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

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 Series A 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 Series A 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 Series A Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it 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 Series A Notes. See "TAX MATTERS" herein.

$12,100,000
CITY OF RICHMOND, CALIFORNIA
2013-14 TAX AND REVENUE ANTICIPATION NOTES, SERIES A
INTEREST RATE: 0.380%
INITIAL OFFERING YIELD: 0.380%
CUSIP NO.: 764411BN3†

Dated: Date of Delivery **Due: July 31, 2014**

The City of Richmond, California (the "City") 2013-14 Tax and Revenue Anticipation Notes, Series A (the "Series A Notes") are being issued to finance the seasonal cash flow requirements of the City during the fiscal year ending June 30, 2014. The Series A Notes will be issued as fixed-rate notes in fully registered form. The Series A Notes are not subject to redemption prior to maturity.

The Series A 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 Series A Notes. Purchases of the Series A 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 Series A Notes purchased. See APPENDIX F–"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Series A Notes will be dated the date of delivery thereof and will not be subject to redemption prior to maturity. The Series A Notes will bear interest at a fixed rate per annum from their dated date. Principal of and interest on the Series A Notes are payable at maturity on July 31, 2014.

In accordance with California law, the Series A 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 2013-14 or accrued to or held by the City and provided for or attributable to Fiscal Year 2013-14 and legally available for payment thereof. The City is not authorized to levy or collect any tax for the repayment of the Series A Notes. See "THE SERIES A NOTES–Security for the Series A Notes." If circumstances warrant, the City may issue a second series of 2013-14 Tax and Revenue Anticipation Notes in an amount not to exceed $12,900,000 (the "Series B Notes"). The Series B Notes, if issued, would have a maturity date after the Series A Notes and unless issued after the Series A Notes have been paid or provided for, would be subordinate to the Series A Notes.

This cover page contains certain information for quick reference only and is ***not*** a summary of the transaction. An investment in the Series A Notes involves risk. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See also "CERTAIN RISK FACTORS" for a description of certain risks factors that should be considered, in addition to the other factors discussed herein, in evaluating an investment in the Series A Notes.

The Series A 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 Schiff Hardin LLP, San Francisco, California, Disclosure Counsel. It is anticipated that the Series A Notes in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about December 3, 2013.

RAYMOND JAMES

Date of Official Statement: December 2, 2013

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 Series A 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 Series A 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 Series A 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 Series A Notes to certain dealers and others at yields lower than the initial offering yield set forth on the cover page hereof and said initial offering yield may be changed from time to time by the Underwriter.

The issuance and sale of the Series A 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 Series A 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*
Courtland "Corky" Booze, *Vice Mayor*
Nathaniel Bates, *Councilmember*
Jovanka Beckles, *Councilmember*
Thomas K. Butt, *Councilmember*
Jael Myrick, *Councilmember*
Jim Rogers, *Councilmember*

CITY ADMINISTRATION

William A. Lindsay, *City Manager*
James C. Goins, *City Finance Director*
Bruce Reed Goodmiller, *City Attorney*

SPECIAL SERVICES

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

Schiff Hardin LLP
San Francisco, California
Disclosure Counsel

Tamalpais Advisors, Inc.
Sausalito, California
Financial Advisor

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

$12,100,000
CITY OF RICHMOND, CALIFORNIA
2013-14 TAX AND REVENUE ANTICIPATION NOTES, SERIES A

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 $12,100,000 principal amount of 2013-14 Tax and Revenue Anticipation Notes, Series A (the "Series A Notes") of the City of Richmond, California (the "City"). Issuance of the Series A Notes will provide moneys to help meet Fiscal Year 2013-14 City General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the City.

The Series A 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. 94-13 adopted by the City Council on September 17, 2013, entitled "Resolution Authorizing the Issuance and Sale of Not to Exceed $25 million City of Richmond, California, 2013-14 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"). If circumstances warrant, the City may issue a second series of notes designated as the Series B Notes (the "Series B Notes") in a principal amount not to exceed the difference between $25,000,000 and the principal amount in which the Series A Notes were issued. The Series B Notes, if issued, would have a maturity date after that of the Series A Notes and unless issued after the Series A Notes have been paid or provided for, would be subordinate to the Series A Notes. For the conditions precedent to the issuance of Series B Notes, see "THE SERIES A NOTES –Series B Notes."

The Series A Notes are issued subject to the Government Code and the terms and conditions of the Resolution. Pursuant to California law, the Series A 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 2013-14 and lawfully available therefor. **The City is not authorized to levy or collect any tax for the repayment of the Series A Notes.** See "THE SERIES A NOTES–Security for the Series A Notes."

THE SERIES A NOTES

General

The Series A Notes will be issued in fully registered form in the principal amount of $12,100,000. The Series A Notes will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series A Notes. Purchasers of the Series A Notes will not receive certificates representing their ownership interest in the Series A Notes purchased. Beneficial ownership interests in the Series A 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 Series A Notes will be dated the date of issuance thereof and will pay interest at maturity of the Series A Notes on July 31, 2014. The Series A Notes are *not* subject to redemption prior to maturity. Principal of the Series A Notes is payable at maturity.

The Series A 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 Series A 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 Series A Notes, upon presentation and surrender of the Series A Notes at the office of Union Bank, N.A., as initial paying agent for the Series A Notes (the "Paying Agent") in San Francisco, California, upon the maturity thereof. No interest will be payable on any Series Note for any period after maturity during which the registered owner thereof fails to properly present such Series A Note for payment.

As long as the Series A Notes are held by DTC or a successor securities depository, ownership of the Series A 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 Series A 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 Series A Notes. See APPENDIX F–"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Purpose of Issue

The Series A Notes are being issued to finance cash flow requirements of the General Fund of the City during Fiscal Year 2013-14 (July 1, 2013 through June 30, 2014). General Fund expenditures tend to occur in relatively level amounts throughout the Fiscal Year. Conversely, receipts have followed an uneven pattern attributable primarily to being concentrated in non-uniform receipt of secured property tax collections, sales taxes and utility users taxes, which are the three largest sources of City revenues. The proceeds received from the sale of the Series A 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 Series A Notes will be invested in the City Investment Portfolio (the "City Portfolio") until expended. See "CITY INVESTMENT PORTFOLIO."

Authority for Issuance

The Series A 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.

Security for the Series A Notes

The 2013-14 Tax and Revenue Anticipation Notes issued under the Resolution (in a principal amount of $12,100,000 for the Series A Notes and up to an aggregate principal amount not to exceed $12,900,000 for the Series B Notes) 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 2013-14 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 Series A Notes and the Series B Notes, the City pledges to deposit in trust in a special fund established by the City Finance Director designated as the "2013-14 Tax and Revenue Anticipation Note Repayment Fund" (the "Repayment Fund") (i) an amount equal to 20% of the principal amount of the Series A Notes General Fund Revenues received by the City during the month ending January 31, 2014, inclusive (the "First Pledge Period"), (ii) an amount equal to 20% of the principal amount of the Series A Notes from General

Fund Revenues received by the City during the month ending February 28, 2014, inclusive (the "Second Pledge Period"), and (iii) an amount equal to 60% of the principal amount of the Series A Notes from the first General Fund Revenues received by the City during the month ending April 30, 2014, 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 Series A Notes due at maturity. The amounts pledged by the City for deposit into the Repayment Fund from 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 Series A 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 Series A Notes and the Series B Notes, if issued, 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 Series A Notes or the Series B 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 Series A 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 Series A Notes all amounts attributable to the proceeds of the Series A 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 from the Repayment Fund to the Paying Agent on the maturity date of the Series A Notes to pay principal of and interest on the Series A 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 Series A Notes and the Series B Notes (defined below) in full on the same maturity date, all such amounts shall be applied to the payment of the Series A Notes, taking into account anticipated earnings to be received on amounts in the Repayment Fund.

On November 31, 2012, the City issued, $9,000,000 principal amount of City of Richmond, California 2012-13 Tax and Revenue Anticipation Notes (the "2012 Notes") that matured on June 28, 2013. The City timely made all deposits in a payment account separately held in the City Investment Portfolio in the amount sufficient to fully repay the 2012 Notes at maturity as required by the authorizing resolution for the 2012 Notes, and the 2012 Notes were timely paid.

Series B Notes

The Resolution authorizes the issuance of tax and revenue anticipation notes (the "Notes") in one or more series in an aggregate principal amount not to exceed $25,000,000. The Series A Notes is the first series of notes to be issued pursuant to the Resolution. A second series of notes designated as the Series B Notes may be issued in a principal amount not to exceed the difference between $25,000,000 and the principal amount of the Series A Notes. The Series B Notes may be issued only if: (i) such Series B Notes are payable subsequent to the payment of outstanding Series A Notes or (ii) no Series A Notes previously issued under the Resolution are then outstanding or there is on deposit in the Repayment Fund (defined herein) with respect to the Series A Notes then-outstanding an amount equal to or greater than the sum of the then unpaid principal amount of the Series A Notes, and any then unpaid interest due or to become due on the Series A Notes. The issuance of the Series B Notes is also subject to the receipt of confirmation from Standard & Poor's Ratings Services (the "Rating Agency") that the issuance of the Series B Notes will not cause a reduction in or withdrawal of such Rating Agency's rating on the Series A Notes.

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 Series A 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 Series A 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 Series A Notes and interest thereon, *except* that such a restriction does not apply to funds invested in Local Agency Investment Fund, the City Investment Portfolio, CalTRUST or the Contra Costa County Investment Pool. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION–Permitted Investments." The proceeds of any such investments will the retained in the Repayment Fund until payment of principal of and interest on the Series A 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 Series A Notes and the Series B 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 2013-14 and legally available for payment thereof. Under the Government Code, no obligations, including the Series A Notes and the Series B 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 Series A Notes and interest thereon is $12.13 million which represents approximately 13.6% of the estimated net sources available for payment of the Series A Notes as shown in Table 1 below.

The City estimates that the total and net moneys available for payment of the Series A Notes will be $101.2 million and $89.0 million, respectively, as indicated in Table 1. Except for pledged amounts, these moneys will be expended during the remainder of Fiscal Year 2013-14, and no assurance can be given that any moneys, other than the pledged amounts, will be available to pay the Series A Notes and the interest thereon. For detailed information regarding estimated debt service coverage at each respective pledge period for the Series A Notes, see Table 4A–"City of Richmond Projected Cash Flows for Fiscal Year 2013-14."

Table 1
CITY OF RICHMOND
ESTIMATED GENERAL FUND REVENUES
DECEMBER 1, 2013 THROUGH JUNE 30, 2014[(1)]

Sources	Amount ($ in 000's)
Property Taxes	$27,446
Sales and Use Taxes	21,074
Utility Users Tax and Settlement Revenues[(2)]	24,098
Other Taxes	5,080
Licenses, Permits and Franchise Fees	3,998
Use of Money and Property	231
Charges for Current Services	952
Other Revenue	2,242
Operating Transfers In	4,054
Proceeds of the Series A Notes	11,982
Total	$101,156
Less amount pledged for payment of the Series A Notes[(3)]	12,130
Net Total in excess of pledged revenues	$89,025

(1) The budgeted revenues of the City are set forth in the Adopted Biennial Operating Budget, Fiscal Year 2013-14 to Fiscal Year 2014-15 which was approved on June 25, 2013 and revised on November 12, 2013 (the "Revised Adopted Budget for Fiscal Year 2013-14"); the estimated cash flows related to said budgeted revenues are presented in Table 4A–"Projected Cash Flows for Fiscal Year 2013-14," with the amounts in Table 4A reflecting estimated cash from July 1, 2013 through the accounting period ending June 30, 2014; however, only the estimated cash received after the date the Series A Notes are delivered (*i.e.* December 3, 2013) through June 30, 2014 will be available to repay the Series A Notes.

(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 $13.1 million principal amount of Series A Notes plus an amount equal to estimated interest thereon calculated at the rate of 1.5% per annum, assuming delivery on December 3, 2013.

Source: City of Richmond, Finance Department.

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 $15.4 million as of June 30, 2014. The City has used intrafund borrowing to address temporary cash shortfalls in the past when the City did not issue tax and revenue anticipation notes. The City used $4.0 million of intrafund borrowing in November 2012 that was repaid in December 2012. The City also undertook $6.0 million of intrafund borrowing in October 2013, which amount it expects to repay in December 2013 following receipt of property taxes in the latter half of that month. Table 2 sets forth the estimated borrowable cash resources of the City as of June 30, 2013 and projected borrowable cash resources as of June 30, 2014.

Table 2
CITY OF RICHMOND
INTRAFUND BORROWING CAPACITY

Fund	Estimated Balance at June 30, 2013 ($ in millions)	Projected Balance in Fiscal Year 2013-14 ($ in millions)
Various City Governmental Funds	$10.8	$6.7
Internal Service Funds	18.0	8.7
TOTAL	$28.8	$15.4

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 Series A Notes are shown at the bottom of Table 4. The cash flow projections are based on the Revised Adopted Budget for Fiscal Year 2013-14 Adopted Budget. See APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND–FINANCIAL OPERATIONS–City Budget Process" and "–State Budget–*Fiscal Year 2013-14*."

A maximum cumulative cash flow deficit (the "Deficit") of approximately $6.9 million is anticipated to occur in the General Fund in December 2013. Adding an estimated $5.9 million working capital reserve to the Deficit results in a maximum permissible size of approximately $12.8 million for the Series A 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 Series A Notes in a principal amount that is equal to approximately 94% of such maximum sizing.

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

Table 3A sets forth the unaudited actual cash flows for Fiscal Year 2012-13, Table 3B sets forth the projected cash flows for Fiscal Year 2012-13 at the time the 2012 Notes were issued and Table 3C explains the variances in cash flow between the unaudited actual Fiscal Year 2012-13 cash flows compared to the projected Fiscal Year 2012-13 cash flows at the time the 2012 Notes were issued.

Table 4A sets forth the actual and projected cash flows for Fiscal Year 2013-14, assuming issuance of the Series A Notes. Table 4B explains the variances between the actual and projected cash flows for Fiscal Year 2013-14 and the actual cash flows for Fiscal Year 2013-13.

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Table 3A
CITY OF RICHMOND
UNAUDITED ACTUAL CASH FLOWS FOR FISCAL YEAR 2012-13
($ IN THOUSANDS)

ACCOUNTING PERIOD ENDING	July 2012	August 2012	September 2012	October 2012	November 2012	December 2012
BEGINNING BALANCE	$7,884	$18,750	$9,550	$5,078	$4,020	$2,275
RECEIPTS:						
Property Taxes	$–	$–	$–	$1,128	$–	$17,226
Sales & Use Tax	–	–	1,528	845	1,593	1,382
Utility Users Tax/Chevron Settlements	16,040	1,175	2,886	2,899	2,976	2,912
Other Taxes	258	–	298	310	528	19
Licenses, Permits & Fees	162	69	105	247	133	305
Use of Money And Property	3	20	22	4	18	19
Charges For Services	78	87	101	80	76	73
Other Revenue	702	64	262	400	302	70
Operating Transfers In	2,601	–	–	3,274	–	3,146
Notes Sold	–	–	–	9,006	–	–
Intra Fund Borrowing	–	–	–	–	4,000	–
TOTAL RECEIPTS	$19,845	$1,414	$5,202	$18,193	$9,625	$25,152
DISBURSEMENTS:						
Salaries and Benefits	$7,964	$7,648	$7,804	$7,556	$7,706	$8,945
Professional & Administration	389	435	841	–	1,705	657
Other Operating	171	481	528	1,422	438	487
Other Expenditures	455	2,049	502	1,410	1,521	781
Operating Transfers Out	–	–	–	8,863	–	–
2012 Notes:						
Interest Expense – Notes	–	–	–	–	–	–
Principal Repayment	–	–	–	–	–	–
Intra Fund Borrow Repayment	–	–	–	–	–	4,000
TOTAL DISBURSEMENTS	$8,978	$10,614	$9,674	$19,251	$11,370	$14,870
ENDING BALANCE	$18,750	$9,550	$5,078	$4,020	$2,275	$12,557

	January 2013	February 2013	March 2013	April 2013	May 2013	June 2013	Total
	$12,557	$13,246	$9,253	$5,878	$9,183	$5,168	$7,884
	$–	$–	$–	$11,893	$–	$2,870	$33,117
	7,321	1,951	1,862	1,120	1,437	10,828	29,866
	3,270	2,968	3,014	2,909	2,847	4,547	48,442
	659	497	191	2,021	458	1,009	6,247
	1,735	464	261	263	172	192	4,108
	18	0.	3	26	3	76	211
	86	77	70	81	102	280	1,191
	505	657	132	614	327	973	5,009
	–	–	–	–	7	–	9,028
	–	–	–	–	–	–	9,006
	–	–	–	–	–	–	4,000
	$13,594	$6,615	$5,534	$18,927	$5,350	$20,775	$150,225
	$7,732	$7,816	$8,009	$7,540	$7,924	$10,200	$96,844
	498	611	668	903	526	1,368	8,601
	504	536	505	1,363	515	2,349	9,297
	2,371	(157)	(272)	290	400	1,539	10,888
	–	1	–	–	–	1,292	10,156
	–	–	–	126	–	–	126
	1,800	1,800	–	5,400	–	–	9,000
	–	–	–	–	–	–	4,000
	$12,905	$10,607	$8,909	$15,621	$9,365	$16,748	$148,913
	$13,246	$9,253	$5,878	$9,183	$5,168	$9,195	$9,195

Table 3B
CITY OF RICHMOND
PROJECTED CASH FLOWS THROUGH JUNE 30, 2013
AT THE TIME THE 2012 NOTES WERE ISSUED
($ IN THOUSANDS)

ACCOUNTING PERIOD ENDING	Proj. July 2012	Proj. August 2012	Proj. September 2012	Proj. October 2012	Proj. November 2012	Proj. December 2012
BEGINNING BALANCE	$11,922	$21,688	$14,884	$21,964	$18,828	$11,642
RECEIPTS:						
Property Taxes	–	–	–	$2,132	–	$14,831
Sales & Use Tax	$1,323	$1,880	$1,882	1,408	$1,610	1,743
Utility Users Tax/Chevron Settlements	16,555	2,357	2,741	2,457	2,372	3,237
Other Taxes	917	500	488	528	441	48
Licenses, Permits & Fees	91	132	170	153	137	1,072
Use of Money And Property	26	74	6	12	42	47
Charges For Services	76	86	88	90	85	99
Other Revenue	457	239	238	389	289	241
Operating Transfers In	–	–	2,601	–	–	3,161
Notes Sold	–	–	9,005	–	–	–
Intra Fund Borrowing	–	–	–	–	–	–
TOTAL RECEIPTS	$19,444	$5,267	$17,221	$7,168	$4,976	$24,481
DISBURSEMENTS:						
Salaries and Benefits	$7,504	$8,010	$7,823	$7,981	$7,906	$10,574
Professional & Administration	567	656	606	618	648	846
Other Operating	563	568	619	589	618	734
Other Expenditures	1,045	1,138	1,093	1,116	1,110	1,156
Operating Transfers Out	–	1,699	–	–	1,881	4,786
2012 Notes:						
Interest Expense – Notes	–	–	–	–	–	–
Principal Repayment	–	–	–	–	–	–
Intra Fund Borrow Repayment	–	–	–	–	–	–
TOTAL DISBURSEMENTS	$9,679	$12,071	$10,141	$10,304	$12,162	$18,097
ENDING BALANCE	$21,688	$14,884	$21,964	$18,828	$11,642	$18,025
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

Proj. January 2013	Proj. February 2013	Proj. March 2013	Proj. April 2013	Proj. May 2013	Proj. June 2013	Total
$18,025	$16,249	$14,860	$9,909	$12,253	$11,492	$11,922
–	–	–	$10,844	–	$3,946	$31,753
$1,497	$6,189	$1,848	1,471	$5,873	1,897	28,622
3,546	3,515	2,625	4,121	3,378	3,273	50,179
316	574	289	1,145	317	500	6,062
1,205	302	273	163	198	712	4,609
14	15	15	14	26	28	320
86	79	82	127	131	80	1,109
527	464	374	417	288	705	4,629
3,127	–	–	–	–	147	9,037
–	–	–	–	–	–	9,005
–	–	–	–	–	–	–
$10,319	$11,138	$5,506	$18,303	$10,212	$11,288	$145,324
$7,888	$7,924	$8,033	$8,057	$8,400	$8,455	$98,555
730	757	728	713	696	711	8,274
603	602	575	572	619	602	7,264
1,075	1,118	1,120	1,091	1,088	1,081	13,232
–	326	–	–	171	–	8,863
–	–	–	126	–	–	126
1,800	1,800	–	5,400	–	–	9,000
–	–	–	–	–	–	–
$12,096	$12,527	$10,457	$15,958	$10,973	$10,849	$145,315
$16,249	$14,860	$9,909	$12,253	$11,492	$11,931	$11,931
$0	$1,800	$3,600	$3,600	$9,126	$9,126	$0
1,800	1,800	0	5,526	0	0	9,126
0	0	0	0	0	0	0
$1,800	$3,600	$3,600	$9,126	$9,126	$9,126	$9,126

TABLE 3C
CITY OF RICHMOND
EXPLANATION OF VARIANCES FOR FISCAL YEAR 2012-13 ACTUALS
COMPARED TO FISCAL YEAR 2012-13 AT THE TIME THE 2012 NOTES WERE ISSUED
($ IN THOUSANDS)

Item	Variance	Explanation
Beginning Balances	($4,039)	Primarily reflects the impact of the County Auditor's downward adjustment of cash due to subsidies for the Housing Authority.
Receipts:		
Property Taxes	$1,364	Relatively minor variance; includes $627,000 residual Richmond Community Redevelopment Agency property tax distribution.
Sales & Use Tax	1,244	Mid-year budget adjustment showed a projected increase of $1.0 million and, after posting accruals, tax receipts increased to reflect correction of the sales tax allocation between the City and the City of El Cerrito.
Utility Users Tax/Settlements	(1,736)	The primary reason for the variance is that UUT collections for Gas/Electricity and Telecommunications were lower than expected at the time of the 2012 Notes.
Other Taxes	185	Minor variance.
Licenses, Permits & Fees	(502)	Minor variance.
Use of Money and Property	(108)	Minor variance.
Charges for Services	82	Minor variance.
Other Revenue	381	Minor variance.
Operating Transfers In	(8)	Minor variance.
Notes Sold	0	No variance.
Intra Fund Borrowing	4,000	Temporary intrafund borrowing of $4.0 million in Fiscal Year 2012-13 was not expected at the time of the 2012 Notes were issued. The temporary borrowing was necessitated by an audit adjustment to beginning Fiscal Year 2012-13 cash by the outside auditor; had the City known about the audit adjustment at the time of the 2012 Notes, the City could have considered issuing a larger note issue.
TOTAL RECEIPTS	4,900	
Disbursements:		
Salaries and Benefits	($1,711)	Represents savings from vacant positions that had been budgeted.
Professional & Administration	327	Minor variance.
Other Operating	2,033	Allowance for doubtful accounts were charged off in Fiscal Year 2012-13 and the City made contributions to Richmond Art Center.
Other Expenditures	(2,344)	General liability allocations were suspended at mid-year causing lower expenses to be allocated to accommodate additional budget requests.
Operating Transfers Out	1,293	General Fund subsidies to other operating funds were more than budgeted.
2012 Notes Interest Exp - Notes	0	No variance.
2012 Notes: Principal Repayment	0	No variance.
Intra Fund Borrow Repayment	4,000	Temporary intrafund borrowing of $4.0 million in Fiscal Year 2012-13 was not expected at the time of the 2012 Notes. See the variance explanation for "IntraFund Borrowing" above.
TOTAL DISBURSEMENTS	$3,598	
ENDING BALANCE	($2,736)	

Table 4A
CITY OF RICHMOND
PROJECTED CASH FLOWS THROUGH JULY 30, 2014
($ IN THOUSANDS)

ACCOUNTING PERIOD ENDING	Proj. July 2013	Proj. August 2013	Proj. September 2013	Proj. October 2013	Proj. November 2013	Proj. December 2013
BEGINNING BALANCE	$9,195	$15,879	$14,230	$7,101	$6,860	$2,539
RECEIPTS:						
Property Taxes	–	–	–	$2,712	–	$16,025
Sales & Use Tax	$1,222	$1,731	$1,939	2,841	$2,635	2,761
Utility Users Tax/Chevron Settlements	15,980	2,978	1,020	3,399	3,614	3,684
Other Taxes	549	395	409	595	657	541
Licenses, Permits & Fees	218	123	42	142	333	231
Use of Money and Property	3	9	33	18	42	36
Charges for Services	149	131	236	73	186	147
Other Revenue	112	413	86	146	290	331
Operating Transfers In	–	2,550	–	3,274	–	3,146
Notes Sold (including Original Issue Premium)	–	–	–	–	–	11,982
Intra Fund Borrowing	–	–	–	6,000	–	–
TOTAL RECEIPTS	$18,232	$8,330	$3,765	$19,201	$7,758	$38,884
DISBURSEMENTS:						
Salaries and Benefits	$8,870	$8,624	$8,816	$7,955	$8,340	$9,545
Professional & Administration	627	357	615	777	1,700	1,497
Other Operating	279	340	644	722	727	1,210
Other Expenditures	1,772	658	819	809	1,311	1,122
Operating Transfers Out	–	–	–	9,178	–	–
Series A Notes:						
Interest Expense – Notes	–	–	–	–	–	–
Principal Repayment	–	–	–	–	–	–
Intra Fund Borrow Repayment	–	–	–	–	–	6,000
TOTAL DISBURSEMENTS	$11,548	$9,979	$10,895	$19,441	$12,079	$19,375
ENDING BALANCE	$15,879	$14,230	$7,101	$6,860	$2,539	$22,049
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):

Proj. January 2014	Proj. February 2014	Proj. March 2014	Proj. April 2014	Proj. May 2014	Proj. June 2014	Total	Proj. July 2014
$22,049	$19,036	$14,484	$11,873	$12,113	$9,546	$9,195	$5,661
–	–	–	$10,592	–	$829	$30,159	–
$3,584	$3,005	$3,046	2,741	$3,058	2,879	31,443	$1,284
3,339	3,200	3,565	3,409	3,433	3,468	51,089	16,302
695	803	691	878	772	700	7,684	699
2,850	234	189	157	172	165	4,855	355
3	18	21	18	21	113	335	25
149	104	148	147	101	154	1,728	83
509	201	205	405	299	292	3,289	115
–	313	–	–	58	537	9,878	–
–	–	–	–	–	–	11,982	–
–	–	–	–	–	–	6,000	–
$11,129	$7,879	$7,866	$18,347	$7,913	$9,138	$158,441	$18,863
$8,353	$8,009	$8,408	$8,223	$8,323	$8,676	$102,142	$8,633
753	776	768	903	780	1,428	10,980	773
598	536	604	1,032	615	745	8,053	672
2,018	690	697	658	763	1,460	12,778	1,082
–	–	–	–	–	715	9,893	–
–	–	–	30	–	–	30	–
2,420	2,420	–	7,260	–	–	12,100	–
–	–	–	–	–	–	6,000	–
$14,142	$12,431	$10,477	$18,106	$10,480	$13,023	$161,975	$11,160
$19,036	$14,484	$11,873	$12,113	$9,546	$5,661	$5,661	$13,364
$0	$2,420	$4,840	$4,840	$12,130	$12,130	$0	$12,130
2,420	2,420	0	7,290	0	0	12,130	0
0	0	0	0	0	0	0	0
$2,420	$4,840	$4,840	$12,130	$12,130	$12,130	$12,130	$12,130
8.87	6.99		2.67				2.10
15.23	13.35		4.79				3.37

Table 4B
CITY OF RICHMOND
EXPLANATION OF MAJOR VARIANCES FOR
FISCAL YEAR 2013-14 COMPARED TO FISCAL YEAR 2012-13 ACTUALS
($ IN THOUSANDS)

Item	Variance	Explanation
Beginning Balances	$1,312	Beginning cash balance is expected to be marginally higher than that in July 2012.
Receipts:		
Property Taxes	($2,958)	Assessed valuations were lowered by $4.5 million; assumes non-recurrence of $627,000 Richmond Community Redevelopment Agency property tax distribution made in the prior Fiscal Year.
Sales & Use Tax	1,577	City uses MuniFinancial to project sales tax, which is expected to increase by approximately 1.6% due to an improving local economy.
Utility Users Tax/Chevron Settlements/	2,646	City is expecting more revenue from Cable TV users and Gas and Electric UUT.
Other Taxes	1,437	With an improving economy, the City is expecting an uptick in Documentary Transfer Tax and Transient Occupancy Tax revenues.
Licenses, Permits & Fees	747	Reflects a new franchise agreement with Richmond Sanitary Service.
Use of Money and Property	124	Minor variance.
Charges for Services	537	Minor variance.
Other Revenue	(1,720)	Reflects non-recurrence of several one-time sources, grants and reimbursements that were received in Fiscal Year 2012-13.
Operating Transfers In	850	Minor Variance.
Notes Sold	2,976	Reflects larger Series A Notes sizing in Fiscal Year 2013-14 versus the prior Fiscal Year.
Intra Fund Borrowing	2,000	Temporary intrafund borrowing of $6.0 million in Fiscal Year 2012-13 is $2.0 million higher than in Fiscal Year 2012-13.
TOTAL RECEIPTS	8,216	
Disbursements:		
Salaries and Benefits	$5,298	Reflects an increase in salary and benefit costs in Fiscal Year 2013-14; also, reflects budgeting of all positions versus last year's actuals that took out vacant positions. Salary continuation expense revised to correctly charge other funds.
Professional & Administration	2,379	Administrative fees such as professional services and travel and training costs were lower in Fiscal Year 2012-13.
Other Operating	(1,244)	Reflects repayment of CalTrans debt in Fiscal Year 2012-13 and reduced Viron Energy debt in Fiscal Year 2013-14.
Other Expenditures	1,889	Reflects increase in costs for General Liability insurance to reflect full cost.
Operating Transfers Out	(263)	Minor variance.
Series A Notes: Interest Expense	(96)	Minor variance.
Series A Notes: Principal Repayment	3,100	Reflects larger Series A Notes sizing in Fiscal Year 2013-14 compared to the prior Fiscal Year.
Intra Fund Borrow Repayment	2,000	Temporary intrafund borrowing of $6.0 million in Fiscal Year 2012-13 is $2.0 million higher than in Fiscal Year 2012-13.
TOTAL DISBURSEMENTS	$13,062	
ENDING BALANCE	($3,534)	

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, first adopted during Fiscal Year 2010-11, was most recently reviewed by the Finance Committee and adopted by the City Council on May 24, 2013. For a copy 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 Series A 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, 2013, are set forth in Table 5.

Table 5
City of Richmond
Schedule of Investments
as of August 31, 2013

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	$45,722.28	$45,722.28	$45,722.28	0.10%	1	1	0.241	0.244
Certificates of Deposit	250,000.00	243,130.00	250,000.00	0.54	1,826	1,703	1.150	1.166
Money Markets	1,086,298.94	1,086,298.94	1,086,298.94	2.36	1	1	0.184	0.187
Federal Agency Issues - Coupon	37,500,000.00	36,492,740.00	37,485,550.00	81.39	1,823	827	1.050	1.065
Certificates of Deposit - Bank	500,000.00	496,837.50	500,000.00	1.09	1,012	831	0.666	0.675
Sweep Account	6,691,623.93	6,691,623.93	6,691,623.93	14.53	1	1	0.059	0.060
SUBTOTAL	$46,073,645.15	$45,056,352.65	$46,059,195.15	100.00%	1,505	691	0.882	0.894
Cash and Accrued Interest[2]	171,087.66	171,169.35	171,169.35		1	1	0.000	0.000
Total Cash and Investments	$46,244,732.83	$45,227,522.00	$46,230,364.50		1,505	691	0.882	0.894

Total Earnings	August 31 Month Ending	Fiscal Year to Date
Current Year	$168,830.52	$221,336.40
Average Daily Balance	49,980,670.69	58,065,604.14
Effective Rate of Return	3.98%	2.24%

(1) Represents an average.
(2) Not included in yield calculations.
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 Series A Notes and of the Resolution constitute a contract between the City and the registered owners of the Series A Notes and the Series B 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 Series A Notes, will be irrepealable. See also "THE SERIES A NOTES–Lien in Bankruptcy."

Representations and Covenants of the City

The City has found and determined pursuant to the Resolution that with respect to Fiscal Year 2013-14, the amount of $25,000,000 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 2013-14 and available for the payment of the principal of and the interest on the Series A Notes and the Series B Notes.

In order to maintain the exclusion from gross income for federal income tax purposes of interest on the Series A 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 Series A 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 Series A 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 2013-14 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 Series A Notes and the Series B 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 Series A 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 Series A Notes

The registered owners of the Series A Notes which are evidenced by registered certificates may transfer such Series A 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 Series A Note as the absolute owner of such Series A 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 Series A 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 Series A Notes as long as the beneficial ownership of the Series A 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 Series A 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 Series A 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; 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 "P-1" and "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 Series A Notes;

(2) if for the proceeds of the Series A 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 Series A 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 provides 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 Series A 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.

The Permitted Investments described in paragraphs (x) through (xiii) are not restricted at to final maturity.

CERTAIN RISK FACTORS

Described below are certain factors which could impact the ability of the City to pay debt service on the Series A 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 Series A 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 24% of the City's General Fund revenues for Fiscal Year 2012-13 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 25% of the City's budgeted General Fund revenues for Fiscal Year 2013-14 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 Budget" and "–Major General Fund Revenue Sources."

IRS Examination

The IRS has an ongoing program of examining tax and revenue anticipation notes, other working capital financings and other 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. It is possible that the Series A 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 Series A Notes or other tax-exempt obligations of the City will not adversely affect the market value of the Series A 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 Budget."

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, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF RICHMOND–FINANCIAL OPERATIONS–FINANCIAL OPERATIONS–Major General Fund Revenue Sources–*County Property Tax Collection Process and 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 properties 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. The City and the County recently settled assessment appeals with Chevron USA, pursuant to which the City is *not* liable to refund any property tax payments to Chevron for Fiscal Years 2004-05 through 2013-14. See APPENDIX

A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND–FINANCIAL OPERATIONS–Major General Fund Revenue Sources–*Assessment Appeals*."

Property tax revenues, which comprise more than 20% of the revenues of the City, are affected by reductions in taxable property assessed values due to successful property owner appeals and/or unilateral reductions by the County Assessor. 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*."

Pension Benefit Liability

Many factors influence the amount of the City's pension benefit liabilities, including, without limitation, inflationary factors, changes in statutory provisions of PERS retirement system laws, changes in the levels of benefits provided or in the contribution rates of the City, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods (including but not limited to the assumed rate of return), and differences between actual and anticipated investment experience of PERS. Any of these factors could give rise to additional liability of the City to its pension plans as a result of which the City would be obligated to make additional payments to its pension plans in order to fully fund of the City's obligations to its pension plans. See Appendix A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND–FINANCIAL OPERATIONS–Pension Plans."

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.

There are two petroleum refineries located within the City, Chevron USA Inc. and Golden Gate Petroleum, and during the past five Fiscal Years, Chevron USA Inc. has been the principal property taxpayer in the City. A terrorist act against any of these refineries or any principal taxpayer resulting in damage or destruction to company facilities or infrastructure could have a significant impact on revenues of the City. See also APPENDIX A–"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND–FINANCIAL OPERATIONS–Major General Fund Revenue Sources–*Largest Taxpayers*."

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, ECONOMIC AND DEMOGRAPHIC 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 Series A Notes.

Hazardous Substances

General. One of the more serious concerns in terms of the potential reduction in the value of property within the City is a claim with regard to a hazardous substance. In general, the owners and operators of property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. Within the City, there are various industrial and manufacturing facilities, including crude oil refineries, chemical plants, petrochemical storage and distribution facilities, auto dismantlers, railroad yards, brownfields and other heavy manufacturing.

The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act" is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator of the property is obligated to remedy a hazardous substance condition of the property whether or not the owner or operator has anything to do with creating or handling the hazardous substance.

The effect of the presence of hazardous substances on a substantial number of parcels within the City would be to reduce the marketability and value of such parcels by the costs of, and any liability incurred by, remedying the hazardous substances, since a purchaser, upon becoming an owner, will become obligated to remedy the condition just as is the seller. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the financial and legal liability of a property owner to develop the affected parcel or other parcels, as well as the value of the property that is realizable upon a delinquency and foreclosure.

The value of property within the City does not take into account the possible reduction in marketability and value of any of the parcels by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the parcel.

Further, it is possible that liabilities may arise in the future with respect to any property resulting from the existence, currently, on such property of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of property within the City.

Chevron Crude Oil Distillation Unit Fire. On August 6, 2012, a fire in the crude oil distillation unit occurred at the Chevron USA Inc. ("Chevron") refinery located in the City. A Community Warning System, Level 3 (Shelter in Place) order was issued by the County and rescinded approximately five hours later. Local air quality monitors indicated that levels of potentially toxic pollutants were well below their reference exposure levels and did not pose a significant health concern. Five minor injuries were reported by Chevron employees, three of which were associated with the incident, and more than 15,000 City residents sought treatment at local medical facilities for respiratory problems and eye irritation among other symptoms. After being closed for eight months while investigations by local, State and federal authorities and repairs were completed, Chevron reopened the crude oil distillation unit in April 2013. During the closure of the damaged crude oil distillation unit the other parts of the plant remained in operation. See "LITIGATION–Other Litigation–*City of Richmond v. Chevron Corporation, Chevron, USA, Inc. et al*."

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 Series A 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.

Climate Change

In March 2009, the California Climate Change Center released a draft paper, for informational purposes only, which was funded by the California Energy Commission, the California Environmental Protection Agency, the Metropolitan Transportation Commission, the California Department of Transportation and the California Ocean Protection Council. The title of the paper is "The Impacts of Sea-Level Rise on the California Coast." The paper posits that increases in sea level will be a significant consequence of climate change over the next century.

Local impacts of climate change are not definitive, but the City could experience changes to local and regional weather patterns; rising bay water levels; increased risk of flooding; changes in salinity and tidal patterns of San Francisco and San Pablo bays; coastal erosion; water restrictions; and vegetation changes. The San Francisco Bay Conservation and Development Commission identified several portions of the shoreline in the City which may be affected by sea level rise.

The adoption by the State of the California Global Warming Solutions Act of 2006 (AB 32) and subsequent companion bills demonstrate the commitment by the State to take action and reduce greenhouse gases (GHG) to 1990 levels by 2020. The State Attorney General's Office, in accordance with SB 375, now requires that local governments examine local policies and large-scale planning efforts to determine how to reduce greenhouse gas emissions.

The City is taking steps to reduce its GHG emissions and mitigate the potential effects of climate change, both through its municipal operations and by encouraging residents, industry, businesses and developers to reduce their energy consumption. In 2008, the City initiated a Citywide GHGs emissions inventory as a means of establishing a baseline for greenhouse gas emissions, identifying existing sources of energy use and providing a foundation from which to develop relevant energy and climate change policies.

On April 25, 2012, the City Council adopted the "*Richmond General Plan 2030*" to guide sustainable growth and development within the City. The General Plan includes, among other matters, an energy and climate change element that identifies goals, policies and implementing actions to address energy conservation, renewable energy production and use, sustainable business development, responsible community revitalization and reduction of climate change impacts within the City.

Climate change concerns are leading to new laws and regulations at the federal, State and local levels. The City is unable to predict the impact such laws and regulations, if adopted, will have on future development within the City. The effects, however, could be material.

Bankruptcy

The rights of the Owners of the Series A 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 Series A 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 Series A 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 SERIES A NOTES–Security for the Series A Notes," such amounts equal to the percentages of the principal and interest due on the Series A Notes required for each Pledge Period until the payment of principal of and interest on the Series A Notes is paid. See "THE SERIES A 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 Series A Notes. Further, the opinion of Bond Counsel as to the enforceability of the Series A Notes is expressly qualified by the declaration of bankruptcy. See also THE SERIES A 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. See "LITIGATION."

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 Series A Notes. See, for example, "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS–Article XIII C and Article XIII D of the California Constitution."

Secondary Market

There can be no guarantee that there will be a secondary market for the Series A Notes or, if a secondary market exists, that any Series A 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 Series A 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.

The Article XIII B limits and budgeted appropriations subject to limitation of the City for the last four Fiscal Years and the Budgeted amounts for Fiscal Year 2013-14 are shown in the table below. The City has never exceeded its Article XIII B appropriations limit and does not anticipate having any difficulty in operating within the appropriations limit.

Appropriations Subject to Article XIII B

Fiscal Year	Article XIII B Limit	Budgeted Appropriations Subject to Limitation
2009-10	$279,620,770	144,019,521
2010-11	275,516,105	131,187,601
2011-12	284,606,282	134,940,731
2012-13	297,787,227	136,188,671
2013-14	315,444,295	218,127,906

Source: County Auditor-Controller.

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 2012-13 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 Series A Notes and the Series B Notes could be adversely affected.

Unitary Property

The State Revenue and Taxation Code provide that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with fiscal year 1988-89, will be allocated as follows: (i) for revenues generated from the one percent tax rate, (a) each jurisdiction will receive a percentage up to 102% of its prior year State-assessed revenue; and (b) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula; and (ii) for revenue generated from the application of the debt service tax rate to county-wide unitary taxable value, each jurisdiction will receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes. These provisions apply to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

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

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 Series A 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, 2012."

The audited financial statements for the Fiscal Year June 30, 2013 are expected to be available on or before December 31, 2013 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 Series A 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 Series A 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 Series A 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" hereto.

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the "IRS") is studying whether the amount of the payment at maturity on debt obligations such as the Series A 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 Series A Notes and the aggregate amount to be paid at maturity of the Series A Notes (the "original issue discount"). For this purpose, the issue price of the Series A Notes is the first price at which a substantial amount of the Series A 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 Series A Notes if original issue discount treatment is elected.

Series A 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 Series A Notes. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series A 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 Series A Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series A 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 Series A Notes may adversely affect the value of, or the tax status of interest on, the Series A 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 Series A 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 Series A Notes is excluded from gross income for federal income tax purposes. Under the Code, if the City spends 100% of the proceeds of the Series A Notes within six months after issuance, there is no requirement that there be a rebate of investment profits in order for interest on the Series A 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 2013-14 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 Series A Notes proceeds or of rebatable arbitrage profits, if any, was incorrect.

Although Bond Counsel is of the opinion that interest on the Series A 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 Series A 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 Series A 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 Noteholders from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration's proposed 2014 budget includes a legislative proposal which, for tax years beginning after December 1, 2013, would limit the exclusion from gross income of interest on obligations like the Series A 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 or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series A Notes. Prospective purchasers of the Series A Notes should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series A 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 Series A Notes ends with the issuance of the Series A Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Noteholders regarding the tax-exempt status of the Series A 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 Series A 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 Series A 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 Series A 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 Schiff Hardin LLP, San Francisco, California, Disclosure Counsel.

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

LEGALITY FOR INVESTMENT IN CALIFORNIA

Under provisions of the California Financial Code, the Series A Notes are legal investments for commercial banks in the State to the extent that the Series A 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 Series A 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 Series A 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") for a rating on the Series A Notes. Certain information was supplied by the City to S&P to be considered in evaluating the Series A Notes. The rating issued reflects only the views of S&P and is not a recommendation to buy, sell or hold the Series A 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 Series A 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 Series A Notes.

LITIGATION

General

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 Series A Notes.

No Litigation Relating to the Series A Notes

No material litigation is pending or threatened against the City concerning the validity of the Series A Notes, and an opinion of the City Attorney to that effect will be furnished to the purchaser(s) at the time of the original delivery of the Series A 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 Series A Notes.

Other Litigation

Guidiville Rancheria of California et al. v. United States, et al. On March 16, 2012, the Guidiville Rancheria of California a/k/a the Guidiville Band of Pomo Indians of the Guidiville Rancheria ("Tribe") and Upstream Point Molate LLC ("Upstream") filed a complaint in the United States District Court, Northern District of California (*Guidiville Rancheria of California et al. v. United States, et al.*, Case No. CV12-1326) ("*Guidiville*"). The complaint named the following defendants: the United States of America, Ken Salazar, Larry Echohawk and the City. Upstream and the Tribe contend that the City breached the terms of a Land Disposition Agreement ("LDA") entered into by Upstream and the City in November 2004 regarding development of the Point Molate property within the City. The City disputes these allegations and contends that the LDA did not commit either Upstream or the City to developing the property as a casino and that the right of Upstream to move forward with development of a casino plan was conditioned on the outcome of a CEQA process, the City's ultimate approval, and various federal approvals. In their complaint, Upstream and the Tribe allege damages of $30 million as well as lost profits of over $750 million. The City disputes these damages. After Upstream and the Tribe filed this lawsuit, a separate lawsuit that had been filed by the City against Upstream seeking declaratory relief that the City did not breach the LDA (*City of Richmond v. Upstream Point Molate, LLC, Contra Costa County Superior Court*, Case No. C11-01834) was stayed.

Discovery is ongoing. The City filed a motion for judgment on the pleadings. The Court held oral arguments on July 9, 2013 and has taken the motion under submission. If granted, the motion could dispose of many or all of the claims pending against the City. A case management conference has been set for December 2013.

City of Richmond v. Chevron Corporation, Chevron USA, Inc. et al. On August 2, 2013, the City filed a complaint in Contra Costa County Superior Court (*City of Richmond v. Chevron Corporation, Chevron USA, Inc. and Does 1 through 10, inclusive,* Case No. MSC13-01654). The complaint alleges that as a result of the August 6, 2013, refinery fire the City has suffered economic harm. Specifically, the City is seeking compensatory and general damages; economic damages due to the costs of emergency response, fire suppression and permitting costs; damages related to harm to public health, obstruction of the free passage and use of public property, and/or interference with the comfortable enjoyment of public property; attorneys and consultants fees and punitive damages.

Discovery is ongoing. Case management hearings have been set for December 19, 2013.

Wells Fargo Bank, National Association, solely in its capacity as Trustee, Deutsche Bank National Trust Company, solely in its capacity as Trustee and Deutsche Bank Trust Company Americas, solely in its capacity as Trustee v. City of Richmond and Mortgage Resolution Partners LLC. On April 2, 2013, the City Council approved the execution of an advisory services agreement (the "Advisory Agreement") with Mortgage Resolution Partners, LLC ("MRP"), a community advisory firm, to assist the City in designing and implementing a program called "Richmond CARES" to ease the impacts of the mortgage crisis on residents, including identifying and arranging acquisition financing of private label securities mortgages (*i.e.* loans in mortgage-backed securities pooled by private sponsors rather than by government-sponsored enterprises such as Fannie Mae or Freddie Mac – and thus do not have any government guarantee of repayment to investors) for the purpose of achieving mortgage principal reduction for property owners that are underwater on their mortgages. Pursuant to the Advisory Agreement, the City will pay MRP a fee for each loan acquired and MRP agrees to indemnify, protect, defend and hold the City and its representatives harmless for any liability, penalties, costs, losses, damages, expenses, causes of action, claims or judgments, including attorney's fees and other defense costs arising out of or in any way related directly or indirectly from the Advisory Agreement, the programs or tasks implemented under the Advisory Agreement, any failure to comply with applicable law, and any default or breach by MRP in the performance of its obligations under the Advisory Agreement.

In June 2013, Mortgage Industry Advisory Corporation appraised the value of all of the underwater mortgages to determine the fair market value of the loans to be purchased. The loan appraisals are *not* real estate appraisals of the market value of the related properties. Rather, the loan appraisals are appraisals solely of the mortgage loans. In order to estimate the value of a given mortgage loan, Mortgage Industry Advisory Corporation uses an automated property valuation methodology known as ABSNet Loan Home/Val that incorporates a number of demographic and market analysis parameters into the analysis of a given loan, including an estimate of the value of the related property when it was first placed in the mortgage-backed securities pool. On July 29, 2013, the City Manager's Office sent letters to the lender trustees of 624 mortgage loans informing them that the City was investigating the acquisition of mortgage loans as part of a public program to modify underwater mortgage loans to reduce principal and avoid foreclosure. Based upon the appraisals completed by Mortgage Industry Advisory Corporation, the City made an offer (collectively, the "Offer") to each lender trustee to purchase the loans (free and clear of any encumbrances to title or other interests that the City, in its discretion, deems unacceptable) for the fair market values set forth in the related loan appraisals. Consummation of each Offer is subject to approval by the City Council, including approval of final conditions for the implementation of the loan acquisition program. If any lender trustee deemed its Offer unacceptable or failed to accept the Offer by August 13, 2013, the City indicated it may decide to proceed with the acquisition of the loans through eminent domain, in which case the owner of the loans would have the right to have the amount of just compensation to be paid by the City for such loans fixed by a court of law.

WFB Complaint for Declaratory and Injunctive Relief Ruled in Favor of the City; WFB has Filed an Appeal. On August 8, 2013, Wells Fargo Bank, National Association, Deutsche Bank National Trust Company and Deutsche Bank Trust Company Americas (collectively, the "WFB Plaintiffs"), each solely in its capacity as trustee for various residential mortgage-backed securitization trusts that hold mortgage loans on property located within the City filed a Complaint for Declaratory and Injunctive Relief in United States District court, Northern District of California (Case No. CV-13-3663-CRB) (the "WFB Complaint") against the City and MRP (together, the "Defendants").

The WFB Plaintiffs alleged that that the proposed loan acquisition program (the "Proposed Program") violated provisions of the United States and California constitution and certain provisions of the State Code of Civil Procedure. The WFB Plaintiffs sought a judgment: (i) declaring that the Proposed Program violated certain provisions of the United States Constitution, the California Constitution and the State Code of Civil Procedure; (ii) issuing a preliminary and permanent injunction restraining the implementation of the Proposed Program; and (iii) awarding attorney's fees and such further relief as the court deemed necessary and proper.

Actions Taken by the City Council on September 10, 2013. At a Special Regular Meeting of the City Council on September 10, 2013, among other matters, the City Council heard a report from staff on Richmond CARES - the Local Principal Reduction Program, and by a 4 to 3 vote, approved a motion to direct staff to: work to set up a Joint Powers Authority (JPA) together with other interested municipalities as a next step forward in the development of this program; confirm that no loans will be acquired by the City through eminent domain before coming back to the full City Council for a vote; and continue working with MRP to resolve any remaining legal issues.

Ruling Denying Preliminary Injunction and Declaratory Relief. The United States District Court, Northern District of California heard oral arguments on September 12, 2013 (the "September 12 Hearing"). The Court denied the WFB Plaintiffs' request for preliminary injunction and declaratory relief agreeing with the position of the City and MRP that the issue was "not ripe for consideration" by the Court. The Court concluded that the City had *not* yet commenced eminent domain proceedings. Further, while the City may be contemplating such proceedings, it would need to first convene a public hearing to consider a resolution of necessity, and at the conclusion of such public hearing, a supermajority (*i.e.* five of the seven members) of the City Council would be required to vote in favor of the resolution of necessity before any eminent domain proceedings could commence.

Dismissal of WFB Complaint. On September 16, 2013, for the reasons stated in open court during the September 12 Hearing, the Court held that the WFB Plaintiffs' claims were not ripe for adjudication and issued an Order Denying the WFB Plaintiffs Motion for a Preliminary Injunction and a judgment dismissing the WFB Complaint for lack of subject jurisdiction without prejudice.

The WFB Plaintiffs filed a Notice of Appeal to the United States Court of Appeals for the Ninth Circuit on October 16, 2013.

Dismissal of BNY Complaint. On August 7, 2013, The Bank of New York Mellon Trust Company, as Trustee on behalf of certain trusts holding private label residential mortgage loans (collectively, the "BNY Plaintiffs"), filed a Complaint (Case No. CV-13-3664-CRB) (the "BNY Complaint") for Declaratory and Injunctive Relief in United States District Court, Northern District of California against the City, MRP and Gordian Sword LLC.

Based on the dismissal of the WFB Complaint for lack of subject matter jurisdiction and the refusal of the BNY Plaintiffs to voluntarily withdraw the BNY Complaint, on September 9, 2013, the City and MRP filed a Notice of Motion to Dismiss for Lack of Subject Matter Jurisdiction and an *Ex Parte* Motion to Shorten Time and Waive Hearing filed contemporaneously against the BNY Defendants. On November 6, 2013, the court issued an order dismissing the BNY Complaint as not prudentially ripe for consideration without prejudice.

On November 8, 2013, the City and MRP filed a Notice of Motion and Motion for Rule 11 Sanctions against the BNY Plaintiffs seeking recovery of the City's reasonable expenses and attorney's fees. On November 22, 2013, the BNY Plaintiffs filed an opposition to Motion for Rule 11 Sanctions. A hearing on the BNY Plaintiff's Motion is scheduled for January 24, 2014.

As of the date of this Official Statement, the City Council has *not* taken any action to approve the described loan acquisition program nor has the City Council taken any action to approve commencement of any eminent domain proceedings.

UNDERWRITING

Raymond James & Associates, Inc. (the "Underwriter"), has agreed, subject to certain conditions precedent, to purchase the Series A Notes from the City pursuant to the terms and condition of a note purchase agreement between the parties.

The Underwriter has agreed to purchase all of the Series A Notes at a purchase price equal to $12,076,555.50 which represents the principal amount of the Series A Notes, less an Underwriter's discount in the amount of $23,444.50. The note purchase agreement relating to the Series A Notes provides that the Underwriter will purchase all of the Series A Notes, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said note purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The Series A Notes may be offered and sold to certain dealers and others at yields higher than the offering yield stated on the cover hereof. The offering yields may be changed from time to time.

FINANCIAL STATEMENTS

Maze & Associates Accounting Corporation, Certified Public Accountants (the "Auditor"), audited the financial statements of the City for the Fiscal Year ended June 30, 2012. The examination by the Auditor was made in accordance with generally accepted auditing standards and Governmental Auditing Standards, issued by the Comptroller General of the United States. See APPENDIX B–"AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2012."

The City requested and obtained permission from the Auditor to include the audited financial statements as an appendix to this Official Statement.

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 Series A 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 Series A 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."

In the past five years, the City did not fail to comply in any material respect with its obligation to file annual reports, but did fail on occasion to timely file notices of bond insurer-related rating changes and certain other matters. The City filed all required notices by October 31, 2013 and has established procedures, including the appointment of Willdan Financial as the Dissemination Agent for all City bond transactions and the designation of the Finance Department Debt Analyst as the party responsible for monitory and making the requiring filings that the City believes will be sufficient to ensure timely future compliance with its continuing disclosure undertakings.

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ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective purchasers of the Series A Notes. Summaries and explanations of the Series A 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 Series A 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 Series 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, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34). Periodically, the City adopts new accounting and financial standards to conform with releases by the GASB. As of July 1, 2010, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* (GASB 54), establishing fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The objective of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance categories and classifications that can be more consistently applied and understood. The previous components of fund balance (*e.g.,* "reserved" and "unreserved") are replaced with the following classifications: "nonspendable," "restricted," "committed," "assigned" and "unassigned." Additionally, the contingency reserve is shown as a component of unassigned fund balance. Assigned and unassigned fund balances may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

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 2011-12. The unrestricted General Fund cash was approximately \$7.9 million as of June 30, 2012, an increase of approximately \$0.5 million from the prior year. The City maintained a \$10.0 million contingency fund in its unassigned fund balance and reserved the entire amount of its advances to other funds (\$25.7 million) in the nonspendable fund balance.

Table A-1 presents the City's Audited General Fund Balance Sheets, including assets, liabilities, and fund equity for Fiscal Years 2008-09 through 2011-12 and the unaudited actual General Fund Balance Sheet for Fiscal Year 2012-13.

Table A-1
City of Richmond
General Fund Balance Sheet
Fiscal Years 2008-09 through 2010-12 and Estimated for Fiscal Year 2012-13

	2008-09	2009-10	2010-11†	2011-12	Unaudited Actual 2012-13
ASSETS					
Assets:					
Cash and investments[(1)]	$30,855,630	$9,081,490	$7,363,627	$7,883,475	$10,123,649
Restricted cash and investments[(2)]	5,154	18,166,487	10,875,654	10,296,160	6,435
Receivables:					
Accounts, net[(3)]	8,440,156	18,875,397	13,166,093	10,391,192	7,294,946
Interest[(4)]	7,190	5,226	2,589	2,833	2,036
Grants[(5)]	3,840	413,529	591,727	586,677	8,817
Loans	1,351,853	1,362,648	3,463,685	1,009,746	948,345
Due from other funds[(6)]	6,345,529	–	–	–	–
Advances to other funds[(7)]	22,660,371	22,754,145	24,918,389	25,664,138	26,335,694
Prepaids, supplies and other assets	496,888	423,320	416,548	672,613	1,467,804
TOTAL ASSETS	$70,166,611	$71,082,242	$60,798,312	$56,488,834	$46,187,736
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities[(8)]	$23,529,209	$2,174,500	$2,475,735	$5,838,047	$3,230,459
Refundable deposits	178,849	253,161	119,625	123,217	112,792
Due to other funds	25,570	–	–	–	–
Advances from other funds	99,685	95,685	93,685	–	–
Deferred revenue[(9)]	795,620	11,197,472	6,563,297	5,367,067	5,269,002
Note payable[(10)]	–	18,155,011	11,066,397	7,802,150	–
TOTAL LIABILITIES	$24,628,933	$31,875,829	$20,318,739	$19,130,481	$8,612,253
Fund Balances:					
Reserved for:					
Encumbrances[(11)]	$875,407	$1,009,480	–	–	–
Prepaids, supplies and other assets	496,888	423,320	–	–	–
Advance to other funds[(12)]	22,660,371	22,356,620	–	–	–
Loans receivable	649,823	580,656	–	–	–
Nonspendable[(13)]	–	–	$28,021,103	$25,944,325	$27,375,004
Assigned	–	–	380,999	377,181	245,246
Unreserved, designated for:					
Contingencies[(14)]	10,000,000	10,000,000	–	–	–
Unreserved, reported in:					
General fund[(15)]	10,855,189	4,836,337	–	–	–
Unassigned[(16)]	–	–	12,077,471	11,036,847	9,955,233
TOTAL FUND BALANCES	45,537,678	39,206,413	40,479,573	37,358,353	37,575,483
TOTAL LIABILITIES AND FUND BALANCES	$70,166,611	$71,082,242	$60,798,312	$56,488,834	$46,187,736

(Footnotes on the following page.)

† Effective July 1, 2010, the City implemented the provisions of GASB 54, which among other things, replaced the "reserved" and "unreserved" components of fund balance with the following classifications: "nonspendable," "restricted," "committed," "assigned" and "unassigned."

(1) The decrease in the amount of $21 million for Fiscal Year 2009-10 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")."* The $1.7 million decrease in Fiscal Year 2010-11 compared to the prior Fiscal Year is due to, in part, the issuance of a $2.5 million loan to the Rosie the Riveter Trust Non-Profit Corporation to rehabilitate the Maritime Child Development Center. The $520,000 increase in Fiscal Year 2011-12 compared to the prior Fiscal Year is attributable, in part, to receipt of a $2.5 million "Rosie the Riveter" granted for bridge loan to finance the rehabilitation of the Maritime Child Development Center. The estimated $2.2 million increase in Fiscal Year 2012-13 compared to the prior Fiscal Year is due to receipt of $627,000 RDA property tax residual distribution and $586,000 of Justice and Energy Department grants. In addition, General Fund recorded approximately $1.4 million of bad debt expense that affected the net change in fund balance; this latter item is an accrual.

(2) The increase for "Restricted Cash and Investments" in the amount of $18.2 million in Fiscal Year 2009-10 compared to the prior Fiscal Year is due to $18 million of restricted cash having been set aside to pay off the City's Series 2009A-8 tax and revenue anticipation notes (TRAN) in November 2010; an offsetting $18.2 million for "Note payable" appears in Table A-1. The decrease in the amount of $7.3 million in Fiscal Year 2010-11 compared to Fiscal Year 2009-10 is due to the City's $10.85 million 2009-10 tax and revenue anticipation notes having been smaller than the notes issued the prior year. The decrease in the amount of $579,000 in Fiscal Year 2011-12 compared to Fiscal Year 2010-11 is a net effect of reducing the TRAN set-aside requirement but also increasing the fiscal agent balance for $2.7 million for Police and Fire radios purchase that is funded by a capital lease. The $10.3 million decrease in Fiscal Year 2012-13 compared to the prior fiscal year is due to the drawdown of $2.7 million for Police and Fire Radios and repayment of the Fiscal Year 2012-13 $9 million TRAN within the Fiscal Year, as compared to the prior year TRANs that was repaid after its respective end.

