3,013,488	3,017,548							
Reimbursement from pension fund		4,017,246	3,928,959							
Rent	2,793,821	4,244,780	2,629,861	2,560,987	237,568	414,716	605,207	336,617	312,096	766,017
Other	3,971,315	2,364,500	6,184,893	23,152,932	3,191,685	3,496,107	3,009,820	3,407,481	11,685,170	4,766,408
Total Revenues	127,897,624	133,130,632	151,185,786	147,431,939	146,631,277	202,833,978	194,196,409	195,823,817	214,617,652	183,722,593
Expenditures										
Current:										
General government	19,657,294	17,316,203	17,981,557		12,871,884	18,986,723	22,646,791	26,022,760	19,044,304	14,412,971
Public safety	40,336,645	44,309,105	53,169,844		52,859,724	64,006,470	72,869,340	86,716,916	93,507,626	95,989,053
Public works					20,947,719	20,371,718	12,207,805	18,121,576	20,513,373	20,997,847
Highway and streets	7,793,120	24,689,873	18,345,397							
Health and sanitation	955,873									
Community development	9,600,033	6,139,781	8,556,636		4,542,606	6,306,343	5,449,106	5,196,860	4,334,599	7,692,545
Cultural and recreational	9,740,773	10,707,305	11,585,860		7,362,852	10,300,456	15,142,703	20,814,698	16,796,528	15,137,648
Housing and redevelopment	1,990,502	9,861,172	24,940,122		11,971,460	20,778,294	11,345,178	22,828,774	22,049,876	12,098,783
Salaries and wages				86,240,536						
General and administrative				40,886,151						
Maintenance				2,182,381						
Other	11,165,647	81,095	75,785	601,026						
SERAF										10,118,826
Capital outlay	15,894,297	8,461,827	13,170,857	12,570,471	10,630,365	17,479,290	34,281,457	62,742,853	80,466,151	25,142,692
Debt service:										
Principal repayment	13,436,978	12,988,661	6,245,552	7,989,730	7,639,995	6,515,045	9,079,459	6,300,998	9,684,582	171,714,191 (b)
Interest and fiscal charges	12,003,575	13,939,372	13,930,315	12,102,434	9,206,783	11,257,775	10,129,575	15,612,543	14,038,265	21,418,597
Total Expenditures	142,574,737	148,494,394	168,001,925	162,572,729	138,033,388	176,002,114	193,151,414	264,357,978	280,435,304	394,723,153
Excess (deficiency) of revenues over (under) expenditures	(14,677,113)	(15,363,762)	(16,816,139)	(15,140,790)	8,597,889	26,831,864	1,044,995	(68,534,161)	(65,817,652)	(211,000,560)
Other Financing Sources (Uses)										
Transfers in	52,731,159	29,129,749	37,541,392	66,659,138	27,587,164	53,092,947	33,071,479	184,513,795	79,414,731	49,963,245
Transfers out	(52,846,008)	(30,137,487)	(42,657,986)	(69,609,652)	(34,410,933)	(54,131,970)	(31,800,296)	(185,857,975)	(80,148,188)	(43,560,606)
Sale of property	308,775	223,115	61,624	578,907	9,071,591	3,167,685	4,747,114	4,287,517	5,040,000	23,300
Payment to refund bond escrow agent			6,556,686					(32,897,515)		
Proceeds of long-term debt	60,720,000	7,437,213		29,145,759	17,356,100	124,111,809		172,962,622		121,076,391
Payment to retirement plan						(113,877,017)				
Total other financing sources (uses)	60,913,926	6,652,590	1,501,716	26,774,152	19,603,922	12,363,454	6,018,297	143,008,444	4,306,543	127,502,330
Net Change in fund balances	$46,236,813	($8,711,172)	($15,314,423)	$11,633,362	$28,201,811	$39,195,318	$7,063,292	$74,474,283	($61,511,109)	($83,498,230)
Debt service as a percentage of										
noncapital expenditures	(a)	19.2%	13.0%	13.4%	13.2%	11.2%	11.9%	10.7%	11.1%	51.9%

NOTE:
(a) The City implemented GASB Statement 34 in fiscal year 2002. Therefore this calculation is included only for fiscal years subsequent to that date.
(b) Debt service in 2010 includes the current refunding of the 2007 Tax Allocation Bonds of $64,275,000.

CITY OF RICHMOND
ASSESSED AND ESTIMATED ACTUAL
VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

(In Thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
ASSESSED VALUE [1]										
Land	$1,918,926	$2,111,424	$2,324,645	$2,627,744	$2,959,317	$3,418,224	$4,039,890	$4,514,200	$4,498,812	$3,541,992
Improvements	4,784,954	5,616,334	5,626,587	5,738,751	6,621,854	7,266,076	7,862,708	8,395,671	8,995,536	8,071,718
Total Real Property	6,703,880	7,727,758	7,951,232	8,366,495	9,581,171	10,684,300	11,902,598	12,909,871	13,494,348	11,613,710
Personal Property	491,488	496,737	522,772	558,698	563,253	538,693	572,948	333,505	632,670	683,995
TOTAL	$7,195,368	$8,224,495	$8,474,004	$8,925,193	$10,144,424	$11,222,993	$12,475,546	$13,243,376	$14,127,018	$12,297,705
EXEMPTIONS[2]										
Homeowners[a]	$114,012	$115,472	$116,607	$116,687	$115,580	$117,722	$111,746	$113,417	$113,296	$111,793
Other[b]	208,302	240,583	245,704	243,788	267,660	317,429	332,611	338,751	364,531	432,140
TOTAL	$322,314	$356,055	$362,311	$360,475	$383,240	$435,151	$444,357	$452,168	$477,827	$543,933
ASSESSED VALUE										
(Net of Exemptions)	**$6,873,054**	**$7,868,440**	**$8,111,693**	**$8,564,718**	**$9,761,184**	**$10,787,842**	**$12,031,189**	**$12,791,208**	**$13,649,191**	**$11,753,772**
Less: Redevelopment Tax Increments[3]	792,046	903,230	1,020,387	1,102,499	1,200,250	1,346,439	1,982,930	2,333,771	2,404,325	1,736,546
NET ASSESSED VALUE	$6,081,008	$6,965,210	$7,091,306	$7,462,219	$8,560,934	$9,441,403	$10,048,259	$10,457,437	$11,244,866	$10,017,226
NET INCREASE (DECREASE)	$314,766	$884,202	$126,096	$370,913	$1,098,715	$880,469	$606,856	$409,178	$787,429	($1,227,640)
% OF INCREASE (DECREASE)	5.46%	14.54%	1.81%	5.23%	14.72%	10.28%	6.43%	4.07%	7.53%	-10.92%
Total Direct Tax Rates[4]	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

(1) Assessed value (full cash value) of taxable property represents all property within the City. For the fiscal year 1981-82 and thereafter, the assessed value is 100% of the full cash value in accordance with State legislation. The maximum tax rate is 1% of the full cash value or $1/$100 of the assessed value, excluding the tax rate for debt service.

