

# *Richmond City Council*



**Tom Butt**  
Mayor



**Jael Myrick**  
Vice Mayor



**Nathaniel Bates**  
Councilmember



**Gayle McLaughlin**  
Councilmember



**Jovanka Beckles**  
Councilmember



**Eduardo Martinez**  
Councilmember



**Vinay Pimple**  
Councilmember



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**CITY OFFICIALS**

**JUNE 30, 2015**

**CITY COUNCIL**

Mayor .....	Tom Butt
Vice Mayor .....	Jael Myrick
Councilmember .....	Gayle McLaughlin
Councilmember .....	Nathaniel Bates
Councilmember .....	Jovanka Beckles
Councilmember .....	Vinay Pimple
Councilmember .....	Eduardo Martinez

**ADMINISTRATION AND DEPARTMENT HEADS**

City Manager .....	Bill Lindsay
Capital Improvement Director.....	Chad Smalley
City Attorney .....	Bruce Goodmiller
City Clerk .....	Pamela Christian
Community Services Director.....	Devone Boggan
Employment & Training Director .....	Sal Vaca
Finance Director/Treasurer .....	Belinda Warner
Fire Chief.....	Adrian Sheppard
Housing Director.....	James Goins
Human Resources Director .....	Lisa Stephenson
Information Technology Director .....	Sue Hartman
Library and Cultural Services Director .....	Katy Curl
Planning Director.....	Richard Mitchell
Police Chief.....	Christopher Magnus
Port Director.....	Jim Matzorkis
Public Housing Director.....	Tim Jones
Public Works Director .....	Yader Bermudez
Utilities Director.....	Chad Davisson



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**CITY OF RICHMOND**

**FISCAL YEAR 2015-16 BUDGET**

**SPECIAL ASSISTANCE – DEPARTMENTS & OFFICES**

**City Manager's Office  
Information Technology  
City Clerk's Office  
Police Commission  
Police Department  
Public Works  
Library and Cultural Services  
Capital Improvement  
Port of Richmond  
Office of Neighborhood Safety  
Richmond Housing Authority**



**Finance Department  
Human Resources  
City Attorney's Office  
Office of the Mayor  
Fire Department  
Recreation Department  
Planning and Building Services  
Utilities Department  
City Council's Office  
Employment and Training  
Housing Department**

**BUDGET TEAM**

**Belinda Warner  
*Finance Director***

**Markisha Guillory  
*Budget Administrator***

**Connie Valentine  
*Senior Budget Analyst***

**Bert Jones  
*Budget Analyst II***

**Mubeen Qader  
*Budget Analyst II***

**Vrenesia Ward  
*Budget Analyst II***

**Leah J. Clark  
*Budget Analyst I***

**Antonio Banuelos  
*Revenue Manager***

**Susan Segovia  
*Debt Analyst***

**Andreia Stewart  
*Payroll Manager***

**Theresa Austin  
*Executive Secretary II***



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## ***MISSION***

The City of Richmond shall provide services that enhance economic vitality, the environment and the quality of life of our community.

## ***VISION***

Richmond will develop all of its neighborhoods and businesses as quality places to live, work, shop and play, with its 32 miles of shorelines as a widely recognized symbol of the City's success.

## ***VALUES***

Honesty  
Excellent Customer Service  
Teamwork  
Commitment  
Innovation, Creativity and Risk-Taking  
Effective Results  
Community Involvement



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# California Society of Municipal Finance Officers

*Certificate of Award*

## **Capital Budget Excellence Award Fiscal Year 2014**

*Presented to the*

**City of Richmond**

For meeting the criteria established to achieve the Capital Budget Excellence Award.

*February 11, 2014*



**Pauline Marx**  
CSMFO President

**Ken Brown, Chair**  
Professional Standards and  
Recognition Committee

***Dedicated Excellence in Municipal Financial Reporting***



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# California Society of Municipal Finance Officers

*Certificate of Award*

## **Operating Budget Excellence Award Fiscal Year 2014**

*Presented to the*

**City of Richmond**

For meeting the criteria established to achieve the Operating Budget Excellence Award.

*February 11, 2014*



A handwritten signature in black ink, appearing to read "Pauline Marx".

**Pauline Marx**  
**CSMFO President**

A handwritten signature in black ink, appearing to read "Ken Brown".