(3) The increase for "Receivables – Accounts, Net" in Fiscal Year 2009-10 in the amount of $10.4 million compared to the prior Fiscal Year reflects the recording of Chevron utility users tax settlement in the amount of $10 million of which $5 million was paid during Fiscal Year 2010-11 and remaining $5 million was paid during Fiscal Year 2011-12 accounting for the majority of the $5.7 million and $2.8 million reductions during Fiscal Year 2010-11 and Fiscal Year 2011-12 respectively. See "–Major General Fund Revenue Sources–*Utility Users Tax."* The $3.1 million decrease in Fiscal Year 2012-13 is partially due to the write-off of approximately $2.1 million of uncollectible accounts receivable and $1.4 million reduction in Accrued Receivables recorded.

(4) Of the $30.8 million in Cash and Investments in Fiscal Year 2008-09 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.

(5) The increase for "Grants" 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. The increase in the amount of $178,198 in Fiscal Year 2010-11 compared to Fiscal Year 2009-10 is due to recording receipt of Energy Efficiency and Conservation Block Grants, pending reimbursement. The decrease in the amount of $577,860 in Fiscal Year 2012-13 compared to the prior Fiscal Year is due to the collection of Department of Justice and Energy grants in Fiscal Year 2012-13.

(6) The $6.3 million decrease for "Due from Other Funds" in Fiscal Year 2009-10 compared to the prior Fiscal Year is primarily attributable to a short-term advance to the Richmond Community Redevelopment Agency that was subsequently repaid and was reported as a short-term transaction.

(7) The amounts represent principal and accrued interest on a $17 million loan made to the Port of Richmond. Additionally, the City records an ongoing advance that represents Richmond Housing Authority costs for police, sewer, employee payroll and other services. Since Fiscal Year 2008-09, this advance has increased from $5.4 million to $8.5 million in Fiscal Year 2012-13.

(8) The $23.5 million balance for "Accounts Payable and Accrued Liabilities" in Fiscal Year 2008-09 represents 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")*. 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 return the funds to the payees and a deduction in accounts payable being made shortly thereafter. The $3.4 million increase in Fiscal Year 2011-12 compared to the prior Fiscal Year is primarily due to recording of a $2.7 million invoice for the purchase of Police and Fire department radios funded by a capital lease which was subsequently paid thereby accounting for the $2.6 million decrease in Fiscal Year 2012-13.

(9) The increase for "Deferred Revenue" in the amount of $10.4 million in Fiscal Year 2009-10 compared to the prior Fiscal Year is primarily due to an increase in Accounts Receivable related to a $10 million settlement payment received from Chevron that was to be paid out equally over two years. The decrease in the amount of $4.6 million in Fiscal Year 2010-11 compared to the prior Fiscal Year is due to receipt of $5 million of the UUT Settlement payment made by Chevron which reduced "Receivables–Accounts, net." The decrease in the amount of $1.2 million represents the net effect of a decrease of $5 million in the UUT Settlement and an increase of $4.2 million due to the reclassification of RCRA prepaid maintenance as a result of closing the Facilities Maintenance Fund. The $98,000 decrease in Fiscal Year 2012-13 represents the yearly amortization of the prepaid maintenance.

(10) The note payable in Fiscal Year 2009-10 represents the 2009-10 TRANs issued on November 5, 2009. The note payable in Fiscal Year 2010-11 represents the 2010-11 TRANs issued on July 15, 2010. The note payable in Fiscal Year 2011-12 represents the 2011-12 TRAN issued on November 3, 2011. The City issued the 2012-13 TRAN on October 16, 2012 and repaid the note on June 28, 2013.

(11) The amounts for "Encumbrances" reported in each Fiscal Year represent outstanding purchase orders. With the implementation of GASB 54 in Fiscal Year 2010-11, these balance show as Assigned.

(12) The majority of the $22.4 million balance for "Advances to Other Funds" in Fiscal Year 2009-10 represents $17 million advance to Port and $5.1 million ongoing advance to Richmond Housing Authority. With the implementation of GASB 54 in Fiscal Year 2010-11, these balances, along with other previously reserved balances, show as nonspendable fund balance.

(13) The increase for "Fund Balances – Nonspendable" in Fiscal Year 2010-11 compared to the prior Fiscal Year is due to the GASB 54 related reclassification of fund balance. The decrease in the amount of $2.1 million in Fiscal Year 2011-12 represents the net result of a decrease attributed to the repayment of the "Rosie the Riveter" loan described in footnote (2) and an increase in the amount owed by the RCRA ($799,000). The estimated $1.4 million increase in Fiscal Year 2012-13 is primarily attributed to an $883,000 increase in RHA advance and an $800,000 prepayment for Other Post-Employment Benefits (OPEB).

(14) The City booked $10.0 million into the "Fund Balances – Unreserved, Contingencies" in each of Fiscal Years 2008-09 through 2009-10 pursuant to the City's cash reserve policy. Since Fiscal Year 2010-11, the Contingency Reserve has been included in the unassigned balance. The estimated balance attributed to the Contingency Reserve for Fiscal Year 2011-12 was $7.0 million and is budgeted at $10 million for Fiscal Year 2012-13. See "–Financial Policies–*Cash Reserve Policy*."

(15) The decrease of $6.0 million in Fiscal Year 2009-10 compared to Fiscal Year 2008-09 is due to a $6.3 million change in fund balance which is the net result of a $10.3 million deficiency of revenues under expenditures and $3.9 million in "Other Financing Sources" partially attributed to a $4.0 million transfer from the Equipment Services Fund. With the implementation of GASB 54 in Fiscal Year 2010-11, these balances are now shown as Unassigned.

(16) The increase for "Fund Balances – Unreserved, Unassigned" in Fiscal Year 2010-11 compared to the prior Fiscal Year is due to the reclassification of fund balances in accordance with GASB 54. As part of the reclassification, the City chose to include amounts held in contingency as a component of the unassigned fund balance. The comparable decrease in the amount of $2.8 million in Fiscal Year 2010-11 compared to the prior Fiscal Year is primarily due to the reclassification of fund balance as nonspendable for the $2.5 million "Rosie the Riveter" loan. The decrease in the amount of $3.1 million from Fiscal Year 2010-11 to Fiscal Year 2011-12 is due to the increase in nonspendable fund due to net increases in the City of Richmond Housing Authority advance and other prepaid expenditures.

Sources: Comprehensive Annual Financial Reports and 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 2008-09 through 2011-12 and unaudited actual for Fiscal Year 2012-13.

Table A-2
City of Richmond
Summary of General Fund Revenues, Expenditures, and Change in Fund Balance
Fiscal Years 2008-09 through 2011-12 and Unaudited Actual for Fiscal Year 2012-13

	2008-09	2009-10	2010-11	2011-12	Unaudited Actual 2012-13†
Revenues:					
Property taxes(1)	$33,296,446	$29,746,915	$26,277,405	$28,359,544	$32,489,548
Sales taxes	27,922,698	25,000,182	23,025,923	27,788,339	29,865,548
Utility user taxes and Settlements(2)	48,953,004	40,298,719	50,007,806	50,984,315	48,442,541
Other taxes(3)	7,959,683	6,092,050	7,824,181	6,550,828	6,247,351
Licenses, permits and fees	2,191,711	2,635,258	2,444,727	2,403,193	2,464,451
Fines, forfeitures and penalties	332,524	245,099	310,231	338,104	328,917
Use of money and property(4)	183,318	352,132	393,690	261,645	199,189
Intergovernmental(5)	747,134	1,580,801	2,924,230	5,262,708	1,936,905
Charges for services(6)	2,566,597	3,462,912	3,284,727	2,854,110	2,833,744
Other(7)	8,240,818	2,527,264	2,232,255	3,052,974	1,398,043
Rent	295,064	746,217	940,861	779,944	681,141
Total Revenues	$132,688,997	$112,687,549	$119,666,036	$128,635,704	$126,887,378
Expenditures:					
Current:					
General government(8)	$10,169,478	$7,291,519	$8,736,207	$21,085,750	$19,461,796
Public safety(9)	87,578,216	87,548,895	89,330,988	82,348,541	76,261,454
Public works(10)	14,411,773	13,355,265	11,315,452	17,668,512	18,486,148
Community development(11)	–	–	–	–	–
Cultural and recreational(12)	15,188,002	13,735,412	13,158,917	9,538,380	9,589,858
Capital outlay(13)	776,014	5,958	5,605	2,745,727	141,046
Debt service:					
Principal	520,439	446,191	510,351	935,183	1,311,615
Interest and fiscal charges	26,552	570,804	392,367	524,776	450,954
Total Expenditures(14)	$128,670,474	$122,954,044	$123,449,887	$134,846,869	$125,702,871
Excess (Deficiency) of Revenues Over (Under) Expenditures	$4,018,523	($10,266,495)	($3,783,851)	($6,211,165)	$1,184,507
Other Financing Sources (Uses):					
Issuance of Debt	–	–	–	$2,711,745	–
Bond premium	–	$214,846	$150,490	109,701	$106,740
Proceeds of sale of property	$ 40,000	–	–	188,489	53,618
Transfers in	9,752,825	8,952,371	14,755,285	14,817,962	9,028,336
Transfers out	(14,710,298)	(5,231,987)	(9,848,764)	(14,737,950)	(10,156,071)
Total Other Financing Sources (Uses)	($4,917,473)	$3,935,230	$5,057,011	$3,089,945	($967,377)
Net Change in Fund Balances	($898,950)	($6,331,265)	$1,273,160	($3,121,220)	$217,130
Fund Balances:					
Beginning of year	$46,436,628	$45,537,678	$39,206,413	$40,479,573	$37,358,353
End of year	$45,537,698	$39,206,413	$40,479,573	$37,358,353	$37,575,483

(footnotes on the following page)

† Estimated.

(1) For a discussion regarding the declines in assessed valuation that resulted in declines in property tax receipts during Fiscal Years 2008-09 through 2010-11, see "–Major General Fund Revenue Sources–*County Property Tax Collection Process and Assessed Valuation*."

(2) The 65.6% increase for "Utility User Fees and Settlements" in Fiscal Year 2008-09 compared to the prior Fiscal Year is due to the initial 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 a lower payment by Chevron as part of the UUT Settlement Agreement. The 24.1% increase in Utility User Taxes in Fiscal Year 2010-11 compared to the prior Fiscal Year is due to the first $10 million UUT settlement payment being March - July 2010. See "–Major General Fund Revenue Sources–*Utility Users Tax*."

(3) "Other Taxes" includes transient occupancy taxes, documentary transfer taxes, franchise and pipeline fees. The $1.9 million decline for "Other Taxes" in Fiscal Year 2009-10 compared to the prior Fiscal Year is primarily due to a decline in Gas and Electricity Franchise Fees remitted by Pacific Gas & Electric ($1.18 million) and reductions in Transient Occupancy and Documentary Transfer taxes ($662,000). The $1.7 million increase in Other Taxes in Fiscal Year 2010-11 compared to the prior Fiscal Year is primarily due to documentary transfer tax relating to the sale of large commercial property. The estimated $1.3 million decrease in Fiscal Year 2011-12 compared to the prior Fiscal Year is due primarily to a decline in documentary transfer tax.

(4) The $572,970 decrease in Fiscal Year 2008-09 compared to the prior Fiscal Year is due to lower investable balances due to cash related to the Measure T litigation being sequestered and low interest rates.

(5) "Intergovernmental" includes revenue received from the State. The $833,667 increase in "Intergovernmental" in Fiscal Year 2009-10 compared to the prior Fiscal Year and the $1.3 million increase in Fiscal Year 2010-11 compared to the prior Fiscal Year is due to increases in federal grants received.

(6) The $896,315 increase for "Charges for Services" in Fiscal Year 2009-10 compared to the prior Fiscal Year is due to payment from the West Contra Costa County Unified School District for a School Resource Officer. The estimated $430,000 decrease in Fiscal Year 2011-12 compared to the prior Fiscal Year is due to permit and fee revenue being included in "Licenses, Permits and Fees."

(7) The $6.4 million increase for "Other" in Fiscal Year 2008-09 compared to the prior Fiscal Year is due primarily to $4 million paid by Chevron pursuant to a Community Benefit Agreement and $2 million drawn down from Retiree Medical reimbursements. The estimated $3.1 million increase in Fiscal Year 2011-12 compared to the prior Fiscal Year is due to drawn down from Retiree medical reimbursements.

(8) 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. The $1.4 million increase in Fiscal Year 2010-11 compared to the prior Fiscal Year is attributable to the implementation of an updated cost allocation plan that increased. The estimated $12.3 million (41.4%) increase in Fiscal Year 2011-12 General Government is attributable to several factors: (i) $2.4 million represents a pass-thru for the Ford Point loan, which is reimbursed by National Park Service; (ii) $1.5 million represents a contribution by the City to the West Contra Costa Unified School District; (iii) $2.2 million represents estimated expenditures as of July 18, 2012; (iv) increases in PERS, OPEB and City retirement system rates which resulted in increased payroll benefit expenditures; and (v) consultant fees paid to implement the provisions of a Green Print grant received by the City. The $1.6 million decrease in Fiscal Year 2012-13 from the prior year is due to salary savings from vacant positions.

(9) The $1.8 million increase in "Public Safety" in Fiscal Year 2010-11 compared to the prior Fiscal Year reflects costs for the purchase of a ShotSpotter gunshot detection system and closed circuit television systems, and a 5% cost-of-living adjustment in Public Safety employees' salaries. Public Safety decreased by approximately $7 million in Fiscal Year 2011-12 due to reduction and delayed hiring of personnel and fewer significant purchases for public safety were made using General Fund revenues. The $6.1 million decrease in Fiscal Year 2012-13 compared to the prior year is attributable to: (i) $2.8 million reduction in worker's compensation allocations to departments as a result of reduced confidence level funding; (ii) $1.4 million reduction in general liability allocations to accommodate mid-year requests; (iii) $410,000 and reduction in 800Mhz allocations as a result of transition to new radio system; (iv) $662,000 reduction in vehicle replacement costs; (v) $831,000 and reduction in contract services expenditures.

(10) Facilities and Equipment maintenance operations were transferred from internal service to the General Fund during Fiscal Year 2011-12, increasing Public Works by $6.4 million. The $818,000 increase in Fiscal Year 2012-13 over the prior year is mainly attributed to increase in utility cost of $703,000 and increase in roadway and vehicle supplies of $173,000.

(11) Commencing in Fiscal Year 2008-09, community development costs are included in "General Government."

(12) The estimated $3.6 million decrease in Fiscal Year 2011-12 compared to the prior Fiscal Year, reflects cost pool allocation reductions as a result of information technology, facility and equipment maintenance transition from internal service fund to General Fund. The $51,000 increase in Fiscal Year 2012-13 over the prior year is immaterial.

(13) The $770,056 decrease for "Capital Outlay" in Fiscal Year 2009-10 compared to the prior Fiscal Year is due to capital expenditures for computer equipment in the Police Department. The $2.7 million increase in Fiscal Year 2011-12 compared to the prior Fiscal Year reflects shared costs by the Police and Fire departments for payment of the East Bay Regional Communication System and the costs for the purchase of other safety equipment. The $2.6 million decrease in Fiscal Year 2012-13 from the prior Fiscal Year is the result of prior year radio equipment purchases.

(14) For Fiscal Year 2008-09 "Total Expenditures" includes transfers of approximately $5.2 million from the Secured Property Tax Override fund and approximately $4.4 million from Non-Major Governmental Funds. 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. For Fiscal Year 2010-11 includes transfers of approximately $7.7 million from Non-Major Governmental Funds and $6.8 million from Internal Revenue Service Funds. For Fiscal Year 2011-12, includes the transfer of Information Technology from an internal service fund to the General Fund and enhancement funds from 800 MHZ were transferred to General Fund.

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 2011-12 are discussed under "–Financial Operations."

Fiscal Year 2012-13. The City adopted its Fiscal Year 2012-13 budget on June 26, 2012 (the "Adopted Fiscal Year 2012-13 Budget") which anticipated an approximately $433,948 reduction in total net revenues and transfers in and an $8.6 million reduction in expenditures and transfers out compared to the adjusted budget for Fiscal Year 2011-12.

Mid-Year Adjustments. On February 19, 2013, the City Council received the Fiscal Year 2012-13 Mid Year Budget Review that revenues were projected to decrease $9.2 million or 6.2% compared to Fiscal Year 2011-12, primarily as a result of decreased Operating Transfers In to the General Fund. General Fund expenditures were slightly higher than prior years at $133 million, due primarily to increased costs for public safety. After reviewing all revenue and expenditure line items, suspending general liability allocations for six months from January through June 2013 as a result of claim payments trending lower than anticipated resulting in surplus moneys in the general liability fund exceeding the targeted 80% confidence level, and the transfer of $1,463,840 in excess funds from the Risk Management Fund the City identified a total of zero net expenditure adjustments to the General Fund.

Unaudited Fiscal Year 2012-13 Results. The City estimates that the General Fund net operating results will show a surplus of approximately $0.21 million, resulting in an estimated General Fund balance for Fiscal Year 2012-13 of $37.6 million. This represents a slight increase in General Fund balance compared to Fiscal Year 2011-12.

Fiscal Year 2013-14. The City adopted its Biennial Operating Budget, Fiscal Year 2013-14 to Fiscal Year 2014-15 on June 25, 2013 (the "Adopted Biennial 2013-15 Budget"), as revised on November 5, 2013 (the "Revised Adopted Budget for Fiscal Year 2013-14") which anticipated an approximately $3.7 million reduction in total net revenues and transfers in and a $804,686 reduction in expenditures and transfers out compared to the unaudited actual budget for Fiscal Year 2012-13.

Table A-3 presents the City's actual revenues and expenditures for Fiscal Years 2010-11 and 2011-12, Fiscal Year 2012-13 unaudited actual revenues and expenditures, the Adopted Biennial 2013-15 Budget revenues and expenditures for Fiscal Year 2013-14 and the Revised Adopted Budget for Fiscal Year 2013-14.

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Table A-3
City of Richmond
Summary of Budgeted General Fund Revenues and Expenditures
For Fiscal Years 2010-11 through 2013-14[(1)(2)]

	Actual 2010-11	Actual 2011-12	Unaudited Actual 2012-13	Adopted Budget 2013-14[(1)]	Revised Adopted Budget 2013-14[(2)]
Revenue:					
Property Taxes	$26,277,405	$28,359,544	$32,489,548	$34,527,660	$30,158,660[(3)]
Sales & Use Tax	23,025,923	27,788,339	29,865,548	31,442,633	31,442,633
Utility Users Tax and Settlements	50,007,806	50,984,315	48,442,541	51,088,925	51,088,925
Franchise Taxes, Licenses and Fees	10,579,139	9,292,125	9,040,719	12,682,329	12,863,809
Charges for Services	3,284,727	2,854,110	2,833,744	1,423,000	1,727,937[(4)]
All Other Revenues	6,491,036	9,357,271	4,205,278	3,199,436	3,299,436
Total Revenue	119,666,036	128,635,704	126,877,378	134,363,983	130,581,400
Operating Transfers In	14,755,285	14,817,962	9,028,336	9,877,877	9,877,877
Total Funds Available	134,421,321	143,453,666	135,915,714	144,241,860	140,459,277
Expenditures:					
Salaries and Benefits	89,752,933	103,018,034	96,350,015	101,909,024	102,141,685
Other Operating Expenditures	33,696,954	31,828,835	27,590,287	31,703,140	30,616,211
Total Expenditures	123,449,887	134,846,869	123,940,302	133,612,614	132,757,896
Operating Transfers Out and Debt Service	9,698,274	11,728,017	11,918,640	11,037,203	11,086,785
Total Funds Required	133,148,161	146,574,886	135,858,942	144,649,367	143,844,681
Net Change in Fund Balance from Operations	$1,273,160	($3,121,220)	$1,368,387	($407,507)	($3,385,405)

(1) Represents budgeted revenues and expenditures for Fiscal Year 2013-14 contained in the Adopted Biennial Operating Budget, Fiscal Year 2013-14 to Fiscal Year 2014-15.
(2) Revised Adopted Biennial Operating Budget, Fiscal Year 2013-14 to Fiscal Year 2014-15.
(3) Reflects the 14.6% decline in assessed value within the City that was received shortly after the City Council adopted its budget for Fiscal Year 2013-14.
(4) The 21.4% increase compared to the Fiscal Year 2013-14 Adopted Budget reflects the terms of a contract entered into by the City and the West Contra Costa Unified School District for the City to provide additional police officers within the District during this Fiscal Year.

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 2011-12 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. As of Fiscal Year 2011-12 (the most recent audited data available), the City had 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 accounted 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 Point 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 and Practices

Financial Policies. The current financial policies of the City are summarized below. Copies of the Cash Reserve Policy, Debt Policy, Swap Policy, Investment Policy and Grant Management 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 (the "Cash Reserve Policy") that requires that the City maintain year-end contingency reserve balances in the General Fund, including PERS savings reserves but excluding departmental carryover, equal to a minimum of 7% of budgeted General Fund expenditures. City Council approval is required before any withdrawals are made from the cash reserve and the City Council has discretion to use the cash reserve *only* for emergencies and not for on-going expenses. The Cash Reserve Policy permits the cash reserve to be temporarily reduced in times of an emergency, but requires that the cash reserve grow back to 7% of total expenditures following the stabilization policy, in order to allow the City to buildup its capacity to handle future short-term economic downturns or emergencies without cutting services.

Due to the impact of the weak economy on City revenues, the City temporarily reduced the cash reserve in Fiscal Year 2011-12 to $7.0 million or 6.3% of General Fund expenditures.

For Fiscal Year 2012-13, the cash reserve is equal to 8.3% of budgeted General Fund expenditures or approximately $11.6 million. For Fiscal Year 2013-14, the cash reserve is budgeted at 7.0% of the budgeted General Fund expenditures or approximately $10.1 million.

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 former 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.

Investment Policy. For a summary of the Investment Policy of the City see "CITY INVESTMENT PORTFOLIO" in the front of this Official Statement and APPENDIX C–"CITY INVESTMENT POLICY."

Grant Management Policy. On May 3, 2013, the City adopted a grant management policy to assist the City in actively seeking out grant revenues, establishing general concepts and frameworks, identifying the roles and responsibilities establishing criteria for evaluating the benefits and costs and setting forth the City's policy for complying with single Audit Act requirements in connection with the use and management of grant programs.

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 former 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 and most recently reviewed by the Finance Committee of the City Council on May 3, 2013. A summary of the City's swap agreements as of September 30, 2013 is set forth in Table A-4.

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Table A-4
Summary of Interest Rate Swap Agreements

Associated Bonds	Effective Date/ Expiration Date	Initial/Current Notional Amount	Counterparty/ Guarantor	Counterparty/ Guarantor Credit Ratings (Moody's/S&P/Fitch)	Rates	Index	Market Termination Value to City†
City of Richmond Taxable Pension Funding Bonds Series 2005B-1(1)	9-1-2013/ 8-1-2023	$75,230,476/ 75,230,476	Bear Stearns Capital Markets Inc./ JPMorgan Chase Co.	Aa1/AA-/AA-	Pay: 5.712% Receive: 100.000%	Fixed 1 mo. LIBOR	$ 2,082 (16,105,409)
City of Richmond Taxable Pension Funding Bonds Series 2005B-2(1)	8-12-2023/ 8-1-2034	$127,990,254/ 127,990,254	Bear Stearns Capital Markets Inc./ JPMorgan Chase Co.	Aa1/AA-/AA-	Pay: 5.730% Receive: 100.000%	Fixed 1 mo. LIBOR	4,607 (6,373,204)
City of Richmond Variable Rate Wastewater Revenue Refunding Bonds, Series 2008A(4)	11-23-2009/ 8-1-2037	$32,260,000/ 32,260,000	Royal Bank of Canada	Aa-/Aaa/AA	Pay: 3.897% Receive: 63.420%	Fixed 1 mo. LIBOR	2,324 (7,071,723)
Richmond Community Redevelopment Agency Subordinate Tax Allocation Refunding Bonds (Merged Project Areas) 2010 Series A(2)	7-12-2007/ 9-1-2036	$65,400,000/ 55,900,000	Royal Bank of Canada	AA-/Aaa/AA	Pay: 100.000% Receive: 68.000 %	SIFMA 1 mo. LIBOR	(7,619,055)
Richmond Joint Powers Financing Authority Lease Revenue Refunding Bonds (Civic Center) Series 2007(3)	9-19-2007/ 8-1-2037	$101,420,000/ 83,375,000	Royal Bank of Canada	AA-/Aaa/AA	Pay: 100.000% Receive: 68.000 %	SIFMA 1 mo. LIBOR	(12,276,646)
TOTAL		$402,300,730/ 374,755,730					($49,446,036)

† As of September 30, 2013.
(1) A pro-rata obligation of all City agencies and the General Fund.
(2) Originally, an obligation of the Richmond Community Redevelopment Agency, now an obligation of the RCRA Successor Agency. See "–Dissolution of the Richmond Community Redevelopment Agency."
(3) An obligation of the General Fund.
(4) An obligation of the Wastewater Enterprise Fund.
Source: The Majors Group.

Financial Practices

Five Year Financial Plan. In July 2012, the City Council adopted a Five Year Financial Plan for Fiscal Years 2012-13 through 2016-17 (the "Financial Plan") an annual five-year forecast of revenues and expenditures projections to be used as a planning tool for the long term sustainability of the City and its employees. The City's five-year financial planning complements other planning processes that the City uses such as strategic planning, capital improvement planning, and budgeting. The Financial Plan includes an analysis of projected revenues, expenditures, reserve, capital projects and debt policies, and a review of fiscal policies as described below. A copy of the Financial Plan is available on the City's website at: www.ci.richmond.ca.us/DocumentCenter/view/27109.

Revenue Analysis – investigates a number of financial indicators to determine the historical trends which are used as predictors of future changes in the revenue streams of the City, specifically in the General Fund.

Expenditure Analysis – provides an insight into the fiscal health of the City as part of the Financial Plan. Data extracted from the City's Comprehensive Annual Financial Report (CAFR), Operating Budget, Capital Improvement Plan (CIP), and Five-Year Strategic Business Plan is used to analyze historical data and determine trends and includes a historic growth rate and a projected growth rate for General Fund and Non-General Funds. The projections factor in an overall 1.6% increase from Fiscal Year 2011-12 to Fiscal Year 2015-16; which is a significant decrease from the historical growth rate of 3.4%. The operating expenditures forecast is based on the average Bay Area Consumer Price Index ("CPI") from the last five years in the amount of 2.2%; salary growth is projected at 1% and benefits projected at 50% of salaries for each projection year.

Reserve Policy Analysis – examines appropriate levels of reserves to: (i) ensure that they are adequate to provide for the needs of each fund program; (ii) meet program needs without unnecessarily obligating scarce dollar resources; and (c) guarantee compliance with City fiscal policies and legal requirements by State, county, and local ordinances. Reserves can be made up of Restricted and Unrestricted amounts.

Fiscal Policies – reviewed and adopted annually by City Council in conjunction with the preparation of the Financial Plan in order to document proposed new policies.

Capital Projects Analysis – reflects significant capital projects that are projected to start construction within the next five years and is separated into three categories: (i) City Projects – Non Enterprise; (ii) City Projects – Enterprise; and (iii) Prospective Projects. Capital projects are analyzed by City staff with respect to available funding, the estimated project costs, and the required funding. Gap closing strategies provide approaches that meet the future infrastructure needs of the community, while ensuring that future resources can sustain ongoing operation and maintenance costs, and include analyzing cash flows, funding gaps of the priority capital projects, and revenue generation for closing gaps of capital projects.

Debt Analysis – a review, assessment and evaluation of (i) an existing debt; (ii) long-range financing guidelines; (iii) revenue sources for debt service and repayment; and (iv) recommendations for funding alternatives for major capital programs.

Projected Deficit. The Financial Plan projects deficits beginning in Fiscal Year 2012-13 and continuing through Fiscal Year 2015-16 absent corrective measures. This is due to declining revenue streams resulting from the economic downturn, cessation of certain Chevron UUT Settlement payments and escalating retirement costs. The Financial Plan does not set forth specific budget solutions going forward but emphasizes implementing the financial policies adopted by the City to guide the process. See also "–Financial Policies."

In previous official statements the following disclosure regarding appeared under the subheading "–Financial Policies." The City has clarified that the Structural Balance policy is not an Official Policy of the City, but rather a recommended guideline.

Structural Balance Guideline. In connection with its budget preparations for Fiscal Year 2004-05, the City Council adopted a guideline 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.

In the last five fiscal years, the City has been in compliance with the Structural Balance Guideline only in Fiscal Year 2010-11.

Dissolution of the Former Richmond Community Redevelopment Agency

No revenues of the Richmond Community Redevelopment Agency (the "Former Agency") have ever been pledged as a payment source for the City's tax and revenue anticipation notes in the past and such revenues are not pledged to the payment of the Series A Notes. In addition, there are no loans between the Former Agency and the City. No General Fund expenses have ever been paid from Former Agency revenues.

Two bills enacted as part of the 2011 State Budget Act (ABx1 26 and ABx1 27 (Chapter 6, Statutes of 2011-12, First Extraordinary Session) (the "Dissolution Act" and "AB 27," respectively) dissolved all redevelopment agencies, and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the dissolved redevelopment agencies and to administer the wind down and dissolution of the dissolved redevelopment agencies. AB 27 would have allowed a redevelopment agency to continue to exist, notwithstanding the Dissolution Act, if the city or county that created the redevelopment agency made certain payments for the benefit of the local schools and other taxing entities according to their base property tax allocations. Both of these bills were challenged before the California Supreme Court by the California Redevelopment Association and other organizations.

On December 29, 2011 the California Supreme Court issued its decision in *California Redevelopment Association v. Matosantos et al.* (No. S194861) ("*Matosantos*") regarding the constitutionality of the Dissolution Act and AB 27. The Court upheld the Dissolution Act requiring the dissolution of redevelopment agencies and the transfer of assets and obligations to successor agencies, but invalidated AB 27. The *Matosantos* decision also modified various deadlines for the implementation of the Dissolution Act. See "SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS."

As a consequence of the *Matosantos* decision all redevelopment agencies, in the State, including the Former Agency, dissolved by operation of law on February 1, 2012. All property tax revenues that would have been allocated to redevelopment agencies, including the Former Agency, will be allocated to the applicable redevelopment property tax trust fund created by the county auditor-controller for the "successor agency." Such funds will to be used for payments on indebtedness and other "enforceable obligations" (as defined in the Dissolution Act), and to pay certain administrative costs and any amounts in excess of that amount are to be considered property taxes that will be distributed to taxing agencies.

In addition, under the Dissolution Act tax increment is no longer deemed to flow to the successor agency and the requirement to deposit a portion of the tax increment into a low and moderate income housing fund is also no longer required. Rather, all funds are considered property taxes. See "SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS"

Pursuant to California Health and Safety Code Section 34173(d), the City Council adopted Resolution No. 4-12 on January 24, 2012, electing and determining to become the "successor agency" to the Former Agency (the "Successor Agency") under the Dissolution Act. Pursuant to AB 1484, the Successor Agency is a separate public entity from the City. The Dissolution Act also requires an oversight board for each successor agency to be established no later than May 1, 2012. On April 24, 2012, the Successor Agency duly established the Oversight Board of the Successor Agency to the Richmond Community Redevelopment Agency (the "Oversight Board") pursuant to California Health and Safety Code Section 34179(a). See "–*Oversight Board*."

RDA Agreements. The Dissolution Act generally provides that agreements between a redevelopment agency and the city or county that established the agency are not "enforceable obligations." The Dissolution Act further provides, however, that certain agreements for "indebtedness obligations" will be deemed "enforceable obligations" if entered into before December 31, 2010, by a redevelopment agency and the city or county that established the agency.

The City believes that the RDA Agreements meet the Dissolution Act criteria for "indebtedness obligations" and therefore constitute "enforceable obligations" that will remain in effect. However, the courts have not yet interpreted the Dissolution Act in this respect, and there can be no assurances that, if the validity of the RDA Agreements is challenged, the RDA Agreements will ultimately be determined to constitute "enforceable obligations" under the Dissolution Act or otherwise be determined to be enforceable. There also can be no assurances that the Dissolution Act will not interfere with the City's receipt from the Contra Costa County Assessor of amounts to support other existing agreements between the City and the dissolved Former Agency for City economic-development activities

Oversight Board. The Dissolution Act required the creation of a new seven-member oversight board by May 1 2012 which acts by majority vote. The City Council appointed members to the Oversight Board in April 2012.

The Oversight Board is comprised of one member each appointed by: (i) the Board of Supervisors, (ii) the Mayor of the City, (iii) the largest special district in the City by property tax share (the East Bay Regional Parks District), (iv) the West Contra Costa County Unified School District (superintendent of education, and (v) the Chancellor of California Community Colleges District; (vi) a member of the public appointed by the Contra Costa County Board of Supervisors; and (vi) one member representing the employees of the Former Agency appointed by the Mayor of the City.

State Department of Finance and/or State Controller Review. The Dissolution Act provides that most of the actions and activities taken by redevelopment agencies pending dissolution, by their successor agencies and oversight boards post dissolution, and by county auditor-controllers are subject to review and approval by the State Department of Finance and/or the State Controller. This includes but is not limited to actions taken with respect to the preparation and adoption of EOPS and ROPS and the transfer of the dissolved redevelopment agency's assets.

Health and Safety Code Section 34177.5(i) permits a successor agency to petition the Department of Finance to provide written confirmation that its determination of the enforceable obligations of the successor agency that provide for an irrevocable commitment of property tax revenue over time as approved in a "Recognized Obligation Payment Schedule" (a "ROPS") is final and conclusive, and reflects the approval by the Department of Finance of subsequent payments made pursuant to the enforceable obligations. If the confirmation is granted, then the review by the Department of Finance of such payments in future Recognized Obligation Payment Schedules is limited to confirming that they are required by the prior enforceable obligations.

As described in this Official Statement, the City believes, for itself and as the Successor Agency, that the RDA Agreements are enforceable obligations under Dissolution Act. But no assurances can be given that such a review of various actions of the Former Agency, the Successor Agency, the Oversight Board, or the Contra Costa County Auditor-Controller—particularly a review of actions involving EOPS or ROPS—will not have an adverse effect on the timing of payments under the RDA Agreements.

Obligation Payment Schedules. The Dissolution Act requires a successor agency to continue to make payments and perform other obligations required under enforceable obligations of the dissolved redevelopment agency. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legally binding and enforceable agreements and certain other obligations. The Dissolution Act generally excludes from the definition of enforceable obligations any loans or agreements solely between a redevelopment agency and the city or county that created the agency. It also excludes any agreements that are void as violating the debt limit or public policy. Payment and performance of enforceable obligations is subject to review by oversight boards and by the State Controller and State Department of Finance.

As required by the Dissolution Act, on January 24, 2012, the Former Agency prepared a preliminary draft of the enforceable obligations, including payments under which the Former Agency was obligated to make payments to the City from tax increment revenue from several redevelopment project areas (the "RDA Agreements") and payments for pension and other post-employment obligations attributable to employees of the Former Agency and adopted an Enforceable Obligation Payment Schedule (an "EOPS") listing all enforceable obligations of the Former Agency. A separate resolution, also adopted on January 24, 2012, approved the retention by the City of all the affordable housing assets of the Former Agency (including encumbered funds in the Low and Moderate Income Housing Fund) and authorized the City to manage the housing assets and exercise the housing functions that the Former Agency formerly performed. The resolution places most of the non-housing assets of the Former Agency under the jurisdiction of the Successor Agency.

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The Successor Agency submitted the EOPS to the County Auditor Controller prior to March 1, 2012. The following table summarizes the status of the ROPS approved by the Oversight Board to date.

No.	ROPS Period	Oversight Board Approval	Department of Finance Submittal Date	Department of Finance Approval Date
I	January 1 - June 30, 2012	April 24, 2012	April 26, 2012	(1)
	Revised ROPS I	May 17, 2012	May 18, 2012	May 25, 2012
II	July 1 - December 31, 2012	May 17, 2012	May 18, 2012	May 25, 2012
III	January 1 - June 30, 2013	August 23, 2012	September 1, 2012	November 11, 2012(2)
	Revised ROPS III	September 26, 2012	September 27, 2012	December 18, 2012(3)
IV	July 1 - December 31, 2013	February 21, 2013	February 28, 2013	April 14, 2013
V	January 1 – June 30, 2014	September 26, 2013	September 27, 2013	(4)

(1) On May 1, 2012, the original ROPS I was determined by the Department of Finance to be incomplete.
(2) On September 17, 2012, the Department of Finance approved a portion of ROPS III, the remaining items were denied by the Department of Finance. Certain of the remaining items on Revised ROPS III were approved and others were subject to a Meet and Confer session held on November 29, 2012.
(3) This approval date is applicable only to the remaining items on Revised ROPS III that were subject to the Meet and Confer session resulting in the denial of certain items, the classification of certain contracts as administrative costs and the reclassification of certain employee costs and "enforceable obligations" rather than administrative costs.
(4) On November 10, 2013, the Department of Finance approved a portion of ROPS V. A Meet and Confer session is scheduled for November 26, 2013, to determine the status of the remaining items. The City expects a decision from the Department of Finance or before December 5, 2013.

Although the City, as the Successor Agency, is obligated to continue including on the ROPS all payments under the RDA Agreements that are enforceable obligations under Dissolution Act (so as to avoid defaults), no assurances can be given regarding the actions of the Oversight Board to include scheduled payments under the RDA Agreements on a ROPS. In addition, there may be a delay in such scheduled payments because the actions of the Oversight Board are subject to review by the Department of Finance and/or State Controller as described later in this section, and because the ROPS is subject to certification by the Contra Costa County Auditor-Controller.

The Dissolution Act expressly limits the liabilities of a successor agency in performing duties under the Dissolution Act to the amount of property tax revenues received by such successor agency under the Dissolution Act (generally equal to the amount of former tax increment received by the former redevelopment agency) and the assets of the former redevelopment agency. The Dissolution Act does not provide for any new sources of revenue, including general fund revenues of the City, for any Former Agency bonds (but as discussed below, the City's costs of performing its obligations under the Dissolution Act and of pursuing the economic development goals of the Former Agency are uncertain and could be significant.

Under the Dissolution Act, the County Auditor-Controller is required to determine the amount of property taxes that the redevelopment agencies would have received had they not been dissolved pursuant to the Dissolution Act, using assessed values on the last equalized roll on August 20, statutory formulas or contractual agreements with taxing entities, and deposit such amount in the Redevelopment Property Tax Trust Fund. The Redevelopment Property Tax Trust Fund is administered by the County Auditor-Controller for the benefit of the holders of enforceable obligations and the taxing entities that receive pass-through payments and property tax distributions.

Impact of the Dissolution Act and Information Concerning the Former Agency and the Successor Agency. Although provisions have been made under the Dissolution Act to provide funds (*i.e.* property tax revenues) to continue certain enforceable obligations, the costs of the Successor Agency in performing its duties under the Dissolution Act, including performing all enforceable obligations of the Former Agency, and pursing community development goals that the Former Agency undertook and that are not covered by enforceable obligations are uncertain, and could impose significant costs on the City's general fund not offset by property tax revenues.

The following includes a very brief summary of certain financial and operating information relating to the Successor Agency. The Successor Agency does not issue separate financial statements. Although a separate legal entity from the City, the financial results for the Successor Agency are reported as fiduciary funds in the CAFR of the City.

As of June 30, 2012, the Successor Agency had total assets of $77.8 million and total liabilities of $159.8 million, including bonds, loans and notes payable in the amount of $139.9 million, according to the Fiscal Year 2011-12 CAFR.

For Fiscal Year 2012-13, it is estimated that the Successor Agency had total assets of approximately $72.7 million and total liabilities of approximately $149.2 million, including bonds, loans and notes payable in the amount of $133.4 million, according to the Fiscal Year 2012-13 unaudited actual financial statements.

Administrative Costs. The Dissolution Act allows a limited amount of tax-increment revenue to be used to pay certain administrative expenses of the Successor Agency, on a subordinate basis to debt service and other enforceable obligations of the dissolved Former Agency. The amount is based on the total property tax that the Contra Costa County Assessor is to pay to the Successor Agency to make payments of enforceable obligations. For Fiscal Year 2012-13, this amount is approximately $303,300.

State Budget

Approximately 25% of the City's budgeted General Fund revenues for Fiscal Year 2013-14 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 2013-14 and in subsequent Fiscal Years will be affected by the financial condition of the State. See "CERTAIN 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 2013-14. On June 28, 2013, the Governor approved the State Budget Act for Fiscal Year 2013-14 (the "Fiscal Year 2013-14 State Budget Act"), which projects fiscal year 2012-13 revenues and transfers of $98.20 billion, total expenditures of $95.67 billion and a year-end surplus of $872 million (net of the $1.66 billion deficit from Fiscal Year 2011-12), of which $618 million would be reserved for the liquidation of encumbrances and $254 million would be deposited in a reserve for economic uncertainties. The Fiscal Year 2013-14 State Budget Act projects Fiscal Year 2013-14 revenues and transfers of $97.10 billion, total expenditures of $96.28 billion and a year-end surplus of $1.69 billion (inclusive of the projected $872 million State General Fund balance as of June 30, 2013 which would be available for Fiscal Year 2013-14), of which $618 million would be reserved for the liquidation of encumbrances and $1.07 billion would be deposited in a reserve for economic uncertainties. The Fiscal Year 2013-14 State Budget Act states that the State's budget is projected to remain balanced for the foreseeable futures, but cautions that substantial risks, uncertainties and liabilities remain. The Fiscal Year 2013-14 State Budget Act dedicates several billion dollars to the repayment of previous budgetary borrowing and projects that outstanding budgetary borrowing will be reduced to approximately $4.7 billion as of June 30, 2017 from $26.9 billion as of June 30, 2013, includes $129 million ($44 million from the General Fund and $85 million from other funds) for Board of State and Community Corrections, which is responsible for administering various public safety grants, overseeing local correctional standards, providing technical assistance to local criminal justice agencies, and collecting data, and increases support for law enforcement grants to cities by $3.5 million compared to the revised spending estimates for Fiscal Year 2012-13.

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 2010-11. In Fiscal Year 2011-12, Utility Users Taxes were collected by the City in the amount of approximately $50.1 million, and accounted for approximately 39.6% of total General Fund revenues (excluding transfers in). This included the final $5 million installment from Chevron as part of a settlement between the City and Chevron (the "UUT Settlement Agreement") and an additional $10 million paid as part of the Measure T Settlement Agreement. For Fiscal Year 2012-13, the City estimates that it will collect approximately $49.2 million in Utility Users Tax, which represents approximately 37.9% of total General Fund revenues (excluding transfers in) and includes $13.0 million paid by Chevron (and an additional $13 million paid as part of the Measure T Tax Settlement Agreement). See also "*–Business License Act Tax ("Measure T")*.

The Adopted Fiscal Year 2013-14 Budget estimates that the City will collect approximately $51.1 million in Utility Users Tax, which represents approximately 38% of General Fund revenues (excluding transfers in) and includes $13 million paid by Chevron pursuant to the Measure T Tax 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 (the "Maximum UUT"), a user of the electric service must enter into an agreement with the City Tax Administrator prior to the commencement of the tax year to pay the maximum tax liability directly to the City during the tax year. No portion of the maximum Utility Users Tax is refundable in the event the service user subsequently determines that its tax liability under this chapter would have been less than the maximum Utility Users Tax calculated as described above. Chevron elected to pay on the basis of the Maximum UUT for Fiscal Year 2012-13.

On February 27, 2009, the City and Chevron reached the UUT Settlement Agreement pursuant to which Chevron agreed to (i) pay the Maximum UUT for each Fiscal Year from 2008-09 through 2011-12; (ii) make an annual election to pay on either the basis of Maximum UUT or actual cost beginning in 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.

A fire in the Chevron crude oil distillation unit and the temporary shutdown of such unit on August 6, 2002 did not have a material near-term adverse impact on Utility User Tax revenues since Chevron elected to pay the Utility Users Tax based upon the maximum tax payable provision set forth in Richmond Municipal Code Section 13.52.100 discussed above. Chevron could elect to pay the Utility User Tax based on actual usage in Fiscal Year 2013-14 but would only do so if such cost does not exceed the maximum tax payable by the Municipal Code. In addition, Chevron remains obligated to make payments to the City in the annual amount of $13 million for Fiscal Years 2012-13 through 2014-15, in the annual amount of $7 million for Fiscal Years 2015-16 through 2018-19 and in the annual amount of $4 million for Fiscal Years 2019-20 through 2023-24 pursuant to the Measure T Settlement Agreement (defined herein). The City also expects that as Chevron makes the required repairs to the crude oil distillation unit, there will be in increase in building permit revenues. See also "CERTAIN RISK FACTORS–Hazardous Substances–*Chevron Crude Oil Distillation Unit Fire.*"

Table A-5 shows Utility Users Tax and Settlement receipts and their respective percentage of General Fund revenues since Fiscal Year 2009-10 and the budgeted amount for Fiscal Year 2013-14.

Table A-5
City of Richmond
Utility Users Tax Receipts and Settlements
Fiscal Years 2009-10 through 2011-12, Estimated Fiscal Year 2012-13
and Budgeted Fiscal Year 2013-14

Fiscal Year	UUT Receipts	Settlements	Total	% Change	Percentage of General Fund Revenues
2009-10	$35,298,719	$5,000,000	$40,298,719	(21.2%)	33.0%
2010-11	35,007,806	15,000,000	50,007,806	24.1	41.8
2011-12	35,984,308	15,000,000	50,984,308	3.0	39.6
2012-13(1)	35,443,541	13,000,000	48,442,541	(4.9)	38.2
2013-14(2)	38,088,925	13,000,000	51,088,925	5.5	40.3

(1) Estimated.
(2) Budgeted.
Sources: *City of Richmond, Comprehensive Annual Financial Report for Fiscal Years 2008-09 through 2011-12, the Fiscal Year 2012-13 Mid-Year Budget, Adopted Biennial Operating Budget, Fiscal Year 2013-14 to Fiscal Year 2014-15, as amended by Revised Adopted Budget for Fiscal Year 2013-14.*

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 authorized 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 realized tax revenues from such properties only on the base-year valuations, which were frozen at the time a redevelopment project area was created. The tax revenues which resulted from increases in assessed valuations flow to the redevelopment areas. The City created redevelopment project areas pursuant to then-existing State law. Assembly Bill x1 26 and Assembly Bill x1 27 (Chapter 6, Statutes of 2011-12, First Extraordinary Session) (the "Dissolution Act" and "AB 27," respectively) enacted as part of the 2011 State Budget Act dissolved all redevelopment agencies, and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of those dissolved redevelopment agencies and to administer the dissolution and wind down of the dissolved redevelopment agencies. Both of these bills were challenged before the California Supreme Court by the California Redevelopment Association in and other organizations in *California Redevelopment Association v. Matosantos et al.* (No. S194861)

("*Matosantos*"). The Court upheld the Dissolution Act requiring the dissolution of redevelopment agencies and the transfer of assets and obligations to successor agencies, invalidated AB 27 and modified various deadlines for the implementation of the Dissolution Act.

As a consequence of the *Matosantos* decision all redevelopment agencies, in the State, including the Richmond Community Redevelopment Agency (the "Former Agency"), dissolved by operation of law on February 1, 2012. All property tax revenues that would have been allocated to redevelopment agencies, including the Former Agency, will be allocated to the applicable redevelopment property tax trust fund created by the county auditor-controller for the "successor agency" to pay indebtedness and other "enforceable obligations" (as defined in the Dissolution Act) and certain administrative costs. Any amounts in excess of that amount are to be considered property taxes that will be distributed to taxing agencies.

On January 24, 2012, the City elected to become the successor agency to the Former Agency under the Dissolution Act and the Oversight Board for the Former Agency was formed on April 24, 2012. See "–Dissolution of the Richmond Community Redevelopment Agency."

As discussed under "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES 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 *"–County Property Tax Collection Process and 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.

<u>Fiscal Year 2012-13</u>. The City received a copy of a letter dated July 2, 2012 from the County Assessor to the County Board of Supervisors to the effect that the Fiscal Year 2012-13 assessment roll had been prepared. While it reflected a 0.86% increase Countywide in assessed valuation from the prior Fiscal Year, the assessed valuation within the City increased by approximately 16.8%, the greatest increase of any City in the County. Of the approximately $2.5 billion increase in assessed value for Fiscal Year 2012-13, most of the increase is attributable to properties owned by Chevron. Absent any other adjustments, property taxes are estimated to be approximately $3.0 million higher than the amounts assumed when the Fiscal Year 2012-13 Adopted Budget was adopted in June 2012. In September 2012, the City Council revised the Fiscal Year 2012-13 Adopted Budget to incorporate the additional $3.0 million in property tax revenues.

In 2013 it was discovered that one parcel owned by Chevron that had been the subject of a parcel split had erroneously been assessed twice. Due to this error, the July 1, 2013 certificate of assessed valuation and the equalized role prepared by the County overstated the assessed value within the City by $917 million. Using the corrected assessed value, the increase in Fiscal Year 2012-13 assessed value within the City was 8.4% ($916.4 million) compared to the assessed value for Fiscal Year 2011-12 not the 16.8% increase originally reported in July 2012. Further, in fall 2013, the City and County reached a settlement with Chevron regarding its assessment appeals. Among other things, the settlement agreement provides that the Fiscal Year 2012-13 assessed valuation for Chevron would be reduced by $591 million, with the reduced assessed valuation being the baseline for future adjustments beginning with the Fiscal Year 2014-15 assessed valuation. The Fiscal Year 2013-14 assessed valuation was not revised as discussed below. See also "*–Assessment Appeals.*"

Fiscal Year 2013-14. The City received a copy of a letter dated July 1, 2013 from the County Assessor to the County Board of Supervisors to the effect that the Fiscal Year 2013-14 assessment roll had been prepared. While it reflected a 3.5% increase Countywide in assessed valuation from the prior Fiscal Year, the assessed valuation within the City decreased by approximately 14.6%, the only decrease in value experienced by a city within the County. Of the approximately $1.9 billion decrease in assessed value for Fiscal Year 2013-14, most of the decrease (approximately $1.1 billion or approximately 60%) is attributable to the removal from the role of a parcel owned by Chevron that was assessed twice (discussed above) and the reduction in assessed value of the Chevron Richmond Refinery facilities following a fire that occurred on August 6, 2012.

The tables below summarize the assessed valuation of taxable property in the City for Fiscal Years 2009-10 through 2013-14. Table A-6A reflects the assessed valuation as determined by the County Assessor as of July 1 of each Fiscal Year, which value determines the property tax revenues of the City as reported for that Fiscal Year. Table A-6B reflects the assessed valuation, as subsequently adjusted for outcomes of assessment appeals and other adjustments, less the amount of the redevelopment tax increment.

Table A-6A
City of Richmond, California
Assessed Valuation of Taxable Property
Fiscal Years 2009-10 through 2013-14(1)
(As of July 1)

Fiscal Year	Local Secured	Unsecured	Gross Value	Local Exemptions	Net Value
2009-10	$11,307,254,764	$980,366,418	$12,287,621,182	$432,115,751	$11,855,505,431
2010-11	9,960,643,402	848,687,072	10,809,330,474	473,916,942	10,335,413,532
2011-12	10,419,609,337	995,493,304	11,415,102,641	495,344,446	10,919,758,195
2012-13	12,277,217,519	994,741,656	13,511,425,784	519,971,516	12,751,987,659(2)
2013-14†	10,453,101,395	992,545,595	11,445,646,990	557,739,881	10,887,907,109

(1) Contra Costa County Assessor Combined Tax Rolls for Fiscal Years 2008-09 through 2012-13 and for Fiscal Year 2013-14, the Adopted Biennial Operating Budget, Fiscal Year 2013-14 to Fiscal Year 2014-15.
(2) In 2013, it was discovered that the certificate of assessed valuation and equalized role prepared by the County erroneously included the value of a parcel twice in the assessed value within the City for Fiscal Year 2012-13. In addition, a settlement agreement among the City, the County and Chevron that was approved by the Appeals Board in October 2013 further reduced the Fiscal Year 2012-13 assessed by $591 million to $11,836,225,332. See the discussion "*–County Property Tax Collection and Assessed Valuation*–Fiscal Year 2013-14."
Sources: Contra Costa County Assessor.

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Table A-6B
City of Richmond, California
Assessed Valuation of Taxable Property
Fiscal Years 2008-09 through 2012-13[(1)]
(Adjusted to Reflect Property Tax Appeals and/or Other Adjustments)

Fiscal Year	Local Secured	Unsecured	Utility	Total Before Redevelopment Tax Increment	Total After Redevelopment Tax Increment
2008-09	$12,902,424,72	$849,951,058	$10,071,060	$13,762,446,841	$11,358,121,841
2009-10	10,888,628,825	966,977,863	9,957,443	11,865,564,131	10,129,018,131
2010-11	9,510,080,747	825,312,089	10,484,620	10,345,877,456	10,344,281,169
2011-12	9,959,619,174	960,095,175	8,524,691	10,928,299,022	N/A[(3)]
2012-13[(2)]	12,277,217,519	994,741,656	8,546,757	13,280,505,932	N/A[(3)]
2013-14[(1)]	10,453,101,395	992,545,595	8,463,103	11,454,110,093	N/A[(3)]

(1) Adopted Budget.
(2) In 2013, it was discovered that the certificate of assessed valuation and equalized role prepared by the County erroneously included the value of a parcel twice in the assessed value within the City for Fiscal Year 2012-13. In addition, a settlement agreement among the City, the County and Chevron that was approved by the Appeals Board in October 2013 further reduced the Fiscal Year 2012-13 assessed by $591 million to $11,836,225,332. See the discussion "*–County Property Tax Collection and Assessed Valuation*–Fiscal Year 2013-14."
(3) Pursuant to the Dissolution Act and AB 27, all redevelopment agencies in the State were dissolved effective February 1, 2012. See "–Dissolution of the Richmond Community Redevelopment Agency" for additional information.

Sources: Contra Costa County Assessor Combined Tax Rolls for Fiscal Years 2008-09 through 2012-13 and for Fiscal Year 2013-14, the Adopted Biennial Operating Budget Fiscal Year 2013-14 to Fiscal Year 2014-15.

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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, as calculated by ParcelQuest based upon information obtained from the County.)

Table A-7
City of Richmond, California and Contra Costa County
Change in Secured Assessed Valuation by Source
Fiscal Years 2008-09 through 2012-13
($ in 000's)

	Total Secured Assessed Value(1)		Source of Change in Assessed Valuation					
			Proposition 13			Proposition 8		
Area	No. of Parcels(2)	Amount	No. of Parcels	Amount	% of Total AV	No. of Parcels	Amount	% of Total AV
City								
2008-09	32,702	$13,780,753	26,081	$11,113,449	80.6%	6,621	$2,667,304	19.4%
2009-10	31,869	10,904,869	18,124	7,793,681	71.5	13,745	3,111,188	28.5
2010-11	31,832	9,526,330	18,832	6,205,751	65.1	13,000	3,320,578	34.9
2011-12	31,067	9,976,240	15,994	6,309,247	63.2	15,073	3,666,992	36.8
2012-13(3)	31,043	11,806,430	14,485	8,143,815	69.0	16,558	3,662,615	31.0
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
2011-12	354,256	135,173,067	183,228	74,764,499	55.3	171,028	60,408,568	44.7
2012-13(3)	354,642	136,161,751	166,471	70,546,901	51.8	188,171	65,614,850	48.2

† The most recent data available.
(1) 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 equalized roll of the County Auditor-Controller 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 published in early September.
(2) The number of parcels for Fiscal Year 2008-09 through 2011-12 have been restated. During the Fiscal Year 2012-13, the definition of parcels within the City was changed (relative to the total number of parcels that make up the tax base) resulting in a higher total parcel count reported in Fiscal Years 2008-09 through 2011-12.
(3) The secured assessed values presented in this Table A-7 for Fiscal Year 2012-13 *do not* reflect corrections made to the equalized role to remove the value of a parcel erroneously assessed twice and to reflect the assessment appeals settlement among the City, the County and Chevron. See "–*County Property Collection Assessed Valuation*–Fiscal Year 2013-14."
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 assessment appeals were filed by Chevron for the years 2004 through 2012 challenging the assessed value of its refinery. Chevron disagreed with the determinations by the Appeals Board and filed three separate actions in Contra Costa Superior Court.

On September 17, 2013, the County Board of Supervisors approved execution of a Settlement Agreement and Release (the "Settlement Agreement") among Chevron, Chevron Corporation, the County, the County Assessor and the City. The Appeals Board approved the Settlement Agreement in October 2013. Pursuant to the Settlement Agreement, the assessment appeals by Chevron for the years 2004 through 2012 are resolved, and Chevron agrees to dismiss the three pending court cases challenging the assessed value, withdraw or dismiss the pending appeals before the Assessment Board and forgo an approximately $8 million refund in exchange for decreasing the Fiscal Year 2012-13 assessed value of the refinery by $3.87 billion to $3.28 billion (a reduction of $591,000,000). In addition, Chevron agreed not to file or re-file assessment appeals for Fiscal Year 2013-14 and to annually meet and confer with the County about the value of the refinery facilities. The Settlement Agreement does not prevent Chevron from filing future assessment appeals or litigation against the County. 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. See also "LITIGATION–Other Litigation–*Chevron Refinery Litigation*" in the front of this Official Statement.

A summary of the aggregate adjustments made by the Appeals Board to the assessed value of the last seven Fiscal Years is set forth below.

Summary of Adjustments Made to the Assessed Value of Property Owned by Chevron within the City of Richmond

Fiscal Year	Adjustment to Assessed Value
2006-07	($465,000,000)
2007-08	360,008,707
2008-09	902,123,042(1)
2009-10	687,586,750
2010-11	N/A
2011-12	N/A
2012-13	(591,000,000)(2)

(1) The actual decision by the Appeals Board was $1,014,824, however, the amount of the adjustment was limited to the amount shown as a result of Proposition 13.
(2) This reduction is in accordance with the terms of the Settlement Agreement discussed above.
Source: Contra Costa County Auditor-Controller.

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, should repay the amount to be refunded to Chevron. A trial was held on this action and the County and the City prevailed. Judgment was entered, and the other cities and special districts filed an appeal on March 25, 2013. A hearing date has not yet been set in the appeal. While the City is unable to predict the eventual outcome of the appeal, if the plaintiffs are successful and the appellate 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.

Property Taxes. Property tax receipts collected for the City by the County are set forth in Table A-5 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). Prior to the Statewide dissolution of redevelopment agencies, current receipts were 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.

Property tax receipts in Fiscal Year 2012-13 are estimated to be $32.4 million, representing approximately 23.9% of estimated General Fund revenues (excluding transfers in) and a 14.6% increase compared to Fiscal Year 2011-12.

Property tax receipts for Fiscal Year 2013-14 are budgeted at $30.1 million, representing approximately 21.5% of budgeted General Fund revenues (excluding transfers in) and a projected 7.2% decrease compared to Fiscal Year 2012-13 unaudited actual.

Table A-8
City of Richmond
Property Tax Receipts(1)
Fiscal Years 2008-09 through 2011-12, Estimated Fiscal Year 2012-13 and Budgeted Fiscal Year 2013-14†

	Property Tax		Percentage of General Fund
Fiscal Year	Receipts	% Change	Revenues(2)
2008-09	$33,296,446	(2.8%)	25.1%
2009-10	29,746,915	(10.7)	26.4
2010-11	26,277,405	(11.7)	22.0
2011-12	28,359,544	7.9	21.4
2012-13(3)	32,489,548	14.6	23.9
2013-14(4)	30,158,660	(7.2)	21.5

† Budgeted.
(1) Excludes property tax override receipts of which approximately $12.5 million were budgeted for Fiscal Year 2010-11.
(2) Excludes transfers in.
(3) Unaudited actual. Property taxes for Fiscal Year 2012-13 were 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 received in Fiscal Year 2011-12 was 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.*"
(4) Budgeted. Approximately 60% of this decrease is attributable to the removal from the role of a parcel owned by Chevron that was assessed twice and the temporary reduction in the assessment value of the Chevron Richmond Refinery following the August 6, 2012 fire.

Sources: City of Richmond, Comprehensive Annual Financial Report for Fiscal Years, 2008-09 through 2011-12, Fiscal Year 2012-13 Mid Year Budget, Adopted Biennial Operating Budget, Fiscal Year 2012-13 to Fiscal Year 2014-15, as amended by t Revised Adopted Budget for Fiscal Year 2013-14.

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 and estimated for Fiscal Year 2012-13 is shown in Table A-9 and the aggregate amount of County secured tax levies, delinquencies and tax losses reserve fund balances for Fiscal Year 2008-09 through Fiscal Year 2011-12 and estimated for Fiscal Year 2012-13 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 2008-09 through 2011-12 and Estimated for Fiscal Year 2012-13

Fiscal Year Ended June 30	Total Current Fiscal Year Tax Levy	Reimbursed Tax Levy	Percent Current Levy Delinquent June 30(2)
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
2011-12	31,057,647	843,797	2.72
2012-13†	35,432,191	343,593	0.97

† Preliminary.
(1) Includes property tax override receipts collected for payment of certain pension benefits.
(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.