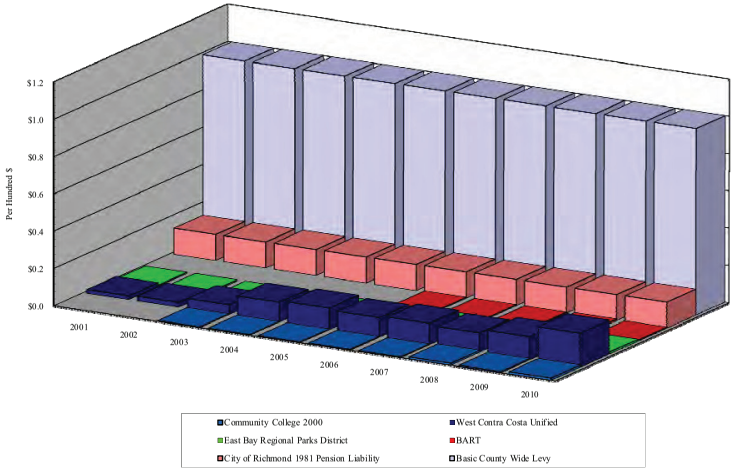
(2) Exemptions are summarized as follows:
(a) Homeowners' exemption arises from Article XIII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3)(k).
(b) Other exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).

(3) Tax increments are allocations made to the Redevelopment Agency under authority of California Constitution, Article XVI.

(4) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

Source: County of Contra Costa, Office of the Auditor-Controller
HdL reports

CITY OF RICHMOND
PROPERTY TAX RATES
ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS



Fiscal Year	Basic County Wide Levy	City of Richmond 1981 Pension Liability (1)	BART	East Bay Regional Parks District	West Contra Costa Unified	Community College 2000	Total
2001	$1.0000	$0.1400		$0.0065	$0.0204		$1.1669
2002	1.0000	0.1400		0.0072	0.0250		1.1722
2003	1.0000	0.1400		0.0065	0.0526	$0.0040	1.2031
2004	1.0000	0.1400		0.0057	0.1064	0.0038	1.2559
2005	1.0000	0.1400		0.0057	0.1153	0.0042	1.2652
2006	1.0000	0.1400	$0.0048	0.0057	0.1041	0.0047	1.2593
2007	1.0000	0.1400	0.0050	0.0085	0.1143	0.0043	1.2721
2008	1.0000	0.1400	0.0053	0.0080	0.1035	0.0108	1.2676
2009	1.0000	0.1400	0.0090	0.0100	0.1230	0.0066	1.2886
2010	1.0000	0.1400	0.0057	0.0108	0.1828	0.0126	1.3519

(1) Voter approved debt.

Source: County of Contra Costa, Office of the Auditor-Controller

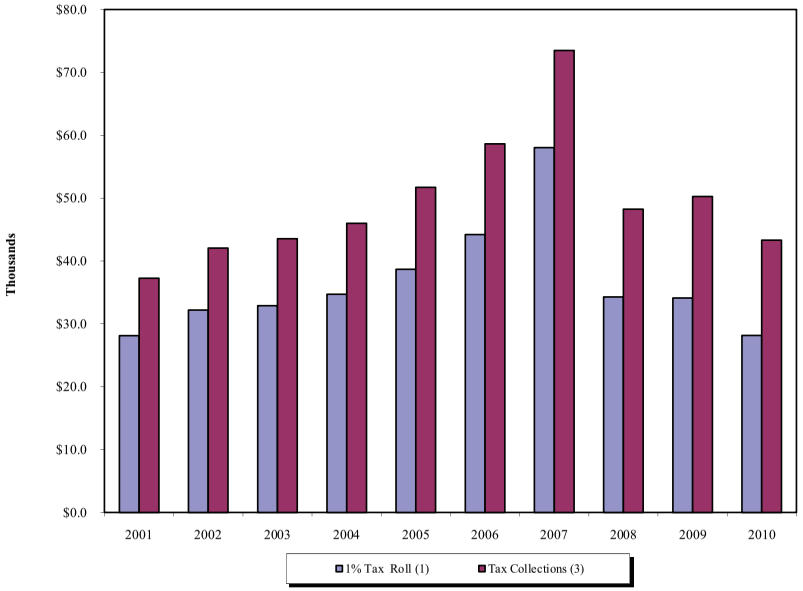
CITY OF RICHMOND
Principal Property Tax Payers
Current Year and Ten Years Ago
(In Thousands)

		2009-10			2000-01		
Taxpayer	Type of Business	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Chevron USA	Industry	$3,454,010	1	29%	$1,790,070	1	26.04%
Richmond Parkway Associates	Residential	125,115	2	1.06%	N/A		N/A
Berlex Laboratories, Inc.	Industrial	112,147	3	0.95%	127,824	2	1.86%
DDRM Hilltop Plaza, LP	Commercial	90,635	4	0.77%	N/A		
Lennar Emerald Marina Shores	Residential	68,993	5	0.59%	N/A		N/A
Praxair, Inc.	Unsecured	67,750	6	0.58%	N/A		N/A
Kaiser Foundation Hospitals	Institutional	66,223	7	0.56%	N/A		N/A
Richmond Associates	Commercial	64,888	8	0.55%	N/A		N/A
Richmond Pinole PT Industrial	Industrial	52,823	9	0.45%	N/A		N/A
Richmond Essex, LP	Residential	51,961	10	0.44%	N/A		N/A
Cremco-Richmond	Unsecured	N/A		N/A	122,437	3	1.78%
ICI Americas, Inc.	Industrial	N/A		N/A	71,823	4	1.04%
Burnham Pacific Operating Partners	Commercial	N/A		N/A	67,665	5	0.98%
Watch Holdings, LLC.	Residential	N/A		N/A	52,878	6	0.77%
Security Capital Pacific Trust	Residential	N/A		N/A	41,865	7	0.61%
Chronicle Publishing Company	Industrial	N/A		N/A	38,584	8	0.56%
California Fats & Oils	Industrial	N/A		N/A	32,779	9	0.48%
Pt Richmond R & D Associates	Industrial	N/A		N/A	30,292	10	0.44%
Subtotal		$4,154,545		27.66%	$2,376,217		34.24%

Total Net Assessed Valuation:
Fiscal Year 2009-2010 $11,753,772
Fiscal Year 2000-2001 6,873,054

Source: Contra Costa County Assessor Fiscal Year Combined Tax Rolls.

CITY OF RICHMOND
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(In Thousands)

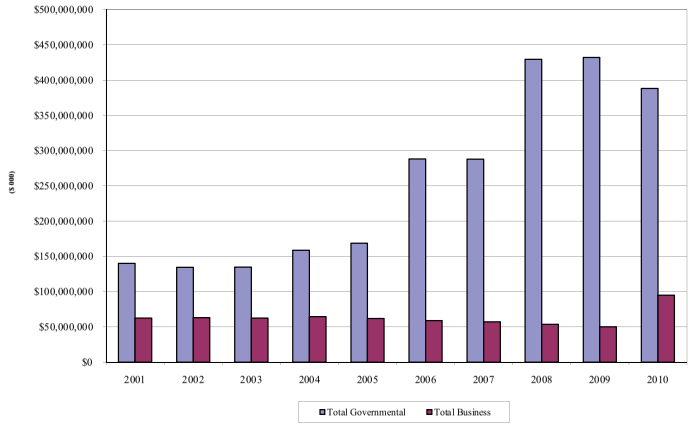


Fiscal Year	1% Tax Roll (1)	Voter Approve Debt Tax Rolls (2)	Total Tax Collections (3)	Percent of Total Tax Collections to Tax Levy
2001	$28,125	$9,129	$37,254	100%
2002	32,193	9,867	42,060	100%
2003	32,890	10,656	43,546	100%
2004	34,721	11,282	46,003	100%
2005	38,687	13,009	51,696	100%
2006	44,209	14,426	58,635	100%
2007	58,024	15,473	73,497	100%
2008	34,269	13,983	48,252	100%
2009	34,096	16,172	50,268	100%
2010	28,147	15,155	43,302	100%

Source: City of Richmond Records

NOTES:
(1) The maximum tax rate is 1% of the assessed value or $1/$100 of the assessed value, excluding the tax rate for debt.
(2) Voter approved tax roll for debt is in addition to the 1% rate shown in note **(1)**.
(3) During fiscal year 1995, the County began providing the City 100% of its tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.