**Ken Brown, Chair**  
**Professional Standards and**  
**Recognition Committee**

***Dedicated Excellence in Municipal Financial Reporting***



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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**City of Richmond  
California**

For the Biennium Beginning

**July 1, 2013**

Executive Director



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**CITY COUNCIL RESOLUTION NO. 66-15**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RICHMOND, CALIFORNIA, APPROVING THE FISCAL YEARS 2015-16 THROUGH 2019-20 CAPITAL IMPROVEMENT PLAN AND ADOPTING THE FISCAL YEAR 2015-16 BUDGET FOR THE CAPITAL IMPROVEMENT FUNDS**

**WHEREAS**, a balanced Budget for the City of Richmond has been prepared for Fiscal Year 2015-16 and presented to the City Council pursuant to Article IV, Section 1 (b) of the Charter of the City of Richmond; and

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**WHEREAS**, a Capital Improvement Plan for Fiscal Years 2015-16 through 2019-20 has been prepared; and

**WHEREAS**, the budget for the Capital Improvement Funds for the 2015-16 Fiscal Year has been prepared; and

**WHEREAS**, all appropriations for the prior fiscal year shall lapse at the end of Fiscal Year 2014-15 and any remaining amounts shall be credited against their respective fund balances, except for:

- a. Any unexpected but encumbered amounts for specific orders outstanding at the end of the Fiscal Year; and
- b. Any appropriations for incomplete capital projects including the Municipal Sewer District at the end of Fiscal Year 2014-15; and

**WHEREAS**, for these exceptions, such carry-overs may be made without any further City Council action; and

**WHEREAS**, the City Council needs to approve the following expenditures for the Fiscal Year 2015-16 Capital Improvement budget:

- a. Project expenditures in the amount of \$19,454,522 for the Fiscal Year FY2015-16 of the Capital Improvement Plan.

**NOW THEREFORE, BE IT RESOLVED** that the City Council of the City of Richmond hereby (1) approves the Capital Improvement Plan for Fiscal Years 2015-16 through 2019-20; (2) adopts the budget for the Capital Improvement Funds for the 2015-16 Fiscal Year; and (3) authorizes the City Manager to place appropriations and estimated revenues in effect on **July 1, 2015** and as shown in the FY2015-16 Capital Improvement Budget.

\*\*\*\*\*

**I CERTIFY** that the foregoing resolution was adopted at a special meeting of the City Council on June 30, 2015 by the following vote:

AYES: Councilmembers Beckles, McLaughlin, Martinez, and Vice Mayor Myrick.

NOES: Councilmember Pimple and Mayor Tom Butt.

ABSTENTIONS: None.

ABSENT: Councilmember Bates.

PAMELA CHRISTIAN  
CLERK OF THE CITY OF RICHMOND (SEAL)

Approved:

TOM BUTT  
Mayor

Approved as to form:

BRUCE GOODMILLER  
City Attorney

State of California            }  
County of Contra Costa        }        : ss.  
City of Richmond               }

I certify that the foregoing is a true copy of **Resolution No. 66-15**, finally passed and adopted by the City Council of the City of Richmond at a special meeting held on June 30, 2015.



**DATE:** June 30, 2015

**TO:** Mayor McLaughlin and Members of the City Council

**FROM:** Bill Lindsay, City Manager  
Belinda Warner, Finance Director

**SUBJECT:** Adopted Fiscal Year 2015-16 Operating Budget and Fiscal Years 2015-20 Capital Improvement Plan

At its meeting of June 16, 2015, the City Council received a presentation on the draft FY 2015-16 operating budget and the steps that have been taken to achieve structural balance. At its meeting of June 23, 2015, the City Council had a preliminary discussion on the draft budget and raised issues for subsequent review and discussion. Staff is requesting that the Council conclude its budget review process and adopt the FY 2015-16 Operating Budget and Capital Improvement Program.

As it currently stands, the operating budget is balanced for FY 2015-16 with operating revenues and expenditures at approximately \$144.4 million. The draft proposed budget shows an ending cash reserve (as of June 30, 2016) at \$11.9 million, which is nearly \$1.9 million above the minimum amount required per the City Council’s reserve policy.