Table A-10
Contra Costa County
Secured Property Tax Levies, Delinquencies and
Tax Losses Reserve Balances
Fiscal Years 2008-09 through 2012-13
($ in 000's)

		Collected within the Fiscal Year of the Levy			Total Collection as of June 30, 2013	
Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Amount	Percentage of Levy	Collection in Subsequent Years	Amount	Percentage of Levy
2008-09	$2,061,930	$1,975,895	95.83%	$76,796	$2,052,691	99.55%
2009-10	1,964,724	1,909,306	97.18	44,102	1,953,408	99.42
2010-11	1,932,504	1,896,819	98.15	21,497	1,918,316	99.27
2011-12	1,973,646	1,918,653	97.21	43,875	1,962,528	99.40
2012-13	1,974,838	1,953,215	98.90	N/A	1,953,215	98.90

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 2009 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, however, since calendar year 2008 when foreclosures in the City peaked at 1,203, the housing market has been gradually recovering. Based on information provided by MDA DataQuick Information, an independent data collection service, for calendar year 2012, mortgage holders had sent 591 notices of default with respect to properties located within the City compared to 816 during calendar year 2011 (a decline of 27.6%), and 354 trustee deeds had been recorded (indicating that the property has been lost to foreclosure) during calendar year 2012 compared to 622 during calendar year 2011 (a decline of 43.1%). During the first three quarters (January through September) of calendar year 2013, mortgage holders sent 177 notices of default (a decline of 57.7%) and recorded 118 trustee deeds (a decline of 64.0%) compared to 491 notices of default sent and 279 trustee deeds recorded during the first three quarters (January through September) of calendar year 2012.

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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 2009 through 2011 and for the first three quarters (January through September) of calendar years 2012 and 2013 is summarized in Table A-11.

Table A-11
City of Richmond and Contra Costa County
Summary of Foreclosure Activity
Calendar Years 2008 through 2012 and First Half of Calendar Years 2012 and 2013

	Notices of Default							Trustee Deeds (Foreclosures)						
	Calendar Year					First Three Quarters (January through September)		Calendar Year					First Three Quarters (January through September)	
	2008	2009	2010	2011	2012	2012	2013	2008	2009	2010	2011	2012	2012	2013
CITY														
Number	1,589	1,486	1,013	816	591	279	118	1,203	797	679	622	354	491	177
% Change	–	(6.5%)	(31.8%)	(19.4%)	(27.6%)	–	(57.7%)	–	(33.7%)	(14.8%)	(8.4%)	(43.1%)	–	(64.0%)
COUNTY														
Number	16,697	18,218	12,559	10,710	7,545	3,106	1,188	11,270	7,946	7,276	6,736	3,887	6,273	2,424
% Change	–	9.1%	(31.1%)	(14.7%)	(29.6%)	–	(61.7%)	–	(29.5%)	(8.4%)	(7.4%)	(42.3%)	–	(61.4%)

† Preliminary.
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 per property 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.

As a result of the downturn in the real estate market, the County Assessor estimated that assessed valuation in Fiscal Year 2011-12 would decline Countywide by approximately $700 million (0.49%), with only three cities (Richmond, Moraga and San Ramon) experiencing increases. For Fiscal Year 2012-13, the County Assessor estimated that assessed value Countywide would increase by approximately $1.2 billion (0.9%), with only five cities experiencing increases compared to the prior Fiscal Year. The City experienced an increase the largest increase within the County in the amount of approximately 3.7% primarily due settlement of outstanding assessment appeals by Chevron and elimination of the double-counting of one of Chevron's parcels.

For Fiscal Year 2013-14, assessed value Countywide is estimated to increase more than $4.87 billion (3.5%), with the City experiencing the only percentage decline in assessed value within the County in the amount of $948 million (-8.1%) due to the temporary reduction in assessed value following the Chevron Richmond Refinery fire. See "*–County Property Tax Collection Process and Assessed Valuation*–Fiscal Year 2012-13" and "–Fiscal Year 2013-14." For a description of the refinery fire, see "*–Utility Users Tax.*"

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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, 2013, based on assessed valuations within the City.

Table A-12
City of Richmond
Largest Property Taxpayers
Fiscal Year 2012-13
($ in 000's)

Property Owner	No. Parcels	Primary Land Use	Fiscal Year 2012-13 Assessed Value Secured	Unsecured	Total	% Total
Chevron USA Inc.†	136	Industrial	$4,775,599	$418,709	$5,194,308	40.71
Guardian of KW Hilltop LLC	2	Residential	143,382	–	143,382	1.12
Kaiser Foundation Health Plan	10	Unsecured	45,791	30,886	76,677	0.60
US Bank	20	Commercial	75,184	–	75,184	0.59
Richmond Essex, LP	1	Residential	60,694	–	60,694	0.48
Biorichland LLC†	11	Industrial	59,777	–	59,777	0.47
Cherokee Simeon Venture I LLC†	12	Commercial	46,477	–	46,477	0.36
Pacific Atlantic Terminals LLC	2	Industrial	45,295	–	45,295	0.35
Auto Warehousing Company	1	Unsecured	–	42,817	42,817	0.34
Foss Maritime Company	2	Unsecured	–	42,314	43,314	0.33
SUBTOTAL	197		5,252,198	534,726	5,786,925	45.35
Remaining Property Owners		Various	6,545,943	427,818	6,973,760	54.65
TOTAL			$11,798,141	$962,544	$12,760,685	100.0%

† Indicates that assessment appeals are pending. However, in the case of Chevron, all assessment appeals through Fiscal Year 2013-14 have been settled with the City *not* being required to refund any property tax payments made by Chevron from Fiscal Year 2004-05 through Fiscal Year 2013-14.
Source: Contra Costa County Assessor 2012-13 Combined Tax Rolls.

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 did not include the closure or sale of any other refineries, including the refinery in Richmond.

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 January 1, 2013 is 9.00% and is allocated as follows:

Table A-13
City of Richmond
Composition of Sales Tax Rate
(As January 1, 2013)

State - General State	3.6875%
State - General State	0.2500
State – Fiscal Recovery Fund (2004 Economic Recovery Bonds)	0.2500
State – Local Public Safety Fund (1993)	0.5000
State – Local Revenue Fund (Health and Social Services)	0.5000
State – Local Revenue Fund 2011 (Public Safety)	1.0625
State – Education Protection Account (2012 Proposition 30)(1)	0.2500
Local - City of Richmond	0.7500
Local - Contra Costa County	0.2500
SUBTOTAL STATEWIDE SALES AND USE TAX	7.5000
San Francisco Bay Area Rapid Transit District	0.5000
Contra Costa County Transportation Authority	0.5000
City of Richmond Transactions and Use Tax - General Fund(2)	0.5000
TOTAL	9.0000%

(1) Due to voter approval of Proposition 30, the statewide base sales and use tax rate will increase one quarter of one percent (0.25%) on January 1, 2013. The higher tax rate will apply for four years – January 1, 2013 through December 31, 2016.

(2) 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.

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On September 17, 2013, the City Council approved retention of a polling and market research firm to determine public sentiment and devise a ballot measure for a proposed half-cent increase in the sales tax. The proceeds of the increased sales tax would be used primarily for street improvements. If the City Council decides to pursue this increase, it is expected that the measure would be presented to the voters during the November 2014 election.

Table A-14 sets forth a history of taxable sales for the City for calendar years 2007 through 2011 (the most recent annual data available).

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

	2007	2008	2009	2010	2011(1)
Motor Vehicle and Parts Dealers	$210,123	$149,657	$124,373	$129,790	$148,121
Home Furnishings and Appliance Stores	23,421	19,941	13,329	15,133	16,851
Bldg. Matrl. and Garden Equip. and Supplies	42,248	20,064	(2)	(2)	(2)
Food and Beverage Stores	25,349	25,152	29,939	31,840	31,176
Gasoline Stations	242,647	271,424	218,917	249,778	245,193
Clothing and Clothing Accessories Stores	36,152	37,367	41,966	37,489	34,922
General Merchandise Stores	235,802	247,666	236,229	240,893	245,928
Food Services and Drinking Places	56,778	57,667	56,336	57,261	60,205
Other Retail Group	63,694	74,411	83,046	93,045	95,402
SUBTOTAL RETAIL AND FOOD STORES	936,214	903,350	804,135	855,228	877,798
All Other Outlets	292,526	257,622	212,106	214,284	246,467
TOTAL ALL OUTLETS	$1,228,740	$1,160,972	$1,016,242	$1,069,512	$1,124,265

(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 2013-14 are budgeted at $31.4 million, representing approximately 23.4% of General Fund revenues (excluding transfers in) and an approximately 5.8% increase compared to Fiscal Year 2012-13 estimates.

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Table A-15 shows Sales Tax receipts and their respective percentage of General Fund revenues since Fiscal Year 2008-09 and the budgeted amount for Fiscal Year 2013-14.

Table A-15
City of Richmond
Sales Tax Receipts

	Sales Tax		Percentage of General Fund
Fiscal Year	Receipts	% Change	Revenues[1]
2008-09	$27,922,698	(3.7%)	21.0%
2009-10	25,000,182	(10.5)	22.2
2010-11	23,025,923	(7.9)	19.2
2011-12	27,788,339	20.7	21.6
2012-13[2]	29,720,759	7.0	23.5
2013-14[3]	31,442,633	5.8	24.1

(1) Excludes operating transfers in.
(2) Estimated. Fiscal Year 2012-13 Unaudited actual.
(3) Budgeted.
Sources: City of Richmond, Comprehensive Annual Financial Report for Fiscal Years 2008-09 through 2011-12, Fiscal Year 2012-13 Unaudited Actual and Adopted Biennial Operating Budget, Fiscal Year 2012-13 to Fiscal Year 2014-15, as amended by the Revised Adopted Budget for Fiscal Year 2013-14.

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 (the "Measure T 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 Settlement Agreement (See "–Major General Fund Revenue Sources–*Utility Users Tax*"); (d) continue to make the payments under the Measure T 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. In the event that a force of nature substantially destroys the Chevron refinery, the Measure T Settlement Agreement will terminate. Upon the sale of the refinery, either the City or Chevron could elect to terminate the Measure T Settlement Agreement. Chevron has timely made all payments.

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 2010-11 were approximately $4.5 million, representing approximately 3.3% 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 2012-13 Adjusted Budget were estimated at approximately $2.5 million, representing approximately 1.9% of budgeted General Fund revenues. For the Fiscal Year 2013-14 Adopted Budget, documentary transfer tax revenues are budgeted at $3.264 million, representing 2.3% of budgeted General Fund Revenues. Table A-16 summarizes Documentary Transfer Tax receipts and their respective percentage of General Fund revenues (excluding transfers in) for the past five Fiscal Years and budgeted for Fiscal Year 2013-14.

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
2008-09	$3,419,724	(6.2%)	2.6%
2009-10	2,901,177	(15.2)	2.6
2010-11	4,463,035	53.8	3.7
2011-12	2,765,842	(55.2)	1.8
2012-13(2)	2,957,834	6.9	2.3
2013-14(3)	3,264,000	10.4	2.5

(1) Excludes operating transfers in.
(2) Estimated. Fiscal Year 2012-13 Mid Year Budget.
(3) Budgeted.
Sources: Comprehensive Annual Financial Report for Fiscal Years 2008-09 through 2010-11, Fiscal Year 2011-12 Mid Year Budget and Adopted Biennial Operating Budget, Fiscal Year 2012-13 to Fiscal Year 2014-15, as amended by the Revised Adopted Budget for Fiscal Year 2013-14.

VLF 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 2012-13 Mid Year Budget was approximately $7.9 million, representing approximately 5.8% of budgeted General Fund revenues and a decrease of approximately 23.3% compared to Fiscal Year 2011-12. Table A-17 shows receipts of revenue from the State and their respective percentage of General Fund revenue (excluding transfers in) since Fiscal Year 2008-09, the estimated amount for Fiscal Year 2012-13 and the budgeted amount for Fiscal Year 2013-14.

Table A-17
City of Richmond
VLF Revenue from the State†

Fiscal Year	Revenue from the State: Receipts	Revenue from the State: % Change	Percentage of General Fund Revenue(1)
2008-09	$8,612,784	1.0%	6.5%
2009-10	7,253,244	(15.8)	6.4
2010-11	6,589,729	(9.1)	5.5
2011-12	6,451,416	(2.1)	5.0
2012-13(2)	7,933,919	23.0	6.3
2013-14(3)	8,125,779	2.4	6.2

† In Table A-2, "Revenues from the State" are included in "Intergovernmental."
(1) Excludes operating transfers in.
(2) Estimated.
(3) Budgeted. Unaudited actual.
Sources: Comprehensive Annual Financial Report for Fiscal Years 2008-09 through 2010-11, Fiscal Year 2011-12 Mid Year Budget and Adopted Biennial Operating Budget, Fiscal Year 2013-14 to Fiscal Year 2014-15 for Fiscal Year 2013-14.

The State has relied on significant shifts in revenues from local governments to the State in the last five Fiscal Years due to significant budgetary problems. See also "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES 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, franchise taxes and fees, fines, and fees for licenses and permits issued by the City which, on a combined basis, represented approximately 5.0% of the City's General Fund revenues for Fiscal Year 2011-12 and are estimated to represent approximately 6.3% of the City's General Fund revenues for Fiscal Year 2012-13 unaudited actual. For Fiscal Year 2013-14, these sources are budgeted to represent approximately 6.2% 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*."

GASB Accounting Standards. On June 25, 2012, GASB voted to approve two new standards, Statement No. 67, *Financial Reporting for Pension Plans* (GASB 67) *and* Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB 68),*with respect to pension accounting and financial reporting standards for state and local governments and calls for immediate recognition of more pension expense than is currently required. GASB 67 revises existing guidance for the financial reports of most pension plans and GASB 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits.

> GASB 67. GASB 67, which is effective for fiscal year beginning after June 15, 2013, replaces the requirements of GASB 25 and GASB 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. GASB 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.

> GASB 68. GASB 68, which is effective for fiscal year beginning after June 15, 2014, requires immediate recognition of annual service cost and interest on the pension liability and immediate recognition of the effect on the net pension liability of changes in benefit terms. Other components of pension expense will be recognized over a closed period that is determined by the average remaining service period of the plan members (both current and former employees, including retirees). These other components include the effects on the net pension liability of (i) changes in economic and demographic assumptions used to project benefits and (ii) differences between those assumptions and actual experience. Lastly, the effects on the net pension liability of differences between expected and actual investment returns will be recognized in pension expense over a closed five-year period.

Calculations made by PERS and the City-administered pension plans will be modified as these new standards are implemented. The City expects that all of the pension plans will initially report weaker funded ratios as GASB 67 and GASB 68 are phased in.

Pension Reform. On August 31, 2012, the State Legislature approved Assembly Bill 340 (Chapter 296, Statues of 2012), a comprehensive pension reform package affecting State and local government, and the Governor signed it into law on September 12, 2012. AB 340, known as the *"Public Employee Pension Reform Act of 2012"* ("PEPRA") implements lower defined-benefit formulas with higher retirement ages for new employees hired on or after January 1, 2013, and includes provisions to increase current employee contributions. Key changes to retirement plans affecting the City include:: (i) permitting the employer and employee organization to mutually agree to any cost sharing agreement for pension benefits between January 1, 2013 and December 31, 2017, however, commencing January 1, 2018, the employer may unilaterally require employees to pay 50% of the total annual normal cost (*i.e.* the cost of service accrual for the upcoming Fiscal Year for active employees, in the absence of any surplus or unfunded liability, express as a percentage of payroll) up to an 8% contribution rate for Miscellaneous Plan employees and an 11% or 12% contribution rate for Safety Plan employees and employers are prohibited from paying any of the required employee contribution; (ii) eliminating the ability of an employer to provide better health benefits or health benefit vesting to non-represented employees than it does for represented employees; (iii) eliminating the ability of any public employee to purchase nonqualified service or "airtime," unless an official application was received by the system prior to January 1, 2013; (iv) requiring the combined employer and employee contributions, in any fiscal year, to cover that year's normal cost; (v) requiring both current and future public officials and employees to forfeit pension and related benefits if they are convicted of a felony in carrying out official duties, in seeking an elected office or appointment, or in connection with obtaining salary or pension benefits, subject to certain requirements; (vi) limiting post retirement public employment by: (A) prohibiting working more than 960 hours or 120 days per year for any public employer; (B) requiring a 180-day "sit-out" period before a retiree could return to work except under certain circumstances; (C) requiring a one-year "sit-out" period for retirees who received either a golden handshake or some other employer incentive to retire; (D) prohibiting an individual receiving an industrial disability retirement from working for another public employer doing the same or substantially similar job; and (E) requiring a public retiree appointed to a full time State board or commission to suspend his or her retirement allowance and become a member of PERS; and (vii) requiring PERS (for plans it administers) to develop requirements for defining a significant increase in actuarial liability for a former employer due to excessive compensation paid by a subsequent public employer, and to develop a plan to assess the cost of that excess liability to the employer who paid the excessive compensation.

In addition to the above reforms, employees hired on or after January 1, 2013 will be subject to: (i) a new benefit formula equal to 2% percent at 62 for Miscellaneous Plan employees with an early retirement age of 52 and a maximum benefit factor of 2.5% at 67 and for Safety Plan employees with a normal retirement age at 50 and a maximum retirement age at 57 with the defined benefit formula ranging from 1.426% at age 50 under the basic formula to 2.7% at age 57; (ii) a cap on pensionable salaries at the Social Security contribution and wage base of $110,100 (or 120% of that amount for employees not covered by Social Security), adjusted annually based on the CPI for All Urban Consumers; (iii) rules prohibiting a retirement board from administering, and a public employer from offering, a benefit replacement plan; (iv) a requirement that: (A) all public retirement systems in the State to adhere to the federal compensation limit when calculating retirement benefits for new members and (B) prohibit a public employer from making contributions to any qualified public retirement plan based on any portion of compensation that exceeds the limit; (iv) contributions equal to 50% of the total annual normal cost of pension benefits; (v) a requirement that compensation be defined as the normal rate of regular, recurring pay, excluding special bonuses, unplanned overtime, payouts for unused vacation or sick leave, and other special pay, provided that these requirements do not apply to the extent a system has adopted a more restrictive definition of compensation earnable; and (vi) a requirement that final compensation be defined as the highest average annual final compensation during a consecutive 36 month period, subject to the cap.

Costs for other post-employment benefits are not addressed in PEPRA. However, later retirement ages will help reduce such liabilities in the long-term.

The City is evaluating the impact this legislation will have on its near-term and long-term pension costs.

California Public Employees' Retirement System. *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.*

PERS does not prepare department specific information for its members. The following information related to the City includes costs for all City departments, including those funded by the General Fund.

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 as of June 30, 2012 (the "PERS 2012 Actuarial Valuation") was delivered to the City in October 2013). 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 PERS 2012 Actuarial Valuation, are effective during the City's Fiscal Year 2014-15). PERS rules require the City to implement the actuary's recommended rates.

Actuarial Methods. Generally, the ultimate cost that PERS incurs is equal to benefits paid plus the expenses resulting from administration. These costs are paid through contributions to the plan and investment earnings on PERS' assets. Using the schedule of benefits, member data, and a set of actuarial assumptions of each applicable plan, PERS' actuary estimates the cost of the benefits to be paid. Then, using the actuarial funding method determined by PERS (as described below), the actuary allocates these costs to the Fiscal Years within the employee's career. PERS' financial objective is to fund in a manner which keeps contribution rates approximately as a level percentage of payroll from generation to generation, while accumulating sufficient assets over each member's working career. The primary funding method used to accomplish this objective is the "Entry Age Normal Cost Method." New GASB standards will require all states and local governments with pension liabilities to use the Entry Age Normal Cost Method beginning in Fiscal Year 2014-15 if they are not already doing so. Annual actuarial valuations are performed as of each June 30. Information through the most recent valuation date for the City of June 30, 2012 is summarized below. According to PERS, the actuarial assumptions and methods used by PERS for funding purposes meet the current parameters set for disclosures presented in the Financial Section by GASB Statements 25 and 27.

Under the Entry Age Normal Cost Method, projected benefits are determined for all members. For active members, liabilities are spread in a manner that produces level annual costs as a level percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current Fiscal Year is called the "normal cost." The Actuarial Accrued Liability ("AAL") for active members is then calculated as the portion of the total cost of the plan allocated to prior years. The AAL for members currently receiving benefits, for active members beyond the assumed retirement age, and for inactive members entitled to deferred benefits is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants. The excess of the total AAL over the value of plan assets is called the unfunded actuarial accrued liability. The required contribution is then determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payroll. With respect to PERS, the unfunded liability is broken down into components, or bases, according to their date of origin and the cause that gave rise to that component. A component of the unfunded liability that arose due to a change in plan provisions or in actuarial methods or assumptions is separately tracked and amortized over a declining 20-year period. The actuarial assumptions discussed below are used to determine projected benefits. The effect of differences between those assumptions and the actual experience of the plan is calculated each year when the annual actuarial valuation is performed. These differences are actuarial gains or losses. Gains and losses are tracked separately and amortized over a rolling 30-year period (except as described below with respect to gains and losses in Fiscal Years 2008-09 through 2010-11). A maximum 30-year amortization payment on the entire unfunded liability is enforced on the amortization methods described above. In addition, when the amortization methods described above result in either mathematical inconsistencies or unreasonable actuarial results, all unfunded liability components are combined into a single base and amortized over a period of time, as determined by the PERS Chief Actuary. There is a minimum employer contribution equal to normal cost, less 30-year amortization of surplus (negative unfunded liability), if any. In 2009, the PERS Board adopted a change to the amortization policy, described below. This change resulted in all actuarial gains and losses for Fiscal Years 2008-09, 2009-10, and 2010-11 to be amortized over a fixed 30-year period instead of a rolling 30-year period. The rolling 30-year period for amortization resumed with actuarial gains and losses for Fiscal Year 2011-12. The PERS Board recently adopted new amortization and smoothing methodologies. The new methodologies replace the current 15-year asset-smoothing policy with a 5-year direct-rate smoothing process and replace the current 30-year rolling amortization of actuarial gains and losses with a 30-year fixed amortization period.

Actuarial Valuation; Determination of Required Contribution. The required contributions to PERS are determined on an annual basis by the PERS Chief Actuary. The actuary uses demographic and other data (such as employee age, salary, and service credits) and various assumptions (such as estimated salary increases, interest rates, employee turnover, and mortality and disability rates) to determine the amount that the state must contribute in a given year to provide sufficient funds to PERS to pay benefits when due. The actuary then produces a report, called the "actuarial valuation," in which the actuary reports on the assets, liabilities, and required contribution for the following fiscal year. State law requires the state to make the actuarially-required contribution to PERS each year.

A portion of the actuarial valuations performed by PERS actuaries are audited each year by an independent actuarial firm. The most recent audit was for the June 30, 2012 actuarial valuation and was completed in the fall of 2013. The audit for the June 30, 2013 actuarial valuation is expected to be completed in February or fall 2014.

The market value of assets measures the value of the assets available in the pension plan to pay benefits. The actuarial value of assets is used to determine the required employer contributions. Various methods exist for calculating the actuarial value of assets. Since 2005, PERS has recognized investment gains and losses on the market value of assets equally over a 15-year period when determining the actuarial value of assets. (This is referred to as "smoothing.") The recognized portion is added to the gains and losses and (except as described herein) is amortized over a rolling 30-year period (as described herein under "Actuarial Methods"). This is currently an approved method for determining actuarial value of assets under GASB Statements 25 and 27. Asset smoothing delays recognition of gains and losses, however, thereby providing an actuarial value of assets that does not reflect the market value of pension plan assets at the time of measurement. As a result, presenting the actuarial value of assets as determined using "smoothing" might provide a more or less favorable presentation of the current financial position of a pension plan than would a method that recognizes investment gains and losses annually. As discussed under the caption "– *GASB Accounting Standards*," beginning in Fiscal Year 2014-15, GASB Statement 68 will require state and local governments with pension liabilities to recognize the difference between expected and actual investment returns over a closed five-year period. PERS will continue to set contributions based on an actuarial value basis until Fiscal Year 2015-16, at which time CalPERS will implement a new direct-rate smoothing policy as described below.

In addition to the use of "smoothing," as described above, when CalPERS sets contribution rates, the actuarial value of assets generally cannot be more than 120% of the market value or less than 80% of the market value (referred to as the "corridor"). Any asset value changes outside these ranges will be recognized immediately, and will result in a greater impact on future state contribution rates. However, in 2009 PERS adjusted the "corridor" to mitigate the effects of a negative 24% Fiscal Year 2008-09 investment loss.

According to PERS, the three-year phase-in of the 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 or less than 80% of the market value. Under the three-year phase in, assets are treated as follows:

1. For the June 30, 2009 actuarial valuations of the State plans setting the contribution requirements for Fiscal Year 2010-11, the actuarial value of assets cannot be more than 140% of the market value or less than 60% of the market value.

2. For the June 30, 2010 actuarial valuations of the State plans setting the contribution requirements for Fiscal Year 2011-12, the actuarial value of assets cannot be more than 130% of the market value or less than 70% of the market value.

3. For the June 30, 2011 actuarial valuations of the State plans setting the contribution requirements for Fiscal Year 2012-13, the actuarial value of assets cannot be more than 120% of the market value or less than 80% of the market value.

Lastly, the asset loss outside of the 80 – 120% corridor 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 use of "smoothing" and the "corridor" described above will mitigate short term increases in the required annual contribution. While this will limit extreme increases in the required annual contribution to PERS in the near term, absent investment returns significantly over and above the 7.5% assumed by PERS, it is expected to result in significantly higher required contributions in future Fiscal Years. Depending on actual investment returns and other factors, the required annual contribution to PERS could increase significantly and is estimated to be a total of $16,855,548 for Fiscal Year 2013-14 for the City.

At the April 16 and 17, 2013, meetings, the PERS Board approved a plan to replace the current 15-year asset-smoothing policy with a 5-year direct-rate smoothing process and replace the current 30-year rolling amortization of unfunded liabilities with a 30-year fixed amortization period. The Chief Actuary said the approach provides a single measure of funded status and unfunded liabilities, less volatility in extreme years, a faster path to full funding, and more transparency to employers about future contribution rates. These changes will accelerate the repayment of unfunded liabilities (including Fiscal Year 2008-09 investment losses) in the near term. Under the PERS Board action, actual rates will not be set using the new methods until Fiscal Year 2015-16, reflected in the June 30, 2014 valuation. The impact of the new amortization and smoothing policies are estimated to increase City retirement contributions to 33.1% for Safety Plan employees and 21.7% for Miscellaneous Plan employees in Fiscal Year 2015-16 and 35.7% for Safety Plan employees and 23.5% for Miscellaneous Plan employees in Fiscal Year 2016-17. See "*–Projected Rates.*"

Actuarial Assumptions. The PERS Chief Actuary considers various factors in determining the assumptions to be used in preparing the actuarial report. Demographic assumptions are based on a study of actual history of retirement, rates of termination/separation of employment, years of life expectancy after retirement, disability, and other factors. This experience study is generally done once every four years. The most recent experience study was completed in 2010 in connection with the preparation of actuarial recommendations by the PERS Chief Actuary as described below.

Table A-18
Public Employees' Retirement Fund
Certain Actuarial Assumptions Utilized for PERS

Actuarial Assumption	2009	2010	2011	2012
Investment Returns	7.75%	7.75%	7.50%	7.50%
Inflation	3.00	3.00	2.75	2.75
Salary Increase (Total Payroll)	3.25	3.25	3.00	3.00

Funding Status. Table A-19 sets forth the schedule of funding progress relating to the participation of the State in PERS as of the seven most recent actuarial valuation dates. Funding progress is measured by a comparison of the State's share of PERs assets to pay State employee benefits with plan liabilities.

As reflected in the actuarial valuation report of the Fiscal Year ended June 30, 2012, the investment return for the PERS in Fiscal Year 2011-12 was 0.1%. As a result of this investment return, the funded ratio on an MVA basis was approximately 66.1% as of June 30, 2012, as compared to approximately 70.3% as of June 30, 2011, and the unfunded liability was approximately $45.5 billion on an MVA basis as of June 30, 2012, as compared to approximately $38.5 billion on an MVA basis as of June 30, 2011.

At the PERS Finance and Administration Committee meeting on June 18, 2013, staff presented the employer retirement contribution rates and other actuarial information to be incorporated into the June 30, 2012 Actuarial Valuation. The full PERS Board adopted these items on June 19, 2013. The full June 30, 2012 Actuarial Valuation was released on September 27, 2013.

The actuarial report for the Fiscal Year ended June 30, 2012 can be found on the PERS website.

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 Fiscal Year 2011-12, PERS reported that its return on investments was 1.7% which was below the assumed investment return of 7.50%.

Table A-19
Public Employees' Retirement Fund
Schedule of Funding Projections (State Employees Only)
(Fiscal Years Ended June 30)
(Dollars in Millions)

	Fiscal Year Ended June 30						
	2006	2007	2008	2009	2010	2011	2012
Market Value of Assets (MVA)	$81,968	$96,988	$91,349	$68,179	$76,266	$91,159	$88,810
Actuarial Value of Assets (AVA)	77,143	83,439	89,304	93,377	97,346	102,452	106,145
Actuarial Accrued Liabilities (AAL)-entry age	92,557	100,352	107,642	116,827	121,446	129,648	134,314
Excess of Actuarial Value of Assets over AAL or Surplus Unfunded AAL (UAAL) - MVA Basis	(10,589)	(3,365)	(16,293)	(48,648)	(45,180)	(38,489)	(45,504)
Excess of Actuarial Value of Assets over AAL or Surplus UAAL - AVA Basis	(15,414)	(16,913)	(18,338)	(23,450)	(24,100)	(27,195)	(28,169)
Covered Payroll	13,299	14,571	15,890	16,333	16,281	16,212	15,680
Funded Ratio (MVA)	88.6%	96.6%	84.9%	58.4%	62.8%	70.3%	66.1%
Funded Ratio (AVA)	83.4%	83.1%	83.0%	79.9%	80.2%	79.0%	79.0%

Source: PERS.

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-22A and A-22B.

Table A-20A
City of Richmond
Required Employer Contribution Rates
Safety Plan
(PERS)

Fiscal Year	Employer Normal Cost[(1)]	Unfunded Rate[(2)]	Total Employer Contribution Rate	Annual Pension Cost
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	7,790,452
2011-12	18.367	5.654	24.021	8,307,018
2012-13	18.730	6.579	25.309	8,856,024
2013-14[(3)]	19.456	6.629	26.085	9,547,076
2014-15[(4)]	19.485	11.027	30.512	10,872,184
2015-16[(5)]	N/A	N/A	33.100	N/A

(1) Represents the percentage of payroll to pay costs or service accrual for such Fiscal Year for active employees in the absence of any surplus or unfunded liability.
(2) Represents the percentage of payroll to pay costs to retire the portion of the unfunded liability attributable to such Fiscal Year.
(3) At its March 14, 2012 meeting, the PERS Board voted to lower the investment earnings assumption to 7.5% (a reduction of 0.25%) commencing with the actuarial valuation dated June 30, 2011, which resulted in an increase in the total contribution made by the City to PERS for Fiscal Year 2013-14 by approximately 2% to 3% for Safety Plan employees.
(4) The minimum employer rate under PEPRA is the greater of the required employer rate or the employer normal cost.
(5) Projected. Assumes no future contract amendments and no liability gains or losses (such as larger than expected pay increases, higher retirements than expected, etc.)

Sources: PERS Actuarial Valuations.

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Table A-20B
City of Richmond
Required Employer Contribution Rates
Miscellaneous Plan
(PERS)

Fiscal Year	Employer Normal Cost[1]	Unfunded Rate[2]	Total Employer Contribution Rate	Annual Pension Cost
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	5,457,775
2011-12	11.557	2.838	14.395	5,896,555
2012-13	11.502	4.307	15.809	6,680,982
2013-14[3]	11.847	5.524	17.371	7,308,472
2014-15[4]	11.730	8.128	19.858	8,164,174
2015-16[5]	N/A	N/A	21.700	N/A

(1) Represents the percentage of payroll to pay costs or service accrual for such Fiscal Year for active employees in the absence of any surplus or unfunded liability.
(2) Represents the percentage of payroll to pay costs to retire the portion of the unfunded liability attributable to such Fiscal Year.
(3) At its March 14, 2012 meeting, the PERS Board voted to lower the investment earnings assumption to 7.5% (a reduction of 0.25%) commencing with the actuarial valuation dated June 30, 2011, which resulted in an increase in the total contribution made by the City to PERS for Fiscal Year 2013-14 by approximately 1% to 20% for Miscellaneous Plan employees.
(4) The minimum employer rate under PEPRA is the greater of the required employer rate or the employer normal cost.
(5) Projected. Assumes no future contract amendments and no liability gains or losses (such as larger than expected pay increases, higher retirements than expected, etc.)
Sources: PERS Actuarial Valuations.

Funding Progress. 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, 2012, the actuarial value of the assets in each of the Safety Plan and the Miscellaneous Plan was approximately $416.1 million and $382.1 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 7.50% (net of expenses) 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.

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The PERS investment returns for Fiscal Years 2010-11, 2011-12 and 2012-13 were negative 21.7%, 13.3% and 12.5%, respectively.

Table A-21A
City of Richmond
Schedule of Funding Progress
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)
06/30/06	$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
06/30/10	426,451,800	394,665,167	31,786,633	92.5	71.9	31,790,222	100.0
06/30/11	448,110,149	408,691,351	39,418,797	91.2	80.3	33,493,651	117.7
06/30/12	470,067,588	416,148,245	53,919,343	88.5	73.8	32,609,136	165.4

Sources: PERS Actuarial Valuations.

Table A-21B
City of Richmond
Schedule of Funding Progress
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)
06/30/06	$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	38.2
06/30/10	349,303,732	325,817,821	23,485,911	93.3	72.6	38,394,989	61.2
06/30/11	370,148,146	334,966,109	35,182,037	90.5	79.8	38,501,672	91.4
06/30/12	382,055,190	338,436,674	43,618,516	88.6	73.9	37,623,594	115.9

Source: PERS 2010 Actuarial Valuations.

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 ceased making required contributions of City employees on their behalf and for the account of City employees in 2004. The City, as employer, was required to contribute for Fiscal Year 2012-13 at an actuarially determined rate of 25.309% and 15.809% of annual covered payroll for Safety Plan and Miscellaneous Plan 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 $15,537,006 for the year ended June 30, 2013.

Annual Pension Cost. For Fiscal Year 2012-13, the City's total annual pension cost of approximately $15.5 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 2013-14, the City's total annual pension cost for PERS is expected to be approximately $16.9 million for the Safety and Miscellaneous Plans combined, which amount is included in the Adopted Biennial Operating Budget, Fiscal Year 2013-14 to Fiscal Year 2014-15.

Table A-22A
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
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	57,837,475
2011-12(1)	9,719,966	6,667,835	1,981,148	100	56,270,063
2012-13	N/A	8,523,990(2)	N/A	N/A	N/A

(1) Most recent audited information available.
(2) Budgeted.
Sources: City of Richmond, Comprehensive Annual Financial Reports for Fiscal Years 2006-07 through 2011-12, City of Richmond Finance Department and Adopted Biennial Operating Budget, Fiscal Year 2013-14 to Fiscal Year 2014-15.

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Table A-22B
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
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	5,457,775	4,381,007	1,108,958	100	41,143,221
2011-12(1)	6,510,572	5,132,010	1,227,197	100	40,028,228
2012-13	N/A	5,739,330(2)	N/A	N/A	N/A

(1) Most recent audited information available.
(2) Budgeted.
Sources: City of Richmond, Comprehensive Annual Financial Reports for Fiscal Years 2006-07 through 2011-12, City of Richmond Finance Department and Adopted Biennial Operating Budget, Fiscal Year 2013-14 to Fiscal Year 2014-15.

Projected Rates. On August 17, 2013, the PERS Board approved a recommendation to change the PERS amortization and smoothing policies. Beginning with June 30, 2013 valuations that will set the Fiscal Year 2015-16 rates, PERS will employ an amortization and rate smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a five-year period. The table below shows projected employer contribution rates (before cost sharing) for the next five Fiscal Years, assuming PERS earns 12% for Fiscal Year 2012-13 and 7.50% ever Fiscal Year thereafter, and assuming that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur between now and the beginning of Fiscal Year 2015-16. Consequently, these projections do not take into account potential rate increases from likely future assumption changes, nor do they take into account the positive impact PEPRA is expected to gradually have on the normal cost.

	New Rate 2014-15	Projected Future Employer Contribution Rates 2015-16	2016-17	2017-18	2018-19	2019-20
Safety Plan Contribution Rates:	30.512%	33.1%	35.7%	38.4%	41.0%	43.6%
Miscellaneous Plan Contributions Rates:	19.858%	21.7	23.5	25.4	27.2	29.1

Analysis of Future Investment Return Scenario. In July 2013, the investment return for Fiscal Year 2012-13 was announced to be 12.5%. Note that this return is before administrative expenses and also does not reflect final investment return information for real estate and private equities. For purposes of projecting future employer rates, a 12% investment return for Fiscal Year 2012-13 was assumed.

The investment return realized during a Fiscal Year first affects the contribution rate for the Fiscal Year two years after. Specifically, the investment return for Fiscal Year 2012-13 will first be reflected in the June 30, 2013 actuarial valuation that will be used to set the Fiscal Year 2015-16 employer contribution rates, the Fiscal Year 2013-14 investment return will first be reflected in the

June 30, 2014 actuarial valuation that will be used to set the Fiscal Year 2016-17 employer contribution rates and so forth.

Based on a 12% investment return for Fiscal Year 2012-13 and the April 17, 2013 PERS Board-approved amortization and rate smoothing method change, and assuming that all other actuarial assumptions will be realized, and that no further changes to assumptions, contributions, benefits, or funding will occur between now and the beginning of Fiscal Year 2015-16, the effect on the Fiscal Year 2015-16 Employer Rate is as follows: (Note that this estimated rate does not reflect additional assumption changes approved by PERS on April 17, 2013).

	Estimated Fiscal Year 2015-16 Employer Rate	Estimated Increase in Employer Rate between Fiscal Year 2014-15 and 2015-16
Safety Plan	33.1%	2.6%
Miscellaneous Plan	21.7	1.8

As part of this report, a sensitivity analysis was performed to determine the effects of various investment returns during Fiscal Year 2013-14, 2014-15 and 2015-16 on the Fiscal Year 2016-17, 2017-18 and 2018-19 employer rates. Once again, the projected rate increases assume that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits or funding will occur.

Five different investment return scenarios selected.

- The first scenario is what one would expect if the markets were to give us a 5th percentile return from July 1, 2013 through June 30, 2016. The 5th percentile return corresponds to a (-4.1%) return for each of the Fiscal Years 2013-14, 2014-15 and 2015-16.

- The second scenario is what one would expect if the markets were to give us a 25th percentile return from July 1, 2013 through June 30, 2016. The 25th percentile corresponds to a 2.6% return for each of the Fiscal Years 2013-14, 2014-15 and 2015-16.

- The third scenario assumed the return for Fiscal Years 2013-14, 2014-15, 2015-16 would be our assumed 7.5% investment return which represents about a 49th percentile event.

- The fourth scenario is what one would expect if the markets were to give us a 75th percentile return from July 1, 2013 through June 30, 2016. The 75th percentile return corresponds to a 11.9% return for each of the Fiscal Years 2013-14, 2014-15 and 2015-16.

- Finally, the last scenario is what one would expect if the markets were to give us a 95th percentile return from July 1, 2013 through June 30, 2016. The 95th percentile return corresponds to a 18.5% return for each of the Fiscal Years 2013-14, 2014-15 and 2015-16.

The tables below show the estimated projected contribution rates and the estimated increases for the Safety Plan and Miscellaneous Plan under the five different scenarios.

Safety Plan

2013-16 Investment Return Scenario	Estimated Employer Rate 2016-17	2017-18	2018-19	Estimated Change in Employer Rate between 2015-16 and 2018-19
(-4.1%) (5th percentile)	37.6%	43.7%	51.3%	18.2%
2.6% (25th percentile)	36.5	40.7	45.5	12.4
7.5%	35.7	38.4	41.0	7.9
11.9% (75th percentile)	35.1	36.2	36.6	3.5
18.5% (95th percentile)	34.0	32.9	29.6	(3.5)

Miscellaneous Plan

2013-16 Investment Return Scenario	Estimated Employer Rate 2016-17	2017-18	2018-19	Estimated Change in Employer Rate between 2015-16 and 2018-19
(-4.1%) (5th percentile)	24.8%	29.1%	34.4%	12.7%
2.6% (25th percentile)	24.1	27.0	30.4	8.7
7.5%	23.5	25.4	27.2	5.5
11.9% (75th percentile)	23.1	23.9	24.2	2.5
18.5% (95th percentile)	22.3	21.6	19.4	(2.3)

Source: PERS Actuarial Valuation, June 30, 2012.

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, 2011, the date of the most recent actuarial valuation, the actuarial present value of pension benefits under the General Pension Plan was $4,699,140, and the assets of the General Pension Plan at fair market value were $827,272, resulting in an unfunded accrued actuarial liability ("UAAL") of $3,871,868. In computing the actuarial valuation, General Pension Plan assets were assumed to yield a 4.5%, inflation rate of 3.5%, projected salary increases of 5.0% and benefit payments were assumed to increase 5.0% annually.

Police and Firemen's Pension Plan. The Police and Firemen's Pension Plan is a defined benefit pension plan covering the 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 Override Special Reserve 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 2012-13, the revenue received by the Police and Firemen's Pension Plan from the tax was $5,021,339, while benefits paid were $3,518,427.88.

As of July 1, 2011, the date of the most recent actuarial valuation, the actuarial present value of future benefit liabilities under the Police and Firemen's Pension Plan was approximately $33,488,006, representing principally prior service costs, assets were $20,894,469, resulting in an UAAL of $12,593,537. Actuarial assumptions included an assumed investment rate of return of 6.0%.

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 was 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, was 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–*Assessment Appeals*."

As of July 1, 2011, the actuarial present value of pension benefits under the Police and Firemen's Pension Plan was $33,488,006, 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 $20,894,469, resulting in a UAAL of $12,593,537. 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 4.5% annually.

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The City's contributions to the General Pension Plan and the Police and Firemen's Pension Plan for Fiscal Years 2006-07 through 2011-12, estimated for Fiscal Year 2012-13 and budgeted for Fiscal Year 2013-14 are presented below:

Table A-23
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
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	486,092	486,092	100	1,669,769	0(2)	0
2012-13(1)	486,092	660,992	100	1,596,771	1,596,771	100
2013-14(3)	486,092	486,092	100	1,596,771	1,596,771	100

(1) Estimated.
(2) In each of Fiscal Years 2006-07 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. For those four Fiscal Years, the excess cumulative contributions totaled $11,835,582, 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.
(3) Budgeted.

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.

Table A-24A
City of Richmond
Schedule of Funding Progress
Police and Firemen's Plan

Valuation Date (July 1)	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) % of Payroll
2007	$43,591,093(1)	$22,910,310	$20,680,783	53%	0(2)	N/A
2008	N/A(3)	22,117,407	N/A(3)	N/A(3)	0(2)	N/A
2009	40,786,586(4)	18,850,504	21,936,082	46	0(5)	N/A
2010	N/A(3)	21,347,731	N/A(3)	N/A(3)	0	N/A
2011(6)	33,488,006	20,894,469	12,593,537	62	0	N/A

N/A = Not applicable.
(1) Future pension increase assumption increased to 4.5% from 3.75%.
(2) Shown at zero because only one participant had not retired and was assumed to retire on the valuation date.
(3) Actuarial valuations are prepared every two years and were not completed for this year.
(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.
(6) Most recent actuarial data available.

Sources: City of Richmond, Comprehensive Annual Financial Report for Fiscal Year 2019-11, City of Richmond, Finance Department and Police and Firemen's Pension Plan Actuarial Valuation dated July 1, 2011.

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

Valuation Date (July 1)	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) % of Payroll
2007	$5,242,136	$2,416,881	$2,825,255	46%	(1)	N/A
2008	N/A(2)	2,114,326	N/A(2)	N/A(2)	(1)	N/A
2009	5,916,052	1,770,210	4,145,842	30	(1)	N/A
2010	N/A(2)	1,540,161	N/A(2)	N/A(2)	(1)	N/A
2011(3)	4,699,140	827,272	3,871,868	18	(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 2010-11.

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 2011-12, 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 sole General Pension Plan or PERS.

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As of July 1, 2011, the date of the most recent actuarial valuation, the actuarial present value of pension benefits under the Garfield Pension Plan was $853,422, and the assets of the Garfield Pension Plan at fair market value were $334,121, resulting in a UAAL of $519,301. In computing the actuarial valuation, Garfield Pension Plan assets were assumed to yield a 4.5% investment return, inflation rate of 3.5%, a projected salary increase of 3.5% and benefit payments were assumed to increase 3.5% annually. The City's annual payment toward amortization of the UAAL for Fiscal Year 2012-13 was $78,731 and for Fiscal Year 2013-14 is budgeted at $78,731, all of which is paid from the General Fund.

Table A-25A
City of Richmond
Historical Trend
Garfield Plan

Fiscal Year	Annual Required Contribution	Amount Contributed	Percent Contributed
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
2011-12	76,692	76,692	100
2012-13(1)	78,731	0	0
2013-14(2)	78,731	N/A	N/A

(1) Estimated.
(2) Budgeted.
Sources: City of Richmond, Comprehensive Annual Financial Report for Fiscal Year 2007-08 through Fiscal Year 2011-12, City of Richmond, Finance Department for Fiscal Year 2012-13 estimates and budgeted Fiscal Year 2012-13.

Table A-25B
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(1)	Unfunded (Overfunded) % of Payroll
2007	$899,777	$326,228	$573,549	36%	–	N/A
2008	N/A(2)	334,456	N/A(2)	N/A(2)	–	N/A
2009	893,734	336,274	557,460	38	–	N/A
2010	N/A(2)	336,461	N/A(2)	N/A(2)	–	N/A
2011(3)	853,422	257,205	596,216	30	–	N/A

(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 data available.
Sources: City of Richmond, Comprehensive Annual Financial Report for Fiscal Year 2010-11 and City of Richmond, Finance Department for Fiscal Year 2010-11 and 2011-12.

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, 2012, the Police and Firemen's Pension Plan and the General Pension Plan had net pension assets of $2,519,164 and $959,841, respectively. At June 30, 2012, the Garfield Pension Plan had a net pension liability of $210,257.

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, 2011, were 12, 10 and six 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 2011-12 were as follows:

	Police and Fireman's Plan	General Pension Plan	Garfield Pension Plan
Annual required contribution	$1,596,771	$455,662	$78,731
Interest on net pension obligation	(264,632)	(63,948)	6,476
Adjustment to annual required contribution	559,224	227,511	(18,332)
Annual pension cost	1,891,363	(6119,225)	66,875
Contributions made	0	148,186	0
(Decrease) increase in net pension obligations	1,891,363	471,039	66,875
Net pension obligation (asset) June 30, 2011	(4,410,527)	(1,430,880)	143,382
Net pension obligation (asset) June 30, 2012	($2,519,164)	($959,841)	$210,257

Source: City of Richmond, Comprehensive Annual Financial Report for Fiscal Year 2010-12.

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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			
2008-09	$2,184,062	229%	($5,049,165)
2009-10	2,560,533	180	(7,088,632)
2010-11	2,678,105	0†	(4,410,527)
2011-12	1,891,363	0	(2,519,164)
General Pension Plan			
2008-09	$418,265	74%	($1,677,239)
2009-10	606,561	80	(1,556,770)
2010-11	611,982	79	(1,430,880)
2011-12	619,225	24	(959,841)
Garfield Pension Plan			
2008-09	55,631	130	174,242
2009-10	60,513	127	158,063
2010-11	62,011	124	143,382
2011-12	66,875	0	210,257

† In each of Fiscal Years 2006-07 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. For those four Fiscal Years, the excess cumulative contributions totaled $11,835,582, 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.

Source: City of Richmond, Comprehensive Annual Financial Report for Fiscal Year 2010-11.

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 PERS 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 2009-10. 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.

GASB Accounting Proposals. GASB is assessing the effectiveness of the OPEB standards by examining GASB. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and GASB. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB has released an "Exposure Draft" regarding "the possibility of improvements to the existing standards of accounting and financial reporting for pension benefits by state and local governmental employers and by the trustees, administrators, or sponsors." GASB has stated that one objective of this project is to improve *accountability* and the transparency of financial reporting in regard to the financial effects of employers' commitments and actions related to OPEB, including improving the information provided to help financial report users assess the degree to which *interperiod equity* has been achieved. The other objective of this project is to improve the *usefulness* of information for decisions or judgments of relevance to the various users of the general-purpose external financial reports of governmental employers and OPEB plans.

An overview of the current status of this project and a summary of the proposed changes to accounting standards is available from GASB. Any new final accounting standards may result in changes to pension actuarial calculations, accounting for assets and liabilities, or the presentation of such information. These changes, if adopted, may be material.

Table A-26
Post Employment Benefit Summary
Number of Participating Retirees

Fiscal Year	Number of Participating Retirees	City Contribution
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
2011-12	467	2,975,933
2012-13	479	3,185,768

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. 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, (iii) 3.00% inflation rate, and (iv) 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.

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, 2012, the City contributed $2,975,933 to the plan for pay-as-you-go premiums, which represented 4.1% of the $72,327,000 of covered payroll. The City recorded a Net OPEB Asset in Fiscal Year 2011-12, representing the difference between the annual OPEB cost and actual contributions and estimated Fiscal Year 2012-13, as presented below:

	2009-10	2010-11	2011-12	2012-13†
Annual required contribution	$6,841,000	$7,566,000	$8,436,000	$9,229,000
Interest on net OPEB obligation	(249,000)	35,000	368,000	654,000
Adjustment to annual required contribution	183,000	(314,000)	(753,000)	(1,297,000)
Annual OPEB cost	6,775,000	7,287,000	8,051,000	8,587,000
Contributions made:	(2,477,428)	(2,850,560)	–	–
Pay as you go (premiums paid)			(2,975,933)	(3,068,000)
*Less P*remiums paid by trust			1,700,000	–
Change in net OPEB obligations	4,297,572	4,436,440	6,775,067	5,519,000
Net OPEB obligation Beginning of Year June 30	(4,605,272)(1)	(307,700)(2)	10,139,000(3)	16,914,067(4)
Net OPEB obligation End of Year (asset) June 30	($307,700)(2)	$4,128,740(3)	$16,914,067(4)	$22,433,067(5)

† Estimated.
(1) As of June 30, 2009.
(2) As of June 30, 2010.
(3) As of June 30, 2011. During Fiscal Year 2011-12, the City determined that the OPEB obligation had been understated in the amount of $6,010,260 due to premiums reimbursed in Fiscal years 2009-10 and 2010-11 being credited to the contributions in error, and the balance as of June 30, 2011 has been increased and restated in that amount.
(4) As of June 30, 2012.
(5) As of June 30, 2013.

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An updated projection of the unfunded actuarial liability (based upon the July 1, 2009 actuarial study and assumptions) was prepared by the actuary in February 2013. The actuary estimates that the unfunded actuarial liability will be approximately $92.7 million if the City only makes pay-as-you-go benefit payments and elects not to fund the full ARC for Fiscal Year 2012-13. The effect would be increases in future estimated AOC payments in Fiscal Years 2013-14, 2014-15 and 2015-16 in the amounts of $9.07 million, $9.58 million and $10.1 million, respectively.

The Plan's annual OPEB costs and actual contributions for the last three Fiscal Years and estimated for Fiscal Year 2012-13 are set forth below:

Fiscal Year	Annual OPEB Cost (ARC)	Actual Contribution	Percentage of ARC Contributed	Net OPEB Obligation (Asset)
6/30/2010	$6,775,000	$2,477,428	37.00%	($307,700)
6/30/2011	7,287,000	2,850,560	39.00	4,128,740
6/30/2012	8,051,000	2,975,933	37.0	16,914,067

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	(106.00%)
7/1/2009	$6,813,000	82,883,000	(76,070,000)	8	69,788,000	(109.00)
7/1/2011	1,804,000	94,486,000	(92,682,000)	2	73,327,000	(1281.4)

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City Employees; Collective Bargaining

For Fiscal Year 2012-13 the City had 771.1 permanent, full-time equivalent positions and has budgeted 808 permanent, full-time equivalent positions for Fiscal Year 2013-14. The City has never experienced a work stoppage.

Table A-27
City of Richmond
Full-Time Equivalent Positions
Fiscal Years 2008-09 through 2013-14

Fiscal Year	Budgeted FTE Positions
2008-09	944.8
2009-10	911.4
2010-11	818.4
2011-12	805.1
2012-13	771.1
2013-14†	808.0

† 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-28 summarizes the number of employees included in the largest labor organizations. These six organizations cover 69.0% of the represented employees.

Table A-28
City of Richmond
Summary of Labor Agreements

Employee Representation Organization[1]	Employee Members[2]	Contract Term	Salary Increases
Fire Fighters I.A.F.F., Local 188 *and*		June 30, 2016	6.0% increase on September 1, 2013, July 1, 2014 and July 1, 2015; Members to contribute an additional 1% towards PERS
Fire Management, RFMA	95[3]	June 30, 2016	3.0% annual increase on each September 1 in 2013, 2014 and 2015; Members to contribute an additional 1% toward PERS, for a total contribution of 12% by end of the contract term
General (Part time), S.E.I.U. Local 1021	14	June 30, 2012[4]	In Negotiations
General (Full time), S.E.I.U. Local 1021	378	June 30, 2012[4]	In Negotiations
Management, IFPTE Local 21	133	June 30, 2016	2% annual increase on each July in 2013, 2014 and 2015
Police Management Association *and*		December 31, 2013[4]	In Negotiations
Police Officers Association	184[5]	June 30, 2016	3.0% annual increase on each July in 2013, 2014 and 2015; Members to contribute an additional 1% toward PERS
TOTAL	804		

(1) Effective January 1, 2013, all new hires are subject to PEPRA requirements. See "–Pension Plans–*Pension Reform*."
(2) Represents the number of funded positions in the Adopted Biennial Operating Budget Fiscal Year 2013-14 to Fiscal Year 2014-15.
(3) Represents combined budgeted positions for Fire Fighters and Fire Management.
(4) This contract is in negotiation. The members of this bargaining unit continue to work under the terms of the expired contract.
(5) Represents combined budgeted positions for Police Management and Police Officers.
Source: City of Richmond, Human Resources Department.

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Capital Planning

Each year, the City adopts a five-year Capital Improvement Plan (a "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 2013-14 through 2017-18 identifies a total of approximately $142.1 million in capital projects, of which approximately $71.1 million is funded by capital project, enterprise, internal service and Successor Agency funds for Fiscal Year 2013-14. The CIP also identifies approximately $573.5 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 for Fiscal Year 2012-13 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	$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
Special Events Program	None	$1,000,000 per occurrence; $2,000,000 aggregate	Gales Creek
Excess Workers Compensation	$750,000 SIR	Statutory	CSAC-EIA (See also "–*CSAC-EIA.*")
General Liability	$500,000 SIR	$40,000,000	CJPRMA (See also "–*CJPRMA.*")
Employment Liability	$500,000 SIR	$8,000,000	CJPRMA
Student Volunteer	None	$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 in the amount of $716,013 for Fiscal Year 2012-13 and in the amount of $676,871 for Fiscal Year 2013-14. 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 in the amount of $248,458 for Fiscal Year 2012-13 and in the amount of $291,819 for Fiscal Year 2013-14. 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.

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Table A-29 summarizes the lease obligations payable from or backed by the General Fund of the City as of June 30, 2013. 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-29
City of Richmond
General Fund Obligations
As of June 30, 2013

Issuer/Issue	Date Issued	Projects	Amount Issued	Amount Outstanding	Final Maturity
City of Richmond					
Capital Leases	Various	Various	$18,739,636	$6,182,654	Various
City of Richmond Taxable Pension Obligation Bonds, Series 2005	2005	Pension costs	114,995,133	98,225,133	2035
Richmond Joint Powers Financing Authority					
Lease Revenue Refunding Bonds Series 2009	2009	Civic Center Bonds	89,795,000	87,121,545	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
			$270,639,769	$238,189,332	

Source: City of Richmond, Department of Finance.

In addition to the above obligations as of June 30, 2013, the City issued a series of bonds secured solely by the City's property tax override revenues (the "PTORs"), which are available to pay for pension obligations approved by voters prior to July 1, 1978. Those bonds, the City's Pension Obligation Bonds, Series 1999A, were issued in 1999 in the aggregate principal amount of $36,280,000, and $15,035,000 remains outstanding. The City's Taxable Pension Obligation Bonds, Series 2005 listed in Table A-29 were issued in the aggregate principal amount of $114,995,132.50, of which $98,225,132.50 principal amount remains outstanding (excluding accreted value) and have a junior claim to the PTORs. To the extent no PTORs are available for these bonds, they would be payable entirely from the City's General Fund; a minimum of 14% of debt service on these bonds is payable from the City's General Fund regardless of the availability of PTORs.

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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 2009 through 2013.

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
2009	102,887	1,038,390	36,966,713
2010	103,764	1,047,948	37,223,900
2011	104,382	1,056,306	37,427,946
2012	105,004	1,066,602	37,668,804
2013	105,562	1,074,702	37,966,471

† 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, 2019 through 2013 (May 2012).

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, manufacturers 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, 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 Analytical Scientific Instruments (ASI), Bio-Rad, Kaiser Laboratories, Esko Bioncis, 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.

ASI, a manufacturer of medical equipment instruments and components, purchased a building within the City and relocated from neighboring El Sobrante. ASI brought 25 existing employees with them and expects to hire 10 additional employees.

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.

Originally named Berkeley Bionics, Ekso Bionics was founded in Berkeley, California in 2005. Ekso, a pioneer in exoskeleton bionic devices that enhance and augment strength mobility and endurance of people with lower extremity paralysis or weakness, relocated to the City in April 2012 with 80 employees. Since inception Ekso Bionics has forged partnerships with world-class institutions like UC Berkeley, received research grants from the Department of Defense and licensed technology to the Lockheed Martin Corporation. Ekso Bionics projects that by the end of 2012, it will have 100 employees in the City.

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.

EKSO Bionics founded in Berkeley in 2005, a pioneer in exoskeleton bionic devices to enhance strength mobility and endurance of soldiers and paraplegics.

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.

Richmond Bay Campus. In addition to being the home of the 90-acre UC Field Station, in January 2012, the UC Field Station was selected by the Lawrence Berkeley National Laboratory (LBNL) as the preferred site for the development of its second campus. This second campus (known as the Richmond Bay Campus the "RBC") will allow the LBNL to consolidate its biosciences programs and their approximately 800 employees (representing approximately 20% of the total employees of LBNL) that currently operate from various locations in the San Francisco Bay Area. With the identification of a preferred site, UC Berkeley has prepared a draft 2013 long range development plan for the RBC to guide development of up to 5.4 million square feet of modern research and development facilities and 10,000 employees in phases through 2050 (the "RBC 2013 LRDP") and filed a notice of preparation Draft Environmental Impact Report ("Draft EIR") for the RBC 2013 LRDP in January 2013. The Draft EIR is expected to be completed in 2016 with the first phase of development, consisting of construction of up to 300,000 square feet for the LBNL consolidation with a potential total of 800,000 square feet is expected to be operational between 2017 and 2020.

Specific Plan. The City was awarded a Priority Development Area Planning Grant from the Metropolitan Transportation Commission and the Association of Bay Area Governments to develop the Richmond South Shoreline Specific Plan. The Specific Plan will focus on ways the City can take advantage of the Richmond Bay Campus, future ferry service and other area assets to create jobs, housing, transportation options, entertainment and recreation.

Richmond Parkway. 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.

Employment

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

Table A-31
Principal Employers in the City
(As of June 2012)[(1)]

Employer Name	Product/Service	Estimated Number of Employees
Chevron[(2)]	Oil Refinery	1,950
West Contra Costa Unified School District	Education	1,580
Social Security Administration	Governmental Services	1,259
U.S. Postal Service	Governmental Services	1,047
Contra Costa County	Governmental Services	844
City of Richmond	Governmental Services	771
Kaiser Permanente	Healthcare Services	677
Bio-RAD Laboratories	Analytical Instruments Manufacturing	473
Michael Stead Auto Depot & Sales	New and Used Auto Dealer	472
Walmart	Department Store	400
Dicon Fiberoptics	Electric Switches Manufacturing	400
PG&E	Transmission, Electric Power	380
Macy's	Department Store	350
YMCA of the East Bay	Youth organizations	325
U.S. Air Force	National Security	254
Universal Building Services	Building Maintenance Service	250
JC Penny	Department Store	240
Moog, Inc.	Process control instruments	223
Rubicon Enterprises Inc.	Building Maintenance Services	220
Richmond Sanitary Service Inc.	Sanitary Services	200

(1) Most recent data available.
(2) In December 2012, Chevron announced that it expects to relocate approximately 800 jobs to Houston, Texas in the next two years. However, all of those jobs are expected to be relocated from the Chevron headquarters in San Ramon *not* from the refinery jobs located in the City.
Source: City of Richmond.