CITY OF RICHMOND
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years



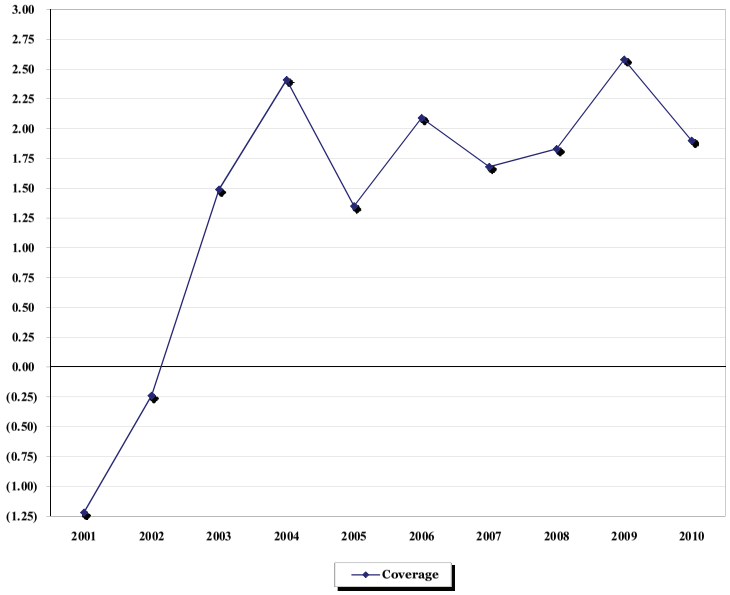
	Governmental Activities					
Fiscal Year	Tax Allocation Bonds	Pension Obligation Bonds	Revenue Bonds	Loans and Notes Payable	Capital Leases	Total
2001	$55,162,779	$33,040,000	$42,445,000	$2,850,650	$6,551,646	$140,050,075
2002	54,487,779	31,360,000	40,845,002	2,655,597	5,150,251	134,498,629
2003	53,877,779	29,660,000	39,530,000	2,683,222	9,058,762	134,809,763
2004	82,965,168	27,945,000	38,155,000	2,963,702	6,500,204	158,529,074
2005	98,578,513	26,225,000	36,715,000	3,204,394	4,045,158	168,768,065
2006	96,801,090	140,799,775	35,205,000	12,200,843	3,195,340	288,202,048
2007	95,079,118	143,575,313	33,630,000	10,518,963	5,111,871	287,915,265
2008	168,838,368	146,453,616	99,619,143	10,578,390	3,964,298	429,453,815
2009	165,200,399	150,493,392	97,750,000	10,544,185	8,300,966	432,288,942
2010	130,953,999	152,059,727	88,271,545	10,460,463	6,536,310	388,282,044

	Business-Type Activities						
Fiscal Year	Wastewater Revenue Bonds	Port Lease Revenue Bonds	Loans and Notes Payable	Total	Total Primary Government	Percentage of Personal Income (B)	Per Capita (B)
2001	$38,345,972	$15,680,703	$8,418,185	$62,444,860	$202,494,935	10.20%	$2,040.95
2002	38,904,150	14,501,865	9,682,769	63,088,784	197,587,413	9.73%	1,968.53
2003	39,422,497	13,273,027	9,704,142	62,399,666	197,209,429	9.62%	1,953.75
2004	39,903,191	11,989,189	12,543,740	64,436,120	222,965,194	10.63%	2,204.59
2005	39,218,632	10,650,351	11,877,513	61,746,496	230,514,561	(A)	2,267.51
2006	38,516,264	9,251,513	11,195,682	58,963,459	347,165,507	(A)	3,393.37
2007	41,857,327	7,782,675	7,419,009	57,059,011	344,974,276	(A)	3,376.08
2008	42,152,480	5,933,813	5,427,429	53,513,722	482,967,537	(A)	4,675.12
2009	41,934,902	3,203,312	4,971,846	50,110,060	482,399,002	(A)	4,643.14
2010	41,416,658	49,015,199	4,501,732	94,933,589	483,215,633	(A)	4,619.56

Notes: Debt amounts exclude any premiums, discounts, or other amortization amounts.
(A) Data not available.
(B) See Demographic Statistics for personal income and population data.

Sources: City of Richmond
State of California, Department of Finance (population)
U.S. Department of commerce, Bureau of the Census (income)

CITY OF RICHMOND
REVENUE BOND COVERAGE
1999, 2006 AND 2008 WASTEWATER REVENUE BONDS
LAST TEN FISCAL YEARS

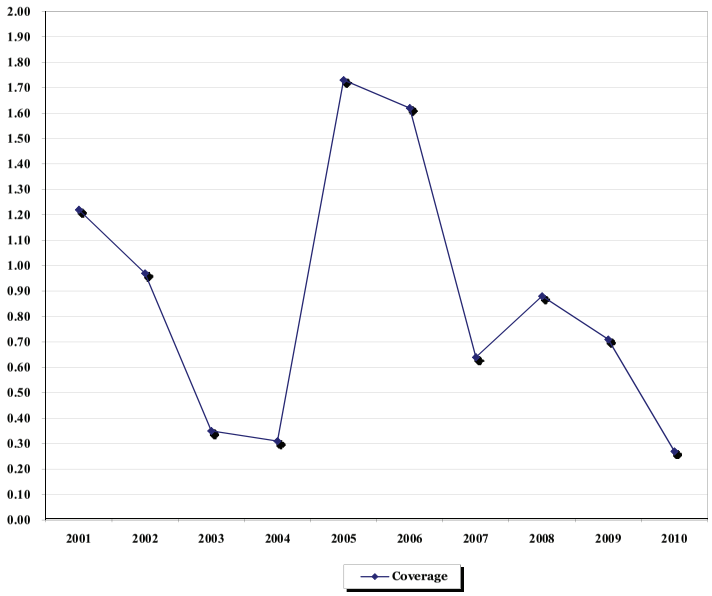


				Debt Service Requirements			
Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
2001	$7,765,103	$9,665,875	($1,900,772)		$1,559,561	$1,559,561	(1.22)
2002	9,690,868	10,059,777	(368,909)		1,559,561	1,559,561	(0.24)
2003	10,163,012	7,727,467	2,435,545	$75,000	1,557,874	1,632,874	1.49
2004	11,825,418	7,715,459	4,109,959	150,000	1,552,811	1,702,811	2.41
2005	10,180,595	6,291,348	3,889,247	1,355,000	1,518,949	2,873,949	1.35
2006	11,922,340	5,918,001	6,004,339	1,415,000	1,455,916	2,870,916	2.09
2007	13,687,290	8,799,108	4,888,182	1,480,000	1,422,950	2,902,950	1.68
2008	14,421,345	9,991,039	4,430,306		2,414,409	2,414,409	1.83
2009	14,498,712	8,287,431	6,211,281		2,403,307	2,403,307	2.58
2010	16,075,782	10,362,653	5,713,129	865,000	2,146,974	3,011,974	1.90