A summary of the budget that was adopted on July 1, 2014, mid-year adjustments approved in February 2015, projected actual operating results for FY 2014-15, and the draft proposed budget for FY 2015-16 is on the following page:

	July 1, 2014	February 24, 2015	FY 2014-15 Projected Actual	FY 2015-16 Draft Proposed
<b>Beginning Balance</b>	\$ 7,759,147	\$ 4,799,449	\$ 6,851,697	\$ 11,931,364
<b>Total Revenues</b>	134,000,983	137,757,093	137,746,404	144,236,591
<b>Proposed Expenditures</b>	139,958,763	145,627,212	144,889,190	144,886,495



<b>Adjustments</b>				
Targeted cost savings		(500,000)	(1,686,453)	(500,000)
Port Transfers	1,150,000	1,150,000	1,150,000	150,000
Operating Surplus (Deficit)	\$ (4,807,780)	\$ (6,220,119)	\$ (4,306,333)	\$ 96
Civic Center Refinance	9,300,000	* 5,964,800	5,964,800	
Civic Center Refinancing Adjustment (July 2015)		*3,421,200	3,421,200	
Comparable Ending Balance *	\$ 12,251,367	\$ 7,965,280	\$ 11,931,364	\$ 11,931,460
7% Minimum Balance Requirement	\$ 9,108,456	\$ 9,173,930	\$ 9,642,248	\$ 10,096,561

\*Civic Center Refinancing cost savings originally estimated at \$9,300,000 for FY 2014-15, will be in the actual amount of \$9,386,000 to be received in two installments. This is presented in the table to provide a comparable estimate of the ending balance for FY 2014-15.

In sum, staff anticipates beginning FY 2015-16 with a General Fund balance approximately \$4 million higher than was projected at mid-year, and one that meets the City Council’s adopted reserve policy. Please also note that, during FY 2014-15, the operating reserve was maintained using one-time funds generated from the Civic Center bond refinancing. While staff is also expecting one-time revenues during FY 2015-16, which should significantly improve the City’s balance sheet, these are not being used to balance the budget, and staff does not recommend that these funds be programmed until they actually materialize.

**DISCUSSION:**

FY 2015-16 Proposed Budget

The FY 2015-16 Budget Summary – All Funds provides a financial overview of the City. As it currently stands, the General Fund budget is balanced for FY 2015-16 with operating revenues and expenditures at approximately \$144.4 million. The draft proposed budget shows an ending cash reserve (as of June 30, 2016) at \$11.9 million, which is nearly \$1.9 million above the minimum amount required per the City Council’s reserve policy. There are two specific items of note in the proposed operating budget:

- Staff has included an expenditure reduction labeled “Targeted Cost Savings” in the amount of \$500,000. Staff established this “contra-expenditure” category during the mid-year review of FY 2014-15, with the idea that

opportunities for program savings would be identified and realized as they become known during the day-to-day budget management process. Actual savings realized using this procedure for FY 2014-15 were \$1,686,453. As a result, staff is confident that this procedure can be utilized for FY 2015-16 to achieve savings of at least \$500,000. This will be measured and reported during the mid-year budget review.

- Consistent with City Council policy, no one-time revenues are being used to balance the operating budget. While staff does, in fact, anticipate some significant one-time cash increases during FY 2015-16, staff recommends that any financial programming of these funds not occur until they actually materialize.

### Revenue

For FY 2015-16, General Fund revenues and transfers total approximately \$144.4 million. Page B-2 of the Operating Budget, entitled General Fund Revenue Summary for FY 2015-16, lists the various revenue streams that go into the General Fund. It includes historical revenue data from FY 2012-13 through projected revenue for FY2015-16. The notes analyze the difference between FY 2014-15 and the projected amount for FY 2015-16. The top three revenue streams that make up over 80% of the General Fund (GF) Operating Revenues are property taxes, sales taxes and utility user taxes.

There are two significant changes in General Fund revenue for FY 2015-16:

- Sales and use taxes are projected to increase by \$8.5 million, with \$8,000,000 of that increase resulting from the voter-approved increase (Measure U approved in November 2014);
- The revenue agreement with Chevron, which first impacted FY 2009-10, has a scheduled decrease in revenue in the amount of \$6,000,000.

### Expenditures

For FY 2015-16, General Fund expenditures total approximately \$144.4 million. The Department Sections (Section C) of the operating budget provides a summary of expenditures for each department, and provides historical expenditure data from FY 2011-12 through proposed expenditures for FY2015-16.

Ten of the sixteen departments have reduced expenditures for FY 2015-16 compared to their budget for FY 2014-15, and total General Fund expenditures are increased by 3.80%.



