July 2, 2010

City of Richmond
Richmond City Hall
P.O. Box 4046
1401 Marina Way South
Richmond, CA 94804
Attention: Mr. James C. Goins, Finance Director and Treasurer

Re: US$10,900,000 City of Richmond, California, Tax & Revenue Anticipation Notes, Series 2010-11, dated: Date of Delivery, due: July 14, 2011

Dear Mr. Goins:

Pursuant to your request for a Standard & Poor’s rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed Terms and Conditions, have assigned a rating of “SP-1+”. Standard & Poor’s views the outlook for this rating as not meaningful. A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an “expert” under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a “market rating” nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor’s permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor’s reserves the right to inform its own clients, subscribers, and the public of the rating.

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To maintain the rating, Standard & Poor’s must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would
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Please send all information to:
Standard & Poor’s Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

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Sincerely yours,

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vb
enclosures
cc: Mr. Bill Lindsay
Ms. Jean Buckley
Standard & Poor’s Ratings Services
Terms and Conditions Applicable To Ratings

You understand and agree that:

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maintained by any agency of the United States Government or of any other jurisdiction in which you or the issuer or
any of your or the issuer’s group of companies are doing business, including but not limited to the List of Specially
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Entire Agreement. Nothing in this Agreement shall prevent Ratings Services from acting in accordance with
applicable laws, regulations and Ratings Services’ policies as published from time to time. Subject to the prior
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through which you or your agents and advisors make such information available to Ratings Services, and such
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aggregate fees paid to Ratings Services for the rating giving rise to the cause of action during the twelve-months
preceding the date the alleged claim has arisen, up to a maximum of US$1,000,000 except to the extent such
limitation is unenforceable by law. The provisions of this paragraph shall apply regardless of the form of action,
damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation,
negligence), or otherwise. Neither party waives any protections, privileges, or defenses it may have under law,
including but not limited to, the First Amendment of the Constitution of the United States of America.

Termination of Agreement. This Agreement may be terminated by either party at any time upon written notice to
the other party. Except where expressly limited to the term of this Agreement, these Terms and Conditions shall
survive the termination of this Agreement.

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No Third-Party Beneficiaries. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary of this Agreement or of the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Amendments. This Agreement may not be amended except in a writing signed by authorized representatives of both parties.

Governing Law. This Agreement and the rating letter shall be governed by the internal laws of the State of New York. The parties irrevocably agree that the state and federal courts of New York located in the County of New York shall be the exclusive forums for any dispute arising out of or relating to this Agreement and the parties hereby consent to the personal jurisdiction of such courts.
Summary:
Richmond, California; Note

Primary Credit Analyst:
Paul Dyson, San Francisco (1) 415-371-5079; paul_dyson@standardandpoors.com

Secondary Credit Analyst:
Matthew Reining, San Francisco (1) 415-371-5044; matthew_reining@standardandpoors.com

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Rationale

Related Criteria And Research
Summary: Richmond, California; Note

Credit Profile

US$10.9 mil TRANs sar 2010-11 due 07/14/2011

| Short Term Rating       | SP-1+           | New |

Rationale

Standard & Poor's Ratings Services assigned its 'SP-1+' short-term rating to Richmond, Calif.'s $10.9 million series 2010-2011 tax and revenue anticipation notes (TRANs).

The rating reflects our view of:

- The city's strong underlying general credit characteristics ('A+' issuer credit rating);
- Structural provisions that include early set-asides of pledged revenues;
- Strong pro forma debt service coverage of 1.92x at note maturity on July 14, 2011; and
- The city's access to additional liquidity sources totaling $23.5 million that can be transferred internally for TRAN repayment, which boosts coverage at maturity to an even stronger 4.0x.

The notes are secured by unrestricted taxes, income, revenue, cash receipts, and other general fund moneys received by the city for the general fund attributable to fiscal 2011. We understand that the city plans to use note proceeds to fund seasonal cash deficits during fiscal 2011, and the notes will mature on July 14, 2011.

Richmond's fiscal 2011 cash projections are based on its latest budget, and cash projections for fiscal 2011, excluding impacts from TRANs, indicate a 1% decrease in overall receipts primarily due to a decline in property taxes and the nonrecurrence of a one-time Richmond Redevelopment Agency loan repayment in fiscal 2010, according to management. These declines were partially offset by an increase in utility user taxes related to a settlement with Chevron, a major taxpayer in the city. In addition, management stated that disbursements are projected to fall by 7% compared with fiscal 2010 mainly due to the reduction of police overtime costs versus levels realized in fiscal 2010 (due to short-staffing) and other expenditure reductions, offset somewhat by increased transfers out to other funds.

Management-projected coverage of note debt service is, in our view, a strong 2.2x at fiscal year-end June 30, 2011; however, the TRANs mature in the following fiscal year, on July 14, 2011. The city has extended its cash flow projections out an additional 14 days to capture available cash balances at the maturity date; cash balances are projected by management at $10.2 million, a slight decline from $13.0 million on June 30, 2011. Coverage at maturity is slightly less at 1.9x. We understand that the city also has access to about $23.5 million in alternate liquidity sources that are readily available for TRAN repayment. Including these funds, management-projected coverage at July 14, 2010, is boosted to what we consider a very strong 4.0x. The city pledges to set aside 30% of note principal by Dec. 31, 2010, 25% by Feb. 28, 2011, and 45% of principal and 100% of interest due by April 30, 2011. Management-projected coverage at these set-aside dates is, in our view, strong at 6.0x, 5.3x, and 3.1x, respectively.
Richmond previously issued TRANs for fiscal 2010 and projected coverage at maturity of 2.0x. According to management's projections, updated cash flows for fiscal 2010 with actuals through May 2010 and June 2010 coverage at maturity is 1.73x. Management attributes the variance primarily to higher-than-expected salary costs due to police overtime, offset somewhat by salary savings from a mid-year hiring freeze. According to management, estimated receipts for fiscal 2010 are $2.2 million higher than projected, while estimated disbursements are on track to end $8.2 million higher.

We believe the city has maintained a good financial position despite a general fund drawdown in fiscal 2008. Although the city ended audited fiscal 2009 with a $2.1 million general fund surplus that brought the city's unreserved fund balance to $24 million, or 19% of expenditures, management's projections for fiscal 2010 indicate reserves will decline to $9 million, or 7% of expenditures, given softness in key revenue streams.

We understand note proceeds will be invested in the city's investment portfolio, which is consistent with our criteria guidelines. As of Sept. 30, 2009, the city's investments had a market value of $88 million. Of the $88 million, 35% consists of very liquid investments (Local Agency Investment Fund, money markets, and sweep accounts) and 65% of federal agency issues with a somewhat longer maturity (about 674 days to maturity).

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 has a multiterminal shipping port on San Francisco Bay. City 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 business. 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.

Related Criteria And Research

USPF Criteria: Short-Term Debt, June 15, 2007

Complete ratings information is available to RatingsDirect on the Global Credit Portal subscribers at www.globalcreditportal.com and 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. Use the Ratings search box located in the left column.