Notes: (1) Includes all Municipal Sewer Operating Revenues and Non-operating Interest Revenue excluding Derivative Investment Interest
(2) Includes all Municipal Sewer Operating Expenses less Depreciation

Source: City of Richmond Annual Financial Statements

CITY OF RICHMOND
REVENUE BOND COVERAGE
1996, 1999, 2004, AND 2007 PORT TERMINAL LEASE REVENUE BONDS, NOTE AND POINT POTRERO LEASE REVENUE BONDS
LAST TEN FISCAL YEARS

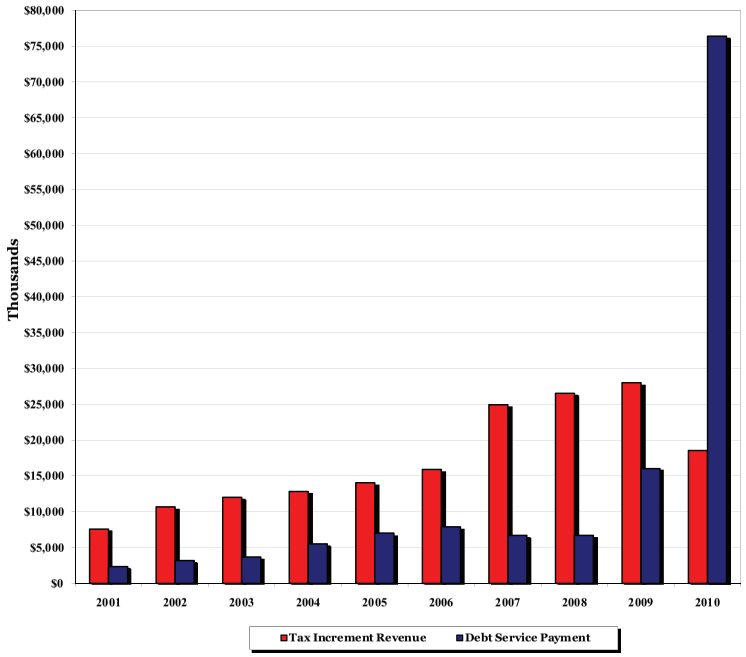


Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2001	$5,078,601	$2,664,299	$2,414,302	$1,140,000	$836,379	$1,976,379	1.22
2002	3,698,781	1,785,720	1,913,061	1,185,000	790,037	1,975,037	0.97
2003	2,319,180	1,618,331	700,849	1,235,000	739,776	1,974,776	0.35
2004	2,491,147	1,879,276	611,871	1,290,000	686,057	1,976,057	0.31
2005	5,944,719	1,655,877	4,288,842	1,603,385	878,851	2,482,236	1.73
2006	6,237,708	2,209,972	4,027,736	1,672,140	808,267	2,480,407	1.62
2007	5,621,400	2,106,307	3,515,093	4,823,787	643,463	5,467,250	0.64
2008	6,061,660	3,024,733	3,036,927	3,094,865	362,194	3,457,059	0.88
2009	5,292,289	3,129,349	2,162,940	2,745,000	292,367	3,037,367	0.71
2010	4,334,422	3,007,455	1,326,967	3,270,000	1,671,265	4,941,265	0.27

Notes: (1) Includes all Municipal Sewer Operating Revenues and Non-operating Interest Revenue excluding Derivative Investment Interest
(2) Includes all Municipal Sewer Operating Expenses less Depreciatior

Source: City of Richmond Annual Financial Statements

CITY OF RICHMOND
BONDED DEBT PLEDGED REVENUE COVERAGE
TAX ALLOCATION BONDS (1)
LAST TEN FISCAL YEARS

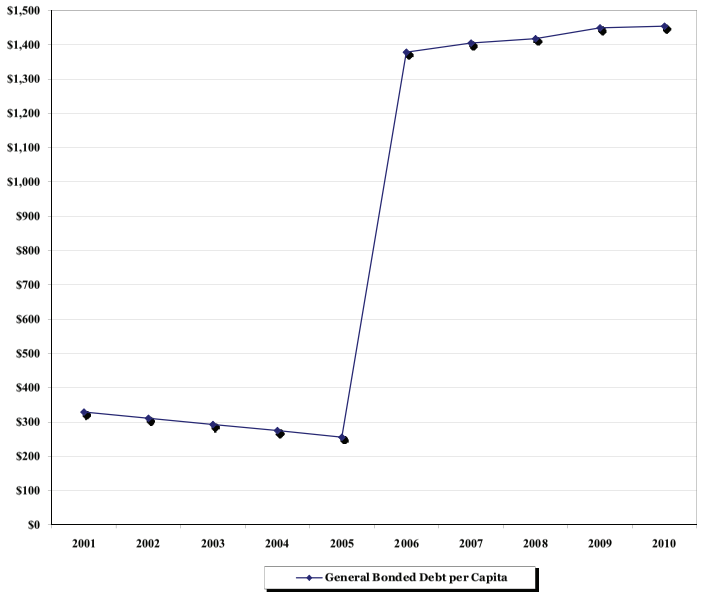


Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2001	$7,583,609	$630,000	$1,711,896	$2,341,896	3.24
2002	10,699,505	346,000	2,850,068	3,196,068	3.35
2003	12,010,629	895,000	2,794,504	3,689,504	3.26
2004	12,835,207	2,035,000	3,491,256	5,526,256	2.32
2005	14,065,091	2,610,000	4,404,180	7,014,180	2.01
2006	15,925,961	3,075,000	4,817,908	7,892,908	2.02
2007	24,953,805	2,250,000	4,463,106	6,713,106	3.72
2008	26,535,184	2,345,000	4,359,236	6,704,236	3.96
2009	28,012,195	6,450,000	9,589,715	16,039,715	1.75
2010	18,559,284	69,170,000 (2)	7,220,349	76,390,349	0.24

Note: **(1)** Includes the 1991, 1998, 2000, 2003, 2004, 2007 and 2010 Bonds.
(2) Includes current refunding of the 2007 Bonds of $64,275,000

Source: City of Richmond Annual Financial Statements

CITY OF RICHMOND
GENERAL BONDED DEBT
PENSION OBLIGATION BONDS (1)
LAST TEN FISCAL YEARS



Fiscal Year	Bonds Outstanding	Net Assessed Value of Property	Ratio of General Bonded Debt to Net Assessed Value of Property	General Bonded Debt per Capita
2001	$33,040,000	$6,081,008,000	0.54%	$329
2002	31,360,000	6,965,210,000	0.45%	311
2003	29,660,000	7,091,306,000	0.42%	293
2004	27,945,000	7,462,219,000	0.37%	275
2005	26,225,000	8,560,934,000	0.31%	256
2006	140,799,775	9,441,403,000	1.49%	1,378
2007	143,575,313	10,048,259,000	1.43%	1,405
2008	146,453,616	10,457,437,000	1.40%	1,418
2009	150,493,392	11,244,866,000	1.34%	1,449
2010	152,059,727	10,017,226,000	1.52%	1,454

Note: **(1)** Includes the 1999 Bonds issued in fiscal year 2000, and the 2005 Bonds issued in fiscal year 2006.