## City Manager's Office

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### Personnel Changes

Page B-85 of the Operating Budget provides a Multi-Year Comparative Position Listing from FY 2011-12 through the proposed FY 2015-16 budget. As shown in this report, between FY 2011-12 and FY 2015-16, there was a reduction of 63 positions (7.9% reduction in workforce). For non-safety positions, the number of positions reduced was 49 (11.7% reduction in workforce).

### Capital Improvement Plan

The proposed Fiscal Year 2015-16 Capital Improvement Project budget lists expenditures totaling \$19,454,522 from Capital Project Funds (pages C-1 through C-7), with an additional \$38,359,573 in project expenditures from enterprise, internal service, and other operating funds (pages C-8 through C-11).

The Council has previously discussed as a priority providing more funds for pavement management work. Of note, street paving projects for FY 2015-16 include:

- 2015 Pavement Management           \$ 4,322,574
- Street paving (Engineering)         \$ 550,000
- Street paving (Public Works)       \$ 2,000,000

Thus, \$6,872,574 is currently included in the budget specifically for street paving work. In addition, staff has recommended that the excess solid waste Joint Powers Authority (RecycleMore) funds, conservatively estimated to be \$2 million, be allocated to pavement management projects. This will provide nearly \$9 million for pavement management projects for FY 2015-16, as compared to only \$2.5 million that were allocated for this purpose in FY 2014-15.

Moreover, there are an additional \$2.3 million in projects related to right of way improvements as part of the FY 2015-16 Capital Improvement Project budget.

### Historical and Future Outlook

In recent years, during the severe recession, one-time, non-operating revenues have been a significant factor in maintaining the City's annual operating budget. Last year, and on several occasions during the recession, the City of Richmond used these one-time revenues to maintain its policy-mandated fund balance while it incurred operating deficits.

In last year's budget report, staff wrote:

(The City of Richmond) has, and will continue to have, a structurally unbalanced budget unless strategic changes are made to the City of Richmond organization. A structural budget deficit results from a fundamental imbalance in revenues and expenditures, as opposed to a deficit based on short-term factors.

Staff also wrote in this report that:

Staff is being mindful not to be short-sighted by proposing drastic reductions in programs and personnel from which the City would have difficulty in recovering in the long term, or by deferring important investments that will become more expensive if delayed.

During the past year, many strategic budget changes have been made that have allowed for this balanced budget to be presented, and staff believes that this has been done without long-term damage to services.

However, there are still many investments that are being deferred, notably in areas of infrastructure. Staff believes that one-time investments in infrastructure (such as a significant investment in street and road reconstruction) should be strongly considered when (or if) significant one-time revenues are received during FY 2015-16.

The following are general areas that staff will continue to examine in its budget management activities:

- Continue to analyze the structural integrity of all funds, which includes funds subsidized by the General Fund;
- Implement organizational restructuring;
- Work with bargaining units to discuss the City's future budget constraints and possible solutions, especially as they relate to Other Post-Employment Benefits (OPEB);
- Research future revenue opportunities for new and existing projects and programs;
- Continue seeking grant funds;
- Continue to take steps to eliminate General Fund subsidies for revenue-based programs;



## City Manager's Office

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- Work with departments to identify additional cost reductions and efficiencies.

The City of Richmond continues its leadership in working towards health equity exemplified by the adoption of a Health in All Policies (HiAP) strategy and ordinance by the Richmond City Council. The HiAP strategy sets a framework of collaboration within city departments as well as with community based organizations and other government agencies to address community health, equity and sustainability in Richmond. Through this lens, Health in All Policies is both a practice and destination.

### Accomplishments and Objectives

#### FY2014-15 Accomplishments/Highlights

Below are some key accomplishments that fulfilled core strategic goals of the City in FY2014-15:

#### 1. Maintain and enhance the physical environment

- Upgraded 7,500 City-owned “cobrahead” street lights to LED technology. The upgrades reduced operating costs by \$600,000 annually and have significantly improved lighting quality on City streets.
- Public Works paved 26.5 miles throughout the City.

#### 2. Promote a safe and secure community

- On June 4, 2015, the West Contra Costa County Family Justice Center located at 2565 24<sup>th</sup> Street hosted its grand opening celebration. Clients will be able to meet with law enforcement, and get connected with social and legal services all in one place.
- Richmond Public Library sponsored over 300 programs and events in the Richmond Community where over 6,000 residents and non-residents participated in literary activities.
- Richmond Fire Department received a \$25,000 grant from the California Office of Emergency Services under the FY2014 State Homeland Security Grant Program (SHSGP). The grant will be used for the purchase of maritime response and training equipment.