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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 2008 through 2012.

Table A-32
Civilian Labor Force, Employment and Unemployment
Annual Average for Years 2008 through 2012†

Year and Area	Labor Force	Civilian Employment	Unemployment	Unemployment Rate
2012†				
City	54,200	46,300	7,900	14.6%
County	535,800	487,600	48,200	9.0
State	18,494,900	16,560,300	1,934,500	10.5
United States	154,975,000	142,469,000	12,506,000	8.1
2011				
City	54,000	45,000	9,000	16.7
County	528,900	473,900	55,000	10.4
State	18,404,500	16,237,300	2,167,200	11.8
United States	153,617,000	139,869,000	13,747,000	8.9
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

† 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.

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Personal Income

The United 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 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 2007 through 2012.

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Table A-33
City of Richmond, Contra Costa County, State of California and United States
Personal Income†
Calendar Years 2008 Through 2012

Year and Area	Personal Income (millions of dollars)	Per Capita Personal Income (dollars)
2012		
City	$2,541	$24,225
County	N/A	N/A
State	1,768,039	46,477
United States	13,729,063	43,735
2011		
City	2,523	23,881
County	60,779	57,011
State	1,645,138	43,647
United States	12,949,905	41,560
2010		
City	2,533	24,213
County	57,700	54,817
State	1,564,209	41,893
United States	12,308,496	39,791
2009		
City	2,580	24,832
County	55,782	53,745
State	1,516,677	41,034
United States	11,852,715	38,637
2008		
City	2,545	24,635
County	59,914	58,547
State	1,610,698	44,003
United States	12,451,660	40,947

Sources: U.S. Department of Commerce, Bureau of Economic Analysis and HDL Coren & Cone for City data.

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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 2008 through 2012
($ in 000's)

	Residential							
	Single Family		Multifamily		Value of Alterations and	Total Residential	Nonresidential	
Year	Units	Valuation	Units	Valuation	Additions	Valuation	Valuation	Total†
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
2011	1	457	0	0	11,838	12,295	62,996	75,291
2012	17	3,841	27	8,156	5,876	17,873	31,813	49,686

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

The Port of Richmond contains seven City-owned terminals, 5 dry-docks and 11 privately owned terminals. Private terminals are responsible for almost 95% of the Port's annual tonnage. On-dock rail service is provided to many port terminals by the Burlington Northern Santa Fe ("BNSF") and the Union Pacific Southern Pacific railroads. The Port, together with the BNSF operations, serve as a highly developed international rail facility. The John T. Knox Freeway has enhanced truck access to the Port.

The Port handles a widely varied assortment of cargos, although over 90% of the annual tonnage is in liquid bulk cargo, most of which is shipped through the Chevron Terminal. Principal liquid bulk cargos are petroleum and petroleum products, chemicals and petrochemicals, coconut oil and other vegetable oils, tallow and molasses. Dry bulk commodities include coal, gypsum, iron, ore, cement, logs and various mineral products. Automobiles, agricultural vehicles, steel products, scrap metals, and other diversified break-bulk cargos are also a significant part of the Port's business.

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

Utility services to the City are supplied by the following:

Electric power:	Pacific Gas & Electric Co. ("PG&E")
Natural gas:	PG&E
Telephone:	AT&T
Water:	East Bay Municipal Utility District ("EBMUD")
Sewer:	West Contra Costa Sanitary District, Richmond Municipal Sewer District, and Stege Sanitary District

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).

On June 19, 2012, the City Council voted to join the Marin Energy Authority ("MCE"), a nonprofit energy provider that derives a minimum of 50% of its electricity from renewable sources.

Effective July 1, 2013, all City residents and businesses were automatically enrolled in the Green Light package offered by the Marin Clean Energy Community Choice Aggregation program unless they elected to opt out of the program between April and June 2013. Approximately 83% of all residents and businesses within the City are participating in the program. Although power will still be transmitted through existing PG&E lines, half of it will come from solar, wind, hydroelectric, and biogas (natural gas extracted from sewage systems or landfills rather than fossil fuels). City residents will still receive their bills from PG&E.

MCE will also offers customers the option of enrolling in the Deep Green package, which supplies 100% of electricity from renewable sources at rate increase of approximately one cent per kilowatt hour.

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), six middle and junior high schools (one of which are located in the City), and nine senior high schools, alternative schools and continuation schools (five of which are located in the City) five charter schools and had total K-12 enrollment of approximately 30,398 students for Fiscal Year 2012-13. 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, 2012

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2012
RICHMOND, CALIFORNIA

CITY OF RICHMOND, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Prepared by

THE FINANCE DEPARTMENT

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CITY OF RICHMOND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2012

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FINANCE DEPARTMENT

City of Richmond

450 CIVIC CENTER PLAZA
RICHMOND, CA 94804
(510) 620-6740

April 5, 2013

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, 2012, 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 aspects.

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, 2012, 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, 2012. The Independent Auditors' Report is presented as the first component of the Financial Section of this report.

Accounting standards require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

The Reporting Entity and Its Services

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

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

The City's component units and assessment districts are as follows: the Richmond Community Redevelopment Agency, the Richmond Housing Authority, the Richmond Joint Powers Financing Authority, the Richmond Neighborhood Stabilization Corporation, the Richmond Surplus Property 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 one inactive component unit, Richmond Parking 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 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, with 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 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, 2012 include the following:

Public Safety

- On October 15, 2011 Richmond's Hazardous Materials Response Team, with Contra Costa County Health Department Hazardous Materials Response Team, participated for the first time in the Urban Shield 2011 exercise and took third place out of eleven participating agencies in the Hazardous Materials Response Category.
- Identified over 18,413 locations of illegal dumping and removed over 1,200 tons of debris.

Economic & Neighborhood Development

- Received the Urban Greening Project grant from the Strategic Growth Council in the amount of $1.66 million.
- 35 businesses participated and contributed to the Summer Youth Employment Program by providing 291 jobs.
- Employment and Training Department received $500,000 for Youth Career Technical Educations from the California Employment and Development Department.
- The City received an "A" grade in the Annual State of Tobacco Control Report.
- Subaru began import operations at the Port of Richmond
- The City of Richmond was selected as the preferred site for the Lawrence Berkeley National Laboratory (LBNL) second campus.
- The City's Environmental Initiatives Division launched the new Richmond Recovery Solar Rebate Program – R3 ("R Cubed").

Recreation & Cultural Services

- Registered 1,539 children for "One World, Many Stories," a Summer Reading Game at the Richmond Public Library.

- Received a $5,000 grant for the Imagination Playground which was erected at the Nevin Community Center.

Public Works

- Began the final phase of the Via Verdi culvert replacement project.
- The General Plan was adopted April 25, 2012.

Strategic Support

- Received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA) for the fiscal year ending June 30, 2011.
- Received the Achievement of Excellence in Procurement (AEP) Award from the National Purchasing Institute - July 2011.
- Received the Distinguished Budget Presentation Award for fiscal year 2011-12 from the Government Finance Officers Association (GFOA).
- Received the California Society of Municipal Finance Officers (CSMFO) Excellence Award in Operating and Capital Budgets for the fiscal year ending June 30, 2012.

Long-Term Financial Plan

- Adopted and adhered to a structurally balanced budget which resulted in the continued designation of $10 million for contingency reserves.
- Completed comprehensive analysis of five-year historical revenue and expenditure trends.
- Developed five-year financial forecasts based on historical trends and other known factors.
- Adhered to the Debt Policy which reflects general debt service cannot exceed 10% of General Fund Revenue.
- Continued to use one-time moneys for one-time uses, and ensured revenues were adequate 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 July 31, 2012. 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, 2012 was 1.63 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 is now 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.

The City's Risk Manager 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.

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. The City also contributes to three closed single-employer plans as follows:

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.

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.

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 Plans.

In addition to the pension benefits described above 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, 2012, 470 retirees met those eligibility requirements. The City has funded these benefits on a pay-as-you-go basis. During fiscal year 2012, expenditures of $2,975,933 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, 2011. 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.

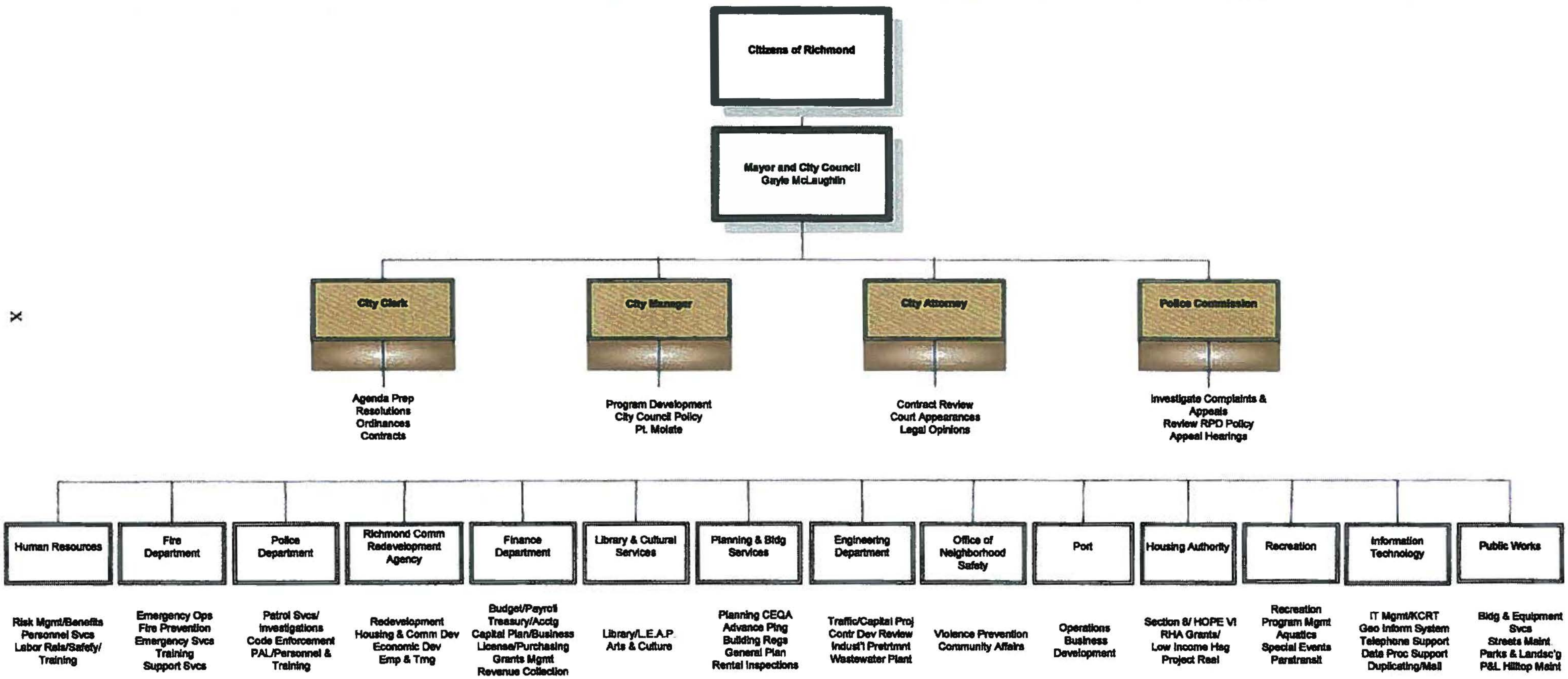
In addition, staff in all City departments should be recognized for responding so positively to the requests for detailed information that accompanies each annual audit. The role of Maze & Associates, Certified Public Accountants, should also be acknowledged as a significant contribution to a fine product.

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
FY2011-12 Organizational Chart



CITY OFFICIALS

June 26, 2012

CITY COUNCIL

Mayor .... Gayle McLaughlin

Vice Mayor.. Jim Rogers

Councilmember..Tom Butt

Councilmember ....Nathaniel Bates

Councilmember ....Jovanka Beckles

Councilmember ....Courtland "Corky" Boozé

Councilmember ....Jeff Ritterman

ADMINISTRATION AND DEPARTMENT HEADS

City Manager .... Bill Lindsay

Asst. City Manager/Human Resources Director .... Leslie Knight

City Attorney .... Bruce Goodmiller

City Clerk .... Diane Holmes

City Engineer..Edric Kwan

Employment & Training Director.. Sal Vaca

Finance Director/Treasurer .... James Goins

Fire Chief .... Michael Banks

Housing Director.. Patrick Lynch

Information Technology Director .... Sue Hartman

Library and Cultural Services Director ....Katy Curl

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, 2012

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*
Latha Ravinder, *Accounting Manager*
Nena Gapasin, *Senior Accountant*
Yolanda Skelton, *Senior Accountant*
Crispin Nunez, *Accountant II*
Rhonda Jackson, *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, 2011

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

President

Executive Director

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MAZE & ASSOCIATES

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, 2012, 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 opinions 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 opinions.

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 at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof listed as part of the basic financial statements for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10E, net assets were restated as of July 1, 2011 in the amount of $36,302,036.

As discussed in Note 18, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Richmond Community Redevelopment Agency has been dissolved and its assets turned over to and liabilities assumed by Successor Agencies effective January 31, 2012. Certain transactions undertaken by the Richmond Community Redevelopment Agency prior to the date of dissolution may be subject to review by the State as discussed in Note 18, but the effect of that review cannot be determined as of June 30, 2012.

As discussed in Notes 6B and 4B in fiscal 2012, the former Redevelopment Agency transferred capital assets totaling $43,815,086 to the City and the Agency made a restatement transfer to eliminate an interfund advance from the City in the amount of $2,000,000. ABx1 26 and AB 1484 contain provisions that such transfers are subject to a review by the State Controller's Office. According to Health and Safety Code 34167.5, if such an asset transfer did occur during that period and the government agency that received the assets is not contractually committed to a third party for the expenditure or encumbrance of those assets, to the extent not prohibited by state and federal law, the Controller shall order the available assets to be returned to the former Redevelopment Agency or, on or after February 1, 2012, to the Successor Agency. The City has not received the results of the State Controller's asset transfer review and the amount, if any, of assets to be returned is not determinable at this time.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

The City's position on these matters is not a position of settled law and there is considerable legal uncertainty regarding these matters. It is possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably or unfavorably to the City. No provision for liabilities resulting from the outcome of these uncertain matters has been recorded in the accompanying financial statements.

As of June 30, 2012, the Richmond Housing Authority, a component unit of the City, reported $4.7 million of accumulated unpaid payroll and benefit costs due to the General Fund. For the year ended June 30, 2012, operating expenses exceeded operating revenues and operating and capital grants by $4.9 million. In addition, the HUD disallowed costs was increased to $2.4 million. These conditions raise substantial doubt about the Richmond Housing Authority's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2013 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and budgetary comparison information for the General Fund, Redevelopment Agency Administration Special Revenue Fund, Cost Recovery Special Revenue Fund, and Community Development and Loan Programs Special Revenue Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the financial statements as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Maze & Associates

April 5, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2012

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, 2012. We encourage readers to consider the information presented here in conjunction with the financial statements, which begin on page 29.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $244 million (net assets). Of this amount, $66.2 million is restricted for specific purposes (restricted net assets), $319 million is invested in capital assets, net of related debt, and $141.5 million represents a deficit in unrestricted net assets.

- During fiscal year 2012, Governmental Activities Nets Assets were restated by $36.3 million changing the City's total net assets at July 1, 2011 from $266.2 million to $229.9 million. After restatement, the City's total net assets increased by $13.7 million during the fiscal year. This increase is the net result of a $21.8 million increase and $8.1 million decrease in net asset for governmental and business-type activities, respectively. The increase in the governmental activities is largely due to the dissolution of the Redevelopment Agency and transfer of its net liabilities to a Successor Agency effective February 1, 2012. Restricted net assets for governmental activities decreased $20.1 million to $57.9 million. Unrestricted deficit net assets for governmental activities decreased by $35.6 million to $118.6 million. Restricted net assets for business-type activities decreased by $165 thousand to $8.2 million. Unrestricted deficit net assets for business type activities decreased by $6.5 million to $22.9 million.

- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of $73.6 million, a decrease of $43 million in comparison to prior year, due to the dissolution of the Redevelopment Agency. This decrease of $43 million includes a $74.4 million decrease in total assets and a $31.4 million decrease in total liabilities. The ending fund balance includes $26.1 million of nonspendable resources, $42.9 million of resources restricted for a specific purpose, $5.5 million of assigned resources and a deficit $893 thousand of unassigned resources. The $893 thousand deficit is a net result of a positive $11 million balance in General Fund and $11.9 million in deficits occurring in Cost Recovery and other governmental funds. The amount of unassigned fund balance increased from prior year by $974 thousand.

- At the end of the fiscal year, the General Fund had a fund balance of $37.4 million, of which $26 million was nonspendable, $377 thousand was assigned and the remaining $11 million was unassigned. Total fund balance decreased $3.1 million from prior year.

- During fiscal year 2012, the Redevelopment Agency determined that $33.4 million of its capital assets had been constructed on behalf of third-parties and should have been expensed as incurred. Therefore, capital assets were restated by $33.4 million as of July 1, 2011. After restatement, the City's investment in its capital decreased by $8.9 million resulting from a $19.8 million decrease in governmental activities (majority of which is due to the transfer of $15.5 million of capital assets to a Successor Agency due to the dissolution of the Redevelopment Agency) and a $10.8 million increase in capital assets which is attributable to an increase in construction in progress for Port Rehabilitation and Wastewater Treatment plant projects.

- The City reports $16.9 million in the other post-employment benefit (OPEB) liability for this fiscal year which is an increase of $12.8 million over the $4.1 million liability reported for fiscal year 2011. The increase resulted from a $6 million restatement of the OPEB obligation to correct premiums reimbursed by the PARS trust as discussed in Note 13C and a $6.8 million current year change in the net OPEB obligation that was the result of the actuarially required contributions in excess of actual contributions.

- The City participates in the miscellaneous and safety plans offered by the California Public Employees Retirement System and the City also maintains three City-funded single-employer pension plans. The City's governmental activities report net pension assets of $99.6 million for fiscal year 2012. This reflects a $5.1 million decrease from $104.7 million assets reported for fiscal year 2011.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements:

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements include the activities of the City and six blended component units which consist of the Richmond Community Redevelopment Agency (through January 31, 2012), Richmond Housing Authority, Richmond Joint Powers Financing Authority, Richmond Neighborhood Stabilization Corporation, Richmond Surplus Property Authority and Richmond Parking Authority. Although legally separate, the City is financially accountable for the activities of these entities which are therefore shown as blended as part of the primary government. As of February 1, 2012, the activity of the Successor Agency to the Redevelopment Community Redevelopment Agency (Successor Agency) is reported with the City's fiduciary funds, which is not included in the government-wide statements since the resources of those funds are not available to support the City's own programs. The Successor Agency is included as a fiduciary fund, as the activities are under the control of an Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

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, Public Works, 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, Municipal Sewer District, Richmond Marina, 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 29-31 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 Capital Projects Fund, Redevelopment Agency Debt Service Fund, Redevelopment Agency Projects Capital Projects Fund, Cost Recovery Special Revenue Fund and the Community Development and Loan Programs. The basic governmental fund financial statements can be found on pages 34 through 40 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 42 through 44 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. During fiscal year 2012, the activities associated with the Information Technology, Equipment Services and Facilities Maintenance Funds were transferred to the General Fund.

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, Successor Agency to the Richmond Community Redevelopment Agency 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 46-47.

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 49 through 148 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, the Cost Recovery Special Revenue Fund and the Community Development and Loan Programs Special Revenue Fund. Required supplementary information can be found on pages 151 through 155 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 restated Governmental Activities Net Assets thereby reducing it by \$36.3 million to \$159.8 million. The majority of the restatement represented Redevelopment Agency capital assets that should have been expensed in prior years. After accounting for the \$36.3 million restatement of Governmental Activities Net Assets as discussed in Note 10E, the City's combined net assets (government and business type activities) totaled \$243.7 million at the close of the fiscal year ending June 30, 2012. The City's net assets increased by \$13.7 million during the current fiscal year. This is a net result of governmental activities increase of \$21.8 million and a decrease in business-type activities of \$8.1 million.

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 $319 million, representing a $42.7 million increase from the prior year. Investment in 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.

$66.2 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 $17.2 million primarily due to the dissolution of the Redevelopment Agency.

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 that provided for the dissolution of all redevelopment agencies in the State of California. In accordance with the timeline set forth in the bill, all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

The Successor Agency is a separate legal entity which was formed to hold the assets of the former Redevelopment Agency pursuant to City Council actions. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities were also reported in the private-purpose trust fund as an extraordinary loss. Governmental activities reported an extraordinary gain that was the result of the transfer of the net long-term debt to the Successor Agency.

City of Richmond's Net Assets
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY2012	FY2011 (A)	FY2012	FY2011	FY2012	FY2011
Assets:						
Current assets	$ 253,003	$ 326,418	$ 35,741	$ 49,931	$ 288,744	$ 376,349
Capital assets	310,607	330,366	182,046	171,235	492,653	501,601
Total assets	563,610	656,784	217,787	221,166	781,397	877,950
Liabilities:						
Current liabilities	130,213	101,812	19,738	14,670	149,951	116,482
Long-term liabilities	251,746	395,141	136,015	136,388	387,761	531,529
Total liabilities	381,959	496,953	155,753	151,058	537,712	648,011
Net Assets:						
Invested in capital assets, net of related debt	242,281	164,740	76,732	78,163	319,013	242,903
Restricted	57,990	78,105	8,170	8,335	66,160	86,440
Unrestricted	(118,621)	(83,014)	(22,868)	(16,390)	(141,489)	(99,404)
Total net assets, as restated	$ 181,650	$ 159,831	$ 62,034	$ 70,108	$ 243,684	$ 229,939

(A) Restated as discussed in Note 10E.

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, 2012
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011
Revenues:						
Program revenues:						
Charges for services	$ 17,649	$ 18,362	$ 30,748	$ 28,607	$ 48,397	$ 46,969
Operating grants/contributions	11,260	17,934	22,742	23,332	34,002	41,266
Capital grants/contributions	17,238	20,017	3,775	2,685	21,013	22,702
General revenues:						
Property taxes-current collections	52,220	56,693			52,220	56,693
Sales taxes	27,788	23,026			27,788	23,026
Utility user taxes	45,984	45,008			45,984	45,008
Documentary transfer taxes	2,766	4,463			2,766	4,463
Other taxes	3,785	3,361			3,785	3,361
Use of money and property	(22,064)	8,878	(5,331)	1,658	(27,395)	10,536
Unrestricted Intergovernmental	4,752	2,428			4,752	2,428
Pension stabilization revenue	2,544	2,728			2,544	2,728
Developer revenue sharing	56	102			56	102
Other	7,918	6,723		609	7,918	7,332
Total revenues	171,896	209,723	51,934	56,891	223,830	266,614
Expenses:						
General government	32,550	17,128			32,550	17,128
Public safety	100,403	101,614			100,403	101,614
Public works	42,748	41,004			42,748	41,004
Community development	5,846	7,686			5,846	7,686
Cultural & recreation	14,584	14,648			14,584	14,648
Housing & redevelopment	19,769	15,525			19,769	15,525
Interest and fiscal charges	19,633	23,108			19,633	23,108
Richmond Housing Authority			30,989	27,246	30,989	27,246
Port of Richmond			7,869	7,033	7,869	7,033
Richmond Marina			1,682	344	1,682	344
Municipal Sewer			14,656	14,194	14,656	14,194
Storm Sewer			2,745	2,670	2,745	2,670
Cable TV			1,037	961	1,037	961
Total expenses	235,533	220,713	58,978	52,448	294,511	273,161
Excess (Deficiency) of Revenues Over (Under) Expenses	(63,637)	(10,990)	(7,044)	4,443	(70,681)	(6,547)
Extraordinary item	84,426				84,426	-
Transfers	1,030	(86)	(1,030)	86	-	-
Changes in Net Assets	21,819	(11,076)	(8,074)	4,529	13,745	(6,547)
Net assets at beginning of year, as restated	159,831	207,209	70,108	65,579	229,939	272,788
Net assets at end of year	$ 181,650	$ 196,133	$ 62,034	$ 70,108	$ 243,684	$ 266,241

Governmental Activities:

Governmental activities increased the City's net assets by $21.8 million accounting for 159 percent of the City's total increase in net assets of $13.7 million. Total expenses of $235.5 million exceeded total revenues of $171.9 million by $63.6 million. However the most significant transaction was an extraordinary item of $85.4 million associated with the dissolution of the Redevelopment Agency, which meant the governmental activities ended the fiscal year with an increase of $21.8 million in net assets. The extraordinary item is the result of the transfer of long-term debt and other liabilities totaling $154.2 million, net of capital and other assets of $69.8 million to the Successor Agency. 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. Total expenses increased a net amount of $14.8 million compared to the prior fiscal year. This was due to a $21.4 million increase in General Government, Public Works and Housing and Redevelopment offset by $6.6 million decrease in Public Safety, Community Development, Cultural and Recreational and Interest on long-term debt.

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

Revenues, Transfers and Extraordinary Highlights:

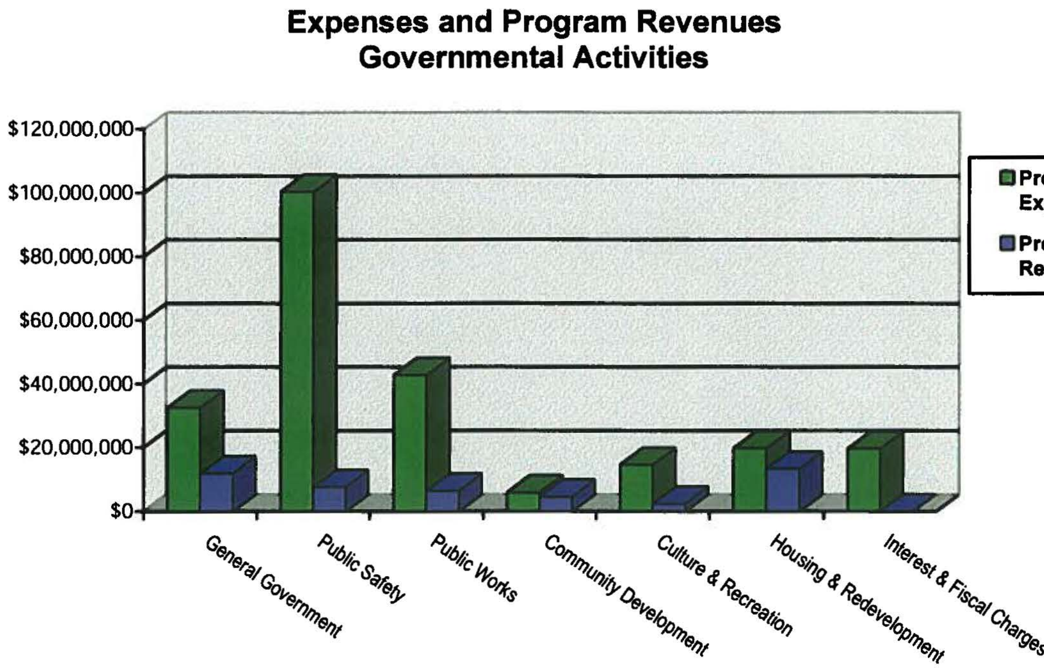
- Current year revenues (including Extraordinary Item) of $257.4 million reflect a $47.7 million increase from the prior year. The $47.7 million increase is the net result of $95.2 million increases and $47.5 million in decreases in various revenue categories. The elements representing the net $47.7 million increase in revenue is discussed below.
- Current fiscal year receipts from sales tax of $27.8 million reflect a $4.8 million, or a 21 percent increase from the prior year reflective of the upswing in consumer spending and a greater than expected collections from State Board of Equalization.
- Operating grants of $11.3 million represent a decrease of $6.7 million from the prior year due to a decline in Community Development Block Grant, Neighborhood Stabilization Program and Employment and Training grant funding.
- Capital grants of $17.2 million represent a decrease of $2.8 million primarily due to a decrease in reimbursements to the former Redevelopment Agency for the BART parking garage and other major capital projects.
- Unrestricted intergovernmental revenues of $4.8 million represent a $2.3 million increase from prior year.
- Other revenues of $7.9 million increased $1.2 million, or 18 percent from prior year, due the reimbursement of $1.7 million from the OPEB Trust for fiscal year 2011 premiums.
- Utility user taxes of $46 million reflect a $976 thousand or 2 percent increase from the prior year which is consistent with the terms of a settlement agreement reached with a major property tax taxpayer in the prior fiscal year.
- Transfers and Extraordinary Items increased by $85.5 million of which, $84.4 million was an extraordinary transfer in conjunction with the Redevelopment Agency dissolution that is discussed in detail in Note 18.
- Property taxes (current collections) in the current year were $52.2 million, a decrease of $4.5 million, or approximately 8 percent from prior year receipts. This decrease is a net result of

$2.1 million increase in general property taxes and approximately $7.7 million decrease of tax increment associated with the former Redevelopment Agency being redirected to the Successor Agency as of February 1, 2012.

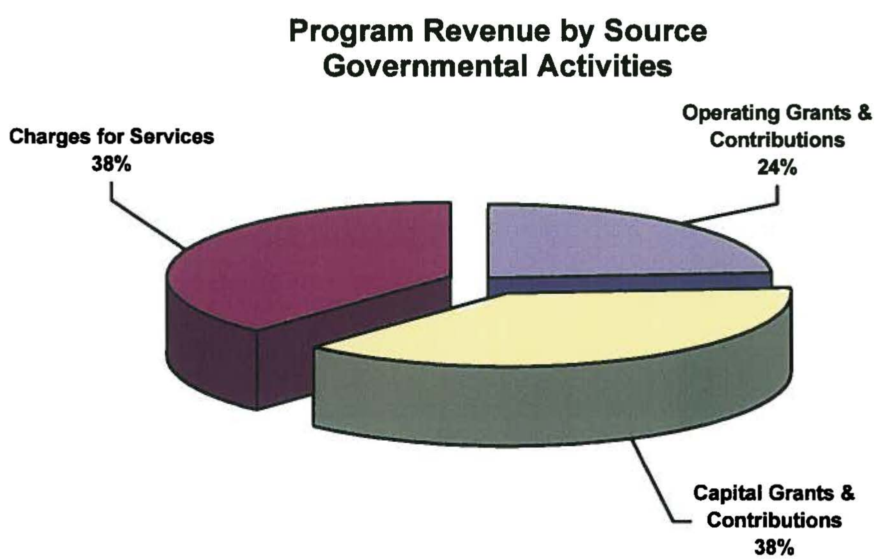
- Documentary transfer taxes of $2.8 million decreased $1.7 million, or 38 percent, due to several multi-million dollar property sales transactions recorded in prior year being one time occurrences.
- The use of money and property decreased $30.9 million from prior year. The bulk of this decrease was due to changes in the fair value of investment hedges (swap agreements) the City entered into in prior years in order to receive favorable interest rates on several bond issues. The current year $23 million fair value adjustment is approximately a $29.6 million unfavorable variance from the prior year favorable change of $6.6 million.

Expense Highlights:

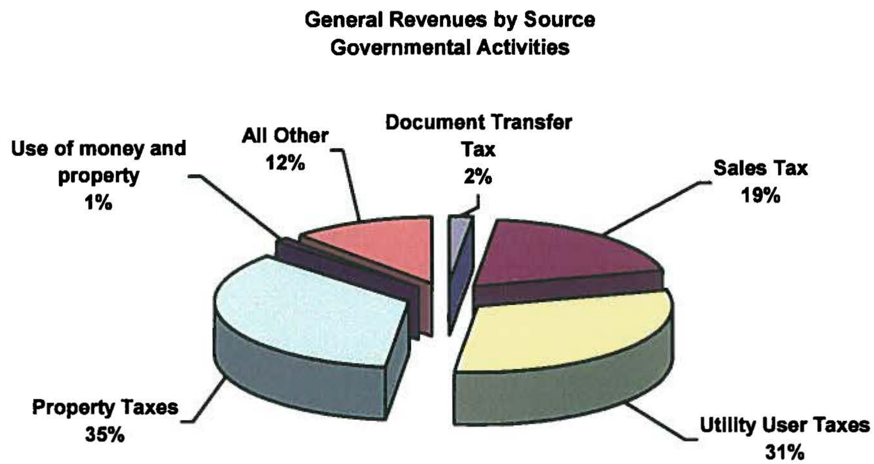
- Expenses of $235.5 million reflect a $14.8 million, or an approximately 7 percent, increase from the prior year. The elements representing the $14.8 million increase in expenses are discussed below.
- Expenses for General Government, Public Works and Housing and Redevelopment departments showed an increase of $21.4 million which is partially attributed to the reclassification of some internal service costs for Information Technology, Facilities Maintenance and Equipment Services to General Fund.
- Public Safety, Community Development and Cultural & Recreational expenses decreased $3.1 million from the prior year.
- Current year interest and fiscal charges of $19.6 million was $3.5 million, or 15 percent, lower than the prior year and was primarily due to the dissolution of the Redevelopment Agency and subsequent reclassification of the Successor Agency activity to a private-purpose trust fund as of February 1, 2012.



Total governmental activities expenses were $235.5 million in fiscal year 2012. The largest expenses, in descending order, were for Public Safety, Public Works, General Government, Housing and Redevelopment, Interest on Long Term Debt, Cultural and Recreation 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 $46.2 million in fiscal year 2012. 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, 38 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 remaining 62 percent of governmental program revenues come from Operating Grants and Capital Grants Contributions which include restricted revenues such as Gas Tax, Transportation and Sales Tax, and Federal/State Grants.

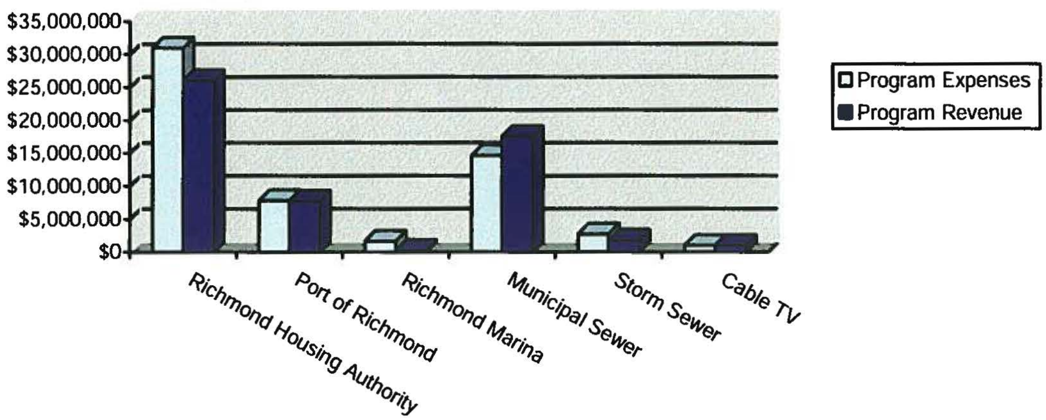


General revenues are all other revenues not categorized as program revenues and include property taxes, sales taxes, utility users' tax, documentary transfer taxes, investment earnings, grants and contributions not related to specific programs and other miscellaneous general revenues. Total general revenues, transfers and extraordinary items from governmental activities were $211.2 million in fiscal year 2012. The three largest components of general revenues received during fiscal year 2012 for governmental activities were Property Taxes-current collections of $52.2 million, Utility User Taxes of $46 million and Sales Taxes of $27.8 million. Due to their non-recurring nature, excluded from the chart are $84.4 million extraordinary transfers from Successor Agency and $22.8 million negative adjustment to interest income arising from changes in fair value of derivative swaps. The percentage breakdown of the remaining $148.8 million of General Revenues is presented above.

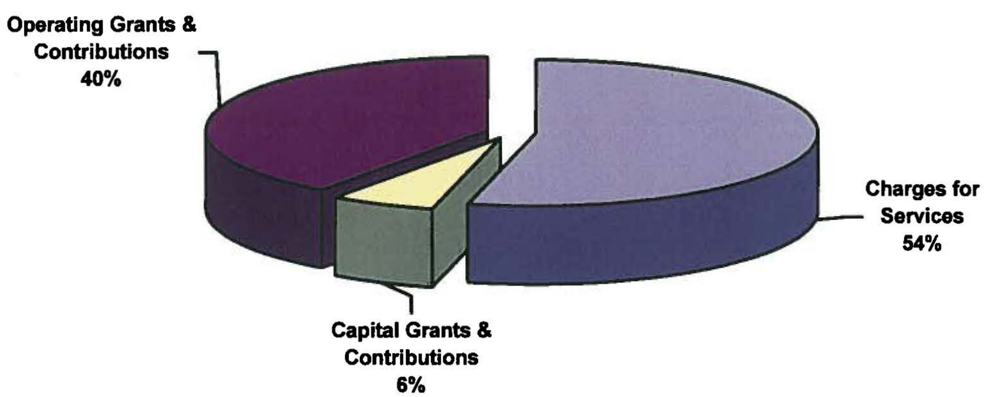
Business Type Activities: Business-type activities decreased the City's net assets by $8.1 million. Key factors contributing to the decrease in business-type activities are as follows:

- The Richmond Housing Authority net assets decreased by $4.9 million. This decrease is attributed to an increase in Housing Assistance, Maintenance and Depreciation expenses.
- The Port reported total operating revenues of $7.7 million and total operating expenses of $4.4 million resulting in operating income of $3.3 million. During the year the Port incurred $3.4 million interest expenses for the 2009A and 2009B Point Potrero Lease Revenue Bonds and received grants totaling $1.8 million for lighting improvements resulting in a $1.6 million increase in Net Assets compared to the prior year.
- The Municipal Sewer fund reported a decrease of $1.7 million in its net assets from the prior year. Although the Municipal Sewer reported operating income of approximately $8 million, up $440 thousand, or 6 percent, from prior year, there was a $2.5 million non-operating loss from a $5.6 million adjustment to interest income for changes in fair value of Swap Agreements attached to the 2006B Wastewater Bonds.
- The Richmond Marina fund reported a decrease of $1.4 million from the prior year. The majority of this decrease was due to major dredging expenses incurred.
- There was a decrease of $961 thousand in the Storm Sewer net assets from the prior year. The Storm Sewer Fund reported total operating revenues of $1.8 million and total operating expenses of $2.6 million resulting in an operating loss of $822 thousand. The City is continuing to explore additional revenue sources to address the recurring issue of insufficient operating funds faced over the past few years.
- The Cable TV fund also reported a decrease of $705 thousand. The decrease was a result of the transfer of excess cash to General Fund as approved by City Council resolution.

Expenses and Program Revenues
Business-Type Activities



Program Revenues by Source
Business-Type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds:

Types of governmental funds reported by the City include the General Fund, special revenue funds, capital projects funds and debt service 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.

Fund balance classifications are comprised of a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The objective is to enhance the usefulness of fund balance information by providing clearer fund balance categories and classifications that can be more consistently applied and understood: nonspendable, restricted, committed, assigned and unassigned. The contingency reserve is shown as a component of unassigned fund balance. The fund balance note disclosures give users information necessary to understand the processes under which constraints are imposed upon the use of resources and how those constraints may be modified or eliminated. In particular, assigned and unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $73.6 million, a $43 million decrease from prior year. Of the total fund balance, $26.1 million is nonspendable, $42.9 million is restricted, $5.5 million is assigned and the deficit $893 thousand represents unassigned fund balance.

The General Fund is the only fund that should report a positive unassigned fund balance. During fiscal year 2012, the General Fund reported an unassigned fund balance of $11 million (which is inclusive of the $10 million contingency reserve reported in current and prior years). All other governmental funds will only report unassigned fund balance if they are showing a deficit unassigned fund balance. The following governmental funds reported a cumulative $11.9 million deficit unassigned fund balance at the end of the fiscal year:

- Cost Recovery Fund deficit of $6.2 million
- Civic Center Debt Service deficit of $4 million
- Paratransit Operations deficit of $384 thousand
- Developer Impact Fees deficit of $1.4 million

The City's major governmental funds are General Fund, Redevelopment Agency Administration Fund, Redevelopment Agency Low/Mod Income Housing Fund, Redevelopment Agency Debt Service Fund, Redevelopment Agency Projects Fund, Cost Recovery Fund and Community Development and Loan Programs Fund. As previously mentioned, with the dissolution of the Redevelopment Agency, all assets and liabilities of the Redevelopment Agency were transferred to the Successor Agency and low and moderate housing activities were transferred to the Community Development and Loan Programs Fund. Financial highlights for the major funds are discussed below.

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 total fund balance decreased by $3.1 million from the prior year to $37.4 million.

During fiscal year 2012, General Fund expenditures exceeded revenues by $6.2 million while other financing sources exceeded uses by $3.1 million resulting in a $3.1 million negative change in fund balance that can be attributed to a $4.2 million transfer to close-out the Facilities Maintenance Fund.

General Fund revenues increased by $9 million, or 7 percent, from prior year while expenditures increased by $11.4 million, or 9 percent, from prior year. Additionally, net other financing sources decreased by $2 million from prior year. The increase in the revenues can be attributed to a $2.1 million increase in property taxes, $4.8 million increase in sales taxes, $2.3 million increase in intergovernmental revenues. The increase in expenditures is primarily due to the relocation of internal service information technology and facilities maintenance costs to General Fund and incurrence of capital outlay costs associated with the purchase of Police and Fire Radios that were required under the City's participation in the East Bay Radio Communications System. The decrease in net other financing sources is the net result of recording $2.7 million capital lease proceeds used to fund the purchase of police and fire radios and $4.2 million transfer out to move the Facilities Maintenance Fund activities to the General Fund.

At the end of the fiscal year, the total fund balance for the General Fund of $37.4 million included $26 million nonspendable fund balance, $377 thousand assigned fund balance and $11 million unassigned fund balance. The majority of the nonspendable fund balance represents advances to other funds, while the assigned fund balance is to meet future appropriations for specific programs. Of the $11 million reported as unassigned fund balance, $10 million represents the contingency reserve reported as designated fund balance in prior years but is reflected as a component of unassigned fund balance during the current year. There was a decrease of $2.1 million and $1.0 million in the nonspendable and unassigned fund balances, respectively, for a total of $3.1 million decrease in total fund balances.

Redevelopment Agency The Richmond Community Redevelopment Agency (the "Redevelopment Agency") was responsible for redevelopment of areas identified under the Community Redevelopment Law as being blighted. The Agency's operations were 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's funds accounted for seven months of activity prior to its dissolution.

The Redevelopment Agency Administration Fund was established to account for all administrative activities of the Agency. The Redevelopment Agency Administration Fund expenditures nearly equaled revenues, after beginning fund balanced was restated by $2 million to reflect the fact that the forgiveness provisions of a prior year advance to the City had been fulfilled in fiscal year 2007.

The Redevelopment Agency Low/Mod Income Housing Fund accounted for the twenty percent housing set-aside from the tax increment proceeds of each of the Redevelopment Agency's project areas. The Redevelopment Agency Low/Mod Income Housing Fund expenditures exceed revenues by $3.4 million and other financing sources totaled $807 thousand for a net reduction to fund balance of $2.6 million. The major outlays for fiscal year were related to the Miraflores Housing project.

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. The Redevelopment Agency Debt Service Fund's expenditures exceed revenues by $1.4 million and the fund incurred an additional $1.3 million in other financing uses for a net reduction to fund balance of $2.7 million.

The Redevelopment Agency Projects Fund was established to account for capital projects connected with redevelopment funded by property tax revenues. The Redevelopment Agency Projects Fund's revenues exceed expenditures by $130 thousand and the fund incurred other financing uses $1.9 million for a net reduction to fund balance of $1.7 million. The major project for fiscal year 2012 was the Metrowalk Transit Village.

The Redevelopment Agency was dissolved as of January 31, 2012. All assets and liabilities were transferred to the Successor Agency and reported as extraordinary items. A net transfer of $34 million was made as of February 1, 2012 which is the net result of $50.4 million in liabilities assumed by the Successor Agency to the Richmond Community Redevelopment Agency Private-Purpose Trust Fund and $16.4 million in assets transferred to the City as Housing Successor to the former Redevelopment Agency's low and moderate income housing activities, which is combined with the Community Development and Loan Programs Fund. The last five months of activity are reported in the new 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 2012, total fund balance increased by $2.5 million from the prior year to a deficit $6.2 million. During fiscal year 2012, Cost Recovery expenditures exceeded the revenues by $3.2 million; however, the fund also reported other financing sources of $5.7 million. The $2.5 million positive change in fund balance for the year can be attributed to the increase in State grants for current and prior year expenditures to repair the Via Verde Sinkhole. The entire $6.2 million deficit fund balance is attributed to a negative residual unassigned fund balance.

Community Development and Loan Programs This fund was established to account for the receipt of Community Development Block Grant, HOME Investment Partnership Program and Neighborhood Stabilization Program grant monies and the use of the grants. In conjunction with the dissolution of the Redevelopment Agency, this fund additionally accounts for the low and moderate income housing activities of the City as Housing Successor to the former Redevelopment Agency's low and moderate income housing activities. At the end of fiscal year 2012, total fund balance increased by $18 million from the prior year to $19.2 million. The bulk of the increase is due to a $16.4 million transfer of the former Redevelopment Agency's housing assets.

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 $45.9 million at June 30, 2012, a $4.9 million decrease from prior year. Of the $45.9 million, $45.2 million is invested in capital assets, net of related debt; $200 thousand is restricted for housing programs and $510 thousand is unrestricted. RHA reported a net loss of $5.9 million which was offset by a $965 thousand capital grant contribution for projects, resulting in the $4.9 million negative change in net assets.

The Port of Richmond The Port of Richmond is a public enterprise established by the City of Richmond and is administered as a department of the City. Operations include the marine terminal facilities and commercial property rentals. The Port had total net assets of $228 thousand as of June 30, 2012, which represents a $1.6 million increase in net assets from the prior year. The Port reported an operating income of $3.4 million at the end of the fiscal year as the result of an increase in service charges and lease income. However, the Port also reported deficit nonoperating expenses of $3.4 million due to interest expense incurred in conjunction with the Series 2009A and 2009B Point Potrero Lease Revenue Bonds that were issued to fund construction at the Port that offset the operating income above. The positive change in net assets of $1.6 million can mainly be attributed to a $1.4 million increase in service charges and lease income as prior year improvements to the Port have resulted in an increase in activity mainly in the importation and storage of automobiles. The Port also received a state grant contribution of $1.7 million to fund lighting improvements 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 2012, the total net assets for the sewer fund were $11.9 million, which was a $1.7 million decrease from the prior fiscal year. The Municipal Sewer reported an $8 million operating income however, non-operating losses of $10.5 million contributed to the $1.7 million decrease. This decrease is partially attributed to a $5.6 million negative change in the fair value of the derivative swap investment associated with the 2006B Wastewater Bonds, and the remaining decrease is due to debt service interest expense on the Bonds.

Fiduciary Funds:

The City's fiduciary funds are the pension trust funds, private-purpose trust funds and various agency funds. The Pension Trust Funds which include the General Pension, Police and Fireman's Pension and Garfield Pension 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 with the assets not being accessible for City operations. The City also uses Private-Purpose Trust Funds 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) and the Successor Agency activities associated with the dissolution of the former Redevelopment Agency. As with the Pension Trust Funds, the assets of the Private Purpose Trust Funds are not accessible for City operations. The City also uses various agency funds 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, 2012 were $17.8 million held in trust for employees' pension benefits. Net Assets decreased by $4.8 million primarily due to a temporary reduction of the Pension Reserve contribution to the Police and Firemen's Pension Trust Fund during the current fiscal year.

The Pt. Molate Private-Purpose Trust Fund total assets at June 30, 2012 were $21.1 million to be held in trust for pollution remediation costs incurred by the Developer of Point Molate.

The Successor Agency to the Richmond Community Redevelopment Agency Private-Purpose Trust Fund - On December 29, 2011, the California Supreme Court upheld ABx1 26 that provided for the dissolution of all redevelopment agencies in the State of California. In accordance with the timeline set forth in the bill, all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

The Successor Agency is a separate legal entity which was formed to hold the assets of the former Redevelopment Agency pursuant to City Council action. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies.

The transfer of the assets and liabilities of the former Redevelopment Agency as of February 1, 2012 from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements, but as an extraordinary gain in the governmental activities due to the transfer of the long-term debt. The receipt of these assets and liabilities were reported in the private-purpose trust fund as an extraordinary loss. Because of the different measurement focus of the governmental funds and trust funds, the extraordinary loss recognized in the governmental fund was not the same as the extraordinary loss recognized in the fiduciary fund financial statements.

As of June 30, 2012, total assets accounted for $77.8 million while liabilities were $159.9 million resulting in an $82 million net deficit.

Agency Funds total assets at June 30, 2012 were $23.3 million which is recorded on the City books as a liability to third parties.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final adopted budget, excluding transfers and proceeds from sale of property, reflected $125.6 million in estimated revenues and $134.1 million in appropriations.

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 $4.4 million increase in estimated revenue and an $8.1 million increase in appropriations. Actual revenues of $128.6 million were $3.1 million more than adjusted operating revenue projections, a variance of 2.4 percent. Key elements of the increases and decreases in revenues are discussed as follows:

The original budget for property tax of $25.7 million was adjusted upward at Mid-Year to $27.7 million. Final property taxes totaled $28.4 million causing a $660 thousand variance of the revenue collected by Contra Costa County due to an increase in assessed valuations.

The original budget for sales tax of $25.0 million was followed with a Mid-Year adjustment upward to $26.8 million. However, $27.8 million in sales tax was realized causing a $989 thousand variance. Sales tax revenue increased primarily as a result of nearly $900 thousand more than expected in regular sales tax collected by the State Board of Equalization

The utility user tax is a tax imposed on various utilities and is usually collected from customers through their utility bills. Actual revenue of $51.0 million is $368 thousand below the projected budget of $51.3 million as a result of a decrease in gas and electricity usage.

Other taxes original budget of $7.2 million was followed by a decrease adjustment to $6.2 million at Mid-Year. Actual other tax revenue of $6.5 million is $390 thousand higher than projected as a result of documentary transfer tax and gas franchise fees collected at a higher rate than projected at Mid-Year.

Licenses, permits and fees revenue original budget was decreased from $3.5 million to $2.7 million at Mid-Year; however, only $2.4 million was realized. This variance of $312 thousand was largely due to less business license tax collected from commercial businesses and from rental properties.

Charges for services actual revenues were $2.9 million; $153 thousand more than the final budget of $2.7 million. This is a result of collection of service charges, primarily from the Police Department, at a higher amount than budgeted.

Other revenue original budget was increased from $777 thousand to $3.6 million final budget projection. Actual revenue in this category is $3.1 million. Increase from Original budget and actual is a result of including Health Insurance Reimbursement totaling $1.7 million.

The final adjusted appropriations were $134.1 million, an increase of $8.1 million over the adopted budget appropriation. Actual operating expenditures of $134.8 million were $778 thousand more than final appropriations. General government actual expenditures were $2.5 million more than budget; public works actual was $872 thousand less than budget; and, capital outlay $1 million less than budget. This is largely due to retiree health insurance reimbursement budget adjustments; National Park Service pass through funding not being budgeted; salary and benefit savings in public works as a result of vacancies remaining at year end; and, deferred capital projects. Operating transfers out exceeded budget appropriations by $4.5 million as a result of closing an internal service fund in the amount of $4.2 million and an unbudgeted transfer to Employment & Training in the amount of $300 thousand.

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, 2012 amounted to $493 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 prior year capital assets balance was restated by $33.4 million from $535 million to $501.6 million, a reduction due to the Redevelopment Agency's correction of prior expenses as discussed in Note 6C. After restatement, the net decrease in the City's investment in capital assets for the current fiscal year was $8.9 million or 2 percent. $15.5 of the reduction was the due to the transfer of the former Redevelopment Agency's capital assets as of January 31, 2012 to the Successor Agency.

Capital assets, net of accumulated 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	
	2012	2011 As Restated	2012	2011	2012	2011 As Restated
Land	$ 14,121,936	$ 29,453,515	$ 11,611,407	$ 11,611,407	$ 25,733,343	$ 41,064,922
Construction in Progress	56,884,384	52,504,804	57,339,422	78,549,103	114,223,806	131,053,907
Building and improvements	118,664,466	120,852,357	45,424,840	45,816,443	164,089,306	166,668,800
Machinery and equipment	16,773,200	15,808,654	2,461,806	2,989,288	19,235,006	18,797,942
Infrastructure	104,163,397	111,746,354	65,208,806	32,268,854	169,372,203	144,015,208
Total Capital assets	$ 310,607,383	$ 330,365,684	$ 182,046,281	$ 171,235,095	$ 492,653,664	$ 501,600,779

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 73-77 in the financial statements.

Debt Administration:

Long Term Debt - At the end of the current fiscal year, the City had $387.8 million in debt outstanding compared to the $532.7 million the previous year; a decrease of $145 million. The majority of the decrease, $140 million, is due the dissolution of the Redevelopment Agency. The Successor Agency assumed the long-term debt and is now accounted for in the Successor Agency to the Richmond Community Redevelopment Agency Private-Purpose Trust Fund.

Outstanding Debt
June 30

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Tax Allocation bonds	$ -	$ 125,899,530	$ -	$ -	$ -	$ 125,899,530
Revenue bonds	405,000	785,000	84,246,892	84,893,409	84,651,892	85,678,409
Lease revenue bonds	87,121,545	87,121,545	48,252,294	48,683,746	135,373,839	135,805,291
Pension obligation bonds	155,060,554	153,589,314		-	155,060,554	153,589,314
Total bonds payable	242,587,099	367,395,389	132,499,186	133,577,155	375,086,285	500,972,544
Loans payable	635,646	20,723,084	3,516,009	4,016,617	4,151,655	24,739,701
Capital leases	8,523,072	7,022,284			8,523,072	7,022,284
Total outstanding debt	$ 251,745,817	$ 395,140,757	$ 136,015,195	$ 137,593,772	$ 387,761,012	$ 532,734,529

The City does not have any general obligation bonds as of June 30, 2012.

The City maintains an Issuer Credit Rating of "A+" from Standard & Poor's Ratings Services ("S&P") and "A3" from Moody's Investor Services ("Moody's"). Other credit ratings include S&P's assigned underlying rating (SPUR) of "AA-" for the Wastewater Enterprise Fund having risen 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 RCRA 2007 TABs and the 2007 Lease Revenue Bonds, resulting in the debt issues being assigned the ratings of the respective bond insurers. In fiscal year 2008, the City's variable rate debt was affected by the credit downgrades of bond insurers MBIA and Ambac; resulting in higher than anticipated rate resets. In March 2010, the City refunded the RCRA 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 removes 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 77-104.

Economic Factors, Next Year's Budget and Inflation Rates

- Although California' economic recovery continues to be slow, the City experienced a 16.9% increase in assessed valuation ("AV") for fiscal year 2012-13. "High-tech" light industrial firms, research and development companies, biotechnology and business park developments continue to be growing industrial sectors in Richmond. With the City's selection as the future site of the Lawrence Berkeley national Laboratory Bay Campus, the City expects to experience growth related to the biosciences.

- The City has formally adopted debt and investment policies to guide critical financing and investment decisions. The City was 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. Additionally, 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.

- In July, 2012, the City adopted a Long-Term Financial Plan, which is tied to both the Five-Year Strategic Business Plan and the City's General Plan. The Long-Term Financial Plan enables the City to better plan how it will fund and incorporate strategic goals. The City will update this Plan annually.

- 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, 2012

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 (through January 31, 2012), Richmond Joint Powers Finance Authority, City of Richmond Housing Authority, Richmond Neighborhood Stabilization Corporation and Richmond Surplus Property 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, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	RHA Properties
ASSETS				
Cash and investments (Note 3)	$41,183,399	$18,602,683	$59,786,082	$355,539
Restricted cash and investments (Note 3)	27,723,557	30,900,517	58,624,074	2,645,983
Receivables:				
Accounts, net	13,410,707	4,764,658	18,175,365	29,921
Interest	12,054	2,638	14,692	
Grants	6,574,522	1,302,027	7,876,549	
Due from developer (Note 17D)		7,879,315	7,879,315	
Loans (Note 5)	33,774,046		33,774,046	
Internal balances (Note 4)	29,848,640	(29,848,640)		
Prepaids, supplies, and other assets	698,562	48,980	747,542	4,287
Bond issuance costs and other investments, net of amortization		2,088,847	2,088,847	965,509
Net pension asset (Notes 11 and 12)	99,777,296		99,777,296	
Capital assets (Note 6):				
Nondepreciable	71,006,320	68,950,829	139,957,149	10,640,377
Depreciable, net	239,601,063	113,095,452	352,696,515	16,461,622
Total Assets	563,610,166	217,787,306	781,397,472	31,103,238
LIABILITIES				
Accounts payable and accrued liabilities	10,653,618	3,362,899	14,016,517	1,515,015
Interest payable	2,972,510	3,661,467	6,633,977	
Refundable deposits	1,179,165	175,331	1,354,496	315,179
Unearned revenue (Note 9)	11,437,447		11,437,447	
Note payable (Note 7)	7,802,150		7,802,150	
Deferred investment in derivative instrument (Note 8)	47,122,433	11,992,569	59,115,002	
Net pension obligation (Note 12)	210,257		210,257	
Net OPEB liability (Note 13)	16,914,067		16,914,067	
Compensated absences (Note 2D):				
Due within one year	8,878,332	78,139	8,956,471	
Due in more than one year	2,540,021	468,044	3,008,065	
Claims liabilities (Note 15):				
Due within one year	5,782,919		5,782,919	
Due in more than one year	14,720,758		14,720,758	
Long-term debt (Note 8):				
Due within one year	9,598,902	2,038,637	11,637,539	715,000
Due in more than one year	242,146,915	133,976,558	376,123,473	30,190,599
Total Liabilities	381,959,494	155,753,644	537,713,138	32,735,793
NET ASSETS (Note 10)				
Invested in capital assets, net of related debt	242,281,323	76,731,871	319,013,194	(1,157,617)
Restricted for:				
Capital projects	11,808,131		11,808,131	
Debt service	9,392,762	7,970,146	17,362,908	
Housing and redevelopment	33,649,166	199,732	33,848,898	2,645,983
Pension benefits	3,139,761		3,139,761	
Total Restricted Net Assets	57,989,820	8,169,878	66,159,698	2,645,983
Unrestricted (Deficit)	(118,620,471)	(22,868,087)	(141,488,558)	(3,120,921)
Total Net Assets (Deficit)	$181,650,672	$62,033,662	$243,684,334	($1,632,555)

See accompanying notes to financial statements

CITY OF RICHMOND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	$32,549,754	$8,496,532	$1,024,649	$2,393,515
Public safety	100,403,365	5,075,588	2,561,229	
Public works	42,747,958	2,596,312	173,917	3,659,654
Community development	5,845,968	361,706	4,122,331	
Cultural and recreational	14,583,687	1,118,777	798,106	436,405
Housing and redevelopment	19,768,765		2,579,597	10,748,483
Interest on long-term debt	19,633,486			
Total Governmental Activities	235,532,983	17,648,915	11,259,829	17,238,057
Business-type Activities:				
Richmond Housing Authority	30,989,229	2,354,197	22,742,102	964,998
Port of Richmond	7,868,918	7,745,580		1,947,763
Richmond Marina	1,681,461	259,777		
Municipal Sewer	14,655,752	17,565,632		862,241
Storm Sewer	2,744,775	1,800,536		
Cable TV	1,037,142	1,022,100		
Total Business-type Activities	58,977,277	30,747,822	22,742,102	3,775,002
Total Primary Government	$294,510,260	$48,396,737	$34,001,931	$21,013,059
Component Unit:				
RHA Properties	$3,886,621	$3,509,159		

General revenues:
Taxes:
Property taxes-current collections
Sales taxes
Utility user taxes
Documentary transfer taxes
Other taxes
Use of money and property
Unrestricted intergovernmental
Pension stabilization revenue
Developer revenue sharing
Other
Transfers (Note 4)
Extraordinary items (Note 18)
Assets transferred to / liabilities assumed by Successor Agency

Total general revenues, transfers and extraordinary items

Change in Net Assets

Net Assets (Deficit)-Beginning, As Restated (Note 10)

Net Assets (Deficit)-Ending

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Assets			Net (Expense) Revenue and Changes in Net Assets Component Unit
Governmental Activities	Business-type Activities	Total	RHA Properties
($20,635,058)		($20,635,058)	
(92,766,548)		(92,766,548)	
(36,318,075)		(36,318,075)	
(1,361,931)		(1,361,931)	
(12,230,399)		(12,230,399)	
(6,440,685)		(6,440,685)	
(19,633,486)		(19,633,486)	
(189,386,182)		(189,386,182)	
	($4,927,932)	(4,927,932)	
	1,824,425	1,824,425	
	(1,421,684)	(1,421,684)	
	3,772,121	3,772,121	
	(944,239)	(944,239)	
	(15,042)	(15,042)	
	(1,712,351)	(1,712,351)	
(189,386,182)	(1,712,351)	(191,098,533)	
			($377,462)
52,219,777		52,219,777	
27,788,339		27,788,339	
45,984,315		45,984,315	
2,765,842		2,765,842	
3,784,986		3,784,986	
(22,064,295)	(5,331,300)	(27,395,595)	352
4,752,245		4,752,245	
2,544,175		2,544,175	
55,958		55,958	
7,917,715		7,917,715	169,851
1,030,428	(1,030,428)		
84,426,106		84,426,106	
211,205,591	(6,361,728)	204,843,863	170,203
21,819,409	(8,074,079)	13,745,330	(207,259)
159,831,263	70,107,741	229,939,004	(1,425,296)
$181,650,672	$62,033,662	$243,684,334	($1,632,555)

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City of Richmond
June 30, 2012

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 2012. 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 (through January 31, 2012).