Source: City of Richmond Annual Financial Statements

CITY OF RICHMOND
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2010

2009-2010 Assessed Valuation:	$11,865,462,874
Redevelopment Incremental Valuation:	1,736,546,065
Adjusted Assessed Valuation:	$10,128,916,809

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt June 30, 2010	% Applicable (1)	City's Share of Debt June 30, 2010
Bay Area Rapid Transit District	$420,000,000	2.319%	$9,739,800
Contra Costa Community College District	245,795,000	7.848%	19,289,992
West Contra Costa Unified School District	731,132,876	55.429%	405,259,642
West Contra Costa Healthcare District Parcel Tax Obligations	23,175,000	50.674%	11,743,700
East Bay Municipal Utility District, Special District No. 1	27,255,000	0.841%	229,215
East Bay Regional Park District	196,775,000	3.535%	6,955,996
City of Richmond Community Facilities District No. 1998-1	3,660,000	100%	3,660,000
City of Richmond 1915 Act Bonds	19,570,000	100%	19,570,000
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT			476,448,345
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Contra Costa County General Fund Obligations	$270,430,000	7.819%	$21,144,922
Contra Costa County Pension Obligations	435,310,000	7.819%	34,036,889
Alameda-Contra Costa Transit District Certificates of Participation	40,335,000	7.094%	2,861,365
Contra Costa Community College District Certificates of Participation	990,000	7.848%	77,695
West Contra Costa Unified School District Certificates of Participation	21,830,000	55.429%	12,100,151
City of Richmond General Fund Obligations	**136,905,000**	**100%**	**136,905,000**
City of Richmond Pension Obligations	**125,460,133**	**100%**	**125,460,133**
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			332,586,155
Less: Contra Costa County general fund obligations supported by revenue funds			9,856,815
City of Richmond obligations supported from port revenues			**47,110,000**
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			275,619,340
GROSS COMBINED TOTAL DEBT			$809,034,500 (2)
NET COMBINED TOTAL DEBT			$752,067,685

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.
(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 Net Overlapping Tax and Assessment Debt	4.02%

Ratios to Adjusted Assessed Valuation:

Gross Combined Direct Debt ($262,365,133)	**2.59%**
Net Combined Direct Debt ($215,255,133)	**2.13%**
Combined Total Debt	7.99%
Net Combined Total Debt	7.42%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: $0

Source: HdL Coren & Cone, Contra Costa County Assessor and Auditor

CITY OF RICHMOND
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2010

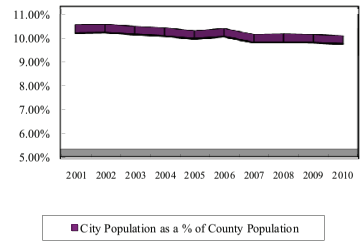
ASSESSED VALUATION:		
Secured property assessed value, net of exempt real property	$11,753,772,000	
BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)		$440,766,450
AMOUNT OF DEBT SUBJECT TO LIMIT:		
Total Bonded Debt	$0	
Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	0	
Amount of debt subject to limit		0
LEGAL BONDED DEBT MARGIN		$440,766,450

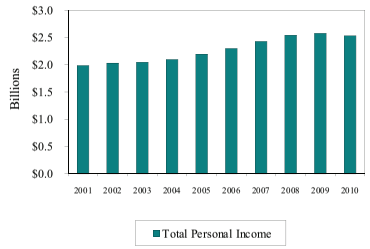
Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2001	$257,739,525	0	$257,739,525	0.00%
2002	295,066,500	0	295,066,500	0.00%
2003	304,188,488	0	304,188,488	0.00%
2004	321,176,925	0	321,176,925	0.00%
2005	366,044,400	0	366,044,400	0.00%
2006	404,544,075	0	404,544,075	0.00%
2007	451,169,588	0	451,169,588	0.00%
2008	479,670,300	0	479,670,300	0.00%
2009	511,844,663	0	511,844,663	0.00%
2010	440,766,450	0	440,766,450	0.00%

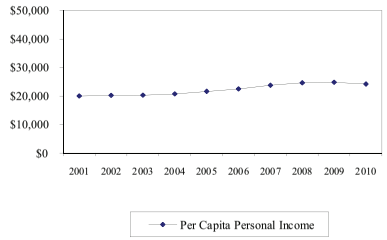
NOTE:

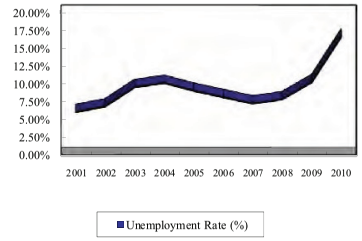
(a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

CITY OF RICHMOND
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS









Calendar Year	City Population	Total Personal Income	Per Capita Personal Income	Unemployment Rate (%)	Contra Costa County Population	City Population % of County
2001	99,216	$1,985,377,000	$20,011	6.0%	972,103	10.21%
2002	100,373	2,030,996,000	20,234	6.8%	981,600	10.23%
2003	100,939	2,048,955,000	20,299	9.5%	994,900	10.15%
2004	101,137	2,096,562,000	20,730	10.1%	1,003,900	10.07%
2005	101,660	2,198,664,000	21,628	9.0%	1,020,898	9.96%
2006	102,307	2,301,226,000	22,493	8.1%	1,029,377	10.05%
2007	102,182	2,429,855,000	23,780	7.2%	1,042,341	9.80%
2008	103,306	2,544,898,000	24,635	7.8%	1,051,674	9.82%
2009	103,895	2,579,939,000	24,832	10.2%	1,060,435	9.80%
2010	104,602	2,532,776,000	24,213	16.6%	1,073,055	9.75%

Source: HDL Coren & Cone

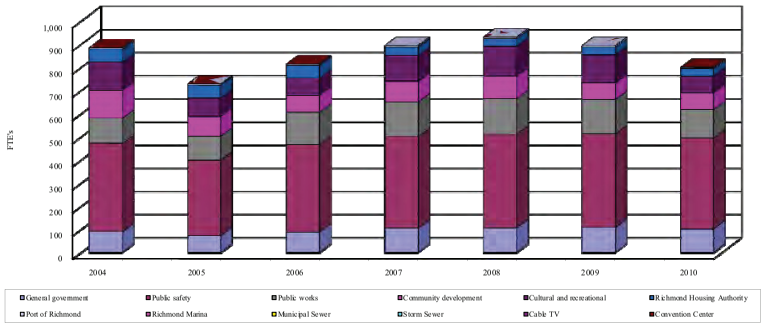
CITY OF RICHMOND
Principal Employers
Current Year

Employer	2009-10 Number of Employees	Rank	Percentage of Total City Employment
West Contra Costa Unified School District	2,568	1	2.5%
Chevron Refinery	1,950	2	1.9%
City of Richmond	911	3	0.9%
Kaiser Permanente	600	4	0.6%
Sun Power	500	5	0.5%
Pacific Gas & Electric	299	6	0.3%
U.S. Postal Service	294	7	0.3%
Richmond Health Center	250	8	0.2%
Target	245	9	0.2%
Galaxy Desserts	190	10	0.2%
Subtotal	7,807		7.5%
Total City Day Population	104,602		

Source: City of Richmond Community Development Department

Notes: Data for fiscal year 2000/01 is not available

CITY OF RICHMOND
Full-Time Equivalent City Government Employees by Function
Last Seven Fiscal Years



