

October 28, 2009

Summary:

**Richmond Joint Powers Financing
Authority, California
Richmond; Appropriations; General
Obligation; Insured Liquidity**

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Credit Profile		
US\$84.39 mil lse rev Rfndg bnds (Richmond) (Civic Ctr) ser 2009 due 08/01/2037		
<i>Long Term Rating</i>	A/Stable	New
Richmond ICR		
<i>Long Term Rating</i>	A+/Stable	Affirmed
Richmond Jt Pwrs Fin Auth, California		
Richmond, California		
Richmond Jt Pwrs Fin Auth lse rev bnds rfdg (Civic Ctr Fincg) ser 2007		
<i>Long Term Rating</i>	A/NR/Stable	Affirmed
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Affirmed
Richmond Jt Pwrs Fin Auth (Richmond) lse rev bnds (Point Potrero) ser 2009A		
<i>Long Term Rating</i>	A/Stable	Affirmed
Richmond Jt Pwrs Fin Auth (Richmond) taxable lse rev bnds (Point Potrero) ser 2009B		
<i>Long Term Rating</i>	A/Stable	Affirmed
Many issues are enhanced by bond insurance.		

Rationale

Standard & Poor's Ratings Services assigned an 'A' long-term rating to Richmond Joint Powers Financing Authority, Calif.'s Civic Center Project refunding lease revenue bonds, series 2009 issued on behalf of the city of Richmond. At the same time, Standard & Poor's affirmed the city's 'A+' issuer credit rating and 'A' underlying rating on its outstanding lease revenue bonds.

The ratings reflect our opinion of the city's:

- General creditworthiness as lessee; and
- Lease structure, which includes a covenant to budget and appropriate annual lease payments.

Lease payments from the city to the Richmond Joint Powers Financing Authority for use of the civic center building secure the bonds. The city may abate lease payments in the event of damage to or destruction of the leased assets. To mitigate the risk of abatement in such a case, the city agrees under the facility lease agreement, to maintain rental interruption insurance sufficient to pay rent for at least two years. The indenture for the bonds also includes a debt service reserve funded at the lesser of 10% of principal, 125% annual debt service, or maximum annual debt service. We understand that bond proceeds will be used to refund the city's outstanding series 2007 lease revenue bonds.

The ratings also reflect our opinion of the city's:

- Significant local job base, as well as access to broad employment opportunities throughout the Bay Area;
- Consistently very strong reserve levels despite a one-time drawdown in fiscal 2008;
- Demonstrated ability to adjust its expenditures to offset revenue declines following state funding shortfalls and an economic downturn; and
- Strong financial management policies.

Offsetting credit factors include our opinion of the city's:

- Moderately concentrated tax base, with the 10 leading taxpayers representing 36% of fiscal 2010 assessed value (AV), and the largest taxpayer, a refinery run by Chevron USA, representing 27% of AV;
- Declining AV with a 16% decline for fiscal 2010; and
- High debt burden at \$6,798 per capita or a more moderate 6% of AV.

Richmond (population 103,156) is located on the northeastern shore of the San Francisco Bay in Contra Costa County, about 16 miles northeast of downtown San Francisco. The city is an important oil refining, industrial and commercial, transportation, shipping, and government center, and includes a multiterminal shipping port on San Francisco Bay. Residents benefit from Richmond's proximity to job centers in Oakland, San Francisco, and throughout the Bay Area. In addition, local employment opportunities include the port and related transportation industries and Chevron's oil refinery, research, and chemical businesses. We consider income indicators to be adequate to good, with median household and per capita effective buying income at 106% and 89% of the U.S. averages, respectively in 2008. The city unemployment rate has historically tracked above state and national averages, and stood at 17.9% (seasonally unadjusted) for September 2009.

AV declined 16% in fiscal 2010 to \$11.7 billion following a 0.2% decrease in fiscal 2009 and a 13% increase in fiscal 2008. According to DQNews, Richmond's median home sale price as of August 2009 was about \$140,000, down approximately 21% from the prior year. In our opinion, the city's tax base is moderately concentrated, with the 10 leading taxpayers representing 36% of fiscal 2010 AV. Chevron USA is by far the largest taxpayer, making up about 27% of secured AV.

For fiscal 2009, unaudited results show a \$2.1 million general fund surplus on a \$129 million operating budget following a series of expenditure reductions including a hiring freeze and the elimination of several vacant positions. Its unreserved general fund balance is estimated to remain, in our view, a very strong 19% of budgeted expenditures (\$24 million). Management reports that the city will fully offset the state's borrowing of \$3.6 million in property tax collections under Proposition 1A through a pooled property tax securitization program in January. The city revised its fiscal 2010 budget this month to reflect the decline in property taxes related to its AV decline as well as an additional \$4 million in departmental cuts. The city projects it will end fiscal 2010 with balanced general fund operations.

In our view, after experiencing significant financial and operating difficulties in fiscals 2002 through 2004, the city has continued to make substantial progress with building up its reserve levels, collecting receivables, and restoring services from substantially reduced levels. The city finished fiscal 2008 with a \$15.5 million general fund deficit after transfers, which reduced its total general fund balance to \$46.4 million. The unreserved portion equaled \$19.4 million, or what we consider a still strong 15% of general fund expenditures. Management reports that the deficit was largely due to one-time spending related to the relocation of its police department as well as higher than projected police overtime costs, and some ongoing costs related to restoring its safety, cultural, and recreational

programs.

Richmond's financial management is considered "strong" under Standard & Poor's Financial Management Assessment (FMA) methodology. Under our framework, an FMA of strong indicates our view that practices are strong, well embedded, and likely sustainable.

In our opinion, the city's overall debt burden is currently a high \$6,798 per capita and a moderate 6% of fiscal 2010 AV. However, we understand that the city has no near-term plans for additional debt. Management reports that it plans to keep the city's original swap (related to its series 2007 issuance) in place, but will likely enter into a new fixed receiver swap overlay with Royal Bank of Canada ('AA-'/stable) under the current proposed refunding. Under the original swap, the city receives 68% of LIBOR and pays a fixed rate of 3.657%. Under the proposed fixed receiver swap structure, the city will receive a fixed rate of 3.15% with a swap term of 27 years.

Outlook

The stable outlook reflects our expectation that Richmond will maintain at least balanced general fund operations through a period of softening sales and property tax revenues. The outlook also takes into account our view of the city's build up of a very strong financial position as well as its role as a regional job center, with access to employment throughout the Bay Area.

Related Research

- USPF Criteria: "GO Debt," Oct. 12, 2006
- USPF Criteria: "Appropriation-Backed Obligations," June 13, 2007

Complete ratings information is available to RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Ratings in the left navigation bar, select Find a Rating.

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