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 (through January 31, 2012).

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 (through January 31, 2012).

REDEVELOPMENT AGENCY PROJECTS CAPITAL PROJECTS FUND

The Redevelopment Agency Projects Fund accounts for capital projects connected with redevelopment funded by property tax increment revenues (through January 31, 2012).

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.

COMMUNITY DEVELOPMENT AND LOAN PROGRAMS FUND

The Community Development and Loan Programs Special Revenue Fund accounts for the receipt of Community Development Block Grant, HOME Investment Partnership Program, and Neighborhood Stabilization Program grant monies and the use of the grants. The Fund also accounts for the low and moderate income housing activities of the City as Housing Successor to the former Redevelopment Agency. The grants and loan programs 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.

CITY OF RICHMOND
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012

	General	Redevelopment Agency Administration	Redevelopment Agency Low/Mod Income Housing	Redevelopment Agency Debt Service	Redevelopment Agency Projects
ASSETS					
Cash and investments	$7,883,475				
Restricted cash and investments	10,296,160				
Receivables:					
Accounts, net	10,391,192				
Interest	2,833				
Grants	568,677				
Loans	1,009,746				
Advances to other funds	25,664,138				
Prepaids, supplies and other assets	672,613				
Total Assets	$56,488,834				
LIABILITIES					
Accounts payable and accrued liabilities	$5,838,047				
Refundable deposits	123,217				
Due to other funds					
Advances from other funds					
Deferred revenue	5,367,067				
Note payable	7,802,150				
Total Liabilities	19,130,481				
FUND BALANCES					
Nonspendable	25,944,325				
Restricted					
Assigned	377,181				
Unassigned	11,036,847				
Total Fund Balances	37,358,353				
Total Liabilities and Fund Balances	$56,488,834				

See accompanying notes to financial statements

Cost Recovery	Community Development and Loan Programs	Other Governmental Funds	Total Governmental Funds
	$80,367	$15,937,694	$23,901,536
	3,543,898	13,883,499	27,723,557
$1,428,533	194,732	1,046,804	13,061,261
92		2,791	5,716
2,703,350	1,334,273	1,968,222	6,574,522
	29,168,523	2,195,777	32,374,046
	174,067		25,838,205
			672,613
$4,131,975	$34,495,860	$35,034,787	$130,151,456
$1,715,032	$277,991	$2,372,857	$10,203,927
1,055,948			1,179,165
3,398,250	1,886,091	3,037,023	8,321,364
		211,686	211,686
4,124,014	13,168,378	6,135,462	28,794,921
			7,802,150
10,293,244	15,332,460	11,757,028	56,513,213
	174,067		26,118,392
	18,989,333	23,898,817	42,888,150
		5,147,506	5,524,687
(6,161,269)		(5,768,564)	(892,986)
(6,161,269)	19,163,400	23,277,759	73,638,243
$4,131,975	$34,495,860	$35,034,787	$130,151,456

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CITY OF RICHMOND
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET ASSETS
JUNE 30, 2012

Total fund balances reported on the governmental funds balance sheet	$73,638,243
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.	310,607,383
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	17,281,863
Accounts receivable	349,446
Interest receivable	4,509
Loans receivable	1,400,000
Due from other funds	10,624,028
Advances to other funds	1,919,457
Prepaids and supplies	25,949
Accounts payable, accrued liabilities and interest payable	(449,691)
Compensated absences	(229,474)
Unearned revenue	(1,184,028)
Claims payable	(20,503,677)
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.	18,543,331
LONG TERM ASSETS AND LIABILITIES	
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:	
Interest payable	(2,972,510)
Long-term debt	(251,745,817)
Deferred investment in derivative instrument	(47,122,433)
Net pension obligation	(210,257)
Net pension asset	99,777,296
Net OPEB liability	(16,914,067)
Governmental activities portion of compensated absences	(11,188,879)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$181,650,672

See accompanying notes to financial statements

CITY OF RICHMOND
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	General	Redevelopment Agency Administration	Redevelopment Agency Low/Mod Income Housing	Redevelopment Agency Debt Service	Redevelopment Agency Projects
REVENUES					
Property taxes	$28,359,544			$7,954,729	
Sales taxes	27,788,339				
Utility user taxes	50,984,315				
Other taxes	6,550,828				
Licenses, permits and fees	2,403,193				
Developer revenue sharing					$55,958
Fines, forfeitures and penalties	338,104				
Use of money and property	261,645	($4,417)	$3,571	340,649	126,373
Intergovernmental	5,262,708		1,854,526		8,615,863
Charges for services	2,854,110				
Pension stabilization revenue					
Other	3,052,974	91,067	85,077		1,315,601
Rent	779,944				13,200
Total Revenues	128,635,704	86,650	1,943,174	8,295,378	10,126,995
EXPENDITURES					
Current:					
General government	21,085,750				
Public safety	82,348,541				
Public works	17,668,512				
Community development					
Cultural and recreational	9,538,380				
Housing and redevelopment		1,369,492	1,136,154	5,734	236,649
Capital outlay	2,745,727		3,944,837		9,546,997
Debt service:					
Principal	935,183		160,000	6,285,000	150,000
Interest and fiscal charges	524,776		94,613	3,356,047	63,264
Total Expenditures	134,846,869	1,369,492	5,335,604	9,646,781	9,996,910
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,211,165)	(1,282,842)	(3,392,430)	(1,351,403)	130,085
OTHER FINANCING SOURCES (USES)					
Issuance of debt	2,711,743				
Bond premium	109,701				
Proceeds from sale of property	188,489				
Transfers in	14,817,962	1,283,641	2,819,506	2,239,771	1,526,860
Transfers (out)	(14,737,950)		(2,012,074)	(3,555,325)	(3,388,772)
Total Other Financing Sources (Uses)	3,089,945	1,283,641	807,432	(1,315,554)	(1,861,912)
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEM	(3,121,220)	799	(2,584,998)	(2,666,957)	(1,731,827)
EXTRAORDINARY ITEMS (Note 18)					
Assets transferred to/liabilities assumed by Housing Successor/Successor Agency		(7,563,980)	(3,806,357)	(26,117,122)	(12,876,025)
Total Extraordinary Items		(7,563,980)	(3,806,357)	(26,117,122)	(12,876,025)
NET CHANGE IN FUND BALANCES	(3,121,220)	(7,563,181)	(6,391,355)	(28,784,079)	(14,607,852)
BEGINNING FUND BALANCES (DEFICITS), As Restated (Note 4B)	40,479,573	7,563,181	6,391,355	28,784,079	14,607,852
ENDING FUND BALANCES (DEFICITS)	$37,358,353				

See accompanying notes to financial statements

Cost Recovery	Community Development and Loan Programs	Other Governmental Funds	Total Governmental Funds
		$15,649,732	$51,964,005
			27,788,339
			50,984,315
			6,550,828
$6,003,541		987,099	9,393,833
			55,958
176,871		21,535	536,510
(59,394)	$35,098	228,868	932,393
5,794,461	2,517,358	12,076,645	36,121,561
1,996,841		4,353,065	9,204,016
		2,544,175	2,544,175
557,014	872,679	1,168,442	7,142,854
			793,144
14,469,334	3,425,135	37,029,561	204,011,931
8,013,169		1,204,695	30,303,614
4,017,420		920,287	87,286,248
3,381,609		4,505,807	25,555,928
	534,929	5,108,613	5,643,542
		2,645,019	12,183,399
	2,455,993	1,063,396	6,267,418
2,216,191		10,268,020	28,721,772
		6,782,361	14,312,544
		7,354,391	11,393,091
17,628,389	2,990,922	39,852,589	221,667,556
(3,159,055)	434,213	(2,823,028)	(17,655,625)
		502,500	3,214,243
			109,701
			188,489
5,738,237	1,771,328	8,258,717	38,456,022
(62,780)	(692,111)	(8,988,651)	(33,437,663)
5,675,457	1,079,217	(227,434)	8,530,792
2,516,402	1,513,430	(3,050,462)	(9,124,833)
	16,460,848		(33,902,636)
	16,460,848		(33,902,636)
2,516,402	17,974,278	(3,050,462)	(43,027,469)
(8,677,671)	1,189,122	26,328,221	116,665,712
($6,161,269)	$19,163,400	$23,277,759	$73,638,243

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, 2012

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	($43,027,469)
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	12,405,587
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of $1,704,152 which has already been allocated to serviced funds)	(17,100,199)
Retirements of capital assets are deducted from the fund balance (Retirements are net of internal service fund retirements of $187,844 which has already been allocated to serviced funds)	(38,118)
Transfer of capital assets from internal service funds is added back to fund balance	1,764,041
Capital assets transferred to Successor Agency	(15,463,459)
Contributions of capital assets are added back to fund balance	1,054,152
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	14,312,544
Capital appreciation bonds accretion is deducted from fund balance	(8,504,336)
Proceeds from debt issuance is deducted from fund balance	(3,214,243)
Long term debt assumed by Successor Agency	140,034,740
Interest payable assumed by Successor Agency	2,132,787
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 and accrued liabilities	(323,745)
Accrued liability assumed by Successor Agency	3,452,323
Interest payable	263,941
Deferred revenue	(32,255,172)
Deferred investment in derivative instrument	(22,810,733)
Deferred investment in derivative instrument assumed by Successor Agency	8,564,299
Compensated absences	(186,127)
Net pension asset (obligation)	(5,111,682)
Net OPEB obligation	(6,775,067)
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	(7,354,655)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$21,819,409

See accompanying notes to financial statements

City of Richmond
June 30, 2012

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 2012.

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, 2012

	Business-type Activities-Enterprise Funds					Governmental
	Richmond Housing Authority	Port of Richmond	Municipal Sewer	Other Enterprise Funds	Totals	Activities-Internal Service Funds
ASSETS						
Current assets:						
Cash and investments	$1,365,646		$14,216,792	$3,020,245	$18,602,683	$17,281,863
Restricted cash and investments	199,732	$7,970,146	22,730,639		30,900,517	
Receivables:						
Accounts, net	169,310	2,846,159	864,493	436,043	4,316,005	349,446
Interest			2,160	478	2,638	4,509
Grants	122,796	1,179,231			1,302,027	
Notes						1,400,000
Prepaids and other assets	48,980				48,980	25,949
Due from other funds						10,624,028
Total current assets	1,906,464	11,995,536	37,814,084	3,456,766	55,172,850	29,685,795
Noncurrent assets:						
Receivables:						
Accounts, net	448,653				448,653	
Due from developer	7,879,315				7,879,315	
Capital assets:						
Nondepreciable	8,672,582	7,842,081	51,735,286	700,880	68,950,829	356,787
Depreciable, net	36,565,647	49,783,764	19,701,428	7,044,613	113,095,452	8,214,185
Advances to other funds						1,919,457
Bond issuance costs net of amortization		448,747	1,640,100		2,088,847	
Total noncurrent assets	53,566,197	58,074,592	73,076,814	7,745,493	192,463,096	10,490,429
Total Assets	55,472,661	70,070,128	110,890,898	11,202,259	247,635,946	40,176,224
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	1,259,002	958,914	671,682	473,301	3,362,899	448,733
Interest payable		1,674,524	1,860,067	126,876	3,661,467	958
Due to other funds		708,062		1,594,602	2,302,664	
Refundable deposits	167,631	6,500		1,200	175,331	
Compensated absences	25,636			52,503	78,139	
Claims payable						5,782,919
Current portion of long-term debt		525,000	1,445,232	68,405	2,038,637	907,273
Total current liabilities	1,452,269	3,873,000	3,976,981	2,316,887	11,619,137	7,139,883
Noncurrent liabilities:						
Advances from other funds	7,841,545	17,784,974		1,919,457	27,545,976	
Compensated absences	230,717	193,242	44,085		468,044	229,474
Unearned revenue						1,184,028
Claims payable						14,720,758
Deferred investment in derivative instrument		263,827	11,728,742		11,992,569	
Long-term debt, net		47,727,294	83,241,892	3,007,372	133,976,558	2,007,064
Total noncurrent liabilities	8,072,262	65,969,337	95,014,719	4,926,829	173,983,147	18,141,324
Total Liabilities	9,524,531	69,842,337	98,991,700	7,243,716	185,602,284	25,281,207
NET ASSETS						
Invested in capital assets, net of related debt	45,238,229	17,343,697	9,480,229	4,669,716	76,731,871	5,656,635
Restricted for housing programs	199,732				199,732	
Restricted for debt service		7,970,146			7,970,146	
Unrestricted	510,169	(25,086,052)	2,418,969	(711,173)	(22,868,087)	9,238,382
Total Net Assets	$45,948,130	$227,791	$11,899,198	$3,958,543	$62,033,662	$14,895,017

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, 2012

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Richmond Housing Authority	Port of Richmond	Municipal Sewer	Other Enterprise Funds	Totals	
OPERATING REVENUES						
Rental	$1,652,159				$1,652,159	
Service charges		$2,249,405	$17,565,086	$2,754,412	22,568,903	$23,905,201
Lease income		5,490,712		264,085	5,754,797	
Other	702,038	5,463	546	63,916	771,963	
Total Operating Revenues	2,354,197	7,745,580	17,565,632	3,082,413	30,747,822	23,905,201
OPERATING EXPENSES						
Salaries and benefits	5,150,229	917,500	846,223	786,336	7,700,288	5,829,729
General and administrative	1,604,940	1,982,514	7,937,487	1,846,706	13,371,647	3,024,043
Maintenance	2,567,424	13,775		1,439,321	4,020,520	797,446
Depreciation	2,398,642	1,456,086	598,626	1,027,029	5,480,383	1,704,152
Housing assistance	19,267,994				19,267,994	
Claims losses						13,718,035
Other		18,010	169,401		187,411	1,117,113
Total Operating Expenses	30,989,229	4,387,885	9,551,737	5,099,392	50,028,243	26,190,518
Operating Income (Loss)	(28,635,032)	3,357,695	8,013,895	(2,016,979)	(19,280,421)	(2,285,317)
NONOPERATING REVENUES (EXPENSES)						
Loss on retirement of capital assets		(1,284)	(3,300)	(103,186)	(107,770)	(187,844)
Interest income	143	76,916	(5,445,643)	37,284	(5,331,300)	614,525
Grants	22,742,102				22,742,102	
Other income						
Interest (expense)		(3,479,749)	(5,100,715)	(260,800)	(8,841,264)	(220,846)
Total Nonoperating Revenues (Expenses)	22,742,245	(3,404,117)	(10,549,658)	(326,702)	8,461,768	205,835
Income (Loss) Before Contributions and Transfers	(5,892,787)	(46,422)	(2,535,763)	(2,343,681)	(10,818,653)	(2,079,482)
Capital contributions/grants	964,998	1,947,763	862,241		3,775,002	
Transfers in						5,599,844
Transfers (out)		(330,428)		(700,000)	(1,030,428)	(10,875,017)
Total Contributions and Transfers	964,998	1,617,335	862,241	(700,000)	2,744,574	(5,275,173)
Change in net assets	(4,927,789)	1,570,913	(1,673,522)	(3,043,681)	(8,074,079)	(7,354,655)
BEGINNING NET ASSETS (DEFICIT)	50,875,919	(1,343,122)	13,572,720	7,002,224	70,107,741	22,249,672
ENDING NET ASSETS (DEFICIT)	$45,948,130	$227,791	$11,899,198	$3,958,543	$62,033,662	$14,895,017

See accompanying notes to financial statements

CITY OF RICHMOND
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Richmond Housing Authority	Port of Richmond	Municipal Sewer	Other Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	$2,404,037	$8,135,079	$17,319,667	$3,066,835	$30,925,618	$20,255,062
Payments to suppliers	(23,337,134)	(1,183,722)	(8,039,775)	(3,171,822)	(35,732,453)	(5,156,782)
Payments to employees	(5,529,299)	(890,201)	(831,315)	(811,512)	(8,062,327)	(5,912,309)
Insurance premiums and claims paid						(11,350,525)
Cash Flows from Operating Activities	(26,462,396)	6,061,156	8,448,577	(916,499)	(12,869,162)	(2,164,554)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund receipts	825,251	650,227			1,475,478	5,337,634
Interfund payments				(102,146)	(102,146)	
Receipts from other governments	23,934,828				23,934,828	
Transfers in						5,123,045
Transfers (out)		(330,428)		(700,000)	(1,030,428)	(8,950,483)
Cash Flows from Noncapital Financing Activities	24,760,079	319,799		(802,146)	24,277,732	1,510,196
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Receipts from other governments	964,998	780,282	910,639		2,655,919	
Collection from developer	409,874				409,874	
Acquisition of capital assets	(964,708)	(3,541,761)	(11,830,574)	(62,579)	(16,399,622)	(1,275,731)
Proceeds from sale of capital assets				284	284	
Issuance of debt						2,854,454
Principal payments on capital debt		(505,000)	(1,410,149)	(65,459)	(1,980,608)	(3,620,689)
Interest paid		(3,381,546)	(4,721,849)	(263,501)	(8,366,896)	(221,611)
Cash Flows from Capital and Related Financing Activities	410,164	(6,648,025)	(17,051,933)	(391,255)	(23,681,049)	(2,263,577)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest	143	7,015	130,879	37,380	175,417	615,724
Cash Flows from Investing Activities	143	7,015	130,879	37,380	175,417	615,724
Net Cash Flows	(1,292,010)	(260,055)	(8,472,477)	(2,072,520)	(12,097,062)	(2,302,211)
Cash and investments at beginning of period	2,857,388	8,230,201	45,419,908	5,092,765	61,600,262	19,584,074
Cash and investments at end of period	$1,565,378	$7,970,146	$36,947,431	$3,020,245	$49,503,200	$17,281,863
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:						
Operating income (loss)	($28,635,032)	$3,357,695	$8,013,895	($2,016,979)	($19,280,421)	($2,285,317)
Adjustments to reconcile operating income to cash flows from operating activities:						
Depreciation	2,398,642	1,456,086	598,626	1,027,029	5,480,383	1,704,152
Other income						
Change in assets and liabilities:						
Receivables, net	41,384	394,299	(245,965)	(15,578)	174,140	(800,425)
Prepaids and other assets	(40,104)	281			(39,823)	162,256
Accounts payable and accrued liabilities and other accrued expenses	143,328	830,296	67,113	113,005	1,153,742	(380,436)
Refundable deposits	8,456	(4,800)		1,200	4,856	
Unearned revenue						(2,849,714)
Compensated absences payable	(379,070)	27,299	14,908	(25,176)	(362,039)	(82,580)
Claims payable						2,367,510
Cash Flows from Operating Activities	($26,462,396)	$6,061,156	$8,448,577	($916,499)	($12,869,162)	($2,164,554)
Non cash transactions:						
Change in fair value of investment derivative		$69,946	($5,577,219)		($5,507,273)	
Amortization of bond issuance costs		(33,484)	(68,237)		(101,721)	
Retirement of capital assets		(1,284)	(3,300)	($103,470)	(108,054)	($187,844)
Transfer inventories to General Fund						(160,493)
Transfer capital assets to Governmental Activities						(1,764,041)
Transfer compensated absences to Governmental Activities						476,799

See accompanying notes to financial statements

City of Richmond
June 30, 2012

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, 2012

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
ASSETS			
Cash and investments (Note 3)		$10,451,485	$6,336,538
Restricted cash and investments (Note 3)		53,892,796	1,863,135
Investment in reassessment bonds (Note 3)			14,900,000
Pension plan cash and investments (Note 12):			
City of Richmond Investment Pool	$1,256,162		
Local Agency Investment Fund	190,755		
Mutual Fund Investments	16,355,104		
Accounts receivable		91,685	210,752
Interest receivable	238	1,880	753
Grants receivable		9,397,270	
Loans receivable (Note 18)		2,560,000	
Prepaids and other assets		7,489,267	
Capital assets (Note 18):			
Nondepreciable		15,412,803	
Depreciable, net		45,502	
Total Assets	17,802,259	99,342,688	$23,311,178
LIABILITIES			
Accounts payable and accrued liabilities		9,395,644	$1,270,128
Refundable deposits payable			1,348,189
Interest payable		2,301,681	
Deferred investment in derivative instrument (Note 18)		8,589,578	
Long-term debt (Note 18):			
Due within one year		6,889,000	
Due in more than one year		133,152,952	
Due to assessment district bondholders			20,692,861
Total Liabilities		160,328,855	$23,311,178
NET ASSETS			
Held in trust for employees' pension benefits and other purposes	$17,802,259	($60,986,167)	

See accompanying notes to financial statements

CITY OF RICHMOND
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Pension Trust Funds	Private-Purpose Trust Funds
ADDITIONS		
Property taxes		$7,664,801
Net investment income:		
Net increase (decrease) in the fair value of investments	($574,149)	
Interest income	455,538	35,201
Investment management fees	(122,542)	
Contribution from the City	148,186	
Intergovernmental revenue		5,074,235
Miscellaneous revenue		413,700
Total Additions	(92,967)	13,187,937
DEDUCTIONS		
Community development		7,031,359
Pension benefits	4,712,759	
Payments in accordance with trust agreements		1,846,185
Depreciation		5,154
Interest and fiscal charges		3,724,522
Total Deductions	4,712,759	12,607,220
Change in net assets before extraordinary item	(4,805,726)	580,717
EXTRAORDINARY ITEM		
Assets transferred to/liabilities assumed by the Successor Agency		(84,426,106)
Change in net assets	(4,805,726)	(83,845,389)
NET ASSETS, BEGINNING OF YEAR	22,607,985	22,859,222
NET ASSETS (DEFICIT), END OF YEAR	$17,802,259	($60,986,167)

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 Neighborhood Stabilization Corporation, 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 Projects Capital Projects Fund (through January 31, 2012) see Note 18 for the discussion of the dissolution of the Redevelopment Agency.

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 Neighborhood Stabilization Corporation (RNSC) – A California nonprofit public benefit Corporation formed in July 2009 by the City and the Redevelopment Agency under the laws of the State of California. The Corporation was organized for the purpose of administering and operating the City's Neighborhood Stabilization Program (NSP), which includes purchasing, developing, financing, rehabilitating, land banking and/or demolishing blighted properties and foreclosed or abandoned properties utilizing the NSP funds or other public and private funding sources, and assisting the City and the Agency in providing affordable home ownership opportunities for households of low and moderate income by facilitating the financing necessary for the sale and resale of deed-restricted affordable ownership units to low and moderate income households at affordable costs, and other similar functions.

The Corporation is governed by a board of directors consisting of the City Manager, the Finance Director, and five other City, Redevelopment Agency and Housing Authority Directors. Although the RNSC is a separate legal entity, it is an integral part of the City. The City exercises significant financial and management control over the RNSC and members of the Board of Directors are appointed by City Council. The operations of the RNSC are included in the City's basic financial statements as a special revenue fund. Separate financial statements for the RNSC 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 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 was reactivated in fiscal year 2011. The financial activities of the Authority are included in the Port of Richmond Enterprise Fund. Separate financial statements are not issued for the Authority.

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 follows Statements and Interpretations of the Financial Accounting Standards Board and its predecessors issued on or before November 30, 1989, in accounting for its business-type activities, unless those pronouncements conflict with Government Accounting Standards Board pronouncements.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Community Development and Loan Programs Special Revenue Fund – The Community Development and Loan Programs Special Revenue Fund accounts for the receipt of Community Development Block Grant, HOME Investment Partnership Program, and Neighborhood Stabilization Program grant monies and the use of the grants. The Fund also accounts for the low and moderate income housing activities of the City as Housing Successor to the former Redevelopment Agency. The grants and loan programs 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 17F. The Successor Agency to the Richmond Community Redevelopment Agency Private-Purpose Trust Fund was established as of February 1, 2012 to account for the activities of the Successor Agency to the former Richmond Community Redevelopment Agency as discussed in Note 18. 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 nonspendable fund balance which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in compensated absence liabilities for the fiscal year were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	$11,791,603	$908,222	$12,699,825
Additions	6,126,161	108,376	6,234,537
Payments	(6,499,411)	(470,415)	(6,969,826)
Ending Balance	$11,418,353	$546,183	$11,964,536
Current Portion	$8,878,332	$78,139	$8,956,471

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

The term "unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed. Property taxes levied are recorded as revenue in the fiscal year of levy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
General Fund	
General Government	$2,459,116
Debt Service	413,219
Cost Recovery Special Revenue Fund	
General Government	1,998,008
Community Development and Loan Programs Special Revenue Fund	
Community Development	149,193
State Gas Tax Special Revenue Fund	
Public Works	718,212
Paratransit Operations Special Revenue Fund	
Capital Outlay	279,121
Lighting and Landscaping Districts Special Revenue Fund	
Capital Outlay	502,500
Debt Service	37,548
Developer Impact Fees Special Revenue Fund	
Public Safety	8,211
Richmond Neighborhood Stabilization Corporation	
Housing and Redevelopment	907,396
2005 Pension Obligation Bonds Debt Service Fund	
Debt Service	2,741
General Debt Service Debt Service Fund	
Debt Service	9,816

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. New, Closed, Recategorized and Renamed Funds

The Successor Agency to the Richmond Community Redevelopment Agency Private Purpose Trust Fund was established to account for the activities of the Successor Agency to the former Redevelopment Agency.

The Richmond Neighborhood Stabilization Corporation Special Revenue Fund was established to account for the activities of the Corporation. Although the Corporation had been formed in fiscal year 2010, the activities were previously excluded from the City's basic financial statements.

The Redevelopment Agency Administration Special Revenue Fund, Redevelopment Agency Low and Moderate Income Housing Special Revenue Fund, Redevelopment Agency Debt Service Fund and the Redevelopment Agency Projects Capital Projects Fund were closed as of January 31, 2012 as the result of the dissolution of the Redevelopment Agency discussed in Note 18.

The Information Technology and Facilities Maintenance Internal Service Funds were closed during the fiscal year and their net balances transferred to the General Fund and Governmental Activities.

The 1999 Revenue Refunding Bonds Agency Fund was closed as of June 30, 2012.

The Housing and Community Development Special Revenue Fund was renamed to the Community Development Housing and Loan Programs Special Revenue Fund. In addition, the fund also accounts for the activities related to the assets assumed by the City as Housing Successor to the housing activities of the former Richmond Community Redevelopment Agency.

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.

NOTE 3 - CASH AND INVESTMENTS (Continued)

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, 2012:

Cash and investments	$59,786,082
Restricted cash and investments	58,624,074
Total Primary Government cash and investments	118,410,156
Cash and investments	355,539
Restricted cash and investments	2,645,983
Total Component Unit cash and investments	3,001,522
Cash and investments in Fiduciary Funds (Separate Statement)	
Cash and investments	16,788,023
Restricted cash and investments	55,755,931
Investments in reassessment bonds	14,900,000
Total Fiduciary Funds cash and investments	87,443,954
Total cash and investments	$208,855,632

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%

(A): City may invest an additional 15% or a total of 20% of City surplus money, only if dollar-weighted average maturity of the entire amount does not exceed 31 days.

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, 2012, the City, Agency and RHA Properties were in compliance with the terms of all these restrictions.

NOTE 3 - CASH AND INVESTMENTS (Continued)

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:					
U.S.. Treasury Notes	$370,989				$370,989
Federal Agency Securities			$43,925,927		43,925,927
Money Market Mutual Funds (U.S. Securities)	2,489,119				2,489,119
California Local Agency Investment Fund	11,660,298				11,660,298
CalTrust Short Term Fund		$301,134			301,134
Corporate Bonds			2,000,000		2,000,000
Certificates of Deposit	199,732				199,732
Held by Trustee:					
Federal Agency Securities	433,310	795,584			1,228,894
Money Market Mutual Funds (U.S. Securities)	70,057,542				70,057,542
California Local Agency Investment Fund	91,933				91,933
CalTrust Short Term Fund		7,573,047			7,573,047
Investment Agreement				$1,039,778	1,039,778
Guaranteed Investment Contracts				4,219,948	4,219,948
Reassessment Bonds	852,500	902,500	3,062,500	10,082,500	14,900,000
RHA Properties:					
Money Market Mutual Funds (U.S. Securities)	1,029,688				1,029,688
Total Investments	$87,185,111	$9,572,265	$48,988,427	$15,342,226	161,088,029
Cash in Banks and on hand - *Primary Government*					45,795,769
Cash in banks - *RHA Properties*					1,971,834
Total Cash and Investments					$208,855,632

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, 2012, these investments matured in an average of 268 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, 2012, these investments matured in an average of 409 days.

Money market funds and mutual funds are available for withdrawal on demand and as of June 30, 2012 have an average maturity from 13 to 60 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, 2012 for each investment type:

Investment Type	AAAm	AA+	A+	Total
Federal Agency Securities		$45,154,821		$45,154,821
Money Market Mutual Funds (U.S. Securities)	$73,576,349			73,576,349
CalTrust Short Term Fund	7,874,181			7,874,181
Corporate Bonds			$2,000,000	2,000,000
Totals	$81,450,530	$45,154,821	$2,000,000	128,605,351
Exempt:				
U.S. Treasury Notes				370,989
Not rated:				
California Local Agency Investment Fund				11,752,231
Investment Agreement				1,039,778
Guaranteed Investment Contracts				4,219,948
Certificates of Deposit				199,732
Reassessment Bonds				14,900,000
Total Investments				161,088,029
Cash in Banks and On Hand				47,767,603
Total Cash and Investments				$208,855,632

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, 2012:

Issuer	Type of Investments	Amount
Federal National Mortgage Association	Federal Agency Securities	$28,929,227
Federal Home Loan Mortgage Corporation	Federal Agency Securities	6,792,584
Federal Farm Credit Bank	Federal Agency Securities	6,433,310

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, in Fiduciary Funds at June 30, 2012 were as follows:

Fiduciary Funds	Issuer	Type of Investment	Amount
Agency Funds:			
JPFA Reassessment	City of Richmond	Municipal Bonds	$5,300,000
2006 A&B Reassessment District	City of Richmond	Municipal Bonds	9,600,000

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, 2012 were as follows:

Due From Other Funds	Due To Other Funds	Amount
Internal Service Fund	Cost Recovery Fund	$3,398,250
	Community Development and Loan Programs	1,886,091
	Non Major Governmental Funds	3,037,023
	Port of Richmond	708,062
	Non Major Enterprise Fund	1,594,602
	Total	$10,624,028

B. *Long-Term Interfund Advances*

At June 30, 2012 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
Non Major Governmental Funds	General Fund	$211,686
Port of Richmond Enterprise Fund	General Fund	17,784,974
Non Major Enterprise Fund	Internal Service Funds	1,919,457
Richmond Housing Authority	General Fund	7,667,478
	Community Development and Loan Programs	174,067
	Total	$27,757,662

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 2012, the advance receivable was transferred to the City as Housing Successor to the former Redevelopment Agency and is recorded in the Community Development and Loan Programs Special Revenue Fund.

In fiscal years 2007 through 2012, 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 was payable in 135 monthly installments of $30,000 and one final installment of $22,446 on or before August 1, 2021. On June 28, 2011 the agreement was amended to make the monthly payments $50,000 for the remaining 71 payments, starting July 1, 2011, and one final installment of $36,634. The balance as of June 30, 2012 is $7,667,478.

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

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, 2012 is $17,784,974.

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, 2012 is $1,919,457.

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 discussed in Note 5. In fiscal 2012 a portion of the advance of $1,100,000 was repaid and the remaining balance of $1,400,000 was repaid by transferring the loan receivable from the East Bay Center of Performing Arts to the Insurance Reserves Internal Service Fund.

In conjunction with its financing plan for the Civic Center improvement project, in fiscal 2007 the Redevelopment Agency Administration Fund advanced $2,000,000 to the City's Civic Center Capital Projects Fund. During fiscal year 2012, the City and Agency determined that in 2007, following a public hearing and actions by the City and Agency, the costs financed by this advance became eligible costs of the Agency, which eliminated the basis for repayment by the City. The advance has been retired from both the City and Agency, correcting the balances reported from 2007 to 2012, since the repayment obligation for this advance was settled in 2007. Therefore, the advance retirement has been reported as a transfer and restatement of fund balance as of July 1, 2011 in the Redevelopment Agency Administration Fund and Civic Center Capital Projects Fund.

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, 2012 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Non-Major Governmental Funds	$5,006,986
	Non-Major Enterprise Funds	700,000
	Internal Service Funds	9,110,976
Redevelopment Agency Administration Fund	Redevelopment Agency Debt Service Fund	132,095
	Redevelopment Agency Projects Fund	1,151,546
Redevelopment Agency Low/Mod Income Housing	Redevelopment Agency Debt Service Fund	1,943,484
	Community Development and Loan Program Fund	692,111
	Redevelopment Agency Projects Fund	183,911
Redevelopment Agency Debt Service Fund	Redevelopment Agency Low/Mod Income Housing	446,918
	Redevelopment Agency Projects Fund	1,792,853
Redevelopment Agency Projects Fund	Redevelopment Agency Debt Service Fund	1,479,746
	Redevelopment Agency Low/Mod Income Housing	47,114
Cost Recovery Fund	General Fund	5,638,237
	Port of Richmond Enterprise Fund	100,000
Community Development and Loan Program Fund	Redevelopment Agency Projects	260,462
	Redevelopment Agency Low/Mod Income Housing	1,510,866
Non-Major Governmental Funds	General Fund	4,052,052
	Non-Major Governmental Funds	3,981,665
	Port of Richmond Enterprise Fund	225,000
Internal Service Funds	General Fund	5,047,661
	Cost Recovery Fund	62,780
	Redevelopment Agency Low/Mod Income Housing	7,176
	Port of Richmond Enterprise Fund	5,428
	Total Interfund Transfers	$43,579,067

None of these transfers were unusual or non-recurring in nature, except for the transfer from the Secured Pension Override Special Revenue Fund to the General Fund in the amount of $2,335,577 to fund current year pension contributions to PERS, which is included in transfers from Non-Major Governmental Funds.

In addition to the transfers above, the Internal Service Funds transferred capital asset and compensated absences balances to Governmental Activities in the amounts of $1,764,041 and $476,799, respectively.

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, 2012, notes and loans receivable consisted of the following:

	Amount
CalTrans Loan	$748,738
Police Chief Loan	99,808
Richmond Art Center Loan	161,200
East Bay Center for the Performing Arts	1,400,000
Richmond Neighborhood Stabilization Loans	2,195,777
Community Development Block Grant, Home Investment Partnership Program, EDA and CALHome Loans:	
Mechanics Bank Loans	41,096
Deferred Loans	3,994,866
Home Improvement Program Loans	1,112,002
Rental Rehabilitation Loans	353,557
Infill Phase II Loan	828,471
The Carquinez Project	148,490
Creely Avenue Housing Rehabilitation Loan (Arbors)	1,614,056
Lillie Mae Jones Project Loan	849,166
Nevin Court Homeowner Development Project	343,839
EDA Loans	681,817
CALHome Program	1,706,123
Miraflores Loan	1,208,258
Subtotal - CDBG, HOME, EDA and CALHome Loans	12,881,741
Housing Successor Loans:	
Rental Rehab Loans	30,700
The Carquinez Project	1,152,510
Creely Avenue Housing Rehabilitation Loan (Arbors)	1,594,057
Lillie Mae Jones Project Loan	304,410
MacDonald Place Senior Housing	3,411,328
Atchison Village Annex Apartments	351,758
Heritage Park Development	252,906
Silent Second Mortgage Loans	2,074,661
Chesley Avenue Mutual Housing Development	4,741,492
Easter Hill Project	2,281,960
Miraflores Loan	91,000
Subtotal- Successor Housing Agency Loans	16,286,782
Total Notes and Loans Receivable	$33,774,046

With the dissolution of the Redevelopment Agency as discussed in Note 18, a Successor Agency assumed the loans receivable of the Redevelopment Agency's Capital Projects Fund as of February 1, 2012, which included the Harbour Capital Projects Loan and the Ford Assembly Building Loan.

NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)

CalTrans Loan

The total of $748,738 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 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.

Richmond Art Center Loan

On June 5, 2012, the City approved a loan of $161,200 to the Richmond Art Center to finance the salaries and benefits of the Art Center staff for May and June 2012. The loan is secured by the Art Center's assets via a promissory note. The loan bears no interest and is payable in five equal installments of $32,240 starting May 31, 2013 and continuing on May 31st of each year with the final payment due on May 31, 2017.

Rosie the Riveter Loan

On December 15, 2010, the City approved a loan of $2,576,993 to the Rosie the Riveter Trust Non-profit Corporation to rehabilitate the Maritime Child Development Center. The project will preserve the Center's eligibility for the National Register of Historical Places. The loan is secured by collateral as defined in the loan agreement through a promissory note. The loan bears simple interest of 3% which is payable quarterly starting April 1, 2011, and the principal balance is due December 15, 2011. On January 10, 2012 City Council approved an amendment to the loan agreement extending the principal payment due date to no later than June 30, 2012. The principal and interest balance of the loan was repaid on March 9, 2012.

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 balance of the loan was repaid in fiscal year 2012.

NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)

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 (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 bore interest of 3% per year and repayments of accrued interest was due in quarterly installments. The Center made a payment of $1,100,000 prior to January 31, 2012. Due to the dissolution of the Redevelopment Agency effective January 31, 2012 as discussed in Note 18, the balance of the loan was evaluated and it was determined that although the Redevelopment Agency implemented and administered the loan, the Insurance Internal Service Fund had funded the loan via an interfund advance as discussed in Note 4 and therefore the interfund advance was repaid by transferring the loan receivable to the Insurance Internal Service Fund. The agreement with the Center was amended on June 27, 2012, to reduce the interest rate to 0% and extend the repayment of the remaining $1,400,000 to June 30, 2016.

Richmond Neighborhood Stabilization Loans

The Richmond Neighborhood Stabilization Corporation (RNSC) operates a residential rehabilitation loan program financed by Department of Housing and Urban Development grants that have passed through the City under its Neighborhood Stabilization Program (NSP I). The program provides affordable home ownership opportunities for households of low and moderate income by facilitating the development financing necessary for the purchase, rehabilitation, and resale of deed-restricted affordable ownership units. As of June 30, 2012, the total balance of outstanding loans was $2,195,777. Loans are payable upon the resale of improved properties.

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.

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.

NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)

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.

Scattered Site Infill Housing Development (Infill Phase II)

Under a loan agreement dated September 30, 2010, the City loaned Community Housing Development Corporation of North Richmond $1,198,013 to fund construction of 36 townhomes to be made available for very-low and low income households. Funding for the loan is as follows: $602,556 in HOME funds, $266,000 in CDBG funds and $329,457 in CDBG-R. The current funding is for predevelopment activities in conjunction with the construction and development of the townhomes. The loan is secured by a deed of trust on the property. The outstanding balance of the loan bears simple interest at the rate of 3% per year. The payment of principal and interest is deferred and due at the end of the term due September 30, 2065. As of June 30, 2012, $828,471 had been drawn down on the loan.

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. On August 23, 2010 the agreement was amended to provide the Developer with a total amount of $1,301,000. Funding for the loan is as follows: $1,152,510 funded by Series 2007 Bonds and $148,900 funded by CDBG. 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. With the dissolution of the Redevelopment Agency as discussed in Note 18, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result City, as Housing Successor, assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund, including the balance of the Carquinez loan as of February 1, 2012.

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. With the dissolution of the Redevelopment Agency as discussed in Note 18, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result the City, as Housing Successor, assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund, including the balance of the Arbors loan as of February 1, 2012.

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. The agreement was amended in November 2011, due to securing a $293,884 loan from County of Contra Costa with Mental Health Services Act, which specifies that two Units are required to be available to and occupied by Mental Health Services Act Eligible Tenants pursuant to the County Regulatory Agreement with Lillie Mae Jones Plaza, L.P. With the dissolution of the Redevelopment Agency as discussed in Note 18, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result the City, as Housing Successor, assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund, including the balance of the Lillie Mae Jones loan as of February 1, 2012. As of June 30, 2012, Lillie Mae Jones drew down $1,153,576.

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.

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. With the dissolution of the Redevelopment Agency as discussed in Note 18, the EDA loan program that was funded with grant funds from the Economic Development Administration is now administered by the City effective February 1, 2012.

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. With the dissolution of the Redevelopment Agency as discussed in Note 18, the CALHome loan program that was funded with grant funds is now administered by the City effective February 1, 2012.

NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)

Miraflores Loan

Under an amended loan agreement dated June 21, 2011, the City agreed to loan Community Housing Development Corporation of North Richmond and Eden Housing, Inc., $1,465,000 to fund the construction of 110 senior housing units for low and moderate income residents. Funding for the loan is as follows: $449,000 in CDBG funds, $925,000 in HOME funds, and $91,000 Redevelopment Agency Low and Moderate Income Housing Fund funds. The loan does not bear interest and the unpaid principal balance is due September 22, 2015.

During fiscal year 2012, the City discovered that the balance of the loan receivable had been understated and that loan disbursements totaling $1,299,258 had been made to date. With the dissolution of the Redevelopment Agency as discussed in Note 18, the portion of the Miraflores loan that was funded with grant funds is now administered by the City effective February 1, 2012, and the portion of the loan funded by the Redevelopment Agency's Low and Moderate Income Housing Fund was assumed by the City as Housing Successor.

Housing Successor Loans

With the dissolution of the Redevelopment Agency as discussed in Note 18, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result City, as Housing Successor, assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund, including the balance of all of the loans below as of February 1, 2012.

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.

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.

NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)

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.

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.

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, 2011 As Restated	Additions	Retirements	Transfers	Transfer to Successor Agency	Balance at June 30, 2012
Governmental activities						
Capital assets not being depreciated:						
Land	$29,453,515	$81,224			($15,412,803)	$14,121,936
Construction in progress	52,504,804	10,026,677		($5,647,097)		56,884,384
Total capital assets not being depreciated	81,958,319	10,107,901		(5,647,097)	(15,412,803)	71,006,320
Capital assets being depreciated:						
Buildings and improvements	138,984,375	168,112		575,933		139,728,420
Machinery and equipment	48,950,023	4,459,457	($13,099,522)		(120,448)	40,189,510
Land improvements and infrastructure	412,111,040		(1,417,746)	5,071,164		415,764,458
Total capital assets being depreciated	600,045,438	4,627,569	(14,517,268)	5,647,097	(120,448)	595,682,388
Less accumulated depreciation for:						
Buildings and improvements	(18,132,018)	(2,931,936)				(21,063,954)
Machinery and equipment	(33,141,369)	(3,361,779)	13,017,046		69,792	(23,416,310)
Land improvements and infrastructure	(300,364,686)	(12,510,636)	1,274,261			(311,601,061)
Total accumulated depreciation	(351,638,073)	(18,804,351)	14,291,307		69,792	(356,081,325)
Capital asset being depreciated, net	248,407,365	(14,176,782)	(225,961)	5,647,097	(50,656)	239,601,063
Governmental activity capital assets, net	$330,365,684	($4,068,881)	($225,961)		($15,463,459)	$310,607,383

During fiscal year 2012, the Redevelopment Agency restated its capital asset balances as of July 1, 2011 by $43,815,086 for improvements made in prior years to City assets. The Agency did not have title to these assets since they were improvements to City owned land. In prior years, the Agency's assets were overstated and the City's assets were understated by the same value. The combined reporting-entity capital assets were not impacted by this reclassification.

With the dissolution of the Redevelopment Agency as discussed in Note 18, a Successor Agency assumed the capital assets of the Redevelopment Agency as of February 1, 2012, which has been reported as a transfer above and as an Extraordinary Item in the Statement of Activities.

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, 2012 were as follows:

Governmental Activities	
General Government	$2,726,119
Public Safety	854,274
Public Services	13,173,520
Community Development	97,218
Cultural and Recreational	176,066
Housing and Redevelopment	73,002
Internal Service Funds	1,704,152
Total Governmental Activities	**$18,804,351**

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

Business-type activities	Balance at June 30, 2011	Additions	Retirements	Transfers	Balance at June 30, 2012
Capital assets not being depreciated:					
Land	$11,611,407				$11,611,407
Construction in progress	78,549,103	$16,337,329		($37,547,010)	57,339,422
Total capital assets not being depreciated	90,160,510	16,337,329		(37,547,010)	68,950,829
Capital assets being depreciated:					
Buildings and improvements	90,006,762			2,319,434	92,326,196
Machinery and equipment	14,100,868	62,294	($585,801)		13,577,361
Infrastructure	105,397,184		(44,617)	35,227,576	140,580,143
Total capital assets being depreciated	209,504,814	62,294	(630,418)	37,547,010	246,483,700
Less accumulated depreciation for:					
Buildings and improvements	(44,190,319)	(2,711,037)			(46,901,356)
Machinery and equipment	(11,111,580)	(486,041)	482,066		(11,115,555)
Infrastructure	(73,128,330)	(2,283,305)	40,298		(75,371,337)
Total accumulated depreciation	(128,430,229)	(5,480,383)	522,364		(133,388,248)
Capital asset being depreciated, net	81,074,585	(5,418,089)	(108,054)	37,547,010	113,095,452
Business-type activity capital assets, net	$171,235,095	$10,919,240	($108,054)		$182,046,281

NOTE 6 - CAPITAL ASSETS (Continued)

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

	Balance at June 30, 2011	Additions	Balance at June 30, 2012
Capital assets not being depreciated:			
Land	$10,431,153		$10,431,153
Construction in progress	29,930	$179,294	209,224
Total capital assets not being depreciated	10,461,083	179,294	10,640,377
Capital assets being depreciated:			
Buildings and improvements	24,056,145	11,680	24,067,825
Machinery and equipment	81,934	87,896	169,830
Vehicles		7,993	7,993
Total capital assets being depreciated	24,138,079	107,569	24,245,648
Less accumulated depreciation for:			
Buildings and improvements	(6,823,531)	(884,186)	(7,707,717)
Machinery and equipment	(59,055)	(16,321)	(75,376)
Vehicles		(933)	(933)
Total accumulated depreciation	(6,882,586)	(901,440)	(7,784,026)
Capital asset being depreciated, net	17,255,493	(793,871)	16,461,622
Business-type activity capital assets, net	$27,716,576	($614,577)	$27,101,999

Business activities depreciation expenses for capital assets allocated to each program for the year ended June 30, 2012 were as follows:

Business-Type Activities	
Richmond Housing Authority	$2,398,642
Port of Richmond	1,456,086
Municipal Sewer	598,626
Richmond Marina	85,901
Storm Sewer	915,849
Cable TV	25,279
Total Business-Type Activities	$5,480,383
Component Unit	
RHA Properties	$901,440

NOTE 6 - CAPITAL ASSETS (Continued)

C. Restatement

During fiscal year 2012, the Redevelopment Agency determined that capital assets totaling $33,401,043, comprised of land of $20,828, construction in progress of $32,223,208, buildings and improvements of $1,952,732, machinery and equipment of $8,175, land improvements and infrastructure of $4,200 and associated accumulated depreciation totaling $808,100, had been constructed on behalf of third-parties and should have been expensed as the costs were incurred. Therefore, the beginning balance of capital assets has been restated in those amounts.

NOTE 7 – NOTE PAYABLE

Tax and Revenue Anticipation Note Program Note Participations, Series 2010-2011

On July 8, 2010, the City issued Series 2010-2011 Tax and Revenue Anticipation Notes in the amount of $10,850,000. 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, 2011. The Note bears an interest rate of 2.00%. The Note was repaid on July 14, 2011.

Tax and Revenue Anticipation Notes, Series 2011-2012

On July 26, 2011 the City issued Series 2011-2012 Tax and Revenue Anticipation Note in the amount of $7,650,000. 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 June 30, 2012. The note bears an interest rate of 2.00%. Principal and accrued interest on the Note is payable when the note matures on October 31, 2012.

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.

NOTE 8 – LONG-TERM DEBT OBLIGATIONS (Continued)

A. *Governmental Activities*

Following is a summary of governmental activities long-term debt transactions during the fiscal year ended June 30, 2012:

	Balance July 01, 2011	Additions (A)	Deletions	Transfer to Successor Agency	Balance June 30, 2012	Due Within One Year	Due in More than One Year
Bonds payable	$367,395,389	$8,504,336	($13,030,000)	($120,282,626)	$242,587,099	$7,320,000	$235,267,099
Loans payable	20,723,084		(335,324)	(19,752,114)	635,646	25,324	610,322
Capital leases	7,022,284	6,068,697	(4,567,909)		8,523,072	2,253,578	6,269,494
Total	$395,140,757	$14,573,033	($17,933,233)	($140,034,740)	$251,745,817	$9,598,902	$242,146,915

(A) Includes issuance of debt totaling $6,068,697 and bond accretion for capital appreciation bonds totaling $8,504,336

With the dissolution of the Redevelopment Agency as discussed in Note 18, a Successor Agency assumed the long-term debt the Redevelopment Agency as of February 1, 2012, including the Swap Agreements associated with 1998 Bonds and the 2010A Bonds, which has been recorded as a transfer above and as an Extraordinary Item in the Statements of Activities. For a detailed discussion of each of the Redevelopment Agency Bonds and Loans payable, see Note 18D below.

Bonds Payable

Bonds payable at June 30, 2012 consisted of the following:

	Net
JPFA Revenue Refunding Bonds - 1995 Series A	$405,000
Pension Obligation Bonds - 1999 Series A	15,035,000
Pension Funding Bond Series 2005	140,025,554
JPFA Lease Revenue Refunding Bonds - 2009	87,121,545
Total	$242,587,099

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 $426,262. Principal and interest paid for the current fiscal year and total Gas Tax Revenues were $421,213 and $2,945,062, 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
2013	$405,000	$21,262	$426,262

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 $21,911,291. Principal and interest paid for the current fiscal year and total pension tax override revenues were $2,621,741 and $8,252,502, respectively.

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

For the Years Ending June 30,	Principal	Interest	Total
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	1,625,000	788,430	2,413,430
2017	1,570,000	667,499	2,237,499
2018-2022	5,285,000	1,873,470	7,158,470
2023-2027	2,285,000	540,831	2,825,831
2028-2030	440,000	39,245	479,245
Total	$15,035,000	$6,876,291	$21,911,291

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

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, 2012, the City's net pension asset amounted to $96,298,291. The Bonds consist of three series as shown below:

Bond Type & Series	Initial Interest Rate	Less: Credit Adjust-ment	Adjusted Interest Rate	Maturity Date	Original Principal Amount	Index Rate Conversion Data: Full Accretion Date	Index Rate Conversion Data: Adjusted Subsequent Interest Rate	Index Rate Conversion Data: Adjusted Maturity Value
Current Interest - 2005A	5.9350%	-0.1000%	5.8350%	8/1/13	$26,530,000	n/a	n/a	n/a
Convertible Auction Rate Securities, Capital Appreciation Bonds -								
2005B-1	6.2550%	-0.1000%	6.1550%	8/1/23	47,061,960	8/1/13	LIBOR + 1.4%	$75,218,000
2005B-2	6.5650%	-0.1000%	6.4650%	8/1/34	41,403,173	8/1/23	LIBOR + 1.4%	127,968,000
					$114,995,133			$203,186,000

Credit Adjustment - The Bonds were issued on November 1, 2005 in a private placement at the initial interest rates. Included in the Indenture were provisions which adjust the initial interest rates on each series based on the City's meeting certain conditions. As a result of the City issuing its June 30, 2005 financial statements and receiving an upgraded credit rating of A3 by Moody's by May 1, 2006, the initial interest rates were reduced by 1/10th of one percent.

Current Interest Bonds - The Series 2005A Bonds have principal payments due each August 1 in amounts ranging from $845,000 to $4,930,000. Interest is fixed and is payable semiannually on February 1 and August 1.

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.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

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, 2012 the initial bond interest rates discussed above are used for disclosure purposes.

At June 30, 2012, the Bonds consisted of the following:

	Maturity Value	Accretion/ Amortization	Unamortized Premium (Discount)	Net
Current interest bonds	$9,760,000			$9,760,000
Capital appreciation bonds	203,186,000	$7,836,240	($80,756,686)	130,265,554
	$212,946,000	$7,836,240	($80,756,686)	$140,025,554

The annual debt service requirements are as follows:

For the Years Ending June 30,	Principal	Interest	Total
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	4,692,000	3,420,200	8,112,200
2017	5,660,000	3,161,400	8,821,400
2018-2022	42,499,000	10,238,925	52,737,925
2023-2027	39,214,000	21,643,350	60,857,350
2028-2032	54,137,000	20,519,425	74,656,425
2033-2035	52,516,000	3,975,600	56,491,600
Total	$212,946,000	$69,018,660	$281,964,660

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 and retire the outstanding principal amount of the Authority's 2007 Lease Revenue Bonds. The 2007 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. The 1995 A Bonds were called in November 2007 and the 2001 A Bonds were called in February 2011.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

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.

The annual debt service requirements are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2013		$5,398,244	$5,398,244
2014		5,398,100	5,398,100
2015		5,397,945	5,397,945
2016	$1,686,545	5,355,076	7,041,621
2017	1,880,000	5,270,631	7,150,631
2018-2022	11,000,000	24,673,804	35,673,804
2023-2027	14,630,000	20,876,180	35,506,180
2028-2032	20,785,000	15,383,839	36,168,839
2033-2037	29,945,000	7,262,052	37,207,052
2038	7,195,000	214,470	7,409,470
Total	$87,121,545	$95,230,341	$182,351,886

Interest Rate Swap Agreements

The City entered into interest swap agreements in connection with the 2009 Lease Revenue Refunding Bonds. The transaction allows 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, 2012, are included below. The swap agreements contain scheduled reductions to the outstanding notional amount on an annual basis.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

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.

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, 2012	Termination Date
2005B-1 Taxable Pension Funding Bonds							
$75,230,476	8/1/2013	JPMorgan Chase Co.	A/A2/A+	5.712%	100% of USD-3 Month LIBOR	($17,588,060)	8/1/2023
2005B-2 Taxable Pension Funding Bonds							
$127,990,254	8/1/2023	JPMorgan Chase Co.	A/A2/A+	5.730%	100% of USD-3 Month LIBOR	($16,473,620)	8/1/2034

Pay Variable, Receive Variable Swap Agreement

The City entered into a Pay-Variable, Receive-Variable swap agreement related to the 2009 Lease Revenue Refunding Bonds under which the City owes interest calculated at a variable rate to the counterparty of the swap and in return, the counterparty owes the City 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, 2012	Termination Date
2009 Lease Revenue Refunding Bonds							
$84,450,000	12/1/2009	Royal Bank of Canada	AA-/Aa3/AA	100% of SIFMA Municipal Swap Index	68% of USD-1 Month LIBOR	($13,060,753)	8/1/2037

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.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

As of June 30, 2012, 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, 2012	
	Classification	Amount	Classification	Amount
Governmental Activities				
Pay-Fixed, Receive-Variable				
2005B-1 Taxable Pension Funding Bonds	Investment revenue	($10,137,776)	Investment	($17,588,060)
2005B-2 Taxable Pension Funding Bonds	Investment revenue	(12,578,144)	Investment	(16,473,620)
Pay-Variable, Receive-Variable				
2009 Lease Revenue Refunding Bonds	Investment revenue	(253,868)	Investment	(13,060,753)
Totals		($22,969,788)		($47,122,433)

Credit risk. The fair values of the swaps represent the City's credit exposure to the counterparties. As of June 30, 2012, 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 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.

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.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

Swap payments and associated debt. Using rates as of June 30, 2012, debt service requirements of the City's outstanding 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. The payments below for the 2009 Bonds are included in the Debt Service Requirements above:

2009 Lease Revenue Refunding Bonds

For the Years	Fixed-Rate Bonds		Interest Rate	
Ending June 30,	Principal	Interest	Swaps, Net	Total
2013	$525,000	$4,982,538	$482,505	$5,990,043
2014	550,000	4,961,038	479,356	5,990,394
2015	575,000	4,938,538	476,064	5,989,602
2016	1,800,000	4,891,038	466,307	7,157,345
2017	1,880,000	4,815,088	455,543	7,150,631
2018-2022	11,000,000	22,578,140	2,095,664	35,673,804
2023-2027	14,630,000	19,151,551	1,724,629	35,506,180
2028-2032	20,785,000	14,165,844	1,217,995	36,168,839
2033-2037	29,945,000	6,731,135	530,917	37,207,052
2038	7,195,000	211,353	3,117	7,409,470
Total	$88,885,000	$87,426,263	$7,932,097	$184,243,360

Loans Payable

Loans payable at June 30, 2012 consisted of the following:

CalTrans Home Loans	$635,646

CalTrans Home Loans – Original Amount $1,467,160

The City has a loan from CalTrans which it used to purchase 43 homes in 1991. These homes were resold to Richmond Neighborhood Housing Services in order to provide housing to very low, and low and moderate income persons. Interest on the loan is computed annually based upon the average rate of return by the Pooled Money Investment Board for the past five years. Payment of principal and interest for 16 of the homes is made in quarterly payments over a 40 year period. Payment of principal and interest for 27 of the homes is deferred at least for the period that each home was committed by CalTrans to be used as affordable housing, which varies from seven to ten years. When the payments mature for the 27 homes, the City has the option to either make the full payment of principal and interest to CalTrans or execute a promissory note to pay the balance in quarterly payments over thirty to thirty-three years.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

Capital Leases

Capital leases payable at June 30, 2012 consisted of the following:

Municipal Finance Corporation - Viron	$535,915
SunTrust Leasing Corporation	364,549
Qualified Energy Conservation Lease	1,007,761
JPFA Recovery Zone Economic Development Lease	1,212,763
Holman Capital Corporation Lease #1	2,387,157
Holman Capital Corporation Lease #2	2,549,788
Holman Capital Corporation Lease #3	465,139
Total	$8,523,072

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
2013	$493,742	$14,266	$508,008
2014	42,173	161	42,334
Total	$535,915	$14,427	$550,342

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

On July 2, 2008 the City entered into three capital leases 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 2.21% 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. In fiscal year 2012, two of the capital leases, with a total original lease amount of $4,322,828, were refinanced with Holman Capital Corporation as discussed in the Holman Capital Corporation Lease #2 disclosure below.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirement on the remaining capital lease is as follows:

For the Years Ending June 30,	Principal	Interest	Total
2013	$364,549	$10,698	$375,247

Qualified Energy Conservation Lease – Original Amount $1,052,526

On December 22, 2010 the City entered into a capital lease with Bank of America in the amount of $1,052,526 to finance the purchase and installation of energy conservation equipment at various City-owned buildings. The City received an allocation of the national Qualified Energy Conservation Bond which includes a direct subsidy from the United States Treasury for the interest payable on the bonds under the Hiring Incentives to Restore Employment Act (HIRE Act). The subsidy will be payable on or about the date that the City makes its debt service payments and is equal to 59.79% of the interest payable on the lease. The subsidy received in fiscal year 2012 was $62,956. The lease includes an equipment acquisition deadline of June 22, 2012. The lease bears interest at a rate of 6.79% and principal and interest payments are due semi-annually each June 15 and December 15 commencing on December 15, 2011 through 2026.