	Adopted for Fiscal Year Ended June 30,						
	2004	2005	2006	2007	2008	2009	2010
Function							
General government	89.0	71.5	87.2	104.0	105.5	107.2	100.2
Public safety	382.0	327.0	378.5	396.5	405.0	405.0	394.0
Public works	109.0	103.0	139.5	150.0	154.0	149.0	123.0
Community development	120.9	84.9	73.0	88.0	96.0	71.0	72.0
Cultural and recreational	121.6	80.8	74.4	113.2	130.4	121.5	72.2
Housing and redevelopment	38.2	39.2	39.0	39.0	41.0	40.0	19.0
Richmond Housing Authority and RHA Properties	56.0	56.0	56.0	36.5	34.0	33.0	32.0
Port of Richmond	6.1	5.1	5.0	6.0	6.0	7.0	6.0
Richmond Marina	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Municipal Sewer	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Storm Sewer	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Cable TV	(1)	(1)	(1)	(1)	(1)	(1)	(3)
Convention Center	(1)	(1)	(1)	(2)	(2)	(2)	(3)
Total	922.80	767.50	852.60	933.20	971.90	933.70	818.40

Source: City of Richmond Budget
Notes:
Data prior to fiscal year 2004 was not available
(1) These services are provided by outside contractors.
(2) Convention Center closed during renovation and staff moved under cultural and recreational.
(3) Staff that perform these functions are included under General Government and Cultural and Recreational.

CITY OF RICHMOND
Operating Indicators by Function/Program
Fiscal Year Ended June 30

Function/Program	2005	2006	2007	2008	2009	2010
Public safety:						
Fire:						
Fire calls for service	10,068	10,068	11,006	10,677	9,861	11,723
Primary fire inspections conducted	5,502	5,502	9,795	5,581	6,201	5,752
Number of firefighters	77.5	93	99	99	98	109
Number of firefighters and civilians per thousand population	0.8	0.9	1.0	1.0	1.1	1.0
Police:						
Number of police officers per thousand population	1.6	1.7	1.7	1.7	1.7	1.9
Number of sworn officers	164	179	179	187	176	200
Water						
Daily average consumption in gallons per family	250	250	250	250	250	250

Source: City of Richmond
Note: Data prior to 2005 is not available

CITY OF RICHMOND
Capital Asset Statistics by Function/Program
Fiscal Year Ended June 30

Function/Program	2006	2007	2008	2009	2010
Public safety:					
Fire stations	7	7	7	7	7
Police stations	6	6	6	6	6
Library (#) of Locations	1	1	3 *	3 *	3
(* two branch library sites were refurbished and opened in January 2008)					
Public works					
Miles of streets	280	280	280	280	280
Street lights	7,000	7,000	7,000	7,000	7,000
Urban Forest (trees)	39,900	40,200	40,200	40,200	40,757
Culture and recreation:					
Community services:					
City parks	53	55	55	55	55
City parks acreage	280.0	336.6	336.6	336.6	336.6
Open Space & Public Landscapes acreage	562.0	510.0	510.0	510.0	510.0
Lawn bowling	1	1	1	1	1
Recreation centers	8	8	8	8	8
Auditorium/Theater	1	1	1	1	1
Gymnasiums	3	3	3	3	3
Senior centers	2	2	2	2	2
Headstart centers/day cares	10	6	6	6	6
Putting green	1	1	1	1	1
Basketball courts	28	28	28	28	28
Swimming pools	1	1	1	1	1
Tennis courts	17	20	20	20	20
Baseball/softball diamonds	26	26	26	26	26
Soccer/football fields	17	17	17	17	17
Cricket fields	2	2	2	2	2
Water					
Fire hydrants	3,153	3,153	3,153	3,153	3,153
Wastewater					
Miles of sanitary sewers	230	230	230	230	230
Miles of storm sewers	310	310	310	310	310
Land Area (square miles)	33.7	33.7	33.7	33.7	33.7
Miles of waterfront	32	32	32	32	32

Source: City of Richmond
Note: Data prior to 2006 is not available

APPENDIX C

CITY INVESTMENT POLICY

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CITY OF RICHMOND
INVESTMENT POLICY
FY10-11

I. Mission Statement

It is the policy of the City of Richmond (City) to invest public funds in a manner which will provide the highest investment return with maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds.

II. Policy

The investment policy shall be adopted by resolution of the City Council. The policy shall be reviewed annually by the Council and any modification made thereto must be approved by the City Council.

III. Authority

The City of Richmond's Charter and Section 53601 of the State of California Code authorize the City to invest its idle cash (i.e. City funds not required for immediate expenditures) in various investment vehicles allowed for public agencies under current legislation. The Director of Finance is responsible for administering the City's investments.

IV. Scope

This Statement addresses the investment policy for the City's pooled funds. The pooled funds include the General Fund, Special Revenue, Debt Service, Capital Projects, Enterprise , Internal service, Trust & Agency, Redevelopment an any other Fund authorized by the City Council which are accounted for in the City of Richmond Comprehensive Annual Financial Report (CAFR).

The investment policy for bond and note proceeds is contained in the bond documents approved by the City Council at the time of the issuance of the debt; provided, that to the extent not inconsistent with such bond documents, bond or note proceeds and in accordance with the Government Code, sections 53601(l) and 5922(d), may be invested in (i) Guaranteed Investment Contracts or other debt issuance proceeds with an investment provider rated in a category of "A" or better and with downgrade protection or (ii) Investment instruments described herein.

The investment policy for the Police and Fire Pension Fund and the General Pension Fund are contained in the City Charter.

V. Objectives

The City's investment activities are designed to accurately monitor and forecast expenditures and revenues in order to:

1. Invest up to 100% of all idle funds.
2. Guarantee that funds are always available when needed.
3. 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.

VI. Criteria

The criteria for selecting specific investment vehicles are:

1. Safety. The primary duty and responsibility of the Treasurer is to protect, preserve and maintain cash and investments placed in his/her trust on behalf of the citizens of the community. To attain this objective, the City will diversify its investments by investing funds among a variety of securities offering independent returns and financial institutions.

2. Liquidity. 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. Since all cost requirements cannot be anticipated, investment in securities with active secondary or resale markets is highly recommended. Emphasis should be on marketable securities with low sensitivity market risks.

3. Yield. Yield, sometimes referred to as "rate of return," is the potential dollar earnings investment can provide. Yield should become a consideration only after the basic requirements of safety and liquidity have been met with measurement of investment risk and the cash flow needs.

VII. Guidelines

1. The City adheres to the guidance provided by the "prudent investor standard". [1]"A standard of conduct where a person acts with care, skill, prudence, and diligence when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing funds. The test of whether the standard is being met is if a prudent person acting in a similar situation would engage in similar conduct to ensure that investments safeguard principal and maintain liquidity."

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[1]As defined in the California Debt Advisory Commission's October 1996 document: *Local Agency Investment Guidelines: Recommendations for Implementing Recent Statutory Changes to the California Government Code.*

2. All participants in the investment process shall act as custodians of public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable and must be considered within the context of the overall portfolio investment return provided that adequate diversification has been implemented. Each issuer shall be limited in terms of their percentage of the portfolio, to minimize risk exposure.