#### 3. Promote economic vitality

- The City Manager's Office and the City Economic Development Commission hosted the Richmond Foodies - Manufacturers and Distributors Network, to help bring together more of the City's growing variety of business clusters.



## City Manager's Office

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- The Revolving Loan Fund program approved four small business loans totaling \$200,000 to four businesses that otherwise would not be able to begin or expand businesses in Richmond. The loans will create 37 jobs and save 10 jobs.

### 4. Promote sustainable communities

- The City received an "A" grade in the Annual State of Tobacco Control Report.
- Finalized a draft update to the City's greenhouse gas inventory, which is the first step in completing a Climate Action Plan, and currently partnering with UC Berkeley Center for Youth and Schools to engage 200 plus Richmond High School Health Academy students on Climate Change, mitigation and adaptation measures that they would like to see in the City's Climate Action Plan.
- Richmond Community Foundation Housing Rehabilitation Program (Social Impact Bonds) has been developed and funding is near completion with first tranche of properties scheduled for rehab.
- Received a \$140,000 grant from the Metropolitan Transportation Commission (MTC) to implement car sharing programs at Atchison Village and Civic Center.

### 5. Promote effective government

- For the eighth year in a row, the City of Richmond has 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 2013-14 Comprehensive Annual Financial Report (CAFR).
- Received the California Society of Municipal Finance Officers (CSMFO) Excellence Award in Budgeting and the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for the FY2013-15 Budgets.
- The City of Richmond's mobile app is now available. It will provide Richmond's community members with one-stop access to City services and information.

## FY 2015-16 Outlook and Operating Objectives

Program initiatives that are incorporated into the proposed operating budget include:

### 1. Maintain and enhance the physical environment

- Continue to invest in street repairs and resurfacing, through both the Public Works and the Engineering departments to maintain and enhance the City's Paving Condition Index (PCI).

- Continue to repair and replace sewer pipes to reduce inflow and infiltration in the City's wastewater system, and to further reduce sanitary sewer overflows.
- Continue to adhere to maintenance standards for parks and landscaped areas.

### 2. Promote a safe and secure community

- Continue to provide support to the City's neighborhood councils and community-based organizations to help them improve the livability, safety, and appearance of their communities.
- Continue to implement a "SWAT" approach to code enforcement to increase the number of abandoned vehicle and problem property abatements, and achieve a noticeable reduction of blight in the community.
- Continue to work with partner agencies, including other governmental, community-based and faith-based organizations to implement violence prevention strategies that are centered on neighborhood change and effective street outreach.
- Continue to initiate Crime Prevention Through Environmental Design (CPTED) reviews at all Housing Authority developments.

### 3. Promote economic vitality

- Continue to provide jobs in the Summer Youth Employment Program, with the goal of increasing the number of youth employed through this program from the previous year.
- Continue to support programs and initiatives that devise and implement strategies and programs to develop a skilled and prepared local workforce.
- Develop and support the implementation of the Richmond Promise scholarship program.

### 4. Promote sustainable communities

- Continue to develop and implement effective community-wide and organizational policies and programs in the areas of resource conservation, climate change, and energy efficiency, to ensure Richmond's long-term environmental stability.
- Continue to implement health and wellness pilot programs supported by The California Endowment.

### 5. Promote effective government

- Continue to increase efficiencies in information technology to provide better customer service.
- Continue to increase transparency and accessibility to City documents and public records.
- Continue to aggressively implement performance audit recommendations to improve customer service in City departments.



\* \* \* \* \*

I would like to thank all City staff, and in particular, the members of the Finance Department and its budget team, for their hard work in preparing this adopted budget.



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# OVERVIEW OF THE CITY OF RICHMOND

The City of Richmond, California (the “City” or “Richmond”), 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. Richmond was incorporated on August 7, 1905 and became a charter city on March 24, 1909.

Richmond is best known for its unique history and role in the World War II home front effort. Between 1940 and 1945, tens-of-thousands of workers from all over the country streamed into the City to support wartime industries. The City was home to four Kaiser shipyards which housed the most productive wartime shipbuilding operations of World War II, launching 747 ships during the war. The City was also home to approximately 55 war-related industries - more than any other city of its size in the United States.