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

For the Years Ending June 30,	Principal	Interest	Total
2013	$59,992	$67,416	$127,408
2014	61,641	63,314	124,955
2015	63,335	59,100	122,435
2016	65,076	54,770	119,846
2017	66,865	50,322	117,187
2018-2022	362,923	180,477	543,400
2022-2026	327,929	50,892	378,821
Total	$1,007,761	$526,291	$1,534,052

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

Richmond Joint Powers Financing Authority Recovery Zone Economic Development Lease – Original Amount $1,316,000

On December 22, 2010 the Authority entered into a capital lease with Bank of America in the amount of $1,316,000 to finance the improvements to three of the City's fire stations and a senior center. The City agreed to lease the three fire stations to the Authority in exchange for lease payments in the amount of the debt. The Authority received the lease proceeds under an allocation of the National Recovery Zone Economic Development Bonds under the American Recovery and Reinvestment Act of 2009, which includes a direct subsidy from the United States Treasury for the interest payable on the Bonds. The lease subsidy will be payable on or about the date that the Authority makes its debt service payments and is equal to 45% of the interest payable on the lease upon filing of a request by the Authority. The total subsidy received in fiscal year 2012 was $55,486, which includes the subsidy from fiscal year 2011 that the City did not request for until fiscal year 2012. The lease bears interest at a rate of 6.50% and principal and interest payments on the lease are due semi-annually each June 15 and December 15, commencing on June 15, 2011, through 2026.

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

For the Years Ending June 30,	Principal	Interest	Total
2013	$71,310	$77,681	$148,991
2014	73,882	73,005	146,887
2015	76,547	68,159	144,706
2016	79,308	63,139	142,447
2017	82,169	57,938	140,107
2018-2022	457,498	204,865	662,363
2023-2026	372,049	49,223	421,272
Total	$1,212,763	$594,010	$1,806,773

Holman Capital Corporation Lease #1– Police and Fire Radios – Original Amount $2,711,743

On November 30, 2011, the City entered into a capital lease agreement with Holman Capital Corporation to finance police and fire department radios. The lease bears an interest rate of 2.47%. Principal and interest payments on the lease are due semi-annually on each May 31 and November 30 commencing on November 30, 2011 through 2015.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirement on the capital lease is as follows:

For the Years Ending June 30,	Principal	Interest	Total
2013	$661,247	$54,904	$716,151
2014	677,681	38,471	716,152
2015	694,522	21,629	716,151
2016	353,707	4,368	358,075
Total	$2,387,157	$119,372	$2,506,529

Holman Capital Corporation Lease #2–Equipment – Original Amount $2,854,454

On June 1, 2012, the City entered into a capital lease agreement with Holman Capital Corporation to refinance two SunTrust leases for the acquisition of street sweeping vehicles and trucks, fire vehicles and related equipment and various other vehicles. The lease bears interest rates that range from 2.21% to 3.06%. Principal and interest payments on the lease are due semi-annually on each June 26 and December 26 commencing on June 26, 2012 through 2017.

The annual debt service requirement on the capital lease is as follows:

For the Years Ending June 30,	Principal	Interest	Total
2013	$542,724	$68,394	$611,118
2014	557,480	53,639	611,119
2015	572,645	38,473	611,118
2016	342,808	24,232	367,040
2017	353,377	13,661	367,038
2018	180,754	2,766	183,520
Total	$2,549,788	$201,165	$2,750,953

Holman Capital Corporation Lease #3- Mall Directional Signs - Original Amount $502,500

On June 1, 2012, the City entered into a capital lease agreement with Holman Capital Corporation to finance the purchase of mall directional signs. The lease bears an interest rate of 3.35%. Principal and interest payments on the lease are due semi-annually on each June 26 and December 26 commencing on June 26, 2012 through 2019.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirement on the capital lease is as follows:

For the Years Ending June 30,	Principal	Interest	Total
2013	$60,014	$15,082	$75,096
2014	62,040	13,056	75,096
2015	64,135	10,961	75,096
2016	66,302	8,794	75,096
2017	68,541	6,555	75,096
2018-2019	144,107	6,085	150,192
Total	$465,139	$60,533	$525,672

B. *Business-Type Activities*

The following is a summary of long-term debt of business-type activities during the fiscal year ended June 30, 2012:

	Balance July 01, 2011	Deletions	Balance June 30, 2012	Due Within One Year	Due in More than One Year
Bonds payable	$133,577,155	($1,077,969)	$132,499,186	$1,530,000	$130,969,186
Loans and leases payable	4,016,617	(500,608)	3,516,009	508,637	3,007,372
Total	$137,593,772	($1,578,577)	$136,015,195	$2,038,637	$133,976,558

Bonds payable at June 30, 2012 consisted of the following:

Wastewater Revenue Bonds Series 2006A	$12,539,666
Wastewater Refunding Revenue Bonds 2008A	27,690,500
2009 Lease Revenue Bonds - Port Portion	1,688,085
2009A Point Potrero Lease Revenue Bonds	26,593,896
2009B Point Potrero Lease Revenue Bonds	19,970,313
Wastewater Revenue Bonds Series 2010A	3,265,861
Wastewater Revenue Bonds Series 2010B	40,750,865
Total	$132,499,186

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, 2012, the Bonds consisted of the following:

Bonds outstanding:	$13,855,000
Unamortized deferred amount on refunding	(1,777,810)
Unamortized premium	462,476
Net	$12,539,666

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
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	1,145,000	435,750	1,580,750
2017	1,205,000	377,000	1,582,000
2018-2022	6,845,000	1,070,350	7,915,350
2023	1,540,000	35,613	1,575,613
Total	$13,855,000	$3,550,838	$17,405,838

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 3.703% at June 30, 2012.

At June 30, 2012, the Bonds consisted of the following:

Bonds outstanding	$32,985,000
Unamortized discount	(188,074)
Unamortized deferred amount on refunding	(5,106,426)
Net	$27,690,500

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

For the Years Ending June 30,	Principal	Interest	Total
2013	$15,000	$1,468,041	$1,483,041
2014	15,000	1,467,147	1,482,147
2015	20,000	1,467,034	1,487,034
2016	20,000	1,466,833	1,486,833
2017	20,000	1,467,330	1,487,330
2018-2022	100,000	7,330,759	7,430,759
2023-2027	6,980,000	6,642,587	13,622,587
2028-2032	10,360,000	4,532,983	14,892,983
2033-2037	12,590,000	1,948,327	14,538,327
2038-2039	2,865,000	32,749	2,897,749
Total	$32,985,000	$27,823,790	$60,808,790

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

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 as discussed in Note 8A above. The proceeds from the Bonds were used to refund all of the Authority's outstanding principal amount of its 2007 Lease Revenue Bonds. 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 1996 Bonds were called in March 2008.

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 2016 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.

At June 30, 2012, the Bonds consisted of the following:

Bonds outstanding:	$1,763,455
Unamortized discount	(33,690)
Unamortized deferred amount on refunding	(41,680)
Net	$1,688,085

The annual debt service requirements are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2013	$525,000	$66,799	$591,799
2014	550,000	42,294	592,294
2015	575,000	16,657	591,657
2016	113,455	2,269	115,724
Total	$1,763,455	$128,019	$1,891,474

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

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 2009 Lease Revenue Refunding Bonds, for which the terms and risks are disclosed in Note 8A above. Only disclosure related to the fair value of the 2009 Lease Revenue Refunding Bonds is included below.

Terms. The terms, including the counterparty credit rating of the outstanding 2006B Bonds swap, as of June 30, 2012, 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, 2012	Termination Date
$32,260,000	11/23/2009	Royal Bank of Canada	AA-/Aa3/AA	3.897%	63.42% of USD-1 Month LIBOR plus 22 basis points	($11,728,742)	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.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

As of June 30, 2012, 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, 2012	
	Classification	Amount	Classification	Amount
Business-Type Activities				
Pay-Fixed, Receive-Variable				
2006B Wastewater Bonds	Investment revenue	($5,577,219)	Investment	($11,728,742)
Pay-Variable, Receive-Variable				
2009 Lease Revenue Refunding Bonds	Investment revenue	69,946	Investment	(263,827)
Totals		($5,507,273)		($11,992,569)

Credit risk. As of June 30, 2012, the City was not exposed to credit risk on the outstanding swaps because the swaps had a negative fair value. However, if interest rates increase and the fair value of the swaps were to become positive, the City would be exposed to credit risk. The City will be exposed to interest rate risk only if the counterparty to the 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, 2012, 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
2013	$15,000	$331,598	$1,136,443	$1,483,041
2014	15,000	330,704	1,136,443	1,482,147
2015	20,000	330,591	1,136,443	1,487,034
2016	20,000	330,390	1,136,443	1,486,833
2017	20,000	330,887	1,136,443	1,487,330
2018-2022	100,000	1,648,544	5,682,215	7,430,759
2023-2027	6,980,000	1,532,247	5,110,340	13,622,587
2028-2032	10,360,000	1,079,062	3,453,921	14,892,983
2033-2037	12,590,000	512,832	1,435,495	14,538,327
2038-2039	2,865,000	24,573	8,176	2,897,749
Total	$32,985,000	$6,451,428	$21,372,362	$60,808,790

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 were 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 facility began operations in April 2010. 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, 2012 the Series 2009 A Bonds consisted of:

Bonds outstanding	$26,830,000
Unamortized discount	(236,104)
Net	$26,593,896

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
2013		$1,676,875	$1,676,875
2014		1,676,875	1,676,875
2015		1,676,875	1,676,875
2016		1,676,875	1,676,875
2017		1,676,875	1,676,875
2018-2022	$8,055,000	7,888,594	15,943,594
2023-2025	18,775,000	2,090,156	20,865,156
Total	$26,830,000	$18,363,125	$45,193,125

At June 30, 2012 the Series 2009 B Bonds consisted of:

Bonds outstanding	$20,280,000
Unamortized discount	(309,687)
Net	$19,970,313

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

For the Years Ending June 30,	Principal	Interest	Total
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	2,610,000	1,185,156	3,795,156
2017	2,830,000	956,838	3,786,838
2018-2020	9,985,000	1,301,869	11,286,869
Total	$20,280,000	$7,953,361	$28,233,361

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

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. At June 30, 2012 the Series 2010A Bonds consisted of:

Bonds outstanding	$3,110,000
Unamortized premium	155,861
Net	$3,265,861

The annual debt service requirements on the 2010A Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2013		$109,175	$109,175
2014		109,175	109,175
2015	$1,005,000	94,100	1,099,100
2016	1,035,000	60,913	1,095,913
2017	1,070,000	21,400	1,091,400
Total	$3,110,000	$394,763	$3,504,763

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 projects 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. The subsidy will be payable on or about the date that the City makes its debt service payments and the total subsidy received in fiscal year 2012 was $862,241. 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.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

At June 30, 2012 the Series 2010B Bonds consisted of:

Bonds outstanding	$41,125,000
Unamortized discount	(374,135)
Net	$40,750,865

The annual debt service requirements on the 2010B Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2013		$2,463,546	$2,463,546
2014		2,463,546	2,463,546
2015		2,463,546	2,463,546
2016		2,463,546	2,463,546
2017		2,463,546	2,463,546
2018-2022	$5,890,000	11,713,112	17,603,112
2023-2027	6,895,000	10,083,253	16,978,253
2028-2032	8,330,000	7,818,914	16,148,914
2033-2037	10,200,000	4,870,947	15,070,947
2038-2041	9,810,000	1,299,954	11,109,954
Total	$41,125,000	$48,103,910	$89,228,910

Pledge of Wastewater Revenues

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay the 2006A, 2008A, 2010A and 2010B Bonds through 2041. The Municipal Sewer Enterprise Fund's total principal and interest remaining to be paid on the bonds is $170,529,637. The Municipal Sewer Enterprise Fund's principal and interest paid for the current year and total customer net revenues were $5,712,333 and $8,740,797, respectively.

Loans and Leases Payable

Loans and leases payable at June 30, 2012, consisted of the following:

State Revolving Fund Loan Contract	$440,232
California Department of Boating and Waterways	3,075,777
Total	$3,516,009

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

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
2013	$440,232	$13,205	$453,437

California Department of Boating and Waterways

The City 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 August 2042. The total amount outstanding at June 30, 2012 was $3,075,777.

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

For the Years Ending June 30,	Principal	Interest	Total
2013	$68,405	$138,410	$206,815
2014	71,483	135,332	206,815
2015	74,700	132,115	206,815
2016	78,062	128,754	206,816
2017	81,574	125,241	206,815
2018-2022	466,352	567,724	1,034,076
2023-2027	581,158	452,917	1,034,075
2028-2032	724,204	309,846	1,034,050
2033-2037	584,762	153,273	738,035
2038-2042	341,083	32,894	373,977
2043	3,994	180	4,174
Total	$3,075,777	$2,176,686	$5,252,463

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

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, 2012:

	Balance July 01, 2011	Deletions	Balance June 30, 2012	Due Within One Year	Due in More than One Year
Bonds payable	$31,658,246	($752,647)	$30,905,599	$715,000	$30,190,599

Bonds payable at June 30, 2012 consisted of the following:

RHA Properties Affordable Housing Agency Bonds Series 2003 A	$19,950,000
JPFA Subordinate Multifamily Housing Revenue Bonds Series 2007	10,955,599
	$30,905,599

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 (2.14% at June 30, 2012) 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 month period.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirements are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2013	$405,000	$856,319	$1,261,319
2014	500,000	836,169	1,336,169
2015	500,000	814,136	1,314,136
2016	600,000	791,154	1,391,154
2017	600,000	764,981	1,364,981
2018-2022	3,600,000	3,387,261	6,987,261
2023-2027	5,000,000	2,468,346	7,468,346
2028-2032	6,700,000	1,219,000	7,919,000
2033-2034	2,045,000	59,267	2,104,267
Total	$19,950,000	$11,196,633	$31,146,633

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

JPFA Subordinate Multifamily Housing Revenue Bonds, Series 2007

On April 12, 2007, the Richmond Joint Powers Financing Authority issued $12,540,000 of Subordinate Multifamily Housing Revenue Bonds (Westridge at Hilltop Apartments), Series 2007 to advance refund and defease $11,345,000 of the Subordinate Multifamily Housing Revenue Bonds, 2003 Series A-S (Subordinated Bonds). The 2007 Series Subordinate Bonds bear interest from 3.850% to 5% per annum, payable semi-annually commencing June 15, 2007. Net proceeds were used to purchase U.S. government securities for the 2003 Series A-S Bonds. Those securities were deposited in irrevocable trust with an escrow agent to provide for all future debt service payments. The 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	$11,635,000
Deferred amount on refunding	(679,401)
Net	$10,955,599

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirements are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2013	$310,000	$560,170	$870,170
2014	340,000	546,310	886,310
2015	355,000	531,925	886,925
2016	365,000	516,775	881,775
2017	385,000	500,910	885,910
2018-2022	2,205,000	2,220,613	4,425,613
2023-2027	2,810,000	1,613,625	4,423,625
2028-2032	3,590,000	826,750	4,416,750
2033-2034	1,275,000	63,500	1,338,500
Total	$11,635,000	$7,380,578	$19,015,578

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 $50,237,211. The RHA properties principal and interest paid for the current fiscal year and total rental revenues were $2,161,689 and $3,509,159, respectively.

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, 2012, the balances of these Districts' outstanding debt were as follows:

Harbor Navigation Improvement District	$880,000
Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2006A (including Series 2006AT)	8,730,000
Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2006B	1,740,000
Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2011A	5,640,000

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

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, 2012, the balances of these issuers' outstanding debt were as follows:

YMCA of the East Bay, 1996 Revenue Bonds	$2,295,000

With the dissolution of the Redevelopment Agency as discussed in Note 18, a Successor Agency assumed the Agency's Conduit Debt as of February 1, 2012, including the Bridge Housing Acquisitions, Inc., Baycliff Apartment Project, 2004 Revenue Bonds and the Crescent Park Apartment Project, 2007 Series A & A-T Revenue Bonds.

NOTE 9 - DEFERRED REVENUE AND UNEARNED REVENUE

At June 30, 2012, 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	Interest on Interfund Advance	CAD Fees Enhancement - Unearned	Grants Receivable - Unearned	Prepaid Rent - Unearned	Developer Fees - Unearned	Total
General Fund	$657,053	$221	$745,119			$3,964,674		$5,367,067
Cost Recovery Special Revenue Fund		1,374,014					$2,750,000	4,124,014
Community Development and Loan Programs Special Revenue Fund	13,011,966	142,260			$14,152			13,168,378
Non-Major Governmental Funds	2,195,777	415,092				3,524,593		6,135,462
Internal Service Funds				$1,184,028				1,184,028
Total	$15,864,796	$1,931,587	$745,119	$1,184,028	$14,152	$7,489,267	$2,750,000	$29,978,949

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.

NOTE 10 - FUND BALANCES AND NET ASSETS (Continued)

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."

C. Fund Balances

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The City's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, interfund advances and notes receivable are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the City Council which may be altered only by the same formal action of the City Council. Formal actions of the City Council include Resolutions and Ordinances. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee, the Finance Director, and may be changed at the discretion of the City Council or its designee. This category includes encumbrances; nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

NOTE 10 - FUND BALANCES AND NET ASSETS (Continued)

Detailed classifications of the City's Fund Balances, as of June 30, 2012, are below:

		Special Revenue			
Fund Balance Classifications	General Fund	Cost Recovery	Community Development and Loan Programs	Other Governmental Funds	Total
Nonspendable:					
Items not in spendable form:					
Prepaids, supplies and other assets	$672,613				$672,613
Loans receivable	352,693				352,693
Advance to other funds	24,919,019		$174,067		25,093,086
Total Nonspendable Fund	25,944,325		174,067		26,118,392
Restricted for:					
Street Improvement Projects				$4,527,156	4,527,156
Employment and Training				1,463,177	1,463,177
Public Safety				1,013,034	1,013,034
Lighting and Landscaping				1,010,009	1,010,009
Pension Obligations				3,139,761	3,139,761
Housing and Community			18,989,333		18,989,333
Debt Service				9,392,762	9,392,762
Other Capital Projects				3,352,918	3,352,918
Total Restricted Fund Balances			18,989,333	23,898,817	42,888,150
Assigned to:					
Other Capital Projects				5,147,506	5,147,506
Other Contracts	377,181				377,181
Total Assigned Fund Balances	377,181			5,147,506	5,524,687
Unassigned:					
General Fund	11,036,847				11,036,847
Other Governmental Fund Deficit Residuals		($6,161,269)		(5,768,564)	(11,929,833)
Total Unassigned Fund Balances	11,036,847	(6,161,269)		(5,768,564)	(892,986)
Total Fund Balances (Deficits)	$37,358,353	($6,161,269)	$19,163,400	$23,277,759	$73,638,243

NOTE 10 - FUND BALANCES AND NET ASSETS (Continued)

D. *Contingency Reserve Policy*

In Fiscal Year 2004-05, the City Council established a $10 million general fund contingency reserve policy. Although the policy called for the contingency reserve to be fully funded over a period of five fiscal years, the City fully funded the contingency reserve, in part by depositing $8 million from one-time revenue sources, ahead of schedule during Fiscal Year 2005-06. In April 2007, the City Council adopted an update to the policy, providing for a minimum cash reserve of 7 - 15% of the next year's budgeted General Fund expenditures. The reserve can be temporarily reduced to 7% in times of emergency, but must be restored thereafter. This is the minimum needed to maintain the City's creditworthiness and to adequately provide for economic and legislative uncertainties, cash flow needs and contingencies. City Council approval is required before any cash can be withdrawn from the reserve fund. At the time of City Council approval of any use of reserves, a Stabilization Policy laying out the plans for restoration of reserves must be simultaneously put in place with the Council's approval. The Council shall have the discretion to use the reserve for one time emergencies only and not to be used for ongoing expenses. As the City experiences net revenue gains in future years, the cash balance must grow back to 15% of total expenditures, following the stabilization policy, in order to allow the City to build up its capacity to handle future short term economic downturns or emergencies without cutting services. The City's current $10 million contingency reserve equals approximately 7.8% of budgeted general fund expenditures for Fiscal Year 2012-13. The City plans to reach the 15% target reserve level by retaining investment earnings, calculated on the principal balance of the reserve each fiscal year, in the reserve account until the target is reached. The balance of the cash reserve was $10 million at June 30, 2012, which is a component of unassigned fund balance of the General Fund.

E. *Deficit Fund Balances and Accumulated Deficits*

At June 30, 2012, the following funds had deficit fund balance or deficit net assets, which will be eliminated by future revenues:

Major Funds:	
Cost Recovery Special Revenue Fund	$6,161,269
Non Major Funds:	
Paratransit Operations Special Revenue Fund	383,946
Developer Impact Fees Special Revenue Fund	1,383,627
Civic Center Debt Service Fund	4,000,991
Private-Purpose Trust Funds:	
Successor Agency to the Richmond Community Redevelopment Agency	82,046,001

NOTE 10 - FUND BALANCES AND NET ASSETS (Continued)

E. Restatement of Governmental Activities Net Assets

During fiscal year 2012, the City determined that the restatement of certain balances was necessary as discussed below. A summary of the restatements, which affected only the beginning net assets of governmental activities in the Statement of Activities follows:

Net Assets, as Originally Reported, July 1, 2011	$196,133,299
Loans Receivable / Deferred Revenue	3,109,267
Capital Assets	(33,401,043)
OPEB Obligation	(6,010,260)
Net Assets, as Restated, July 1, 2011	$159,831,263

Loans receivable were restated and increased in the amount of $3,109,267 as the result of the addition of the Richmond Neighborhood Stabilization Corporation's loans of $2,241,338 and the correction to increase the balance Miraflores loan of $867,929 as discussed in Note 5.

Capital assets were restated and decreased in the amount of $33,401,043 as discussed in Note 6C.

The OPEB obligation was restated and increased in the amount of $6,010,260 as discussed in Note 13C.

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.

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 14.395% and 24.021% of annual covered payroll for miscellaneous and safety employees, respectively. Total employer contributions based on the actuarially determined rates amounted to $13,548,133 for the year ended June 30, 2012.

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

Annual Pension Cost and Net Pension Asset

For 2011-2012, the City's annual pension cost of $16,230,538 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 3.55% to 14.45% for miscellaneous employees and from 3.55% 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 3.00%. 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 25 and 27 years, respectively, for 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 Asset
6/30/2010	$7,066,434	78%	$59,351,151
6/30/2011	7,790,452	81%	57,837,475
6/30/2012	9,719,966	84%	56,270,063

Miscellaneous Plan:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Prepaid Pension Asset
6/30/2010	$5,674,777	81%	$42,219,989
6/30/2011	5,457,775	80%	41,143,221
6/30/2012	6,510,572	83%	40,028,228

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 $96,298,291 at June 30, 2012. During fiscal 2012, the amortization of the prepayment increased the actuarially required contributions by $2,682,405 to arrive at Annual Pension Costs of $16,230,538 as shown below for each Plan:

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

	Safety	Miscellaneous	Total
Annual required contribution	$8,152,554	$5,395,579	$13,548,133
Interest on net pension obligation	(4,482,404)	(3,188,600)	(7,671,004)
Adjustment to annual required contribution	6,049,816	4,303,593	10,353,409
Annual pension cost	9,719,966	6,510,572	16,230,538
Contributions made	(8,152,554)	(5,395,579)	(13,548,133)
(Decrease) increase in net pension obligations	1,567,412	1,114,993	2,682,405
Net pension obligation (asset) June 30, 2011	(57,837,475)	(41,143,221)	(98,980,696)
Net pension obligation (asset) June 30, 2012	($56,270,063)	($40,028,228)	($96,298,291)

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:

	Actuarial					
Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
06/30/08	$382,363,901	$374,325,089	$8,038,812	97.9%	$27,344,889	29.4%
06/30/09	407,109,238	383,907,898	23,201,340	94.3%	28,768,994	80.6%
06/30/10	426,451,800	394,665,167	31,786,633	92.5%	31,790,222	100.0%

Miscellaneous Plan:

	Actuarial					
Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
06/30/08	$308,163,049	$308,983,271	($820,222)	100.3%	$37,795,755	(2.2%)
06/30/09	332,776,287	317,157,663	15,618,624	95.3%	40,864,019	38.2%
06/30/10	349,303,732	325,817,821	23,485,911	93.3%	38,394,989	61.2%

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 22 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 65 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.

NOTE 12 – OTHER CITY PENSION PLANS (Continued)

The City established the Secured Pension Override Special Revenue Fund to which proceeds of a special incremental property tax levy voted by the citizens of the City of Richmond are credited for the payment of benefits under the City's pension plans. The incremental property tax revenue received for the year ended June 30, 2012 was $8,252,502, and the City used the funds to pay CalPERS contributions as discussed in Note 4C and the General Pension Plan contributions.

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.

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, 2012 the pension plans' reported assets available for benefits of $17,802,021. The composition of these assets at June 30, 2012 is shown below. For actuarial purposes, the value of the Plans' assets was determined to be fair value.

City of Richmond Investment Pool	$1,256,162
Local Agency Investment Fund	190,755
Wellington Trust Company Fund	16,355,104
Assets available for benefits at June 30, 2012	$17,802,021

Interest, Credit and Concentration 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. The City invests in equities which may be drawn down as needed, subject to terms of the underlying trust agreement. The investments held in the Pension Trust Funds all mature less than one year.

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. As of June 30, 2012 the City's investments in the Pension Trust Funds were not rated.

NOTE 12 – OTHER CITY PENSION PLANS (Continued)

Concentration risk states that significant investments in the securities of any individual issuers, other than U. S. Treasury securities or mutual funds, are required to be disclosed when they exceeds five percent of the total pension investments. Such investments were as follows at June 30, 2012:

Issuer	Type of Investment	Amount
CIF II Core Bond Series 1 Equity	Equity Fund	$5,158,400
CIF Research Equity	Equity Fund	3,567,048
CIF Opportunistic Investment Allocation Equity	Equity Fund	2,579,200
CIF International Research Equity	Equity Fund	2,515,415
CIF Global Contrarian Equity	Equity Fund	1,648,594
CIF Small Cap Quant Equity	Equity Fund	886,447

C. *Actuarially Determined Required Contributions*

General Pension Plan – As of July 1, 2011, the date of the most recent actuarial valuation available, the actuarial present value of pension benefits under the Plan was $4,699,140 and the assets of the Plan at fair value were $1,387,026 resulting in an unfunded actuarial liability of $3,312,114. In computing the actuarial valuation, Plan assets were assumed to yield an investment return rate of 4.5%, inflation rate of 3.5%, projected salary increases of 5.0% and benefit payments were assumed to increase 5.0% 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 –Pension benefits for the 2011/2012 fiscal year were $4,036,150. The actuarial present value of future pension liabilities under the Plan at July 1, 2011 the date of the most recent actuarial valuation, was approximately $33,488,006, representing principally prior service costs. Assets of the Plan were $20,894,469 resulting in an unfunded actuarial liability of $12,593,537. Actuarial assumptions included an assumed investment 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 4.5% annually, inflation rate of 3.5% and salary increases of 4.5%. 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, 2011, the date of the most recent actuarial valuation available, the actuarial present value of pension benefits under the Plan was $853,422 and the assets of the Plan at fair value were $334,121 resulting in an unfunded actuarial liability of $519,301. In computing the actuarial valuation, Plan assets were assumed to yield an investment return rate of 4.5%, inflation rate of 3.5%, projected salary increase of 3.5% 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.

NOTE 12 – OTHER CITY PENSION PLANS (Continued)

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
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%
2010/11	486,092	486,092	100%	2,257,912	0	0%
2011/12	455,662	148,186	33%	1,596,771	0	0%

	Garfield Pension Plan		
Fiscal Year	Annual Required Contribution	Amount Contributed	Percent Contributed
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%
2011/12	78,731	0	0%

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.

NOTE 12 – OTHER CITY PENSION PLANS (Continued)

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, 2012, the Police and Firemen's Pension Plan and the General Pension Plan had net pension assets of $2,519,164 and $959,841, respectively. At June 30, 2012, the Garfield Pension Plan had a net pension liability of $210,257. 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, 2012, were eleven, nine, and five 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 2011-2012 were as follows:

	Police and Firemen's Plan	General Pension Plan	Garfield Pension Plan
Annual required contribution	$1,596,771	$455,662	$78,731
Interest on net pension obligation	(264,632)	(63,948)	6,476
Adjustment to annual required contribution	559,224	227,511	(18,332)
Annual pension cost	1,891,363	619,225	66,875
Contributions made	0	(148,186)	0
(Decrease) increase in net pension obligations	1,891,363	471,039	66,875
Net pension obligation (asset) June 30, 2011	(4,410,527)	(1,430,880)	143,382
Net pension obligation (asset) June 30, 2012	($2,519,164)	($959,841)	$210,257

NOTE 12 – OTHER CITY PENSION PLANS (Continued)

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

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Police and Fireman's Plan			
June 30, 2010	$2,560,533	180%	($7,088,632)
June 30, 2011	2,678,105	0%	(4,410,527)
June 30, 2012	1,891,363	0%	(2,519,164)
General Pension Plan			
June 30, 2010	$606,561	80%	($1,556,770)
June 30, 2011	611,982	79%	(1,430,880)
June 30, 2012	619,225	24%	(959,841)
Garfield Pension Plan			
June 30, 2010	$60,513	127%	$158,063
June 30, 2011	62,011	124%	143,382
June 30, 2012	66,875	0%	210,257

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:

NOTE 12 – OTHER CITY PENSION PLANS (Continued)

Police and Firemen's Plan:

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
July 1, 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
July 1, 2010	N/A	21,347,731	N/A	N/A	(A)	N/A
July 1, 2011	33,488,006	20,894,469	12,593,537	62%	(A)	N/A

General Pension Plan:

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
July 1, 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
July 1, 2010	N/A	1,540,161	N/A	N/A	(B)	N/A
July 1, 2011	4,699,140	1,387,026	3,312,114	30%	(B)	N/A

Garfield Plan:

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
July 1, 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%	(B)	N/A
July 1, 2010	N/A	336,461	N/A	N/A	N/A	N/A
July 1, 2011	853,422	334,121	519,301	39%	N/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, 2012 follows:

	General Pension	Police and Fireman's Pension	Garfield Pension
ASSETS			
Pension plan cash and investments:			
City of Richmond Investment Pool	$954,387	$240,274	$61,501
Local Agency Investment Fund			190,755
Mutual Fund Investments		16,355,104	
Interest receivable	103	125	10
Total Assets	954,490	16,595,503	252,266
NET ASSETS			
Held in trust for employees' pension benefits	$954,490	$16,595,503	$252,266

The Statement of Changes in Plan Net Assets for the year ended June 30, 2012 follows:

	General Pension	Police and Fireman's Pension	Garfield Pension
ADDITIONS			
Net investment income:			
Net increase (decrease) in the fair value of investments	$265	($574,441)	
Interest income	11,866	441,798	$1,874
Investment management fees		(122,542)	27
Contribution from the City	148,186		
Total Additions	160,317	(255,185)	1,901
DEDUCTIONS			
Pension benefits	592,853	4,036,150	83,756
Total Deductions	592,853	4,036,150	83,756
Net Increase (Decrease)	(432,536)	(4,291,335)	(81,855)
NET ASSETS			
Beginning of year	1,387,026	20,886,838	334,121
End of year	$954,490	$16,595,503	$252,266

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: $435/$435 Retiree +1 or more: $567/$567 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 indicated 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). The balance in the City's PARS trust account as of June 30, 2012 was $119,959. 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, 2011 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 (c) inflation rate of 3%, and (d) health care cost trend rates of 5.00-8.9% 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, 2012, the City contributed $2,975,933 to the Plan for pay-as-you-go premiums, which represented 4.1% of the $72,327,000 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:

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual required contribution	$8,436,000
Interest on net OPEB obligation	368,000
Adjustment to annual required contribution	(753,000)
Annual OPEB cost	8,051,000
Contributions made:	
Pay as you go (premiums paid)	(2,975,933)
Less Premiums Paid by Trust	1,700,000
Change in net OPEB obligation	6,775,067
Net OPEB obligation June 30, 2011, as restated	10,139,000
Net OPEB obligation June 30, 2012	$16,914,067

During fiscal year 2012, the City determined that the OPEB obligation had been understated in the amount of $6,010,260 due to premiums reimbursed by the trust in fiscal years 2010 and 2011 being credited to the contributions in error, and the balance as of June 30, 2011 has been increased and restated in that amount.

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated July 1, 2011, amounted to $94,486,000.

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)
6/30/2010	$6,775,000	$2,477,428	37%	($307,700)
6/30/2011	7,287,000	2,850,560	39%	4,128,740
6/30/2012	8,051,000	2,975,933	37%	16,914,067

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	$0	$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%
7/1/2011	1,804,000	94,486,000	(92,682,000)	2%	72,327,000	-128.14%

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, 5% post-1970 of total insured value of each building; minimum $100,000	$50,000,000 inclusive of deductible	Various
Crime/Employee Dishonesty	$10,000 per claim	$1,000,000 inclusive of deductible	National Union Fire Insurance Company of Pittsburgh, PA
Property	$10,000 per claim	$1,000,000,000 inclusive of deductible	Lexington
Boiler and Machinery	$5,000 per claim	$100,000,000 inclusive of deductible	Lexington
Port Liability	$25,000 per claim	$50,000,000 inclusive of deductible	Starr Indemnity & Liability
Special Events Program	N/A	$1,000,000 per occurrence; $2,000,000 aggregate	Evanston Insurance
Excess Workers' Compensation	$750,000 per claim	Statutory excess of $50,000,000	Various
Student Volunteer	N/A	$50,000 per accident	Zurich Insurance Co

NOTE 15 - RISK MANAGEMENT (Continued)

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
Employment Practices ($500,000)	8,000,000

Once the self-insured retention is exhausted on each claim, CJPRMA becomes responsible for payment of future expenses related to the claim. The City paid contributions of $777,663 for the year ended June 30, 2012. 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, 3201 Doolan Road, Suite 285, Livermore, CA 94551.

CSAC-EIA

CSAC-EIA is a public entity risk pool of cities and counties within 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 contributions of $208,859 for the year ended June 30, 2012. CSAC-EIA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained. CSAC-EIA 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, 75 Iron Point Circle, Suite 200, Folsom, CA 95630.

Housing Authority Insurance Group

The Housing Authority is exposed to various risks of loss related to torts: theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disaster. The Authority joined together with other entities and participates in the Housing Authority Insurance Group, a public entity risk pool currently operating as a common risk management and insurance program for its member entities. The purpose of the Housing Authority Insurance Group is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group, thereby reducing its cost. The Authority pays annual premiums to Housing Authority Insurance Group for its property damage insurance as follows:

NOTE 15 - RISK MANAGEMENT (Continued)

Property	Building and Personal Property	Annual Premium	Deductible
Westridge Hilltop	$32,535	$37,277	$25,000
Triangle Court	11,880	12,216	25,000
Nevin Plaza (#1)	3,108	3,184	25,000
Friendship Manor	4,883	5,086	25,000
Hacienda	10,842	11,092	25,000
Nystrom Village	10,714	11,054	25,000
Administration Office	316	316	25,000

To satisfy loan requirements for the Westridge Hilltop property, general liability insurance coverage has been purchased for this location only. The policy renews on March 1st of each year. The premium for the year ended June 30, 2012 policy was $12,534 for coverage limits of $5 million per occurrence and in the aggregate. All of the Housing Authority properties are included for general liability coverage under the CJPRMA program.

Liability for Self Insured 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, 2012, the estimated claims payable of $20,503,677, 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 4% and a 80% confidence level. The City changed the confidence level used from 80% at June 30, 2010 to 75% at June 30, 2011, back to 80% at June 30, 2012. The undiscounted claims totaled $20,837,312 at June 30, 2012. Changes in the claims liabilities for the years ended June 30, 2012 and 2011 were as follows:

	2012	2011
Claims liabilities, beginning of year	$18,136,167	$19,459,514
Current year claims	5,265,565	3,694,418
Change in prior year claims	7,376,091	3,226,771
Claim payments	(3,469,423)	(2,855,179)
Legal, administrative and other expenses	(6,804,723)	(5,389,357)
Claims liabilities, end of year	$20,503,677	$18,136,167
Claims liabilities, due in one year	$5,782,919	$5,232,311

For the years ended June 30, 2012, 2011 and 2010 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 2012 condensed financial information for the Richmond Marina Enterprise Fund is as follows:

Condensed Statement of Net Assets

Assets:	
Current assets	$2,825,902
Capital assets	1,949,111
Total assets	4,775,013
Liabilities:	
Current liabilities	211,592
Long-term liabilities	3,007,372
Total liabilities	3,218,964
Net assets:	
Invested in capital assets, net of debt	(1,126,666)
Unrestricted	2,682,715
Total net assets	$1,556,049

Condensed Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues:	
Lease income	$259,777
Operating expenses:	
General and administrative	(14,260)
Maintenance	(1,439,321)
Depreciation expense	(85,901)
Operating income	(1,279,705)
Nonoperating revenues (expenses):	
Loss on sale of capital assets	(3,324)
Interest income	44,571
Interest expense	(138,655)
Change in net assets	(1,377,113)
Beginning net assets	2,933,162
Ending net assets	$1,556,049

Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	($1,344,818)
Capital and related financing activities	(206,817)
Investing activities	44,840
Net increase	(1,506,795)
Beginning cash and investments	4,279,940
Ending cash and investments	$2,773,145

NOTE 17 - COMMITMENTS AND CONTINGENCIES

A. *Lease and Construction Commitment*

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 and other projects totaled approximately $46.3 million at June 30, 2012 for various projects.

B. *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, with one potential exception noted below:

In March 2012, a developer and an associated entity filed a complaint in federal court against the United States of America, two individuals, and the City contending breach of contract related to a Land Disposition Agreement (LDA) between the developer and the City for the development of City-owned property for a specific use. The developer and associated entity seek damages of $30 million as well as lost profits of over $750 million. The City disputes the allegations and contends that the LDA did not commit the developer or the City to develop the property for the specific use and that the developer's right to move forward with the development was subject to various federal approvals. The City had filed a separate lawsuit in state court against the developer seeking declaratory relief that the City did not breach the LDA, but that lawsuit was stayed by the state court judge pending resolution of the federal action. The City may be negatively impacted should the court rule in favor of the developer and associated entity, however any such impact cannot be determined at this time.

C. *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 Costs below.

D. *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.

NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)

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, 2012 is $7,879,315.

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 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

E. *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, the OIG listed 24 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 the 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.

NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)

During fiscal year 2012, the OIG issued a final report and found that despite the Authority's intentions to have cost disallowances waived, the Authority was required to use non-federal resources to pay $165,905 to the U.S. Treasury and $2,257,799 to its own Public Housing/Section 8 Programs. The repayment terms for the amount owed to the U.S. Treasury is 12 equal monthly payments which are to commence July 1, 2012; and the repayment terms for the Public Housing/Section 8 Programs is 56 equal quarterly payments which are to commence July 1, 2013. The total amount owed to both entities has been recorded as a liability in the accompanying financial statements.

F. 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, 2012, no additional pollution has been identified.

The City also entered into an agreement in September 2008 with a Developer to sell approximately 134 acres of land located the 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 and the activities for the project are reported in the Pt. Molate Private-Purpose Trust Fund.

G. Miraflores – Pollution Remediation

The City, through the Redevelopment Agency, intended to undertake a known pollution remediation project at the proposed Miraflores Housing Development site. With the dissolution of the Redevelopment Agency as discussed in Note 18, the Successor Agency assumed the liabilities of the Redevelopment Agency, including the pollution remediation project, effective February 1, 2012. The liability as of that date of $3,452,323 was transferred to the Successor Agency.

NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)

H. 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 made 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 County allocated the settlement to cities and special districts throughout the County, and the City's share of the settlement is a total of $2.3 million. The City's property tax payments were estimated to be reduced in the amounts of $759,000 in fiscal year 2011 and $1,541,000 in fiscal year 2012.

In fiscal year 2011 the City paid $771,494 to the property taxpayer from the December Property Taxes. The balance of the liability of $1,528,506 was paid in fiscal year 2012.

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 can not be determined. Finally, the property taxpayer has filed an additional application to appeal the assessed valuations for fiscal years 2011 and 2012, but the associated hearings have not yet been conducted and the impacts, if any, on City property tax revenues cannot be determined.

In June 2011, a lawsuit was filed by a majority of cities in the County as well as by several special districts challenging the allocation of the refund to be repaid to the property taxpayer. The City may be negatively impacted should the court rule in favor of the cities and special districts, however any such impact cannot be determined at this time.

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 $15,000,000 were received under the settlement agreements in fiscal years 2010, 2011 and 2012.

NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)

I. Police Communications Systems

The City administers a program to provide radio communication and dispatch services to participating local agencies. During fiscal year 2011, an internal audit was conducted and the City is going to repay approximately $2 million to the participating agencies from programs that are to be discontinued. The City has not yet agreed upon the basis to be used to allocate the payments to the individual participating agencies, which includes the City, therefore the balances remain in the Police Telecommunications Internal Service Fund as unearned revenue as of June 30, 2012.

J. Via Verde Sinkhole Project

A sizable sinkhole in the City collapsed in April 2010, and the total projected cost to repair the damaged area is estimated to be $13 million. The City anticipates that various State grants will provide funding for at least 75% of the project costs. Project costs through June 30, 2012 totaled $9.2 million, and the City has received grant funding to date of $7.4 million.

K. Encumbrances

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental 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 restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, 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. Encumbrances outstanding as of June 30, 2012 were as listed below:

	Amount
General Fund	$377,181
Cost Recovery Special Revenue Fund	4,846,798
Community Development and Loan Programs Special Revenue Fund	208,712
Non-Major Governmental Funds	4,914,464
	$10,347,155

NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. Redevelopment Dissolution

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies on January 31, 2012.

NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

The suspension provisions prohibit all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

ABx1 26 and AB1484 created three regulatory authorities, the Successor Agency Oversight Board, State Controller and Department of Finance (DOF), to review former Agency's asset transfers, obligation payments and wind down activities. ABx1 26 specifically directs the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the Redevelopment Agency or, on or after February 1, 2012, to the Successor Agency. The State Controller's Office has not yet completed its asset transfer review and the amount of assets, if any, to be returned is not determinable at this time.

Effective January 31, 2012, the Redevelopment Agency was dissolved. Certain assets of the Redevelopment Agency Low and Moderate Income Housing Fund were distributed to a Housing Successor; and the remaining Redevelopment Agency assets and liabilities were distributed to a Successor Agency.

Under the provisions of AB 1484, the City can elect to become the Housing Successor and retain the housing assets. The City elected to become the Housing Successor and on February 1, 2012, certain housing assets were transferred to the City's Community Development and Loan Programs Fund which is included in the Community Development and Loan Programs Special Revenue Fund. The activities of the Housing Successor are reported in the Low and Moderate Income Housing Asset Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The City also elected to become the Successor Agency and on February 1, 2012 the Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established in April 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including one member of City Council and one former Redevelopment Agency employee appointed by the Mayor.

The activities of the Successor Agency are reported in the Successor Agency to the Richmond Community Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

A summary of the Redevelopment Agency's assets distributed to and liabilities assumed by the Successor Agency and Housing Successor as of January 31, 2012, reported as an Extraordinary Item, is presented below:

NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

	Assets and Liabilities (Prior to transfer)	Transferred to Successor Agency	Transferred to Housing Successor	Other Adjustments	Ending Balance January 31, 2012
ASSETS					
Cash and investments (A)	$12,717,474	$12,717,474			
Investments with fiscal agent	31,458,328	31,458,328			
Notes and loans receivable, net of allowance	18,846,781	2,560,000	$16,286,781		
Prepaids and other assets	7,558,782	7,558,782			
Advance to other funds	174,067		174,067		
Capital Assets:					
Land and construction in progress	15,412,803	15,412,803			
Capital assets being depreciated, net	50,656	50,656			
Total Assets	86,218,891	69,758,043	16,460,848		
LIABILITIES					
Accounts payable and accrued liabilities	3,452,323	3,452,323			
Deferred revenue	18,846,781			$18,846,781 (B)	
Interest payable	2,132,787	2,132,787			
Deferred investment in derivative instrument	8,564,299	8,564,299			
Long-term debt	140,034,740	140,034,740			
Total Liabilities	173,030,930	154,184,149		18,846,781	
NET ASSETS (DEFICIT)	($86,812,039)	($84,426,106)	$16,460,848	($18,846,781)	

(A) The Successor Agency reports its unrestricted cash, receivables, and payables net as of the date of dissolution. Detailed grant receivable and payable records are not available as of this date.
(B) The Successor Agency uses full-accrual accounting and the Housing Successor does not offset the loans with deferred revenue, therefore deferred revenue is eliminated.

Cash and investments of the Successor Agency as of June 30, 2012 are discussed in Note 3 above. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2012.

B. Loans Receivable

The Successor Agency assumed non-housing loans receivable of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency engaged in programs designed to encourage economic development. Under these programs, grants or loans were provided under favorable terms to developers who agreed to expend these funds in accordance with the Agency's terms. The balances of the notes receivable arising from these programs at June 30, 2012 are set forth below:

	Amount
Successor Agency Loans:	
Harbour Capital Projects Loan	$2,040,359
Ford Assembly Building Loan	2,560,000
Allowance for doubtful account	(2,040,359)
Total - Successor Agency Loans	$2,560,000

NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

Harbour Capital Projects Loan

The $5,440,359 was based on two promissory notes resulting from the sale of the Ford building of $3,400,000 and the sale of the North Shore properties of $2,040,359. During fiscal year 2008, the developer repaid $1 million of the loan balance by a cash payment of $310,345 and the dedication of parking lot improvements with a value of $689,655. During fiscal year 2009, the developer paid $2.4 million of the loan by a cash payment. As of June 30, 2012, this loan is offset with allowance for doubtful accounts, because the developer has defaulted on the outstanding balance of the loan. Subsequent to fiscal year end the Successor Agency accepted the return of the underlying property via a deed in lieu of foreclosure on the property.

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. The developer repaid $143,000 of the loan in fiscal year 2010, $147,000 in fiscal year 2011, and $150,000 in fiscal year 2012.

C. Capital Assets

The Successor Agency assumed the non-housing capital assets of the Redevelopment Agency as of February 1, 2012. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Successor Agency's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets.

NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

Depreciation is provided using the straight line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Successor Agency has assigned the useful lives and capitalization thresholds listed below to capital assets.

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

Capital assets recorded at June 30 comprise:

	Transfer from Redevelopment Agency February 1, 2012	Additions	Balance at June 30, 2012
Capital assets not being depreciated:			
Land and Land improvements	$15,412,803		$15,412,803
Capital assets being depreciated:			
Machinery and equipment	120,448		120,448
Less accumulated depreciation for:			
Machinery and equipment	(69,792)	($5,154)	(74,946)
Capital asset being depreciated, net	50,656	(5,154)	45,502
Governmental activity capital assets, net	$15,463,459	($5,154)	$15,458,305

D. *Long-term Obligations*

The Successor Agency assumed the long-term debt, loans and interest rate swap agreement of the Redevelopment as of February 1, 2012. The following is a summary of long-term debt transactions during the fiscal year ended June 30, 2012:

	Transfer from Redevelopment Agency February 01, 2012	(A) Additions	Deletions	Balance June 30, 2012	Due Within One Year	Due in More than One Year
Bonds payable	$62,727,626	$477,212		$63,204,838	$3,405,000	$59,799,838
Loans payable	57,555,000			57,555,000	3,160,000	54,395,000
Notes payable	19,752,114	30,000	($500,000)	19,282,114	324,000	18,958,114
Total	$140,034,740	$507,212	($500,000)	$140,041,952	$6,889,000	$133,152,952

(A) Includes bond accretion for capital appreciation bonds totaling $477,212 and interest on loans payable of $30,000.

NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

Bonds Payable

Bonds payable at June 30, 2012 consisted of the following:

	Net
Harbour Tax Allocation Refunding Bonds - 1998 Series A	$21,106,707
Subordinate Tax Allocation Bonds - 2007 Series B	10,423,131
Subordinate Tax Allocation Refunding Bonds - 2010 Series A	31,675,000
Total	$63,204,838

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, 2012, the Bonds consisted of the following:

	Value	Accretion/ Amortization	Unamortized Premium (Discount)	Net
Current interest bonds	$10,510,000			$10,510,000
Capital appreciation bonds	13,800,000	$518,397	($3,721,690)	10,596,707
Total	$24,310,000	$518,397	($3,721,690)	$21,106,707

NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

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

For the Years Ending June 30,	Principal	Interest	Total
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	1,910,000	405,663	2,315,663
2017	1,950,000	362,763	2,312,763
2018-2022	10,440,000	1,117,083	11,557,083
2023-2024	4,510,000	106,163	4,616,163
Total	$24,310,000	$3,441,411	$27,751,411

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 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

At June 30, 2012, the 2007 B Bonds consisted of the following:

	Maturity Value	Accretion/ Amortization	Unamortized Premium (Discount)	Net
Capital appreciation bonds	$22,255,000	$626,911	($12,458,780)	$10,423,131

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

For the Years Ending June 30,	Principal
2013	$675,000
2014	725,000
2015	0
2016	0
2017	0
2018-2022	5,410,000
2023-2027	5,920,000
2028-2032	5,350,000
2033-2037	4,175,000
Total	$22,255,000

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 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

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

For the Years Ending June 30,	Principal	Interest	Total
2013	$930,000	$2,180,972	$3,110,972
2014	980,000	2,137,013	3,117,013
2015	1,030,000	2,089,633	3,119,633
2016	1,095,000	2,036,981	3,131,981
2017	1,165,000	1,975,467	3,140,467
2018-2022	5,670,000	8,708,876	14,378,876
2023-2027	7,565,000	6,366,167	13,931,167
2028-2032	8,905,000	2,615,139	11,520,139
2033-2037	4,335,000	913,900	5,248,900
Total	$31,675,000	$29,024,148	$60,699,148

Interest Rate Swap Agreement

The Agency entered into an interest swap agreement in connection with the 2010A Subordinate Tax Allocation Refunding Bonds. The transaction allows the Agency to create a synthetic variable rate on the Bonds. The terms, fair value and credit risk of the swap agreement are disclosed below.

Terms. The terms, including the counterparty credit rating of the outstanding swap, as of June 30, 2012, are included below. The swap agreement contains scheduled reductions to the outstanding notional amount that are expected to follow scheduled reductions in the Bonds.

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, 2012	Termination Date
$59,475,000	7/12/2007	Royal Bank of Canada	AA-/Aa3/AA	SIFMA Municipal Swap Index	68% of USD-1 Month LIBOR	($8,589,578)	9/1/2036

NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

Based on the swap agreement, the Agency owes interest calculated at a variable rate to the counterparty of the swap, and in return, the counterparty owes the Agency interest based on a variable rate. 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 swap takes into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swap. As of June 30, 2012, the fair value of the swap was in favor of the counterparty.

The fair value represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. The Agency has accounted for the change in fair value of the hedge as noted below:

	Changes in Fair Value		Fair value at June 30, 2012	
	Classification	Amount	Classification	Amount
Pay-Variable, Receive-Variable				
2010A Subordinate Tax Allocation Refunding Bonds	Investment revenue	$133,776	Investment	($8,589,578)

Credit risk. As of June 30, 2012, the Agency 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 Agency would be exposed to credit risk. The Agency will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

Interest rate risk. The swap increases the Agency's exposure to variable interest rates. As the SIFMA Municipal Swap Index Rate increases or the LIBOR decreases, the Agency's net payment on the swap increases.

Basis risk. Basis risk is the risk that the interest rate paid by the Agency on the underlying fixed rate bonds to the *bondholders* temporarily differs from the variable swap rate received from the counterparty. The Agency bears basis risk on the swap. The swap has basis risk since the Agency receives a percentage of the LIBOR Index to offset the fixed bond rate the Agency pays on the underlying Bonds. The Agency is exposed to basis risk should the floating rate that it receives on a swap be less than the fixed rate the Agency 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 Agency is exposed to tax risk when the relationship between the taxable LIBOR based swap and tax-exempt fixed 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 fixed rate bonds converge the Agency is exposed to this basis risk.

NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

Termination risk. The Agency may terminate if the other party fails to perform under the terms of the contract. The Agency 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 Agency'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 Agency 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, 2012, debt service requirements of the Agency's outstanding fixed rate Bonds and net swap payments assuming current interest rates remain the same for their term, are as follows. As rates vary, fixed rate bond *interest* payments and net swap payments will vary. These payments below are included in the Debt Service Requirements above:

For the Years	Fixed-Rate Bonds		Interest Rate	
Ending June 30,	Principal	Interest	Swap, Net	Total
2013	$930,000	$1,690,949	$490,023	$3,110,972
2014	980,000	1,662,299	474,714	3,117,013
2015	1,030,000	1,630,861	458,772	3,119,633
2016	1,095,000	1,594,961	442,020	3,131,981
2017	1,165,000	1,551,043	424,424	3,140,467
2018-2022	5,670,000	6,891,562	1,817,314	14,378,876
2023-2027	7,565,000	5,082,620	1,283,547	13,931,167
2028-2032	8,905,000	1,979,982	635,157	11,520,139
2033-2037	4,335,000	707,284	206,616	5,248,900
Total	$31,675,000	$22,791,561	$6,232,587	$60,699,148

Loans Payable

The Richmond Joint Powers Financing Authority (Authority) has issued the Bonds listed below to assist in financing the Agency's operations. The Authority has retained reserve amounts required under the respective Bond indentures and loaned the net proceeds of these Bond issues to the Agency. The Authority is responsible for paying principal and interest on the Bonds; the Agency is responsible for making payments to the Authority in the amounts shown below.

The outstanding balances of loans payable to the Authority at June 30, 2012 came from the Bond issues listed below:

JPFA Tax Allocation Revenue Bonds - 2000 Series A & B	$16,980,000
JPFA Tax Allocation Revenue Bonds - 2003 Series A & B	25,280,000
JPFA Tax Allocation Revenue Bonds - 2004 Series A & B	15,295,000
Total	$57,555,000

NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

Loan from the Authority dated November 1, 2000

In 2000, the Authority issued the 2000 Housing Set-Aside Tax Allocation Bonds Series A and Series B in the original amount of $31,515,000. The net proceeds of the bond issue were loaned to the Agency to provide funding for certain capital improvements of the Agency. Under the terms of the loan agreement between the Agency and the Authority dated November 1, 2000, repayment of the loan is being made from certain tax increment revenues derived from taxable property within the Pre-2004 Limit Area and the Post-2004 Limit Area.

The annual debt service on this loan as of June 30, 2012 is as follows

For the Years Ending June 30,	Principal	Interest	Total
2013	$1,985,000	$905,193	$2,890,193
2014	2,085,000	797,965	2,882,965
2015	2,200,000	683,060	2,883,060
2016	2,315,000	559,880	2,874,880
2017	2,445,000	423,848	2,868,848
2018-2022	5,655,000	471,025	6,126,025
2023-2027	165,000	61,725	226,725
2028-2030	130,000	11,669	141,669
Total	$16,980,000	$3,914,365	$20,894,365

Loan from the Authority dated August 1, 2003

In 2003, the Authority issued 2003 Tax Allocation Revenue Bonds Series A and Series B in the original amount of $28,580,000. The net proceeds of the bond issue were loaned to the Agency to provide funding for certain capital improvements and to repay the City of Richmond $18,000,000 in partial payment of prior obligations. Under the terms of the loan agreement between the Agency and the Authority dated August 1, 2003, repayment of the loan is being made from certain tax increment revenues derived from taxable property within the Post-2004 Limit Area pledged by the Agency for the purpose of loan repayment.

NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

The annual debt service on this loan as of June 30, 2012 is as follows:

For the Years Ending June 30,	Principal	Interest	Total
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	1,050,000	1,219,321	2,269,321
2017	1,100,000	1,164,010	2,264,010
2018-2022	7,890,000	4,727,403	12,617,403
2023-2026	12,370,000	1,625,055	13,995,055
Total	$25,280,000	$12,689,514	$37,969,514

Loan from the Authority dated October 1, 2004

In 2004, the Authority issued the 2004 Tax Allocation Revenue Bonds Series A and Series B in the original amounts of $15,000,000 and $2,000,000, respectively. The net proceeds of the bond issue were loaned to the Agency to provide funding for certain capital improvements, low/moderate income housing and to repay the City of Richmond $6,367,031 in prior obligations. Under the terms of the loan agreement between the Agency and the Authority dated August 1, 2003, repayment of the loan is being made from certain subordinate housing and non-housing tax increment revenues derived from the taxable property within the Merged Project Area pledged by the Agency for the purpose of loan repayment.

The annual debt service requirements for these loans as of June 30, 2012 are as follows:

For the Years Ending June 30,	Principal	Interest	Total
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	295,000	751,649	1,046,649
2017	305,000	737,664	1,042,664
2018-2022	5,160,000	3,064,123	8,224,123
2023-2027	8,725,000	1,667,764	10,392,764
Total	$15,295,000	$8,550,873	$23,845,873

NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

Pledge of Redevelopment Tax Increment Revenues

The six Tax Allocation Bond issues discussed above consist of senior and parity obligations secured by future tax increment revenues. The pledge of all future tax increment revenues (housing and non-housing revenue) ends upon repayment of $193,415,311 remaining debt service on the Bonds and loans which is scheduled to occur in 2037.

With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. In addition, under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations.

	Tax Revenue Pledged	Outstanding Obligation	For the Year Ended June 30, 2012 Debt Service	Tax Increment	Coverage
Senior Non-Housing Obligations:					
1998 Harbour Tax Allocation Refunding Bonds	Harbour Project Area	$27,751,411	$2,307,525	(A)	
Senior Non-Housing Obligations:					
2000 A JPFA Tax Allocation Revenue Bonds	All project areas except Harbour and Pilot	16,750,621	$2,319,860	(A)	
Senior Non-Housing Obligations:					
2003 A & B JPFA Tax Allocation Revenue Bonds	All project areas except Pilot	37,969,514	$2,273,606		
Subordinate Non-Housing Obligations:					
2004 A JPFA Tax Allocation Revenue Bonds (Two-thirds)	All project areas except Pilot	14,518,401	605,385		
2010 A Subordinate Tax Allocation Refunding Bonds	All project areas except Pilot	60,699,148	3,107,118		
Subtotal		113,187,063	$5,986,109	(A)	
Senior Housing Obligations:					
2000 B JPFA Tax Allocation Revenue Bonds	Low and Moderate Income Housing Setaside Revenues	4,143,744	$575,586		
Subordinate Housing Obligations:					
2004 B & One-third of 2004 A JPFA Tax Allocation Revenue Bonds	Low and Moderate Income Housing Setaside Revenues	9,327,472	443,449		
2007 B Subordinate Tax Allocation Bonds	Low and Moderate Income Housing Setaside Revenues	22,255,000	625,000		
Subtotal		35,726,216	$1,644,035	(A)	
Total Outstanding Obligations		$193,415,311	$12,257,529	$15,619,530	127%

(A) Using both property taxes received by the Redevelopment Agency prior to the dissolution and by the Successor Agency after the dissolution, total collections were $15,619,530 which represented coverage of 127% of the $12,257,529 of debt service for the full fiscal year.

NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

Notes Payable

CHFA Help Loans	$1,180,000
HUD Section 108 Loans	5,900,000
SERAF Loan	12,202,114
Total	$19,282,114

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 lines of credit to non-profit and for-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. As of June 30, 2012, the Agency repaid the remaining balance of $500,000.

CHFA Help Loans – Original Amounts $1,000,000

The Agency entered a loan agreement with California Housing Finance Agency in 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 loan is due 10 years from the date of the loan. The loan bears a simple 3% per annum interest rate, and all payments of principal and interest are deferred for a ten-year period. During fiscal year 2012 the interest accrued to principal totaled $30,000.

HUD Section 108 – Original Amount $3,000,000

In fiscal 2004, the Agency entered into a Disposition and Development Agreement to receive a Section 108 loan from the Department of Housing and Urban Development to finance costs related to the Ford Assembly Building project. Interest is payable quarterly and the interest rate is fixed at 2.58% or, in specific conditions, adjusted to the latest LIBOR Rate. The principal payments are due annually from 2009 through 2026 as follows:

NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

For the Years Ending June 30,	Principal	Interest	Total
2013	$154,000	$118,409	$272,409
2014	158,000	112,308	270,308
2015	162,000	105,794	267,794
2016	166,000	98,846	264,846
2017	171,000	91,422	262,422
2018-2022	922,000	331,582	1,253,582
2023-2026	827,000	88,298	915,298
Total	$2,560,000	$946,659	$3,506,659

HUD Section 108 – Original Amount $3,500,000

In fiscal 2006, the City received a Section 108 loan from the Department of Housing and Urban Development to finance costs related to the North Richmond-Iron Triangle project. The loan proceeds were given to the Agency for the project, therefore the Agency is responsible for the repayment of the loan. 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 as follows:

For the Years Ending June 30,	Principal	Interest	Total
2013	$170,000	$176,918	$346,918
2014	180,000	168,098	348,098
2015	190,000	158,737	348,737
2016	200,000	148,830	348,830
2017	210,000	138,374	348,374
2018-2022	1,200,000	508,663	1,708,663
2022-2026	1,190,000	142,415	1,332,415
Total	$3,340,000	$1,442,035	$4,782,035

SERAF Loan

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by the redevelopment agencies, be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2010 and 2011. The Agency did not have the resources to make these payments and instead was able to enter into a structured payment plan agreement with the State Department of Finance that allows the payments to the County to be made over a ten year period. The loan bears interest at a rate of 2%. Payments of principal and interest are due on an annual basis, commencing May 10, 2014.

NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

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

For the Years Ending June 30,	Principal	Interest	Total
2013		$244,042	$244,042
2014	$300,781	244,042	544,823
2015	306,797	238,027	544,824
2016	312,933	231,891	544,824
2017	319,191	225,632	544,823
2018-2021	10,962,412	638,080	11,600,492
Total	$12,202,114	$1,821,714	$14,023,828

Debt Without Agency or City Commitment

A special assessment district has been established in an area of the Agency to provide improvements to properties located in that district. Properties in the district 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 Agency 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 Agency funds to repay these debts in the event of default.

One District, Marina Westshore Community Facilities District No. 1998-1, had issued Community Facilities District No. 1998-1 Special Tax Bonds which had a remaining balance outstanding of $3,420,000 at June 30, 2012.

Conduit Debt

The Agency has assisted private-sector entities by sponsoring their issuance of debt for purposes the Agency deems to be in the public interest. These debt issues are secured solely by the property financed by the debt. The Agency 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 Agency funds to repay these debts in the event of default by any of these issuers. At June 30, 2012, the balance of these issuers' outstanding debts was as follows:

Bridge Housing Acquisitions, Inc.	$11,485,000
Baycliff Apartment Project, 2004 Revenue Bonds	29,690,000
Crescent Park Apartment Project, 2007 Series A & Series A-T Revenue Bonds	30,499,179

NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

E. Commitments and Contingencies

State Approval of Enforceable Obligations

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

State Asset Transfer Review

The activities of the former Redevelopment Agency and the Successor Agency are subject to further examination by the State of California and the amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time. In addition, the State Controller's Office will be conducting a review of the propriety of asset transfers between the former Redevelopment Agency or the Successor Agency and any public agency that occurred on or after January 1, 2011 and the amount, if any, of assets that may be required to be returned to the Successor Agency cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

Miraflores – Pollution Remediation

The City, through the Redevelopment Agency, intended to undertake a known pollution remediation project at the proposed Miraflores Housing Development site. The Successor Agency assumed the administration of the project as of February 1, 2012.

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. The Agency has completed a Remedial Action Plan and the cost of the preferred alternative remediation is estimated to be $3,200,000. During the fiscal year ended June 30, 2011 the Agency spent $1,599,928 on the cleanup of the project, leaving an outstanding liability of $1,600,072 at that date.

During fiscal year ended June 30, 2012, the Agency increased the remediation estimate by $5,800,000, to $9,000,000. From July 1, 2011 to January 31, 2012, the Agency spent $3,947,749 in remediation costs. Due to the Redevelopment Agency Dissolution effective January 31, 2012, the pollution liability of $3,452,323 was assumed by the Successor Agency. From February 1, 2012 to June 30, 2012 the Successor Agency spent $887,038 in pollution remediation costs, leaving a pollution liability of $2,565,285 as of June 30, 2012. The Successor Agency has recorded this amount as an accrued liability in the Statement of Fiduciary Net Assets, however this obligation is an estimate and is subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

NOTE 19 – SUBSEQUENT EVENTS

A. 2012-2013 Tax and Revenue Anticipation Note, Series A

On October 1, 2012 the City issued 2012-2013 Tax and Revenue Anticipation Notes, Series A, in the amount of $9,000,000. 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 June 30, 2013. The note bears an interest rate of 2.00%. Principal and accrued interest on the Note is payable when the note matures on June 28, 2013.

B. Holman Capital Lease – West Contra Costa Family Justice Center

On November 1, 2012 the City entered into a lease agreement with Holman Capital Corporation in the amount of $2,000,000 to finance improvements to the City's West Contra Costa Family Justice Center. The lease bears an interest rate of 3.17%. Principal and interest payments on the lease are due semi-annually on each July 14 and January 14 commencing on July 14, 2013 through January 14, 2023.

C. Public Housing Agency Recovery and Sustainability (PHARS) 2013 Recovery Agreement and Action Plan

Annually the U.S. Department of Housing and Urban Development (HUD) evaluates public housing authority's management of its public housing program using four tools, referred to collectively as the Public Housing Assessment System (PHAS). On the basis of an annual PHAS score, the Housing Authority has been designated troubled or substandard for financial, physical and/or management indicators, or other such deficiencies as HUD has identified.

Due to the Housing Authority's financially troubled rating, HUD assigned a PHARS team to identify causes of the Authority's troubled financial performances and to work with the Housing Authority to develop a recovery action plan to move from a troubled status to a sustainability standard or higher performance status. The Housing Authority and HUD entered in the recovery agreement and action plan as of February 5, 2013.

D. Sequestration - Housing Choice Voucher Program

In February 2013, the Department of Urban Development (HUD) issued a letter to the Housing Authority in response to sequestration cuts enacted by the Federal Government. Due to the Housing Authority's heavy reliance on revenue sources from HUD, cuts to future funding to the Housing Choice Voucher program will severely curtail the amount of money allotted to the Housing Authority in fiscal year 2013 and beyond. Estimating the exact dollar amount of revenue loss from this action cannot be determined until further information becomes available.

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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, 2012

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Property tax-current collections	$25,722,700	$27,700,000	$28,359,544	$659,544
Sales tax	25,019,970	26,799,515	27,788,339	988,824
Utility user fees	52,456,890	51,352,237	50,984,315	(367,922)
Other taxes	7,246,000	6,161,000	6,550,828	389,828
Licenses, permits and fees	3,485,000	2,715,000	2,403,193	(311,807)
Fines, forfeitures and penalties	300,000	300,000	338,104	38,104
Use of money and property	302,500	302,500	261,645	(40,855)
Intergovernmental	2,734,201	3,642,987	5,262,708	1,619,721
Charges for services	2,695,700	2,701,000	2,854,110	153,110
Rent	419,500	550,000	779,944	229,944
Other	777,577	3,359,474	3,052,974	(306,500)
Total Revenues	121,160,038	125,583,713	128,635,704	3,051,991
EXPENDITURES:				
Current				
General government	15,386,586	18,626,634	21,085,750	(2,459,116)
Public safety	82,055,077	82,513,251	82,348,541	164,710
Public works	17,914,957	18,540,350	17,668,512	871,838
Cultural and recreational	9,702,389	9,580,271	9,538,380	41,891
Capital outlay	86,000	3,761,201	2,745,727	1,015,474
Debt Service:				
Principal	587,485	806,905	935,183	(128,278)
Interest and fiscal charges	216,196	239,835	524,776	(284,941)
Total Expenditures	125,948,690	134,068,447	134,846,869	(778,422)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,788,652)	(8,484,734)	(6,211,165)	2,273,569
OTHER FINANCING SOURCES (USES)				
Issuance of debt		2,711,743	2,711,743	
Bond premium		109,701	109,701	
Proceeds from sale of property	25,000	114,909	188,489	73,580
Transfers in	12,949,715	14,117,176	14,817,962	700,786
Transfers (out)	(9,014,524)	(10,275,782)	(14,737,950)	(4,462,168)
Total other financing sources (uses)	3,960,191	6,777,747	3,089,945	(3,687,802)
NET CHANGE IN FUND BALANCE	(828,461)	(1,706,987)	(3,121,220)	(1,414,233)
Fund balance, July 1	40,479,573	40,479,573	40,479,573	
Fund balance, June 30	$39,651,112	$38,772,586	$37,358,353	($1,414,233)

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, 2012

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Use of money and property			($4,417)	($4,417)
Other			91,067	91,067
Total Revenues			86,650	86,650
EXPENDITURES				
Current:				
Housing and redevelopment	$2,832,299	$2,790,696	1,369,492	1,421,204
Total Expenditures	2,832,299	2,790,696	1,369,492	1,421,204
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,832,299)	(2,790,696)	(1,282,842)	1,507,854
OTHER FINANCING SOURCES (USES)				
Transfers in	2,986,236	2,986,236	1,283,641	(1,702,595)
Total other financing sources (uses)	2,986,236	2,986,236	1,283,641	(1,702,595)
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM	153,937	195,540	799	(194,741)
EXTRAORDINARY ITEM				
Assets transferred to/liabilities assumed by Successor Agency			(7,563,980)	(7,563,980)
NET CHANGE IN FUND BALANCE	153,937	195,540	(7,563,181)	(7,758,721)
Fund balance, July 1, as restated	7,563,181	7,563,181	7,563,181	
Fund balance, June 30	$7,717,118	$7,758,721		($7,758,721)

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, 2012

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES:				
Licenses, permits and fees	$5,227,375	$5,287,375	$6,003,541	$716,166
Fines, forfeitures and penalties	275,000	150,000	176,871	26,871
Use of money and property	(88,000)	(88,000)	(59,394)	28,606
Intergovernmental	7,212,647	11,211,028	5,794,461	(5,416,567)
Charges for services	2,287,521	2,087,521	1,996,841	(90,680)
Other	100,000	100,000	557,014	457,014
Total Revenues	15,014,543	18,747,924	14,469,334	(4,278,590)
EXPENDITURES:				
Current				
General government	6,092,538	6,015,161	8,013,169	(1,998,008)
Public safety	4,609,283	4,432,849	4,017,420	415,429
Public works	5,763,933	4,721,997	3,381,609	1,340,388
Capital outlay	5,226,501	6,493,751	2,216,191	4,277,560
Total Expenditures	21,692,255	21,663,758	17,628,389	4,035,369
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,677,712)	(2,915,834)	(3,159,055)	(243,221)
OTHER FINANCING SOURCES (USES)				
Transfers in	5,833,237	5,738,237	5,738,237	
Transfers (out)	(62,780)	(62,780)	(62,780)	
Total other financing sources (uses)	5,770,457	5,675,457	5,675,457	
NET CHANGE IN FUND BALANCE	(907,255)	2,759,623	2,516,402	(243,221)
Fund balance, July 1	(8,677,671)	(8,677,671)	(8,677,671)	
Fund balance, June 30	($9,584,926)	($5,918,048)	($6,161,269)	($243,221)

CITY OF RICHMOND
COMMUNITY DEVELOPMENT AND LOAN PROGRAMS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Use of money and property			$35,098	$35,098
Intergovernmental	$2,565,360	$2,622,097	2,517,358	(104,739)
Other			872,679	872,679
Total Revenues	2,565,360	2,622,097	3,425,135	803,038
EXPENDITURES				
Current:				
Community development	146,050	385,736	534,929	(149,193)
Housing and redevelopment	4,901,032	4,349,346	2,455,993	1,893,353
Capital outlay	386,000	386,000		386,000
Total Expenditures	5,433,082	5,121,082	2,990,922	2,130,160
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,867,722)	(2,498,985)	434,213	2,933,198
OTHER FINANCING SOURCES (USES)				
Transfers in			1,771,328	1,771,328
Transfers (out)			(692,111)	(692,111)
Total other financing sources (uses)			1,079,217	1,079,217
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM	(2,867,722)	(2,498,985)	1,513,430	4,012,415
EXTRAORDINARY ITEM				
Assets transferred to Housing Successor			16,460,848	16,460,848
NET CHANGE IN FUND BALANCE	(2,867,722)	(2,498,985)	17,974,278	20,473,263
Fund balance, July 1	1,189,122	1,189,122	1,189,122	
Fund balance, June 30	($1,678,600)	($1,309,863)	$19,163,400	$20,473,263

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, Public Safety, Cost Recovery, Lighting and Landscaping Districts, Developer Impact Fees, Community Development and Loan Programs, and Richmond Neighborhood Stabilization Corporation) 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 within 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 FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	REDEVELOPMENT AGENCY DEBT SERVICE FUND		
	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	$17,366,001	$7,954,729	($9,411,272)
Use of money and property	203,757	340,649	136,892
Total Revenues	17,569,758	8,295,378	(9,274,380)
EXPENDITURES			
Housing and redevelopment	11,500	5,734	5,766
Debt service:			
Principal	6,645,000	6,285,000	360,000
Interest and fiscal charges	7,058,633	3,356,047	3,702,586
Total Expenditures	13,715,133	9,646,781	4,068,352
EXCESS OF REVENUES OVER EXPENDITURES	3,854,625	(1,351,403)	(5,206,028)
OTHER FINANCING SOURCES (USES)			
Transfers in	13,895,133	8,335,568	(5,559,565)
Transfers (out)	(18,864,039)	(9,651,122)	9,212,917
Total Other Financing Sources (Uses)	(4,968,906)	(1,315,554)	3,653,352
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM	(1,114,281)	(2,666,957)	(1,552,676)
EXTRAORDINARY ITEM			
Assets transferred to/liabilities assumed by Successor Agency		(26,117,122)	(26,117,122)
NET CHANGE IN FUND BALANCE	(1,114,281)	(28,784,079)	(27,669,798)
Fund Balance, July 1	28,784,079	28,784,079	
Fund Balance June 30	$27,669,798		($27,669,798)

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.

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.

Richmond Neighborhood Stabilization Corporation Fund - The Richmond Neighborhood Stabilization Corporation Special Revenue Fund accounts for the activities of the Corporation.

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.

Civic Center Debt Service Fund accounts for principal and interest payments on the Civic Center project Lease Revenue 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, 2012

	SPECIAL REVENUE FUNDS			
	State Gas Tax	General Purpose	Paratransit Operations	Employment and Training
ASSETS				
Cash and investments	$3,699,196	$943,854		$732,277
Restricted cash and investments				
Receivables:				
Accounts, net	294,925	656,398	$1,112	94,369
Interest	569	143		
Grants		291,647	58,339	866,701
Loans				
Total Assets	$3,994,690	$1,892,042	$59,451	$1,693,347
LIABILITIES				
Accounts payable and accrued liabilities	$255,723	$196,749	$56,140	$143,886
Due to other funds			387,257	
Advance from other funds				
Deferred revenue		148,719		86,284
Total Liabilities	255,723	345,468	443,397	230,170
FUND BALANCE				
Restricted	3,738,967	362,823		1,463,177
Assigned		1,183,751		
Unassigned			(383,946)	
Total Fund Balances (Deficits)	3,738,967	1,546,574	(383,946)	1,463,177
Total Liabilities and Fund Balances	$3,994,690	$1,892,042	$59,451	$1,693,347

SPECIAL REVENUE FUNDS					DEBT SERVICE FUNDS		
Public Safety	Lighting and Landscaping Districts	Developer Impact Fees	Secured Pension Override	Richmond Neighborhood Stabilization Corporation	2005 Pension Obligation Bonds	Civic Center Debt Service	General Debt Service
$663,019	$1,125,129		$3,139,315		$48,736		$90,263
	502,500				8,617,952	$14	635,788
103	181	$416	$446		8		15
384,180							
				$2,195,777			
$1,047,302	$1,627,810	$416	$3,139,761	$2,195,777	$8,666,696	$14	$726,066
$34,268	$617,801	$104,054					
		1,068,303				$476,412	
		211,686					
				$2,195,777		3,524,593	
34,268	617,801	1,384,043		2,195,777		4,001,005	
1,013,034	1,010,009		$3,139,761		$8,666,696		$726,066
		(1,383,627)				(4,000,991)	
1,013,034	1,010,009	(1,383,627)	3,139,761		8,666,696	(4,000,991)	726,066
$1,047,302	$1,627,810	$416	$3,139,761	$2,195,777	$8,666,696	$14	$726,066

(Continued)

CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

	CAPITAL PROJECTS FUNDS				
	General Capital Improvement	Measure C / J	Harbor Navigation	Civic Center Project	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments	$3,748,806	$1,006,176	$740,923		$15,937,694
Restricted cash and investments	1,542,502		345,119	$2,239,624	13,883,499
Receivables:					
Accounts, net					1,046,804
Interest	610	185	115		2,791
Grants	367,355				1,968,222
Loans					2,195,777
Total Assets	$5,659,273	$1,006,361	$1,086,157	$2,239,624	$35,034,787
LIABILITIES					
Accounts payable and accrued liabilities	$713,965	$218,172		$32,099	$2,372,857
Due to other funds				1,105,051	3,037,023
Advance from other funds					211,686
Deferred revenue	180,089				6,135,462
Total Liabilities	894,054	218,172		1,137,150	11,757,028
FUND BALANCE					
Restricted	1,542,502	788,189	$345,119	1,102,474	23,898,817
Assigned	3,222,717		741,038		5,147,506
Unassigned					(5,768,564)
Total Fund Balances (Deficits)	4,765,219	788,189	1,086,157	1,102,474	23,277,759
Total Liabilities and Fund Balances	$5,659,273	$1,006,361	$1,086,157	$2,239,624	$35,034,787

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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, 2012

	SPECIAL REVENUE FUNDS			
	State Gas Tax	General Purpose	Paratransit Operations	Employment and Training
REVENUES				
Property taxes				
Licenses, permits and fees		$606,464		$79,795
Fines, forfeitures and penalties		21,535		
Use of money and property	$57,975	20,808	($5,622)	
Intergovernmental	2,945,062	1,171,619	839,706	4,497,106
Charges for services		35,061	44,680	281,911
Pension stabilization revenue				
Other		10,120		286,512
Total Revenues	3,003,037	1,865,607	878,764	5,145,324
EXPENDITURES				
Current:				
General government		741,796		
Public safety		617,278		
Public works	1,569,771	372,223		
Community development				5,108,613
Cultural and recreational		242,171	1,240,996	
Housing and redevelopment				
Capital outlay	1,674,525	1,397,513	289,603	
Debt Service:				
Principal				
Interest and fiscal charges				
Total Expenditures	3,244,296	3,370,981	1,530,599	5,108,613
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(241,259)	(1,505,374)	(651,835)	36,711
OTHER FINANCING SOURCES (USES)				
Issuance of debt				
Transfers in		251,211	707,479	759,344
Transfers (out)	(407,312)	(90,000)		
Total Other Financing Sources (Uses)	(407,312)	161,211	707,479	759,344
NET CHANGE IN FUND BALANCES	(648,571)	(1,344,163)	55,644	796,055
BEGINNING FUND BALANCES (DEFICITS), AS RESTATED	4,387,538	2,890,737	(439,590)	667,122
ENDING FUND BALANCES (DEFICITS)	$3,738,967	$1,546,574	($383,946)	$1,463,177

SPECIAL REVENUE FUNDS					DEBT SERVICE FUNDS		
Public Safety	Lighting and Landscaping Districts	Developer Impact Fees	Secured Pension Override	Richmond Neighborhood Stabilization Corporation	2005 Pension Obligation Bonds	Civic Center Debt Service	General Debt Service
	$1,272,734		$8,252,502		$6,124,496		
		$300,840					
$9,199	10,952	10,997	(7,314)		1,133	$3,754	$22,592
301,840				$1,063,396			
	15,897					3,975,516	
					2,544,175		
90,300							
401,339	1,299,583	311,837	8,245,188	1,063,396	8,669,804	3,979,270	22,592
126,612		28,211	148,186				
	1,518,509						
		285,136					
				1,063,396			
31,997	502,500	565,409					
	37,361				4,930,000		1,815,000
	187				716,070	5,400,346	1,237,770
158,609	2,058,557	878,756	148,186	1,063,396	5,646,070	5,400,346	3,052,770
242,730	(758,974)	(566,919)	8,097,002		3,023,734	(1,421,076)	(3,030,178)
	502,500						
	465,869					1,430,360	3,029,053
			(4,957,318)		(2,671,409)		
	968,369		(4,957,318)		(2,671,409)	1,430,360	3,029,053
242,730	209,395	(566,919)	3,139,684		352,325	9,284	(1,125)
770,304	800,614	(816,708)	77		8,314,371	(4,010,275)	727,191
$1,013,034	$1,010,009	($1,383,627)	$3,139,761		$8,666,696	($4,000,991)	$726,066

(Continued)

CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	CAPITAL PROJECTS FUNDS				
	General Capital Improvement	Measure C / J	Harbor Navigation	Civic Center Projects	Total Nonmajor Governmental Funds
REVENUES					
Property taxes					$15,649,732
Licenses, permits and fees					987,099
Fines, forfeitures and penalties					21,535
Use of money and property	$79,518	$14,809	$10,384	($317)	228,868
Intergovernmental	274,667	983,249			12,076,645
Charges for services					4,353,065
Pension stabilization revenue					2,544,175
Other	781,510				1,168,442
Total Revenues	1,135,695	998,058	10,384	(317)	37,029,561
EXPENDITURES					
Current:					
General government	462,899				1,204,695
Public safety					920,287
Public works	364,860	676,307		4,137	4,505,807
Community development					5,108,613
Cultural and recreational	876,716				2,645,019
Housing and redevelopment					1,063,396
Capital outlay	4,724,332	501,464		580,677	10,268,020
Debt Service:					
Principal					6,782,361
Interest and fiscal charges			18		7,354,391
Total Expenditures	6,428,807	1,177,771	18	584,814	39,852,589
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,293,112)	(179,713)	10,366	(585,131)	(2,823,028)
OTHER FINANCING SOURCES (USES)					
Issuance of debt					502,500
Transfers in	1,615,401				8,258,717
Transfers (out)	(337,211)			(525,401)	(8,988,651)
Total Other Financing Sources (Uses)	1,278,190			(525,401)	(227,434)
NET CHANGE IN FUND BALANCES	(4,014,922)	(179,713)	10,366	(1,110,532)	(3,050,462)
BEGINNING FUND BALANCES (DEFICITS), AS RESTATED	8,780,141	967,902	1,075,791	2,213,006	26,328,221
ENDING FUND BALANCES (DEFICITS)	$4,765,219	$788,189	$1,086,157	$1,102,474	$23,277,759

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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, 2012

	STATE GAS TAX			GENERAL PURPOSE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Licenses, permits and fees				$925,000	$606,464	($318,536)
Fines, forfeitures and penalties				20,000	21,535	1,535
Use of money and property		$57,975	$57,975	7,500	20,808	13,308
Intergovernmental	$2,850,649	2,945,062	94,413	2,334,299	1,171,619	(1,162,680)
Charges for services				30,873	35,061	4,188
Pension stabilization revenue						
Other				1,500	10,120	8,620
Total Revenues	2,850,649	3,003,037	152,388	3,319,172	1,865,607	(1,453,565)
EXPENDITURES						
Current:						
General government				1,168,830	741,796	427,034
Public safety				1,056,523	617,278	439,245
Public works	851,559	1,569,771	(718,212)	1,124,456	372,223	752,233
Community development						
Cultural and recreational				333,645	242,171	91,474
Housing and redevelopment						
Capital outlay	4,195,626	1,674,525	2,521,101	1,979,646	1,397,513	582,133
Debt Service:						
Principal						
Interest and fiscal charges						
Total Expenditures	5,047,185	3,244,296	1,802,889	5,663,100	3,370,981	2,292,119
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,196,536)	(241,259)	1,955,277	(2,343,928)	(1,505,374)	838,554
OTHER FINANCING SOURCES (USES)						
Issuance of debt						
Transfers in				251,211	251,211	
Transfers (out)	(421,213)	(407,312)	13,901	(200,000)	(90,000)	110,000
Total Other Financing Sources (Uses)	(421,213)	(407,312)	13,901	51,211	161,211	110,000
NET CHANGE IN FUND BALANCES	($2,617,749)	(648,571)	$1,969,178	($2,292,717)	(1,344,163)	$948,554
BEGINNING FUND BALANCES (DEFICITS)		4,387,538			2,890,737	
ENDING FUND BALANCES (DEFICITS)		$3,738,967			$1,546,574	

PARATRANSIT OPERATIONS			PUBLIC SAFETY			LIGHTING AND LANDSCAPING DISTRICTS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
						$1,271,717	$1,272,734	$1,017
($11,000)	($5,622)	$5,378	$4,865	$9,199	$4,334		10,952	10,952
583,390	839,706	256,316	659,061	301,840	(357,221)			
61,280	44,680	(16,600)					15,897	15,897
				90,300	90,300			
633,670	878,764	245,094	663,926	401,339	(262,587)	1,271,717	1,299,583	27,866
			703,326	126,612	576,714			
						1,623,923	1,518,509	105,414
1,330,667	1,240,996	89,671						
10,482	289,603	(279,121)	35,000	31,997	3,003		502,500	(502,500)
							37,361	(37,361)
							187	(187)
1,341,149	1,530,599	(189,450)	738,326	158,609	579,717	1,623,923	2,058,557	(434,634)
(707,479)	(651,835)	55,644	(74,400)	242,730	317,130	(352,206)	(758,974)	(406,768)
							502,500	502,500
707,479	707,479					465,869	465,869	
707,479	707,479					465,869	968,369	502,500
	55,644	$55,644	($74,400)	242,730	$317,130	$113,663	209,395	$95,732
	(439,590)			770,304			800,614	
	($383,946)			$1,013,034			$1,010,009	

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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, 2012

	DEVELOPER IMPACT FEES			RICHMOND NEIGHBORHOOD STABILIZATION CORPORATION		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Licenses, permits and fees	$22,489	$300,840	$278,351			
Fines, forfeitures and penalties						
Use of money and property	51,300	10,997	(40,303)			
Intergovernmental	256,500		(256,500)	$336,411	$1,063,396	$726,985
Charges for services						
Pension stabilization revenue						
Other						
Total Revenues	330,289	311,837	(18,452)	336,411	1,063,396	726,985
EXPENDITURES						
Current:						
General government						
Public safety	20,000	28,211	(8,211)			
Public works						
Community development						
Cultural and recreational	354,900	285,136	69,764			
Housing and redevelopment				156,000	1,063,396	(907,396)
Capital outlay	1,949,842	565,409	1,384,433			
Debt Service:						
Principal						
Interest and fiscal charges						
Total Expenditures	2,324,742	878,756	1,445,986	156,000	1,063,396	(907,396)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,994,453)	(566,919)	1,427,534	180,411		(180,411)
OTHER FINANCING SOURCES (USES)						
Issuance of debt						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	($1,994,453)	(566,919)	$1,427,534	$180,411		($180,411)
BEGINNING FUND BALANCES (DEFICITS)		(816,708)				
ENDING FUND BALANCES (DEFICITS)		($1,383,627)				

2005 PENSION OBLIGATION BONDS			CIVIC CENTER DEBT SERVICE			GENERAL DEBT SERVICE		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
$5,787,162	$6,124,496	$337,334						
400,000	1,133	(398,867)		$3,754	$3,754		$22,592	$22,592
			$3,975,516	3,975,516				
2,601,079	2,544,175	(56,904)						
8,788,241	8,669,804	(118,437)	3,975,516	3,979,270	3,754		22,592	22,592
4,930,000	4,930,000					$1,815,000	1,815,000	
713,329	716,070	(2,741)	5,405,876	5,400,346	5,530	1,227,954	1,237,770	(9,816)
5,643,329	5,646,070	(2,741)	5,405,876	5,400,346	5,530	3,042,954	3,052,770	(9,816)
3,144,912	3,023,734	(121,178)	(1,430,360)	(1,421,076)	9,284	(3,042,954)	(3,030,178)	12,776
			1,430,360	1,430,360		3,042,954	3,029,053	(13,901)
(2,671,409)	(2,671,409)							
(2,671,409)	(2,671,409)		1,430,360	1,430,360		3,042,954	3,029,053	(13,901)
$473,503	352,325	($121,178)		9,284	$9,284		(1,125)	($1,125)
	8,314,371			(4,010,275)			727,191	
	$8,666,696			($4,000,991)			$726,066	

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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, 2012

	Richmond Marina	Storm Sewer	Cable TV	Total
ASSETS				
Current Assets				
Cash and investments	$2,773,145		$247,100	$3,020,245
Receivables:				
Accounts	52,326	$165,932	217,785	436,043
Interest	431		47	478
Total Current Assets	2,825,902	165,932	464,932	3,456,766
Noncurrent Assets				
Capital assets:				
Nondepreciable		700,880		700,880
Depreciable, net	1,949,111	4,965,799	129,703	7,044,613
Total Noncurrent Assets	1,949,111	5,666,679	129,703	7,745,493
Total Assets	4,775,013	5,832,611	594,635	11,202,259
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	16,311	400,095	56,895	473,301
Refundable deposits		1,200		1,200
Interest payable	126,876			126,876
Due to other funds		1,594,602		1,594,602
Compensated absences		13,466	39,037	52,503
Current portion of long term debt	68,405			68,405
Total Current Liabilities	211,592	2,009,363	95,932	2,316,887
Noncurrent Liabilities:				
Advance from other funds		1,919,457		1,919,457
Long-term debt	3,007,372			3,007,372
Total Noncurrent Liabilities	3,007,372	1,919,457		4,926,829
Total Liabilities	3,218,964	3,928,820	95,932	7,243,716
NET ASSETS				
Invested in capital assets, net of related debt	(1,126,666)	5,666,679	129,703	4,669,716
Unrestricted	2,682,715	(3,762,888)	369,000	(711,173)
Total Net Assets	$1,556,049	$1,903,791	$498,703	$3,958,543

CITY OF RICHMOND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Richmond Marina	Storm Sewer	Cable TV	Total
OPERATING REVENUES				
Service charges		$1,796,228	$958,184	$2,754,412
Lease income	$259,777	4,308		264,085
Other			63,916	63,916
Total Operating Revenues	259,777	1,800,536	1,022,100	3,082,413
OPERATING EXPENSES				
Salaries and benefits		262,633	523,703	786,336
General and administrative	14,260	1,444,148	388,298	1,846,706
Maintenance	1,439,321			1,439,321
Depreciation	85,901	915,849	25,279	1,027,029
Total Operating Expenses	1,539,482	2,622,630	937,280	5,099,392
Operating Income (Loss)	(1,279,705)	(822,094)	84,820	(2,016,979)
NONOPERATING REVENUES (EXPENSES)				
Loss on sale of capital assets	(3,324)		(99,862)	(103,186)
Interest income	44,571	(16,882)	9,595	37,284
Interest (expense)	(138,655)	(122,145)		(260,800)
Total Nonoperating Revenues (Expenses)	(97,408)	(139,027)	(90,267)	(326,702)
Income (Loss) Before Transfers	(1,377,113)	(961,121)	(5,447)	(2,343,681)
Transfers (out)			(700,000)	(700,000)
Net Transfers			(700,000)	(700,000)
Change in Net Assets	(1,377,113)	(961,121)	(705,447)	(3,043,681)
BEGINNING NET ASSETS	2,933,162	2,864,912	1,204,150	7,002,224
ENDING NET ASSETS	$1,556,049	$1,903,791	$498,703	$3,958,543

CITY OF RICHMOND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	Richmond Marina	Storm Sewer	Cable TV	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$207,452	$1,790,611	$1,068,772	$3,066,835
Payments to suppliers	(1,552,270)	(1,286,058)	(333,494)	(3,171,822)
Payments to employees		(263,112)	(548,400)	(811,512)
Cash Flows from Operating Activities	(1,344,818)	241,441	186,878	(916,499)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund payments		(102,146)		(102,146)
Transfers out			(700,000)	(700,000)
Cash Flows from Noncapital Financing Activities		(102,146)	(700,000)	(802,146)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Acquisition of capital assets	(286)		(62,293)	(62,579)
Proceeds from sale of capital assets	284			284
Repayment of long-term borrowing	(65,459)			(65,459)
Interest paid	(141,356)	(122,145)		(263,501)
Cash flows from capital financing activities	(206,817)	(122,145)	(62,293)	(391,255)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	44,840	(17,150)	9,690	37,380
Cash Flows from Investing Activities	44,840	(17,150)	9,690	37,380
Net Cash Flows	(1,506,795)		(565,725)	(2,072,520)
Cash and investments at beginning of period	4,279,940		812,825	5,092,765
Cash and investments at end of period	$2,773,145		$247,100	$3,020,245
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	($1,279,705)	($822,094)	$84,820	($2,016,979)
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	85,901	915,849	25,279	1,027,029
Change in assets and liabilities:				
Accounts receivable	(52,325)	(9,925)	46,672	(15,578)
Accounts payable and accrued liabilities and other accrued expenses	(98,689)	156,890	54,804	113,005
Refundable deposits		1,200		1,200
Compensated absences		(479)	(24,697)	(25,176)
Cash Flows from Operating Activities	($1,344,818)	$241,441	$186,878	($916,499)
Non cash transactions:				
Retirement of capital assets	($3,608)		($99,862)	($103,470)

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 was used to report activities related to computer maintenance_services including networks, equipment leases and telephones. The activities of the Fund are now reported in the General Fund.

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. The activities of the Fund are now reported in the General Fund.

CITY OF RICHMOND
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012

	Insurance Reserves	Information Technology	Equipment Services and Replacement	Police Tele-communications	Facilities Maintenance	Total
ASSETS						
Current Assets						
Cash and investments	$14,585,139		$1,650,748	$1,045,976		$17,281,863
Receivables:						
Accounts	14,300		10,932	324,214		349,446
Interest	4,093		278	138		4,509
Loan	1,400,000					1,400,000
Prepaids and supplies				25,949		25,949
Due from other funds	10,624,028					10,624,028
Total Current Assets	26,627,560		1,661,958	1,396,277		29,685,795
Noncurrent Assets						
Capital assets:						
Nondepreciable			356,787			356,787
Depreciable, net			7,721,152	493,033		8,214,185
Advances to other funds	1,919,457					1,919,457
Total Noncurrent Assets	1,919,457		8,077,939	493,033		10,490,429
Total Assets	28,547,017		9,739,897	1,889,310		40,176,224
LIABILITIES						
Current Liabilities						
Accounts payable and accrued liabilities	111,101		335,970	1,662		448,733
Interest payable			958			958
Accrued claims liabilities	5,782,919					5,782,919
Current portion of long-term debt			907,273			907,273
Total Current Liabilities	5,894,020		1,244,201	1,662		7,139,883
Noncurrent Liabilities						
Compensated absences	58,470			171,004		229,474
Unearned revenue				1,184,028		1,184,028
Accrued claims liabilities	14,720,758					14,720,758
Long-term debt			2,007,064			2,007,064
Total Noncurrent Liabilities	14,779,228		2,007,064	1,355,032		18,141,324
Total Liabilities	20,673,248		3,251,265	1,356,694		25,281,207
NET ASSETS (DEFICIT)						
Invested in capital assets, net of related debt			5,163,602	493,033		5,656,635
Unrestricted	7,873,769		1,325,030	39,583		9,238,382
Total Net Assets (Deficit)	$7,873,769		$6,488,632	$532,616		$14,895,017

CITY OF RICHMOND
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Insurance Reserves	Information Technology	Equipment Services and Replacement	Police Tele-communications	Facilities Maintenance	Total
OPERATING REVENUES						
Charges for services-internal	$15,546,715		$3,156,172	$3,541,159		$22,244,046
Charges for services-external				1,661,155		1,661,155
Total Operating Revenues	15,546,715		3,156,172	5,202,314		23,905,201
OPERATING EXPENSES						
Salaries and benefits	2,037,245		881	3,788,487	$3,116	5,829,729
General and administrative	1,045,183		353,391	1,625,469		3,024,043
Maintenance				797,446		797,446
Depreciation			1,595,818	108,334		1,704,152
Claims losses	13,718,035					13,718,035
Other	9,185		34,993	1,072,935		1,117,113
Total Operating Expenses	16,809,648		1,985,083	7,392,671	3,116	26,190,518
Operating Income (Loss)	(1,262,933)		1,171,089	(2,190,357)	(3,116)	(2,285,317)
NONOPERATING REVENUES (EXPENSES)						
Gain (loss) from sale of property			(187,844)			(187,844)
Interest income	579,868		17,190	17,467		614,525
Interest expense			(220,846)			(220,846)
Total Nonoperating Revenues (Expenses)	579,868		(391,500)	17,467		205,835
Income Before Transfers	(683,065)		779,589	(2,172,890)	(3,116)	(2,079,482)
Transfers in		$200,015	531,646	504,858	4,363,325	5,599,844
Transfers (out)	(5,537,996)	(3,205,367)	(415,592)	(1,360,834)	(355,228)	(10,875,017)
Net Transfers	(5,537,996)	(3,005,352)	116,054	(855,976)	4,008,097	(5,275,173)
Change in Net Assets	(6,221,061)	(3,005,352)	895,643	(3,028,866)	4,004,981	(7,354,655)
BEGINNING NET ASSETS (DEFICIT)	14,094,830	3,005,352	5,592,989	3,561,482	(4,004,981)	22,249,672
ENDING NET ASSETS (DEFICIT)	$7,873,769		$6,488,632	$532,616		$14,895,017

CITY OF RICHMOND
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	Insurance Reserves	Information Technology	Equipment Services and Replacement	Police Tele-communications	Facilities Maintenance	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	$14,360,306	$102	$3,295,428	$6,627,610	($4,028,384)	$20,255,062
Payments to employees	(2,092,033)		(881)	(3,816,279)	(3,116)	(5,912,309)
Payments to suppliers	(1,099,830)	(157,691)	(306,161)	(3,523,527)	(69,573)	(5,156,782)
Insurance premiums and claims paid	(11,350,525)					(11,350,525)
Cash Flows from Operating Activities	(182,082)	(157,589)	2,988,386	(712,196)	(4,101,073)	(2,164,554)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund receipts	5,337,634					5,337,634
Transfers in			456,019	504,858	4,162,168	5,123,045
Transfers (out)	(5,537,996)	(1,280,833)	(415,592)	(1,360,834)	(355,228)	(8,950,483)
Cash Flows from Noncapital Financing Activities	(200,362)	(1,280,833)	40,427	(855,976)	3,806,940	1,510,196
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets			(1,227,213)	(48,518)		(1,275,731)
Issuance of debt			2,854,454			2,854,454
Principal payments on capital debt			(3,620,689)			(3,620,689)
Interest and fiscal charges paid			(221,611)			(221,611)
Cash Flows from Capital and Related Financing Activities			(2,215,059)	(48,518)		(2,263,577)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest	580,475	305	17,108	17,758	78	615,724
Cash Flows from Investing Activities	580,475	305	17,108	17,758	78	615,724
Net Cash Flows	198,031	(1,438,117)	830,862	(1,598,932)	(294,055)	(2,302,211)
Cash and investments at beginning of period	14,387,108	1,438,117	819,886	2,644,908	294,055	19,584,074
Cash and investments at end of period	$14,585,139		$1,650,748	$1,045,976		$17,281,863
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating income (loss)	($1,262,933)		$1,171,089	($2,190,357)	($3,116)	($2,285,317)
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation			1,595,818	108,334		1,704,152
Change in assets and liabilities:						
Receivables, net	(1,186,409)	$102	139,256	241,268	5,358	(800,425)
Inventories			188,205	(25,949)		162,256
Accounts and other payables	(45,462)	(157,691)	(105,982)	(1,728)	(69,573)	(380,436)
Refundable deposits						
Unearned revenue				1,184,028	(4,033,742)	(2,849,714)
Compensated absences	(54,788)			(27,792)		(82,580)
Claims payable	2,367,510					2,367,510
Cash Flows from Operating Activities	($182,082)	($157,589)	$2,988,386	($712,196)	($4,101,073)	($2,164,554)
Non cash transactions						
Capital asset retirements			($187,844)			($187,844)
Transfer inventories to General Fund		($160,493)				(160,493)
Transfer capital assets to Governmental Activities		(1,764,041)				(1,764,041)
Transfer compensated absences to Governmental Activities		200,015	75,627		$201,157	476,799

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:

PENSION TRUST FUNDS

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.

PRIVATE-PURPOSE TRUST FUNDS

Pt. Molate 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.

Successor Agency to the Richmond Community Redevelopment Agency Fund accounts for the activities of the Successor Agency to the former Redevelopment Agency.

CITY OF RICHMOND
STATEMENT OF PENSION TRUST FUNDS NET ASSETS
JUNE 30, 2012

	General Pension	Police and Fireman's Pension	Garfield Pension	Total
ASSETS				
Pension plan cash and investments:				
City of Richmond investment pool	$954,387	$240,274	$61,501	$1,256,162
Local Agency Investment Fund			190,755	190,755
Mutual Fund Investments		16,355,104		16,355,104
Interest receivable	103	125	10	238
Total Assets	954,490	16,595,503	252,266	17,802,259
NET ASSETS				
Held in trust for employees' pension benefits	$954,490	$16,595,503	$252,266	$17,802,259

CITY OF RICHMOND
PENSION TRUST FUNDS
STATEMENT OF CHANGES IN PENSION TRUST FUNDS NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	General Pension	Police and Fireman's Pension	Garfield Pension	Total
ADDITIONS				
Net investment income:				
Net increase (decrease) in the fair value of investments	$265	($574,441)	$27	($574,149)
Interest income	11,866	441,798	1,874	455,538
Investment management fees		(122,542)		(122,542)
Contribution from the City	148,186			148,186
Total Additions	160,317	(255,185)	1,901	(92,967)
DEDUCTIONS				
Pension benefits	592,853	4,036,150	83,756	4,712,759
Total Deductions	592,853	4,036,150	83,756	4,712,759
Net Increase (Decrease)	(432,536)	(4,291,335)	(81,855)	(4,805,726)
NET ASSETS				
Beginning of year	1,387,026	20,886,838	334,121	22,607,985
End of year	$954,490	$16,595,503	$252,266	$17,802,259

CITY OF RICHMOND
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012

	Pt. Molate	Successor Agency to the Richmond Community Redevelopment Agency	Total
ASSETS			
Cash and investments		$10,451,485	$10,451,485
Restricted cash and investments	$21,508,569	32,384,227	53,892,796
Accounts receivable		91,685	91,685
Interest receivable	1,880		1,880
Grants receivable		9,397,270	9,397,270
Loans receivable		2,560,000	2,560,000
Prepaids and other assets		7,489,267	7,489,267
Capital assets:			
Nondepreciable		15,412,803	15,412,803
Depreciable, net		45,502	45,502
Total Assets	21,510,449	77,832,239	99,342,688
LIABILITIES			
Accounts payable and accrued liabilities	450,615	8,945,029	9,395,644
Interest payable		2,301,681	2,301,681
Deferred investment in derivative instrument		8,589,578	8,589,578
Long-term debt:			
Due within one year		6,889,000	6,889,000
Due in more than one year		133,152,952	133,152,952
Total Liabilities	450,615	159,878,240	160,328,855
NET ASSETS			
Held in trust for employees' pension benefits and other purposes	$21,059,834	($82,046,001)	($60,986,167)

CITY OF RICHMOND
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Pt. Molate	Successor Agency to the Richmond Community Redevelopment Agency	Total
ADDITIONS			
Property taxes		$7,664,801	$7,664,801
Investment income	$46,797	(11,596)	35,201
Intergovernmental revenue		5,074,235	5,074,235
Miscellaneous revenue		413,700	413,700
Total Additions	46,797	13,141,140	13,187,937
DEDUCTIONS			
Community development		7,031,359	7,031,359
Payments in accordance with trust agreements	1,846,185		1,846,185
Depreciation		5,154	5,154
Interest and fiscal charges		3,724,522	3,724,522
Total Deductions	1,846,185	10,761,035	12,607,220
Change in net assets before extraordinary item	(1,799,388)	2,380,105	580,717
EXTRAORDINARY ITEM			
Assets transferred to/liabilities assumed by the Successor Agency		(84,426,106)	(84,426,106)
Change in net assets	(1,799,388)	(82,046,001)	(83,845,389)
NET ASSETS, BEGINNING OF YEAR	22,859,222		22,859,222
NET ASSETS, END OF YEAR	$21,059,834	($82,046,001)	($60,986,167)

CITY OF RICHMOND
SUBCOMBINING SCHEDULE OF NET ASSETS OF THE
SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2012

	Redevelopment Property Tax Trust Fund	Administration	Capital Projects	Low to Moderate Income Housing
ASSETS				
Cash and investments	$5,706,424	$78,829	$58,905	$4,142,579
Restricted cash and investments			3,023,046	
Accounts receivable			91,685	
Grants receivable			9,397,270	
Loans receivable			2,560,000	
Due from other funds	4,149,782			
Prepaids and other assets			7,489,267	
Advance to other fund				
Capital assets:				
Nondepreciable			15,412,803	
Depreciable, net			45,502	
Total Assets	9,856,206	78,829	38,078,478	4,142,579
LIABILITIES				
Accounts payable and accrued liabilities	2,191,405	78,829	6,674,795	
Due to other funds			2,584,933	
Interest payable				
Advance from other fund				
Deferred investment in derivative instrument				
Long-term debt:				
Due within one year				
Due in more than one year				
Total Liabilities	2,191,405	78,829	9,259,728	
NET ASSETS (DEFICIT)				
Held in trust for other governments	$7,664,801		$28,818,750	$4,142,579

Bond Funded Capital Projects	Bond Payments	Intra Fund Eliminations	Total
	$464,748		$10,451,485
$10,624,815	18,736,366		32,384,227
			91,685
			9,397,270
			2,560,000
		($4,149,782)	
			7,489,267
	600,000	(600,000)	
			15,412,803
			45,502
10,624,815	19,801,114	(4,749,782)	77,832,239
			8,945,029
1,564,849		(4,149,782)	
	2,301,681		2,301,681
	600,000	(600,000)	
	8,589,578		8,589,578
	6,889,000		6,889,000
	133,152,952		133,152,952
1,564,849	151,533,211	(4,749,782)	159,878,240
$9,059,966	($131,732,097)		($82,046,001)

CITY OF RICHMOND
SUBCOMBINING SCHEDULE OF CHANGES IN NET ASSETS OF THE
SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2012

	Redevelopment Property Tax Trust Fund	Administration	Capital Projects	Low to Moderate Income Housing
ADDITIONS				
Property taxes	$7,664,801			
Investment income			$997	
Intergovernmental revenue			4,474,235	
Transfers from other funds		$1,254,727	2,492,149	
Miscellaneous revenue			413,700	
Total Additions	7,664,801	1,254,727	7,381,081	
DEDUCTIONS				
Community development		1,254,727	5,776,632	
Depreciation			5,154	
Interest and fiscal charges			395,315	
Transfers to other funds	6,120,235			$240,129
Total Deductions	6,120,235	1,254,727	6,177,101	240,129
Change in net assets before extraordinary item	1,544,566		1,203,980	(240,129)
EXTRAORDINARY ITEM				
Assets transferred to/liabilities assumed by the Successor Agency	6,120,235		27,614,770	4,382,708
Change in net assets	7,664,801		28,818,750	4,142,579
NET ASSETS, BEGINNING OF YEAR				
NET ASSETS (DEFICIT), END OF YEAR	$7,664,801		$28,818,750	$4,142,579

Bond Funded Capital Projects	Bond Payments	Intra Fund Eliminations	Total
			$7,664,801
$442	($13,035)		(11,596)
	600,000		5,074,235
	4,133,614	($7,880,490)	
			413,700
442	4,720,579	(7,880,490)	13,141,140
			7,031,359
			5,154
137	3,329,070		3,724,522
1,520,126		(7,880,490)	
1,520,263	3,329,070	(7,880,490)	10,761,035
(1,519,821)	1,391,509		2,380,105
10,579,787	(133,123,606)		(84,426,106)
9,059,966	(131,732,097)		(82,046,001)
$9,059,966	($131,732,097)		($82,046,001)

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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, 2012

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012
Special Assessment				
Cash and investments	$997,619	$560,101	$541,588	$1,016,132
Restricted cash and investments	652,586	212		652,798
Accounts receivable	16,282		16,282	
Interest receivable	160	104	160	104
Total Assets	$1,666,647	$560,417	$558,030	$1,669,034
Due to assessment district bondholders	$1,666,647	$560,417	$558,030	$1,669,034
General Agency				
Cash and investments	$1,027,496	$298,394	$23,287	$1,302,603
Interest receivable	171	198	171	198
Total Assets	$1,027,667	$298,592	$23,458	$1,302,801
Accounts payable and accrued liabilities	$23,287	$1,876	$23,287	$1,876
Refundable Deposits	1,004,380	296,716	171	1,300,925
Total Liabilities	$1,027,667	$298,592	$23,458	$1,302,801
Johnson Library				
Cash and investments	$9,930	$141		$10,071
Interest receivable	2	2	$2	2
Total Assets	$9,932	$143	$2	$10,073
Refundable deposits	$9,932	$143	$2	$10,073
Senior Center				
Cash and investments	$55,986	$8,831	$18,803	$46,014
Interest receivable	9	7	9	7
Total Assets	$55,995	$8,838	$18,812	$46,021
Accounts payable and accrued liabilities	$5,700	$8,830	$5,700	$8,830
Refundable Deposits	50,295	8	13,112	37,191
Total Liabilities	$55,995	$8,838	$18,812	$46,021

(Continued)

CITY OF RICHMOND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012
JPFA Reassessment				
Cash and investments	$1,520,222	$7,098,907	$6,632,978	$1,986,151
Restricted cash and investments	1,236,729		597,359	639,370
Interest receivable	244	303	244	303
Investment in reassessment bonds	5,855,000		555,000	5,300,000
Total Assets	$8,612,195	$7,099,210	$7,785,581	$7,925,824
Due to assessment district bondholders	$8,612,195	$7,099,210	$7,785,581	$7,925,824
1999 Revenue Refunding Bonds				
Restricted cash and investments	$8,174		$8,174	
Total Assets	$8,174		$8,174	
Due to assessment district bondholders	$8,174		$8,174	
Payroll Benefits				
Cash and investments	$944,134	$315,288	$210,752	$1,048,670
Accounts receivable	112,392	210,752	112,392	210,752
Total Assets	$1,056,526	$526,040	$323,144	$1,259,422
Accounts payable and accrued liabilities	$1,056,526	$526,040	$323,144	$1,259,422
2006 A&B Reassessment District				
Cash and investments	$918,759	$883,241	$875,103	$926,897
Restricted cash and investments	571,124		157	570,967
Interest receivable	145	139	145	139
Investment in reassessment bonds	9,852,500		252,500	9,600,000
Total Assets	$11,342,528	$883,380	$1,127,905	$11,098,003
Due to assessment district bondholders	$11,342,528	$883,380	$1,127,905	$11,098,003

(Continued)

CITY OF RICHMOND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012
Total Agency Funds				
Cash and investments	$5,474,146	$9,164,903	$8,302,511	$6,336,538
Restricted cash and investments	2,468,613	212	605,690	1,863,135
Investment in reassessment bonds	15,707,500		807,500	14,900,000
Accounts receivable	128,674	210,752	128,674	210,752
Interest receivable	731	753	731	753
Total Assets	$23,779,664	$9,376,620	$9,845,106	$23,311,178
Accounts payable and accrued liabilities	$1,085,513	$536,746	$352,131	$1,270,128
Refundable Deposits	1,064,607	296,867	13,285	1,348,189
Due to assessment district bondholders	21,629,544	8,543,007	9,479,690	20,692,861
Total Liabilities	$23,779,664	$9,376,620	$9,845,106	$23,311,178

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 wellbeing 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, 2008 & 2010 Wastewater Revenue Bonds
3. Revenue Bond Coverage – 1996, 1999, 2004 & 2007 Port Terminal Lease Revenue Bonds, Note and Point Potrero Lease Revenue Bonds.
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:

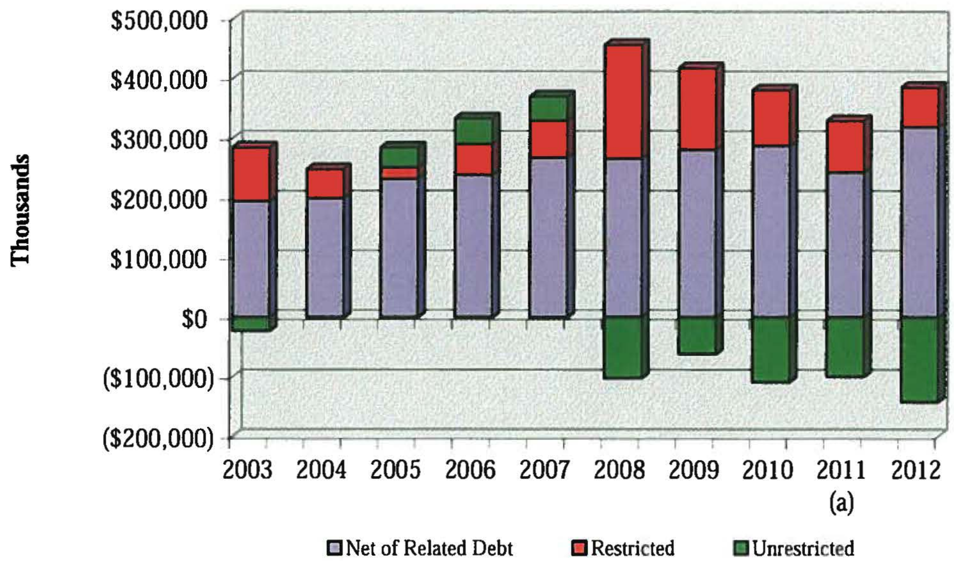
1. Demographic and Economic Statistics
2. Principal Employers

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.

CITY OF RICHMOND
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)



	Fiscal Year Ended June 30, 2012				
	2003	2004	2005	2006	2007
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
Restricted	90,011,285	45,358,192	16,193,394	49,291,795	60,271,169
Unrestricted	(40,308,547)	19,096,845	42,225,569	44,525,862	48,795,188
Total governmental activities net assets	$211,506,108	$188,196,299	$214,118,962	$249,748,571	$279,325,214
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
Restricted		3,156,207	2,246,548	2,283,065	1,427,804
Unrestricted	17,733,546	(19,724,085)	(8,865,682)	(1,351,641)	(8,084,756)
Total business-type activities net assets	$50,352,856	$59,349,439	$70,051,822	$83,351,098	$90,507,349
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
Restricted	90,011,285	48,514,399	18,439,942	51,574,860	61,698,973
Unrestricted	(22,575,001)	(627,240)	33,359,887	43,174,221	40,710,432
Total primary government net assets	$261,858,964	$247,545,738	$284,170,784	$333,099,669	$369,832,563

(a) Balance was restated in fiscal year 2012.
Years prior to 2011 have not been restated.

Fiscal Year Ended June 30, 2012				
2008	2009	2010	2011 (a)	2012
$188,467,600	$201,607,368	$201,197,639	$164,739,567	$242,281,323
188,950,882	135,801,179	72,114,985	78,105,002	57,989,820
(101,295,871)	(57,236,422)	(66,103,671)	(83,013,306)	(118,620,471)
$276,122,611	$280,172,125	$207,208,953	$159,831,263	$181,650,672
$77,558,806	$79,540,643	$86,432,590	$78,162,970	$76,731,871
1,526,840	612,613	21,150,740	8,334,722	8,169,878
(519,625)	(3,963,417)	(42,004,396)	(16,389,951)	(22,868,087)
$78,566,021	$76,189,839	$65,578,934	$70,107,741	$62,033,662
$266,026,406	$281,148,011	$287,630,229	$242,902,537	$319,013,194
190,477,722	136,413,792	93,265,725	86,439,724	66,159,698
(101,815,496)	(61,199,839)	(108,108,067)	(99,403,257)	(141,488,558)
$354,688,632	$356,361,964	$272,787,887	$229,939,004	$243,684,334

CITY OF RICHMOND
Changes in Net Assets
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30, 2012				
	2003	2004	2005	2006	2007
Expenses					
Governmental Activities:					
General Government	$20,866,018	$33,157,403	$11,798,558	$20,757,394	$24,107,042
Public Safety	51,888,399	55,122,382	46,320,116	64,704,505	69,145,528
Public Works	32,986,223	39,509,425	36,743,774	40,119,182	25,265,766
Community Development	8,494,108	5,771,490	4,487,223	6,400,700	5,446,357
Cultural and Recreational	11,150,363	11,426,024	7,120,024	10,516,483	15,637,748
Housing and Redevelopment	26,645,808	9,610,845	10,883,850	14,587,522	11,338,512
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
Total Governmental Activities Expenses	173,587,572	169,263,285	127,516,656	171,056,058	166,982,337
Business-Type Activities:					
Richmond Housing Authority	25,518,702	27,920,939	28,054,660	25,761,763	21,902,483
Port of Richmond	2,811,056	2,911,772	2,545,842	2,896,324	3,690,733
Richmond Marina	578,370	272,694	248,045	245,732	331,099
Municipal Sewer	10,035,988	10,047,198	9,020,928	9,599,570	12,236,185
Storm Sewer	2,446,743	2,461,223	2,142,358	2,953,974	3,590,975
Cable TV	763,738	699,809	646,770	702,849	798,758
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
Total Primary Government Expenses	$216,061,235	$213,867,998	$170,444,854	$213,490,812	$209,532,570
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	$5,509,407	$12,779,067	$6,195,631	$9,579,562	$12,500,031
Public Safety	697,659	22,300	1,061,832	2,674,213	3,337,186
Public Works	3,848,741	5,133,200	6,829,231	2,017,908	1,641,139
Community Development	1,682,781	17	1,488,832	2,488,628	562,647
Cultural and Recreational	364,665	234,308	230,187	1,230,022	277,523
Housing and Redevelopment	(680)	26	54	3,145,276	320,165
Operating Grants and Contributions	11,485,157	10,143,316	9,035,667	10,737,556	11,310,497
Capital Grants and Contributions	20,454,780	2,409,429	2,502,038	4,584,637	8,659,910
Total Government Activities Program Revenues	44,042,510	30,721,663	27,343,472	36,457,802	38,609,098
Business-Type Activities:					
Charges for Services:					
Richmond Housing Authority	2,064,716	2,234,580	1,822,316	1,663,345	1,630,745
Port of Richmond	2,265,785	2,491,147	5,913,472	6,130,166	5,392,626
Richmond Marina	366,288	458,473	456,142	579,581	448,630
Municipal Sewer	8,020,968	10,008,499	9,099,788	11,009,699	12,410,236
Storm Sewer	1,477,853	1,478,790	1,546,345	1,545,977	1,655,799
Cable TV	677,314	911,227	840,773	944,693	930,168
Convention Center	172,793	202,246	273,008	326,715	37,659
Operating Grants and Contributions	24,072,750	9,498			
Capital Grants and Contributions		33,845,368	32,707,460	33,223,130	23,789,008
Total Business-Type Activities Program Revenue	39,118,467	51,639,828	52,659,304	55,423,306	46,294,871
Total Primary Government Program Revenues	$83,160,977	$82,361,491	$80,002,776	$91,881,108	$84,903,969
Net (Expense)/Revenue					
Governmental Activities	($129,545,062)	($138,541,622)	($100,173,184)	($134,598,256)	($128,373,239)
Business-Type Activities	(3,355,196)	7,035,115	9,731,106	12,988,552	3,744,638
Total Primary Government Net Expense	($132,900,258)	($131,506,507)	($90,442,078)	($121,609,704)	($124,628,601)
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
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
Utility user taxes		29,322,850	29,721,091	30,199,388	27,007,410
Document transfer taxes					
Other Taxes	44,665,215	9,421,142	13,847,030	14,690,034	12,042,215
Use of Money and Property	6,568,865	2,597,233	2,993,086	5,490,761	7,895,609
Unrestricted Intergovernmental	978,228	4,157,098	3,031,587	954,905	438,625
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
Gain (Loss) on Sales of Capital Assets	(175,225)		11,361,312	2,361,410	3,113,487
Pension stabilization revenue				4,175,381	4,240,135
Developer revenue sharing				3,254,620	591,051
Settlement reimbursement				4,226,289	
Transfers	(2,116,594)	49,486	167,153	375,740	(2,346,906)
Reimbursement from Pension Fund	3,928,959				
Extraordinary item - assets					
Assets transferred to/liabilities assumed by Housing Successor/Successor Agency					
Total Government Activities	104,876,201	113,153,915	129,696,268	170,227,865	157,949,882
Business-Type Activities:					
Taxes:					
Property Taxes			10,193	10,867	10,576
Use of Money and Property		1,809,249	1,222,413	1,247,868	1,618,432
Investment Income	2,281,921				
Settlement					
Other			1,956,342		
Gain (Loss) on Sales of Capital Assets	(9,527)				41,000
Special Item					
Transfers	2,116,594	(49,486)	(167,153)	(375,740)	2,346,906
Total Business-Type Activities	4,388,988	1,759,763	3,021,795	882,995	4,016,914
Total Primary Government	$109,265,189	$114,913,678	$132,718,063	$171,110,860	$161,966,796
Change in Net Assets					
Governmental Activities	($24,668,861)	($25,387,707)	$29,523,084	$35,629,609	$29,576,643
Business-Type Activities	1,033,792	8,794,878	12,752,901	13,871,547	7,761,552
Total Primary Government	($23,635,069)	($16,592,829)	$42,275,985	$49,501,156	$37,338,195

(a) The Redevelopment Agency was dissolved effective January 31, 2012 and its net assets transferred to a Successor Agency.