3. The Director of Finance shall report monthly on the City's pooled and Bond funds to the City Manager and City Council and shall report quarterly on other investments, such as, pension funds. The following elements will be part of the investment report:

   a) Type of investment
   b) Institution/Issuer
   c) Date of maturity
   d) Cost of security and amount of deposit
   e) Current market value of securities with a maturity life greater than 12 months
   f) Rate of return
   g) Statement of compliance with the investment policy or other appropriate document (i.e., bond/note documents of City Charter).

VIII. Authorized Broker/Dealers

The Director of Finance will maintain a list of broker/dealers authorized to provide investment services. The broker/dealers will be selected by credit worthiness that is authorized to provide investment services in the State of California. These may include "primary" dealers or "regional" dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Finance Director with the following: (e.g. audited financial statements, proof of FINRA certification, and proof of state registration, completed broker/dealer questionnaire, and certification of having read the City's investment policy.)

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Finance Director. The bidding process will conducted on a biennial (every two years) basis. The current audited financial statement is required to be on file for each financial institution and broker/dealer in which the City invests.

IX. Authorized Investments

With the above objectives and criteria in mind, the City of Richmond may invest in the following instruments that have maturities of five (5) years or less at the time of purchase:

1. Government Bonds and Notes

   i. United States Treasury Notes, Bonds, 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;

   ii. Treasury notes or bonds of the State of California; and

   iii. Bonds, Notes, Warrants or other evidences of indebtedness of any local agency within California, rated in a rating category of "A" or better by a nationally recognized rating service.

2. Bonds and Notes of Federally Sponsored Agencies, such as the Federal Farm Credit Bank, Federal Home Loan Bank, Federal National Mortgage Association, Government National Mortgage Association or any other instruments issued by a federal agency or a United States government sponsored enterprise.

3. 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. Purchases are not to exceed 30% of invested idle funds.

4. Medium Term Corporate Notes with a maximum of five years maturity issued by corporations organized and operating within the United States. Such securities must be rated in a rating category of "A" or better by a nationally recognized rating service. Purchases may not exceed 30% of invested idle funds.

5. Commercial Paper of "prime quality" of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investor Service, Inc., or Standard & Poor's Corporation. Eligible paper is further limited to issuing corporations that are organized and operating within the United States and have total assets in excess of five hundred million dollars ($500,000,000.00) and having an "A" or higher rating for the issuer's debt, other than commercial paper, if any, as provided for by Moody's Investors Service, Inc., or Standard & Poor's Corporation. Purchases of eligible commercial paper may not exceed 270 days maturity nor represent more than 10 percent of the outstanding paper of any issuing corporation. Purchases of commercial paper may not exceed 10 percent of the City's surplus money that may be invested pursuant to this section. An additional 15 percent, or a total of 25 percent of the City's surplus money, may be

IX. Authorized Investments, (cont.)

invested only if the dollar-weighted average maturity of the entire amount does not exceed 31 days.

6. Money Market Mutual Funds are eligible for investment if the companies providing the mutual funds invest only in instruments authorized by Government Code, Sections 53601 and/or 53635. Such companies shall have attained either the highest ranking or the highest letter and numerical rating provided by not less than two of the three largest nationally recognized rating services, retain an investment advisor registered with the Securities and Exchange Commission with not less than five (5) years experience investing in securities and obligations authorized and with assets under management in excess of five hundred million dollars ($500,000,000.00). The purchase price of the share of beneficial interest shall not include any commission that these companies charge. Purchases shall not exceed 15 percent of the City's idle funds.

X. Investment Pool

State of California's Local Agency Investment Fund (L.A.I.F.) – The City may invest in the LAIF established by the State Treasurer for the benefit of local agencies up to the maximum permitted by State law, but not to exceed 25% of the cost value (book value) of the total portfolio exclusive of the fiscal agent cash portfolio. Each agency is limited to an investment of $50 million per account currently, but subject to change.

XI. Collateralization

Collateralized Time Deposits placed with State-chartered commercial banks and Savings and Loan Associations. All of the City's short-term investments will be in securities that pay principal upon maturity. Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership must be supplied to the City and retained.

XII. Safekeeping

Securities purchased from broker/dealers shall be held in third party safekeeping by the trust department of the City's bank or other designated third party, in the City's name and control. The basic premise underlying the City's investment philosophy is and will continue to be to ensure that money is always safe and available when needed.

XIII. Internal Control

The Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

XIV. Risk Tolerance

The City of Richmond recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. Investment Managers are expected to display prudence in the selection of securities as a way to minimize default risk. No individual investment transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio. The Treasurer shall periodically establish guidelines and strategies to control risks of default, market price changes, and illiquidity.

In addition to these general policy considerations, the following specific policies will be strictly observed:

1. All transactions will be executed on a delivery versus payment basis.

2. A competitive bid process, when practical, will be used to place all investment purchases.

XV. Interest Earnings

All moneys earned and collected from investments authorized in this policy shall be allocated monthly to various fund accounts based on the cash balance in each fund as a percentage of the entire pooled portfolio. Should any fund not have a cash balance at the end of a month, it will receive none of the moneys earned and collected from the pooled investments. Furthermore, should any fund have a temporary negative cash balance at the end of a month, it will be charged for the use of the money at the aggregated earnings rate of the pooled investments.

XVI. Restrictions

1. The City will not invest any funds in inverse floaters, range notes, or interest-only STRIPS (Separate Trading of Registered Interest and Principal of Securities) that are derived from a pool of mortgages.

XVI. Restrictions, (cont.)

2. The City will not invest any funds in any security that could result in zero interest accrual if held to maturity. This limitation does not apply to investments in shares of beneficial interest (money market mutual funds) that are authorized elsewhere in the Investment Policy.

3. It is the City's policy not to invest in companies involved in the manufacturing of tobacco and tobacco-related products such as cigarettes, cigars, pipe tobacco, chewing tobacco, etc.

4. In accordance with the Slavery Era Insurance Ordinance 14-05 N.S. Section 2.29.030 Social Disclosure on Gains from Slavery effective July 1, 2005, the City will not invest any funds in international financial instruments that benefited from slavery. The City Council prohibits, by social investment policy, such investments and reserves the absolute right to divest from such investments with the cost of divestment being borne by the contracting institution.

GLOSSARY

Agencies: Federal agency securities and/or Government-sponsored enterprises.

Bankers' Acceptance (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

Benchmark: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

Bid: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

Broker: A broker brings buyers and sellers together for a commission.

Certificate of deposit (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

Collateral: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Comprehensive Annual Financial Report (CAFR): The official annual report for the government agency. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

Delivery versus Payment (DVP): There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

Derivatives: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

Discount: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

Diversification: Dividing investment funds among a variety of securities offering independent returns.

Federal Credit Agencies: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., Savings and Loan's, small business firms, students, farmers, farm cooperatives, and exporters.

Federal Deposit Insurance Corporation (FDIC): A federal agency that insures bank deposits, currently up to $100,000 per deposit.

Federal Funds Rate: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

Federal Home Loan Banks (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

Federal National Mortgage Association (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

Federal Open Market Committee (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

Federal Reserve System: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

Government National Mortgage Association (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. The security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FmHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

Liquidity: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

Local Government Investment Pool (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

Market Value: The price at which a security is trading and could presumably be purchased or sold.

Maturity: The date upon which the principal or stated value of an investment becomes due and payable.

Money Market: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

Offer: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Bid.

Open Market Operations: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

Portfolio: Collection of securities held by an investor.