Today, the City is an important oil refining, industrial, commercial, transportation, shipping and government center.

## MUNICIPAL GOVERNMENT

### General

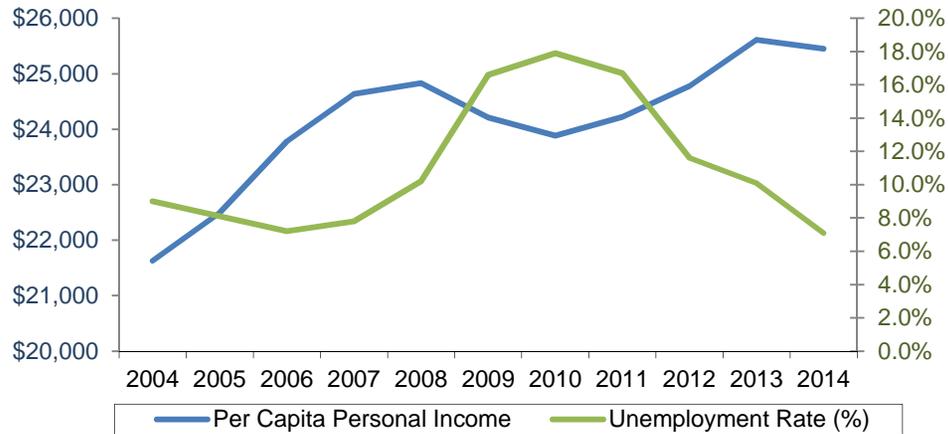
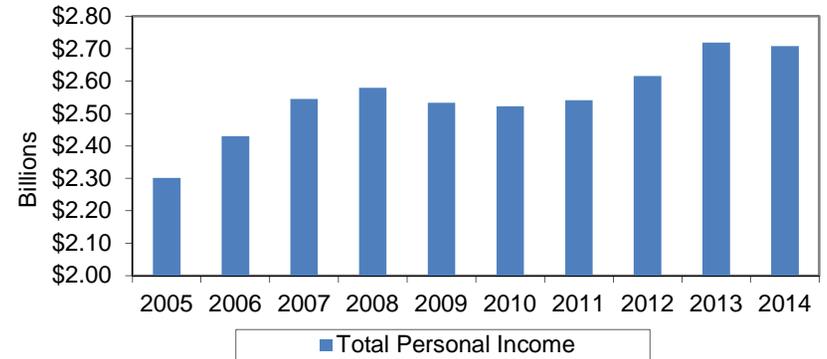
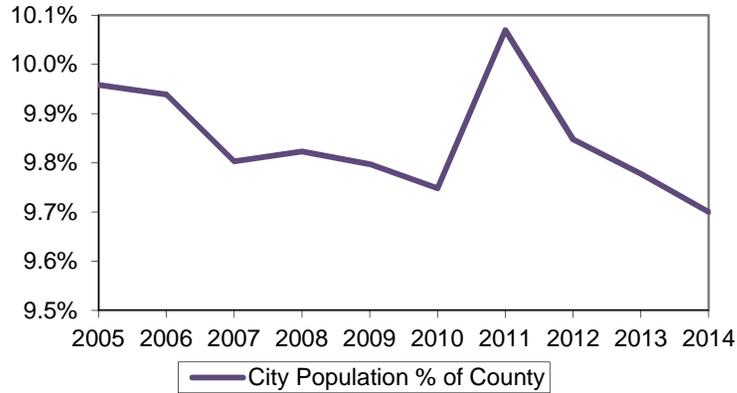
The City is governed by the City Council, consisting of a Mayor and six other Councilmembers. The Mayor is elected at large for a four-year term. Councilmembers are elected at large for staggered four-year terms. The Mayor is limited to two consecutive four-year terms. The City is a charter city, which means the City, through its charter (the “Charter”), may regulate municipal affairs, subject only to restrictions and limitations provided in the Charter; in matters other than municipal affairs, the City is subject to State law.

The City provides a full range of services contemplated by statute or the Charter, including those functions delegated to cities under State law. These services include police and fire protection, emergency response, construction and maintenance of highways, streets and infrastructure, library services, storm water and municipal sewer systems, wastewater treatment and the administration of recreational activities and cultural events. The City also operates a downtown parking facility, the Richmond Memorial Convention Center as well as a full services library.