Fiscal Year Ended June 30,

2008	2009	2010	2011	2012
$26,826,443	$18,745,594	$19,044,449	$17,127,696	$32,549,754
80,140,357	91,432,506	95,147,888	101,613,767	100,403,365
31,252,681	43,289,943	43,342,529	41,004,033	42,747,958
5,046,846	4,316,710	7,698,693	7,685,733	5,845,968
19,624,717	16,618,663	14,952,438	14,647,978	14,583,687
17,471,811	19,209,243	18,014,624	15,524,912	19,768,765
24,242,109	22,961,838	30,251,260	23,108,139	19,633,486
204,604,964	216,574,497	228,451,881	220,712,258	235,532,983
24,324,334	23,335,623	27,709,496	27,246,056	30,989,229
4,589,789	4,739,269	8,611,216	7,033,016	7,868,918
240,542	235,571	232,855	343,734	1,681,461
15,084,727	14,290,536	13,611,098	14,193,822	14,655,752
4,685,796	4,466,645	2,527,838	2,670,397	2,744,775
853,646	898,370	991,506	961,059	1,037,142
49,778,834	47,966,014	53,684,009	52,448,084	58,977,277
$254,383,798	$264,540,511	$282,135,890	$273,160,342	$294,510,260
$13,061,289	$7,813,724	$6,612,893	$8,155,496	$8,496,532
3,435,021	3,931,893	5,674,457	5,177,825	5,075,588
952,330	1,669,681	1,656,353	3,741,601	2,596,312
393,878	170,872	504,726	135,215	361,706
257,258	594,205	1,294,976	1,151,374	1,118,777
1,037,112	7,000	222,459		
9,642,093	8,402,636	12,286,127	17,934,341	11,259,829
4,066,710	6,997,666	9,685,942	20,016,974	17,238,057
32,845,691	29,587,677	37,937,933	56,312,826	46,146,801
1,776,252	3,096,831	2,100,519	1,916,352	2,354,197
5,900,126	5,095,840	3,882,153	6,329,914	7,745,580
484,212	476,588	417,679	220,858	259,777
13,864,120	14,432,849	15,991,488	17,342,276	17,565,632
1,637,151	1,579,698	1,593,792	1,697,475	1,800,536
974,924	1,084,389	1,157,502	1,099,919	1,022,100
	18,683,329	21,549,967	23,332,167	22,742,102
24,675,667	50,027	2,429,709	2,685,479	3,775,002
49,312,452	44,499,551	49,122,809	54,624,440	57,264,926
$82,158,143	$74,087,228	$87,060,742	$110,937,266	$103,411,727
($171,759,273)	($186,986,820)	($190,513,948)	($164,399,432)	($189,386,182)
(466,382)	(3,466,463)	(4,561,200)	2,176,356	(1,712,351)
($172,225,655)	($190,453,283)	($195,075,148)	($162,223,076)	($191,098,533)
$77,012,808	$78,279,818	$62,620,002	$61,155,694	$52,219,777
29,005,711	27,922,698	25,000,182	23,025,923	27,788,339
29,553,243	48,953,004	50,298,719	45,007,806	45,984,315
				2,765,842
8,802,995	7,959,683	6,092,050	3,361,146	3,784,986
9,990,413	6,851,266	(7,618,093)	8,877,982	(22,064,295)
4,330,572	2,197,148	957,140	2,427,575	4,752,245
3,101,841	9,220,595	5,465,467	6,723,228	7,917,715
4,008,197	5,000,000			
4,256,500	5,292,746	2,728,314	2,728,314	2,544,175
201,270	51,767	138,454	101,739	55,958
(1,706,880)	(692,391)	500,000	(85,629)	1,030,428
				84,426,106 (a)
168,556,670	191,036,334	146,182,235	153,323,778	211,205,591
10,382				
919,679	390,189	(2,768,103)	1,657,791	(5,331,300)
		1,922,260		
313,863	7,701	188,143	609,031	
(14,425,750)				
1,706,880	692,391	(500,000)	85,629	(1,030,428)
(11,474,946)	1,090,281	(1,157,700)	2,352,451	(6,361,728)
$157,081,724	$192,126,615	$145,024,535	$155,676,229	$204,843,863
($3,202,603)	$4,049,514	($44,331,713)	($11,075,654)	$21,819,409
(11,941,328)	(2,376,182)	(5,718,900)	4,528,807	(8,074,079)
($15,143,931)	$1,673,332	($50,050,613)	($6,546,847)	$13,745,330

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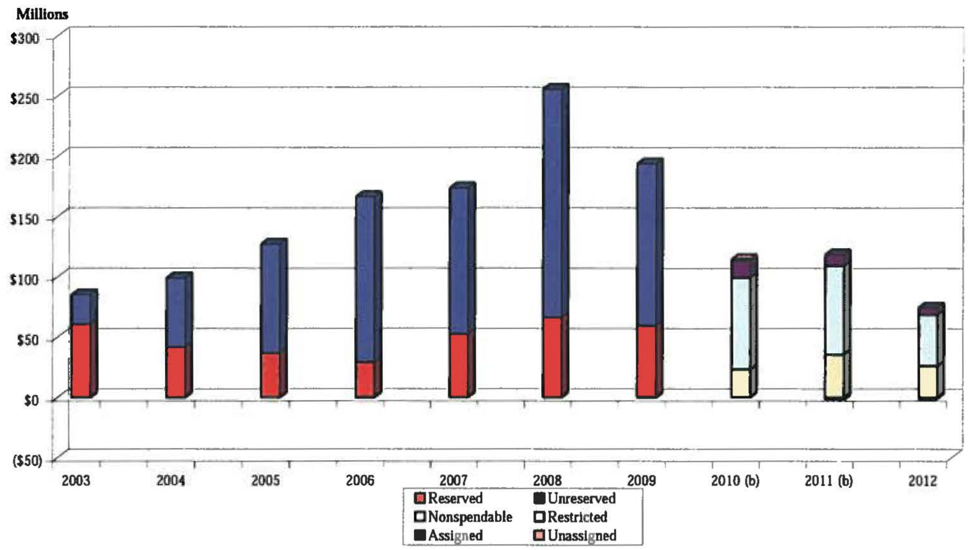
CITY OF RICHMOND
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)



	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010 (b)	2011 (b)	2012
General Fund										
Reserved	$36,921,700	$23,334,569	$17,083,473	$9,638,843	$22,090,540	$27,048,978	$24,682,489			
Unreserved	(4,420,944)	12,440,443	26,510,417	38,590,926	32,341,360	19,387,650	20,855,189			
Nonspendable								$23,360,596	$28,021,103	$25,944,325
Assigned								1,009,480	380,999	377,181
Unassigned								14,836,337	12,077,471	11,036,847
Total General Fund	$32,500,756	$35,775,012	$43,593,890	$48,229,769	$54,431,900	$46,436,628	$45,537,678	$39,206,413	$40,479,573	$37,358,353 (a)
All Other Governmental Funds										
Reserved	$24,082,816	$18,402,465	$19,734,505	$19,716,191	$30,517,337	$39,341,789	$34,982,192			
Unreserved, reported in:										
Special revenue funds	2,599,416	7,730,927	9,644,237	22,266,931	23,291,973	21,732,666	10,128,026			
Debt service funds	(32,671,008)	(1,555,799)	462,267	6,647,877	11,101,399	28,551,466	26,219,974			
Capital project funds	58,802,260	38,672,895	53,792,412	69,561,861	54,143,312	119,382,544	77,066,114			
Nonspendable								$19,160	$7,666,605	$174,067
Restricted								76,120,393	73,538,765	42,888,150
Assigned								12,925,706	8,925,705	5,147,506
Unassigned								(13,673,750)	(13,944,936)	(11,929,833)
Total all other governmental funds	$52,813,484	$63,250,488	$83,633,421	$118,192,860	$119,054,021	$209,008,465	$148,396,306	$75,391,509	$76,186,139	$36,279,890

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

(b) The City implemented the provisions of GASB Statement 54 in fiscal year 2011, and years prior to 2010 have not been restated to conform with the new regulations.

CITY OF RICHMOND
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30, 2012				
	2003	2004	2005	2006	2007
Revenues					
Property taxes	$39,816,120	$36,475,512	$48,148,871	$76,431,421	$73,983,141
Sales taxes	12,282,691	12,352,198	20,273,363	25,402,253	28,217,895
Utility user fees	23,463,409	29,322,850	29,721,091	30,199,388	27,007,410
Other taxes	10,810,643	9,421,142	13,847,030	14,690,034	12,042,215
Licenses, permits and fees	5,267,568	8,414,668	8,347,868	14,272,803	8,379,660
Developer revenue sharing				3,254,620	591,051
Fines, forfeitures and penalties	570,823	435,057	522,015	396,257	312,723
Use of money and property	9,710,818	2,628,566	2,496,624	5,149,718	6,879,814
Intergovernmental	26,727,129	15,892,578	15,980,671	16,303,188	24,439,246
Charges for services	6,775,324	6,775,449	3,864,491	4,421,803	4,488,092
Pension stabilization revenue				4,175,381	4,240,135
Settlement reimbursement				4,226,289	
Lease income	3,017,548				
Reimbursement from pension fund	3,928,959				
Rent	2,629,861	2,560,987	237,568	414,716	605,207
Other	6,184,893	23,152,932	3,191,685	3,496,107	3,009,820
Total Revenues	151,185,786	147,431,939	146,631,277	202,833,978	194,196,409
Expenditures					
Current:					
General government	17,981,557		12,871,884	18,986,723	22,646,791
Public safety	53,169,844		52,859,724	64,006,470	72,869,340
Public works			20,947,719	20,371,718	12,207,805
Highway and streets	18,345,397				
Health and sanitation					
Community development	8,556,636		4,542,606	6,306,343	5,449,106
Cultural and recreational	11,585,860		7,362,852	10,300,456	15,142,703
Housing and redevelopment	24,940,122		11,971,460	20,778,294	11,345,178
Salaries and wages		86,240,536			
General and administrative		40,886,151			
Maintenance		2,182,381			
Other	75,785	601,026			
SERAF					
Capital outlay	13,170,857	12,570,471	10,630,365	17,479,290	34,281,457
Debt service:					
Principal repayment	6,245,552	7,989,730	7,639,995	6,515,045	9,079,459
Interest and fiscal charges	13,930,315	12,102,434	9,206,783	11,257,775	10,129,575
Total Expenditures	168,001,925	162,572,729	138,033,388	176,002,114	193,151,414
Excess (deficiency) of revenues over (under) expenditures	(16,816,139)	(15,140,790)	8,597,889	26,831,864	1,044,995
Other Financing Sources (Uses)					
Transfers in	37,541,392	66,659,138	27,587,164	53,092,947	33,071,479
Transfers out	(42,657,986)	(69,609,652)	(34,410,933)	(54,131,970)	(31,800,296)
Sale of property	61,624	578,907	9,071,591	3,167,685	4,747,114
Payment to refund bond escrow agent	6,556,686				
Proceeds of long-term debt		29,145,759	17,356,100	124,111,809	
Bond Premium					
Payment to retirement plan				(113,877,017)	
Total other financing sources (uses)	1,501,716	26,774,152	19,603,922	12,363,454	6,018,297
Extraordinary Items					
Assets transferred to/liabilities assumed by Housing Successor/Successor Agency					
Total Extraordinary Items					
Net Change in fund balances	($15,314,423)	$11,633,362	$28,201,811	$39,195,318	$7,063,292
Debt service as a percentage of noncapital expenditures	13.0%	13.4%	13.2%	11.2%	11.9%

NOTE:

(a) Debt service in 2010 includes the current refunding of the 2007 Tax Allocation Bonds of $64,275,000.

(b) The Redevelopment Agency was dissolved effective January 31, 2012 and its net assets transferred to a Successor Agency.

Fiscal Year Ended June 30,				
2008	2009	2010	2011	2012
$77,764,608	$79,047,050	$63,858,143	$57,113,666	$51,964,005
29,005,711	27,922,698	25,000,182	23,025,923	27,788,339
29,553,243	48,953,004	40,298,719	50,007,806	50,984,315
8,342,809	7,959,683	6,092,050	7,824,181	6,550,828
8,164,006	6,415,896	7,598,407	7,495,563	9,393,833
201,270	51,767	138,454	101,739	55,958
312,706	359,870	481,264	474,889	536,510
10,360,029	5,278,605	1,849,884	1,031,746	932,393
18,092,672	15,753,684	21,627,513	38,605,526	36,121,561
6,026,165	5,585,383	8,517,238	9,425,484	9,204,016
4,256,500	5,292,746	2,728,314	2,728,314	2,544,175
336,617	312,096	766,017	960,661	793,144
3,407,481	11,685,170	4,766,408	6,686,908	7,142,854
195,823,817	214,617,652	183,722,593	205,482,406	204,011,931
26,022,760	19,044,304	14,412,971	15,053,928	30,303,614
86,716,916	93,507,626	95,989,053	94,269,101	87,286,248
18,121,576	20,513,373	20,997,847	23,144,011	25,555,928
5,196,860	4,334,599	7,692,545	7,655,697	5,643,542
20,814,698	16,796,528	15,137,648	14,559,213	12,183,399
22,828,774	22,049,876	12,098,783	11,767,304	6,267,418
		10,118,826	2,083,288	
62,742,853	80,466,151	25,142,692	27,189,722	28,721,772
6,300,998	9,684,582	171,714,191 (a)	14,879,506	14,312,544
15,612,543	14,038,265	21,418,597	14,559,340	11,393,091
264,357,978	280,435,304	394,723,153	225,161,110	221,667,556
(68,534,161)	(65,817,652)	(211,000,560)	(19,678,704)	(17,655,625)
184,513,795	79,414,731	49,963,245	62,507,821	38,456,022
(185,857,975)	(80,148,188)	(43,560,606)	(55,482,457)	(33,437,663)
4,287,517	5,040,000	23,300		188,489
(32,897,515)				
172,962,622		121,076,391	14,721,130	3,214,243
				109,701
143,008,444	4,306,543	127,502,330	21,746,494	8,530,792
				(33,902,636) (b)
				(33,902,636)
$74,474,283	($61,511,109)	($83,498,230)	$2,067,790	($43,027,469)
10.7%	11.1%	51.9%	14.5%	12.3%

CITY OF RICHMOND
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

(In Thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
ASSESSED VALUE [1]										
Land	$2,324,645	$2,627,744	$2,959,317	$3,418,224	$4,039,890	$4,514,200	$4,498,812	$3,541,992	$3,427,021	$3,329,164
Improvements	5,626,587	5,738,751	6,621,854	7,266,076	7,862,708	8,395,671	8,995,536	8,071,718	6,721,515	7,413,276
Total Real Property	7,951,232	8,366,495	9,581,171	10,684,300	11,902,598	12,909,871	13,494,348	11,613,710	10,148,536	10,742,440
Personal Property	522,772	558,698	563,253	538,693	572,948	333,505	632,670	683,995	671,258	681,204
TOTAL	$8,474,004	$8,925,193	$10,144,424	$11,222,993	$12,475,546	$13,243,376	$14,127,018	$12,297,705	$10,819,794	$11,423,644
EXEMPTIONS [2]										
Homeowners [a]	$116,607	$116,687	$115,580	$117,722	$111,746	$113,417	$113,296	$111,793	$110,280	$107,571
Other [b]	245,704	243,788	267,660	317,429	332,611	338,751	364,531	432,140	473,917	495,344
TOTAL	$362,311	$360,475	$383,240	$435,151	$444,357	$452,168	$477,827	$543,933	$584,197	$602,915
ASSESSED VALUE										
(Net of Exemptions)	$8,111,693	$8,564,718	$9,761,184	$10,787,842	$12,031,189	$12,791,208	$13,649,191	$11,753,772	$10,235,597	$10,820,729
Less: Redevelopment Tax Increments [3]	1,020,387	1,102,499	1,200,250	1,346,439	1,982,930	2,333,771	2,404,325	1,736,546	1,594,287	1,578,082
NET ASSESSED VALUE	$7,091,306	$7,462,219	$8,560,934	$9,441,403	$10,048,259	$10,457,437	$11,244,866	$10,017,226	$8,641,310	$9,242,647
NET INCREASE (DECREASE)	$126,096	$370,913	$1,098,715	$880,469	$606,856	$409,178	$787,429	($1,227,640)	($1,375,916)	$601,337
% OF INCREASE (DECREASE)	1.81%	5.23%	14.72%	10.28%	6.43%	4.07%	7.53%	10.92%	14%	7%
Total Direct Tax Rate (4)	0.24%	0.24%	0.37%	0.39%	0.54%	0.43%	0.43%	0.41%	0.41%	0.41%

(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.
The City of Richmond encompasses more than 92 tax rate areas.
See Property Tax Rates statistics for additional information.

Source: County of Contra Costa, Office of the Auditor-Controller
HdL reports

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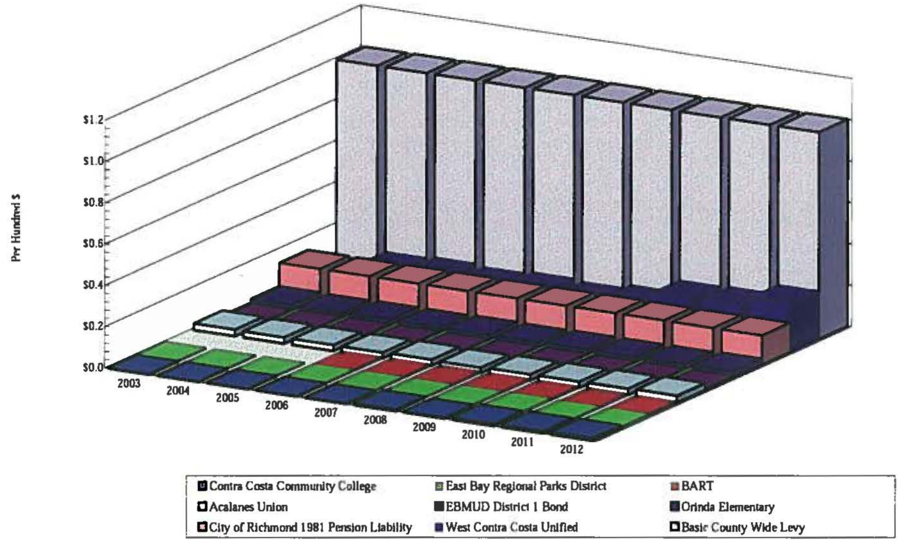
CITY OF RICHMOND
PROPERTY TAX RATES
ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS



Fiscal Year	Basic County Wide Levy (1)	City of Richmond 1981 Pension Liability (2)	BART	East Bay Regional Parks District	Acalanes Union	East Bay MUD Dist. 1 Bond	Orinda Elementary	West Contra Costa Unified	Contra Costa Community College	Total Direct & Overlapping Tax Rates (3)
2003	$1.00000	$0.14000		$0.00650	$0.03240	$0.00840	$0.02720	$0.05260	$0.00400	$1.27110
2004	1.00000	0.14000		0.00570	0.03020	0.00790	0.02310	0.10640	0.00380	1.31710
2005	1.00000	0.14000		0.00570	0.02900	0.00760	0.02470	0.11530	0.00420	1.32650
2006	1.00000	0.14000	$0.00480	0.00570	0.02790	0.00720	0.02360	0.10410	0.00470	1.31800
2007	1.00000	0.14000	0.00500	0.00850	0.02920	0.00680	0.02590	0.11430	0.00430	1.33400
2008	1.00000	0.14000	0.00760	0.00800	0.02590	0.00650	0.02370	0.10350	0.01080	1.32600
2009	1.00000	0.14000	0.00900	0.01000	0.02890	0.00640	0.02470	0.12300	0.00660	1.34860
2010	1.00000	0.14000	0.00570	0.01080	0.02980	0.00650	0.02360	0.18280	0.01260	1.41180
2011	1.00000	0.14000	0.00310	0.00840	0.03110	0.00670	0.02440	0.18690	0.01330	1.41390
2012	1.00000	0.14000	0.00410	0.00710	0.03330	0.00670	0.02740	0.23220	0.01440	1.46520

NOTES:

(1) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

(2) Voter approved debt.

(3) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

(4) City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest next taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.

(5) RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California state statute. RDA direct and overlapping rates are applied only to the incremental property values.

(6) Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

Source: County of Contra Costa, Office of the Auditor-Controller

City's Share of 1% Levy Per Prop 13 (4)	General Obligation Debt Rate	Redevelopment Rate (5)	Total Direct Rate (6)
$0.00274	$0.14000	$1.14650	$0.23908
0.00274	0.14000	1.14570	0.24212
0.28784	0.14000	1.14570	0.37246
0.28784	0.14000	1.14570	0.38727
0.28784	0.14000	1.14850	0.53811
0.28784	0.14000	1.14800	0.42849
0.28784	0.14000	1.15000	0.43216
0.28784	0.14000	1.15080	0.40770
0.28784	0.14000	1.14840	0.41395
0.28784	0.14000	1.14710	0.40618

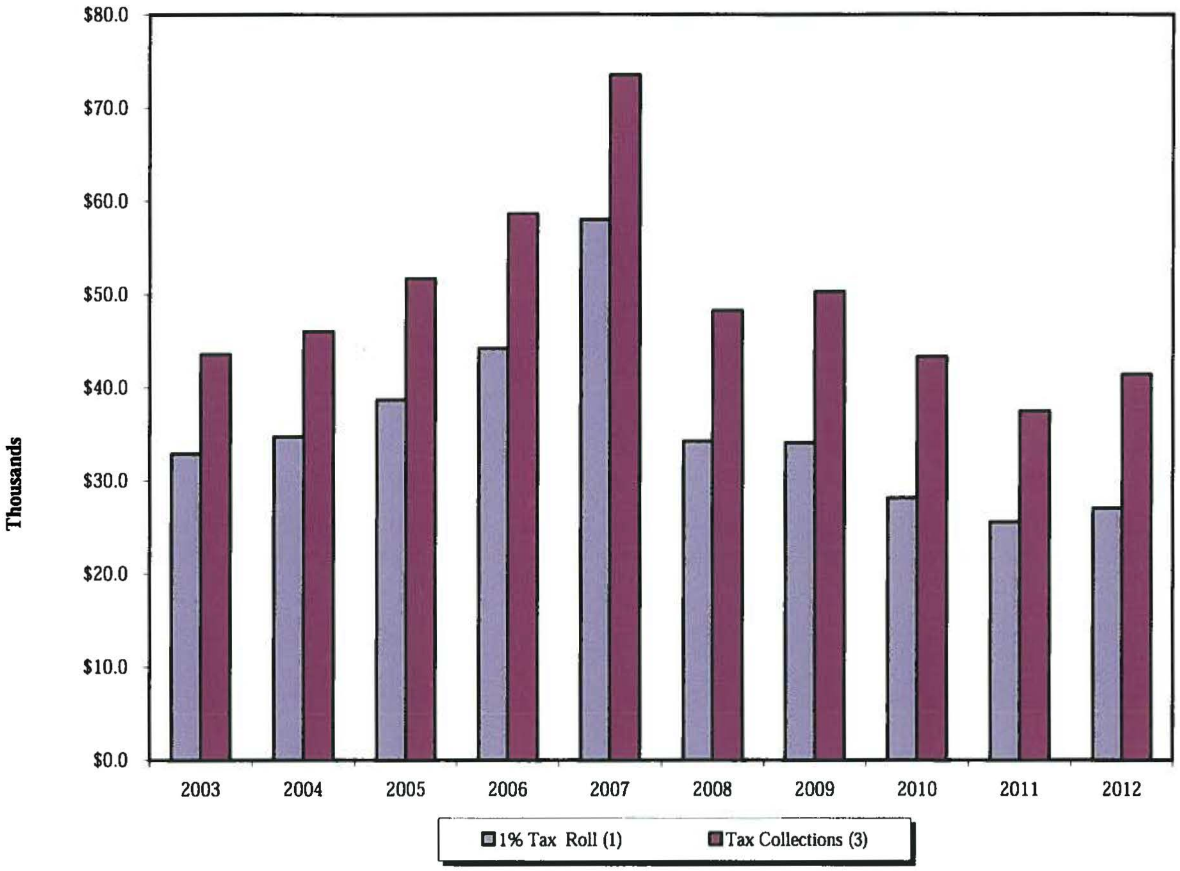
CITY OF RICHMOND
Principal Property Tax Payers
Current Year and Nine Years Ago
(In Thousands)

Taxpayer	Type of Business	2011-12 Taxable Assessed Value	2011-12 Rank	2011-12 Percentage of Total City Taxable Assessed Value	2002-03 Taxable Assessed Value	2002-03 Rank	2002-03 Percentage of Total City Taxable Assessed Value
Chevron USA	Industry	$3,143,118	1	29.05%	$2,186,096	1	26.95%
Guardian of KW Hilltop LLC	Residential	101,778	2	0.94%	N/A		N/A
Kaiser Foundation Hospitals	Residential	70,302	3	0.65%	N/A		N/A
Richmond Associates	Institutional	65,002	4	0.60%	59,896	4	0.74%
Berlex Laboratories, Inc.	Industrial	60,228	5	0.56%	134,125	2	1.65%
BP West Coast Products	Residential	58,405	6	0.54%	N/A		N/A
Richmond Essex LP	Commercial	47,694	7	0.44%	30,974	9	0.38%
Cherokee Simeon Venture LLC	Commercial	46,605	8	0.43%	N/A		N/A
Auto Warehousing Company	Residential	44,748	9	0.41%	N/A		N/A
Pacific Atlantic Terminals LLC	Industrial	43,478	10	0.40%	N/A		N/A
Dicon Fiberoptics Inc	Industrial	N/A		N/A	74,899	3	0.92%
Watch Holdings LLC	Residential	N/A		N/A	55,014	5	0.68%
Burnham Pacific Operating Partners	Residential	N/A		N/A	47,444	6	0.58%
Security Capital Pacific Trust	Commercial	N/A		N/A	43,688	7	0.54%
Krispra Investment Limited	Industrial	N/A		N/A	32,834	8	0.40%
Atlantic Richfield Company	Industrial	N/A		N/A	30,218	10	0.37%
Subtotal		$3,681,358		34.02%	$2,695,188		37.41%

Total Net Assessed Valuation:	
Fiscal Year 2011-2012	$10,820,729
Fiscal Year 2002-2003	$8,111,693

Source: Contra Costa County Assessor Fiscal Year Combined Tax Rolls.

CITY OF RICHMOND
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(In Thousands)

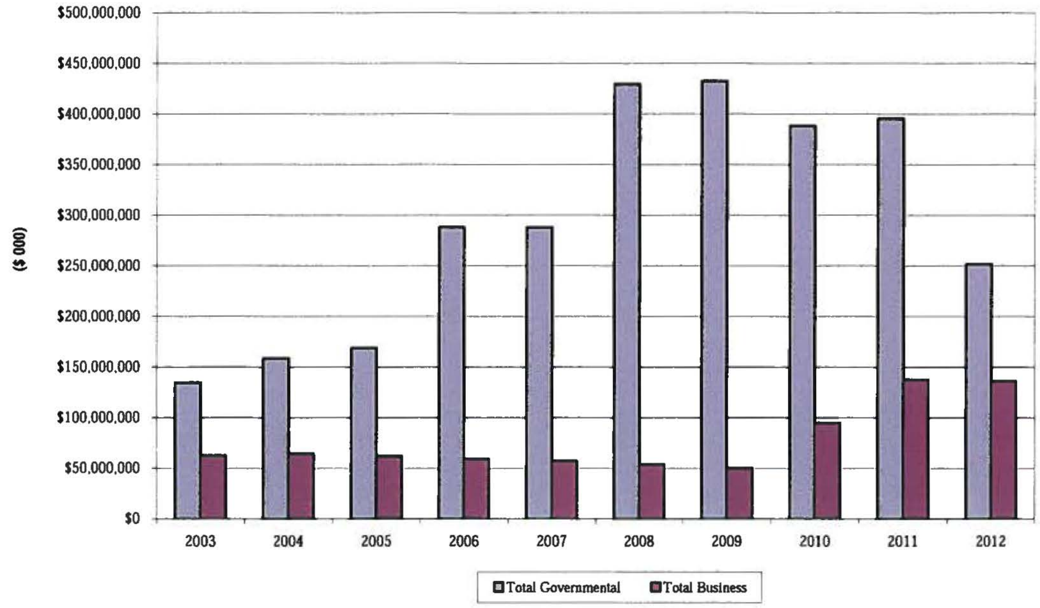


Fiscal Year	1% Tax Roll (1)	Voter Approve Debt Tax Rolls (2)	Total Tax Collections (3)	Percent of Total Tax Collections to Tax Levy
2003	$32,890	$10,656	$43,546	100%
2004	34,721	11,282	46,003	100%
2005	38,687	13,009	51,696	100%
2006	44,209	14,426	58,635	100%
2007	58,024	15,473	73,497	100%
2008	34,269	13,983	48,252	100%
2009	34,096	16,172	50,268	100%
2010	28,147	15,155	43,302	100%
2011	25,573	11,900	37,473	100%
2012	27,042	14,377	41,419	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



Fiscal Year	Governmental Activities: Tax Allocation Bonds	Pension Obligation Bonds	Revenue Bonds	Loans and Notes Payable		Capital Leases	Total
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
2011	125,899,530	153,589,314	87,906,545	20,723,084		7,022,284	395,140,757
2012	(B)	155,060,554	87,526,545	635,646	(B)	8,523,072	251,745,817

Fiscal Year	Business-Type Activities: Wastewater Revenue Bonds	Port Lease Revenue Bonds	Loans and Notes Payable	Total	Total Primary Government	Percentage of Personal Income (A)	Per Capita (A)
2003	$39,422,497	$13,273,027	$9,704,142	$62,399,666	$197,209,429	9.62%	$1,954
2004	39,903,191	11,989,189	12,543,740	64,436,120	222,965,194	10.63%	2,205
2005	39,218,632	10,650,351	11,877,513	61,746,496	230,514,561	10.48%	2,268
2006	38,516,264	9,251,513	11,195,682	58,963,459	347,165,507	15.09%	3,393
2007	41,857,327	7,782,675	7,419,009	57,059,011	344,974,276	14.20%	3,376
2008	42,152,480	5,933,813	5,427,429	53,513,722	482,967,537	18.98%	4,675
2009	41,934,902	3,203,312	4,971,846	50,110,060	482,399,002	18.70%	4,643
2010	41,416,658	49,015,199	4,501,732	94,933,589	483,215,633	19.08%	4,620
2011	84,893,408	48,683,747	4,016,617	137,593,772	532,734,529	21.12%	5,043
2012	84,246,892	48,252,294	3,516,009	136,015,195	387,761,012	15.26%	3,697

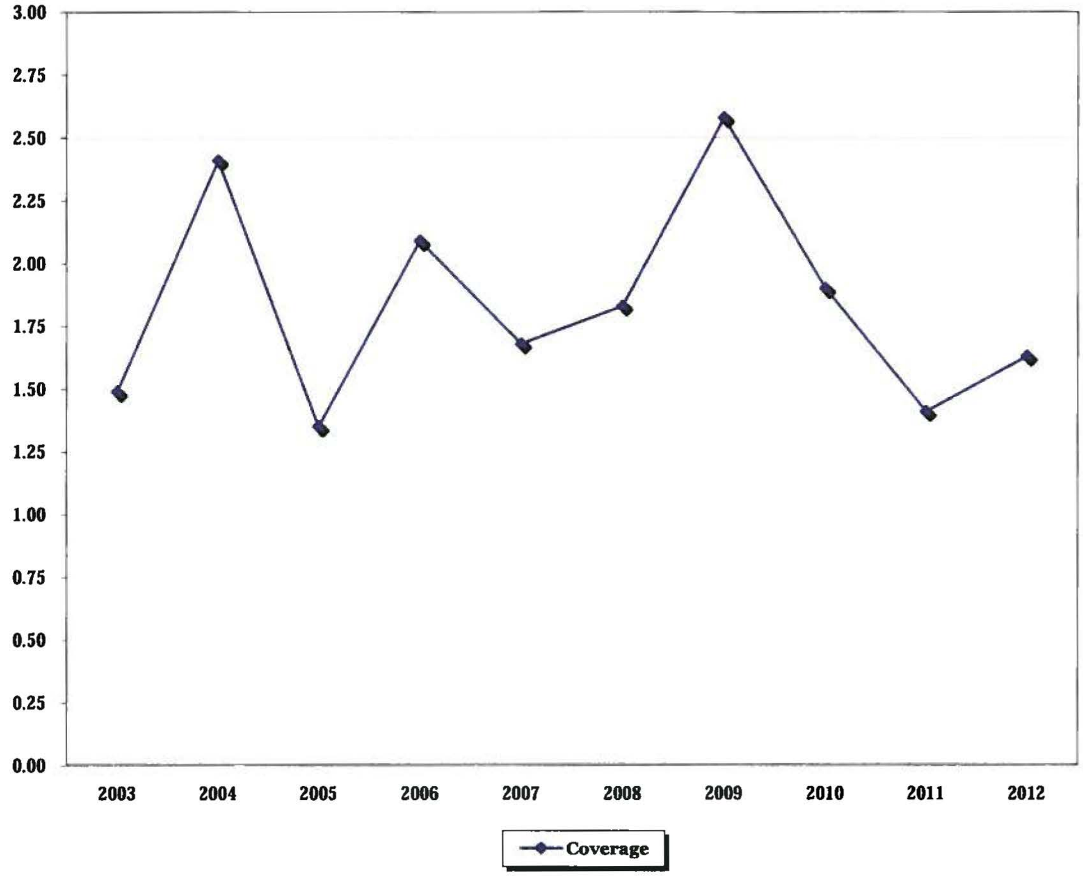
Notes: Debt amounts exclude any premiums, discounts, or other amortization amounts.

(A) See Demographic Statistics for personal income and population data.

(B) Due to the dissolution of the Redevelopment Agency, the Tax Allocation Bonds and the Loans and Notes Payable that were related to the Redevelopment Agency were transferred to the Successor Agency as of February 1, 2012 and are no longer governmental commitments.

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, 2008, 2010A AND 2010B WASTEWATER REVENUE BONDS
LAST TEN FISCAL YEARS

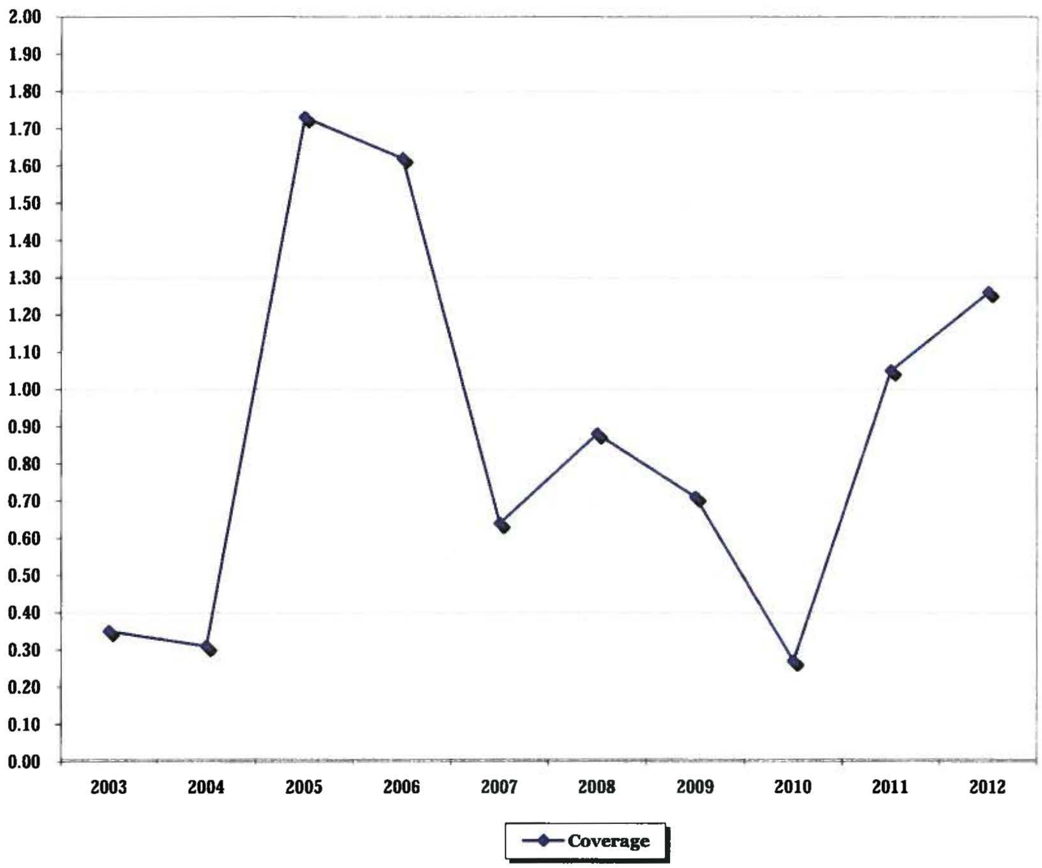


Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
2003	$10,163,012	$7,727,467	$2,435,545	$75,000	$1,557,874	$1,632,874	1.49
2004	11,825,418	7,715,459	4,109,959	150,000	1,552,811	1,702,811	2.41
2005	10,180,595	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
2011	17,399,624	9,154,788	8,244,836	905,000	4,943,042	5,848,042	1.41
2012	17,697,208	8,956,411	8,740,797	975,000	4,399,406	5,374,406	1.63

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, 2007 AND 2009 PORT TERMINAL LEASE REVENUE BONDS, NOTE
AND POINT POTRERO LEASE REVENUE BONDS
LAST TEN FISCAL YEARS

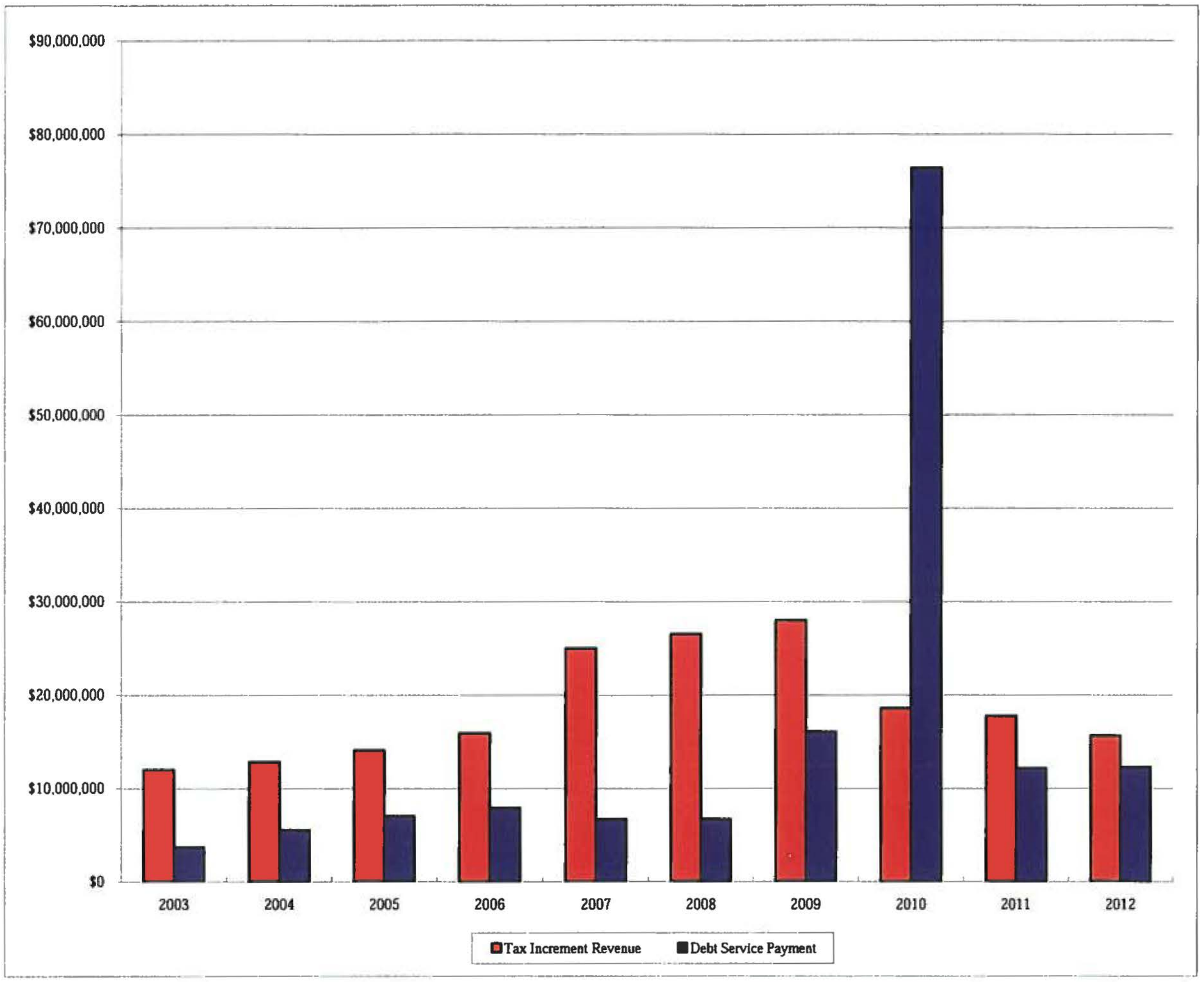


				Debt Service Requirements			
Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
2003	$2,319,180	$1,618,331	$700,849	$1,235,000	$739,776	$1,974,776	0.35
2004	2,491,147	1,879,276	611,871	1,290,000	686,057	1,976,057	0.31
2005	5,944,719	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
2011	6,357,466	2,035,968	4,321,498	405,000	3,728,541	4,133,541	1.05
2012	7,822,496	2,931,799	4,890,697	505,000	3,381,546	3,886,546	1.26

Notes: (1) Includes all Port of Richmond Operating Revenues and Non-operating Interest Revenue excluding Derivative Investment Interest
(2) Includes all Port of Richmond Operating Expenses less Depreciation

Source: City of Richmond Annual Financial Statements

CITY OF RICHMOND
BONDED DEBT PLEDGED REVENUE COVERAGE
TAX ALLOCATION BONDS (1)
LAST TEN FISCAL YEARS

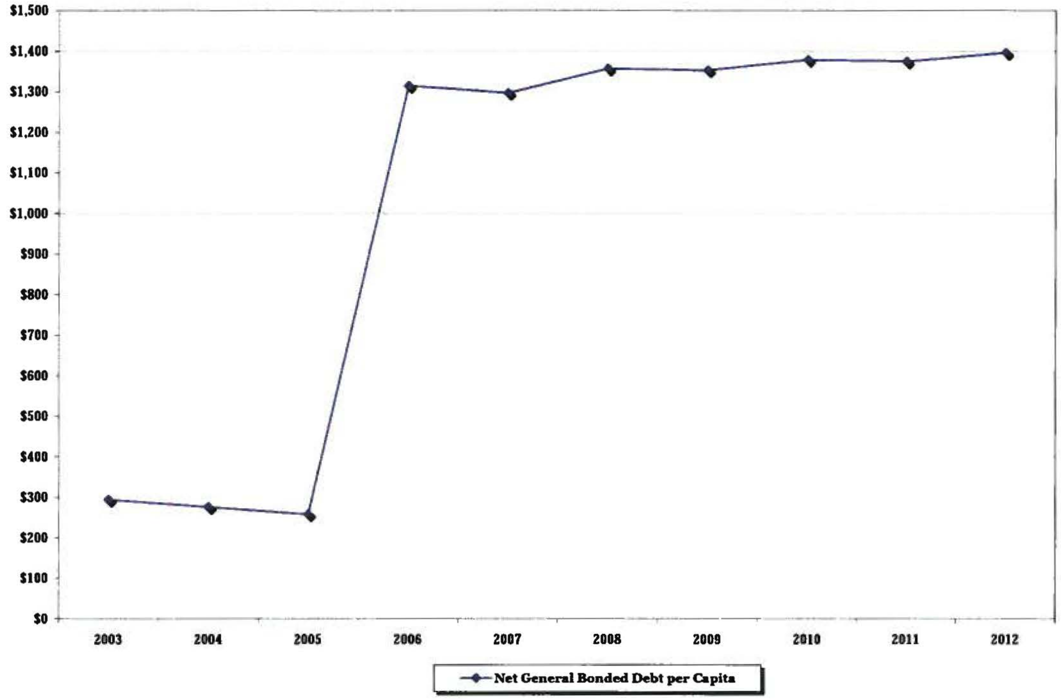


Fiscal Year	Tax Increment Revenue		Debt Service Requirements Principal		Interest	Total	Coverage
2003	$12,010,629		$895,000		$2,794,504	$3,689,504	3.26
2004	12,835,207		2,035,000		3,491,256	5,526,256	2.32
2005	14,065,091		2,610,000		4,404,180	7,014,180	2.01
2006	15,925,961		3,075,000		4,817,908	7,892,908	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
2011	17,743,295		6,225,000		5,905,703	12,130,703	1.46
2012	15,619,530	(3) (4)	6,285,000		5,972,529	12,257,529	1.27

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
(3) The Redevelopment Agency was dissolved effective January 31, 2012, and its liabilities were assumed by a Successor Agency. Amounts reported here include tax revenue and debt service of both the former Redevelopment Agency and the Successor Agency.
(4) Beginning in fiscal year 2012, tax increment reported in this table is the amount calculated by the County Auditor-Controller. Under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations.

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	Restricted Cash and Investments (2)	Net Bonds Outstanding	Net Assessed Value of Property	Ratio of General Bonded Debt to Net Assessed Value of Property	Net General Bonded Debt per Capita
2003	$29,660,000		$29,660,000	$7,091,306,000	0.42%	$294
2004	27,945,000		27,945,000	7,462,219,000	0.37%	276
2005	26,225,000		26,225,000	8,560,934,000	0.31%	258
2006	140,799,775	$6,288,686	134,511,089	9,441,403,000	1.42%	1,315
2007	143,575,313	11,013,589	132,561,724	10,048,259,000	1.32%	1,297
2008	146,453,616	6,291,336	140,162,280	10,457,437,000	1.34%	1,357
2009	150,493,392	9,916,755	140,576,637	11,244,866,000	1.25%	1,353
2010	152,059,727	7,841,951	144,217,776	10,017,226,000	1.44%	1,379
2011	153,589,314	8,314,362	145,274,952	8,641,310,346	1.68%	1,375
2012	155,060,554	8,617,952	146,442,602	9,242,647,000	1.58%	1,396

Note: (1) Includes the 1999 Bonds issued in fiscal year 2000, and the 2005 Bonds issued in fiscal year 2006.
(2) Restricted cash is being held with the City's fiscal agent, Union Bank, and is restricted for the payment of the bonds.

Source: City of Richmond Annual Financial Statements

CITY OF RICHMOND
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2012

2011-2012 Assessed Valuation:	$10,928,282,886
Redevelopment Incremental Valuation:	1,578,081,564
Adjusted Assessed Valuation:	$9,350,201,322

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt June 30, 2012	% Applicable (1)	City's Share of Debt June 30, 2012
Bay Area Rapid Transit District	$412,540,000	2.144%	$8,844,858
Contra Costa Community College District	223,985,000	7.512%	16,825,753
West Contra Costa Unified School District	822,568,849	54.194%	445,782,962
West Contra Costa Healthcare District Parcel Tax Obligations	61,645,000	48.260%	29,749,877
East Bay Municipal Utility District, Special District No. 1	21,650,000	0.850%	184,025
East Bay Regional Park District	129,525,000	3.331%	4,314,478
City of Richmond Community Facilities District No. 1998-1	3,420,000	100%	3,420,000
City of Richmond 1915 Act Bonds	19,530,000	100%	19,530,000
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT			528,651,953
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Contra Costa County General Fund Obligations	$301,690,976	7.478%	$22,560,451
Contra Costa County Pension Obligations	358,495,000	7.478%	26,808,256
Alameda-Contra Costa Transit District Certificates of Participation	34,485,000	6.619%	2,282,562
Contra Costa Community College District Certificates of Participation	855,000	7.512%	64,228
West Contra Costa Unified School District Certificates of Participation	8,415,000	54.194%	4,560,425
City of Richmond General Fund Obligations	**135,995,000**	**100%**	**135,995,000**
City of Richmond Pension Obligations	**113,260,133**	**100%**	**113,260,133**
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			305,531,055
Less: Contra Costa County general fund obligations supported by revenue funds			8,470,166
City of Richmond obligations supported from port revenues			**49,776,550**
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			247,284,339
TOTAL GROSS DIRECT DEBT			**249,255,133**
TOTAL NET DIRECT DEBT			**199,478,583**
TOTAL GROSS OVERLAPPING DEBT			584,927,875
TOTAL NET OVERLAPPING DEBT			576,457,709
GROSS COMBINED TOTAL DEBT			$834,183,008 (2)
NET COMBINED TOTAL DEBT			$775,936,292

(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 2011-12 Assessed Valuation:	
Total Net Overlapping Tax and Assessment Debt	4.84%

Ratios to Adjusted Assessed Valuation:	
Gross Combined Direct Debt ($249,255,133)	**2.67%**
Net Combined Direct Debt ($199,478,583)	**2.13%**
Combined Total Debt	8.92%
Net Combined Total Debt	8.30%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: $0

Source: HdL Coren & Cone, Contra Costa County Assessor and Auditor

CITY OF RICHMOND
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2012

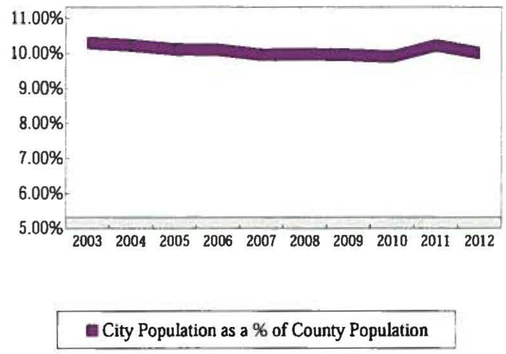
ASSESSED VALUATION:		
Secured property assessed value, net of exempt real property	$10,820,729,000	
BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)		$405,777,338
AMOUNT OF DEBT SUBJECT TO LIMIT:		
Total Bonded Debt	$0	
Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	0	
Amount of debt subject to limit		0
LEGAL BONDED DEBT MARGIN		$405,777,338

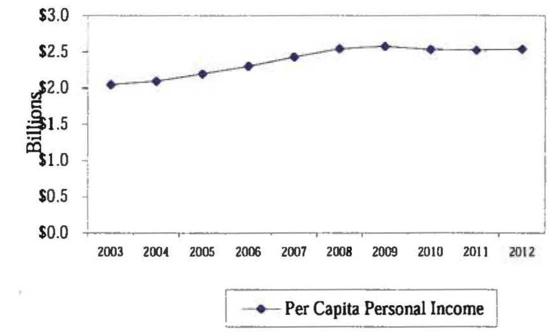
Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2003	$304,188,488	$0	$304,188,488	0.00%
2004	321,176,925	0	321,176,925	0.00%
2005	366,044,400	0	366,044,400	0.00%
2006	404,544,075	0	404,544,075	0.00%
2007	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%
2011	383,834,888	0	383,834,888	0.00%
2012	405,777,338	0	405,777,338	0.00%

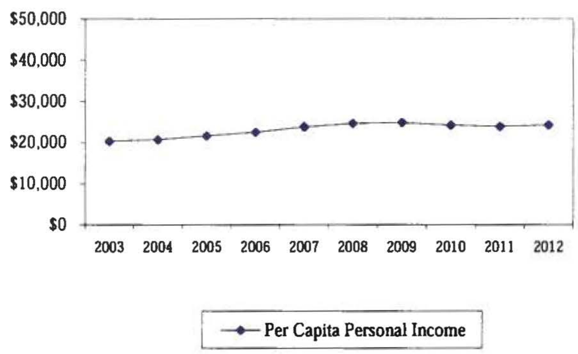
NOTE:

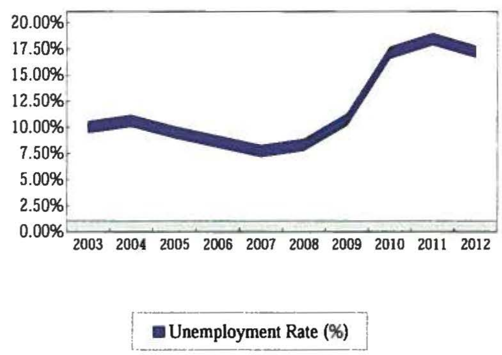
(a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of 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
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	9.94%
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%
2011	105,630	2,522,550,000	23,881	17.9%	1,049,025	10.07%
2012	104,887	2,540,888,000	24,225	16.7%	1,065,117	9.85%

Source: HDL Coren & Cone

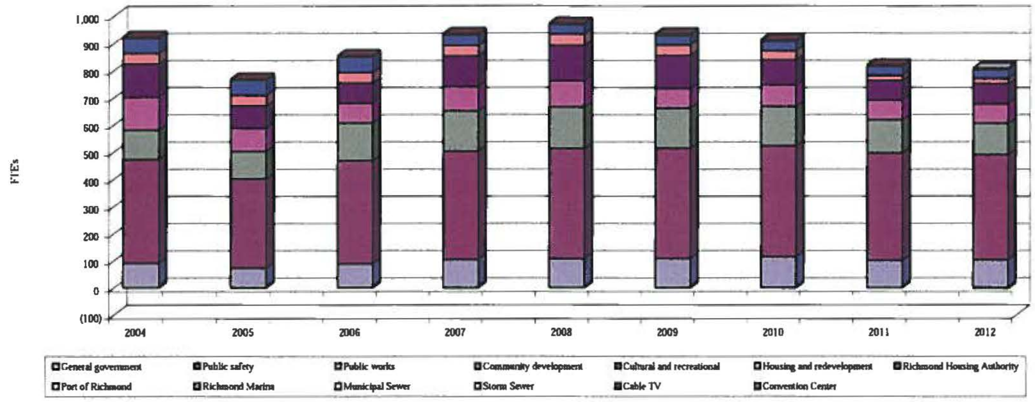
CITY OF RICHMOND
Principal Employers
Current Year

	2011-12		
Employer	Number of Employees	Rank	Percentage of Total City Employment
Chevron Refinery	1,950	1	1.9%
West Contra Costa Unified School District	1,580	2	1.5%
Social Security Administration	1,259	3	1.2%
U.S. Postal Service	1,047	4	1.0%
Contra Costa County	844	5	0.8%
City of Richmond	771	6	0.7%
Kaiser Permanente	677	7	0.6%
Bio-RAD Laboratories	473	8	0.5%
Michael Stead Auto Depot & Sales	472	9	0.5%
Walmart	400	10	0.4%
Dicon Fiberoptics	400	10	0.4%
Subtotal	9,873		9.4%
Total City Day Population	104,887		

Source: City of Richmond Community Development Department

Notes: Data for fiscal year 2002/03 is not available

CITY OF RICHMOND
Full-Time Equivalent City Government Employees by Function
Last Nine Fiscal Years



	Adopted for Fiscal Year Ended June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function									
General government	89.0	71.5	87.2	104.0	105.5	107.2	113.2	100.2	101.7
Public safety	382.0	327.0	378.5	396.5	405.0	405.0	407.0	394.0	386.0
Public works	109.0	103.0	139.5	150.0	154.0	149.0	146.0	123.0	116.0
Community development	120.9	84.9	73.0	88.0	96.0	71.0	80.0	72.0	71.0
Cultural and recreational	121.6	80.8	74.4	113.2	130.4	121.5	91.2	72.2	73.8
Housing and redevelopment	38.2	39.2	39.0	39.0	41.0	40.0	34.0	19.0	19.6
Richmond Housing Authority and RHA Properties	56.0	56.0	56.0	36.5	34.0	33.0	33.0	32.0	32.0
Port of Richmond	6.1	5.1	5.0	6.0	6.0	7.0	7.0	6.0	6.0
Richmond Marina	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Municipal Sewer	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Storm Sewer	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Cable TV	(1)	(1)	(1)	(1)	(1)	(1)	(3)	(3)	(3)
Convention Center	(1)	(1)	(1)	(2)	(2)	(2)	(3)	(3)	(3)
Total	922.80	767.50	852.60	933.20	971.90	933.70	911.40	818.40	806.10

Source: City of Richmond Budget
Notes:
Data prior to fiscal year 2004 is 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

	2005	2006	2007	2008	2009	2010	2011	2012
Function/Program								
Public safety:								
Fire:								
Fire calls for service	10,068	10,068	11,006	10,677	9,861	11,723	12,237	12,770
Primary fire inspections conducted	5,502	5,502	9,795	5,581	6,201	5,752	5,055	1,071
Number of firefighters	77.5	93	99	99	98	109	83	85
Number of firefighters and civilians per thousand population	0.8	0.9	1.0	1.0	1.1	1.0	1.2	0.8
Police:								
Number of police officers per thousand population	1.6	1.7	1.7	1.7	1.7	1.9	1.7	1.8
Number of sworn officers	164	179	179	187	176	200	188	191
Water								
Daily average consumption in gallons per family	250	250	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

	2006	2007	2008	2009	2010	2011	2012
Function/Program							
Public safety:							
Fire stations	7	7	7	7	7	7	7
Police stations	6	6	6	6	6	4	4
Library (#) of Locations	1	1	3 *	3	3	3	3
(* two branch library sites were refurbished and opened in January 2008)							
Public works							
Miles of streets	280	280	280	280	280	280	280
Street lights	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Urban Forest (trees)	39,900	40,200	40,200	40,200	40,757	41,293	41,562
Culture and recreation:							
Community services:							
City parks	53	55	55	55	55	55	55
City parks acreage	280.0	336.6	336.6	336.6	336.6	336.6	336.6
Open Space & Public Landscapes acreage	562.0	510.0	510.0	510.0	510.0	510.0	510.0
Lawn bowling	1	1	1	1	1	1	1
Recreation centers	8	8	8	8	8	8	8
Auditorium/Theater	1	1	1	1	1	1	1
Gymnasiums	3	3	3	3	3	3	3
Senior centers	2	2	2	2	2	2	2
Headstart centers/day cares	10	6	6	6	6	6	6
Putting green	1	1	1	1	1	1	1
Basketball courts	28	28	28	28	28	28	28
Swimming pools	1	1	1	1	1	2	2
Tennis courts	17	20	20	20	20	20	20
Baseball/softball diamonds	26	26	26	26	26	26	26
Soccer/football fields	17	17	17	17	17	17	17
Cricket fields	2	2	2	2	2	2	2
Water							
Fire hydrants	3,153	3,153	3,153	3,153	3,153	3,153	3,153
Wastewater							
Miles of sanitary sewers	230	230	230	230	230	230	230
Miles of storm sewers	310	310	310	310	310	310	310
Land Area (square miles)	33.7	33.7	33.7	33.7	33.7	33.7	33.7
Miles of waterfront	32	32	32	32	32	32	32

Source: City of Richmond
Note: Data prior to 2006 is not available

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APPENDIX C

CITY INVESTMENT POLICY

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
2013-14 Tax and Revenue Anticipation Notes, Series A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Richmond (the “City”) in connection with the issuance of $12,100,000 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 September 17, 2013, (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, 2013-14 Tax and Revenue Anticipation Notes, Series A” (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 letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used 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) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the 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, liquidated damages, penalty (including any remedy deemed to constitute a penalty), arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. 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, although we observe that it 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 $12,100,000 aggregate principal amount of its City of Richmond, California 2013-14 Tax and Revenue Anticipation Notes, Series A (the "Notes") pursuant to a Resolution authorizing the issuance of the Notes adopted by the City Council on September 17, 2013 (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 December 2, 2013 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: December 3, 2013

CITY OF RICHMOND

By:______________________________
Finance Director

WILLDAN FINANCIAL SERVICES,
as Dissemination Agent

By:______________________________
Authorized Officer

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 Series A Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series A Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series A 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 Series A Notes. The Series A 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 Series A 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTTC is owned by users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series A Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series A Notes on DTC's records. The ownership interest of each actual purchaser of each Series A 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 Series A 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 Series A Notes, except in the event that use of the book-entry system for the Series A Notes is discontinued.

To facilitate subsequent transfers, all Series A 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 Series A 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 Series A Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series A 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 Series A Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series A Notes, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of the Series A Notes may wish to ascertain that the nominee holding the Series A 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.

Redemption notices shall be sent to DTC. If less than all of the Series A Notes within a maturity are being redeemed. DTC's practice is to determine by lot the amount of the interest of each Direct Participant in each issue to be redeemed.

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

Redemption proceeds, distributions, and dividend payments on the Series A 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 Issuer or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to Remarketing

Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Remarketing Agent's DTC account.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.