Primary Dealer: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

Prudent Person Rule: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

Rate of Return: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

Safekeeping: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

Secondary Market: A market made for the purchase and sale of outstanding issues following the initial distribution.

Securities & Exchange Commission: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

Securities and Exchange Commission (SEC) Rule 15C3-1: See Uniform Net Capital Rule.

Structured Notes: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, and derivative-based returns) into their debt structure. Their market
performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

Treasury Bills: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

Treasury Bonds: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

Treasury Notes: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

Uniform Net Capital Rule: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

Yield: The rate of annual income return on an investment, expressed as a percentage. (a) Income Yield is obtained by dividing the current dollar income by the current market price for the security. (b) Net Yield or Yield to Maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Delivery Date]

City of Richmond
Richmond, California

City of Richmond, California
2011-2012 Tax and Revenue Anticipation Notes
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Richmond (the "City") in connection with the issuance of $7,650,000 aggregate principal amount of tax and revenue anticipation notes, issued pursuant to and by authority of a resolution of the City Council of the City adopted on July 26, 2011 (the "Resolution"), under and by authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code, and designated "City of Richmond, California, 2011-2012 Tax and Revenue Anticipation Notes" (the "Notes").

In such connection, we have reviewed the Resolution, the Tax Certificate of the City, dated the date hereof (the "Tax Certificate"), certificates of the City and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Notes 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). We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution 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 Notes to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Notes, the Resolution 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 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. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Notes 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 Notes constitute the valid and binding obligations of the City. The principal of and interest on the Notes are payable from the first moneys received by the City from the Pledged Revenues (as that term is defined in the Resolution), and to the extent not so paid, are payable from any other moneys of the City lawfully available therefor.

2. Interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The amount treated as interest on the Notes and excluded from gross income will depend upon the taxpayer's election under internal revenue service notice 94-84. Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, we observe however that such interest is 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 Notes.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Richmond (the "City") in connection with the issuance of $7,650,000 aggregate principal amount of its City of Richmond, California 2011-2012 Tax and Revenue Anticipation Notes (the "Notes") pursuant to a Resolution authorizing the issuance of the Notes adopted by the City Council on July 26, 2011 (the "Resolution"); and in connection therewith the City covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City and Dissemination Agent for the benefit of the Owners and Beneficial Owners of the Notes and in order to assist the Participating Underwriter (as defined below) in complying with the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms have the following meanings:

"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 Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Notes for federal income tax purposes.

"*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 Dissemination Agent from time to time.

"Dissemination Agent" means initially 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.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"*Official Statement*" means the Official Statement dated October 27, 2011 relating to the Notes.

"*Participating Underwriter"* means the original underwriter of the Notes required to comply with the Rule in connection with the offering of the Notes.

"*Repository*" means the Electronic Municipal Market Access site maintained by the MSRB 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.

"*Significant Events*" means any of the events listed in Section 3(a) of this Disclosure Certificate.

SECTION 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this section, to the extent applicable, the City shall provide notice of the occurrence of any of the following events with respect to the Notes, not later than ten (10) business days after the occurrence of the event:

(i) Principal and interest payment delinquencies;

(ii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) Unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) Substitution of credit or liquidity providers, or their failure to perform;

(v) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) Tender offers;

(vii) Defeasances;

viii) Rating changes; or

(ix) Bankruptcy, insolvency, receivership or similar event of the obligated person. This event is considered to occur upon the happening of any of the following: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material, not later than ten (10) business days after the occurrence of the event:

(i) Unless described in Section 5(a)(v) above, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Notes or other material events affecting the tax status of the Notes;

(ii) Modifications to rights of the Note holders;

(iii) Optional, unscheduled or contingent Note calls;

(iv) Release, substitution, or sale of property securing repayment of the Notes;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) Appointment of a successor or additional paying agent or the change of name of a paying agent.

(c) If the City learns of the occurrence of an event listed in Section 5(a) above or determines that knowledge of the occurrence of an event listed in Section 5(b) above would be material under applicable federal securities laws, the City shall within ten (10) business days of occurrence file or cause to be filed a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the occurrence of a Significant Event described in Section 5(a)(vii) and Section 5(b)(iii) above need not be given any earlier than the notice (if any) of the underlying event is given to Holders of affected Notes pursuant to the Resolution.

(d) If the Dissemination Agent has been instructed by the City to report the occurrence of a Significant Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Significant 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 Notes pursuant to the Resolution.

(e) 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 4. Termination of Reporting Obligation. The obligations of the City under the Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes.

SECTION 5. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The 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 Certificate. 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 Willdan Financial Services.

SECTION 6. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Significant Event, in addition to that which is required by the Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Significant Event in addition to that which is specifically required by the Disclosure Certificate, the City shall have no obligation under the Disclosure Certificate to update such information or include it in any future notice of occurrence of a Significant Event.

SECTION 7. Default. In the event of a failure of the City to comply with any provision of the Disclosure Certificate, the Underwriter or any Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to

comply with its obligations under the Disclosure Certificate; provided, that the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance hereunder.

SECTION 8. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section 8 shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

To the City:	City of Richmond Richmond City Hall 450 Civic Center Plaza Richmond, California 94804 Attention: Finance Director Telephone: 510-620-6740 Fax: 510-620-6522
If to the Paying Agent:	Union Bank, N.A. 350 California Street, 11th Floor San Francisco, California 94104 Attention: James Myers Telephone: 415-273-2519 Fax: 415-273-2492
If to the Dissemination Agent:	Willdan Financial Services 27368 Via Industria, Suite 110 Temecula, California 92590 Attention: Manager Phone: 951-587-3500 Fax: 951-587-3510

SECTION 9. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter, the Owners and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

SECTION 10. Governing Law. The laws of the State of California shall govern this Disclosure Certificate, the interpretation thereof and any right or liability arising hereunder. Any action or proceeding to enforce or interpret any provision of this Disclosure Certificate shall be brought, commenced or prosecuted in any courts of the State located in Contra Costa County, California.

SECTION 11. Counterparts. This Disclosure Certificate 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 3, 2011

CITY OF RICHMOND

By:_____
Finance Director

WILLDAN FINANCIAL SERVICES,
as Dissemination Agent

By:_____
Authorized Officer

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APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from DTC and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, 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 Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for the maturity and CUSIP number of the Notes and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC", "FICC" and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest evidenced by the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City, 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 City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest evidenced by the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, 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.

AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE NOTES, THE CITY WILL SEND NOTICES TO HOLDERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO ANY OTHER ACTION PREMISED ON SUCH NOTICE.

THE CITY HAS NO RESPONSIBILITY OR LIABILITY FOR ANY ASPECT OF THE RECORDS RELATING TO OR PAYMENTS MADE ON ACCOUNT OF BENEFICIAL OWNERSHIP, OR FOR MAINTAINING, SUPERVISING OR REVIEWING ANY RECORDS RELATING TO BENEFICIAL OWNERSHIP OF INTERESTS IN THE NOTES.

THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE PAYMENTS WITH RESPECT TO THE NOTES RECEIVED BY DTC TO DTC PARTICIPANTS OR THAT THE PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS WITH RESPECT TO THE NOTES RECEIVED TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CITY IS NOT RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANT TO MAKE ANY PAYMENT WITH RESPECT TO THE NOTES OR AN ERROR OR DELAY RELATING THERETO.

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