The City has a Council-Manager form of government. The City Manager, appointed by the Mayor and City Council, is responsible for the operation of all municipal functions except the offices of the City Attorney, City Clerk and Police Commission. The officials heading these offices are appointed by the City Council and carry out policies set forth by the City Council.



**CITY OF RICHMOND  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN YEARS**



Year	City Population	Per Capita Personal Income	Total Personal Income	Unemployment Rate (%)	Contra Costa County Population	City Population % of County
2005	102,307	\$22,493	\$2,301,191,351	8.1%	1,029,377	9.94%
2006	102,182	\$23,780	\$2,429,887,960	7.2%	1,042,341	9.80%
2007	103,306	\$24,635	\$2,544,943,310	7.8%	1,051,674	9.82%
2008	103,895	\$24,832	\$2,579,920,640	10.2%	1,060,435	9.80%
2009	104,602	\$24,213	\$2,532,728,226	16.6%	1,073,055	9.75%
2010	105,630	\$23,881	\$2,522,550,030	17.9%	1,049,025	10.07%
2011	104,887	\$22,839	\$2,380,280,580	16.7%	1,065,117	9.85%
2012	105,562	\$24,847	\$2,606,127,289	11.6%	1,079,597	9.78%
2013	106,138	\$24,781	\$2,615,931,922	10.1%	1,094,205	9.70%
2014	106,388	\$24,453	\$2,707,894,000	7.1%	1,089,291	9.77%

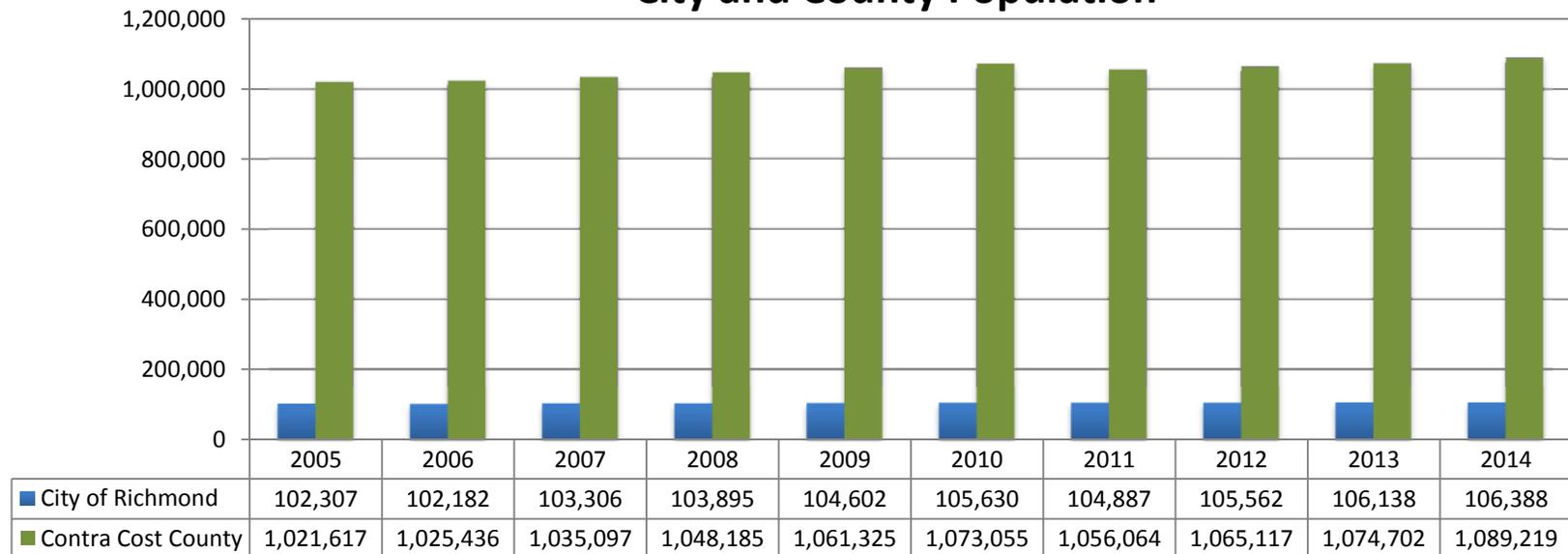
## DEMOGRAPHIC AND ECONOMIC INFORMATION

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

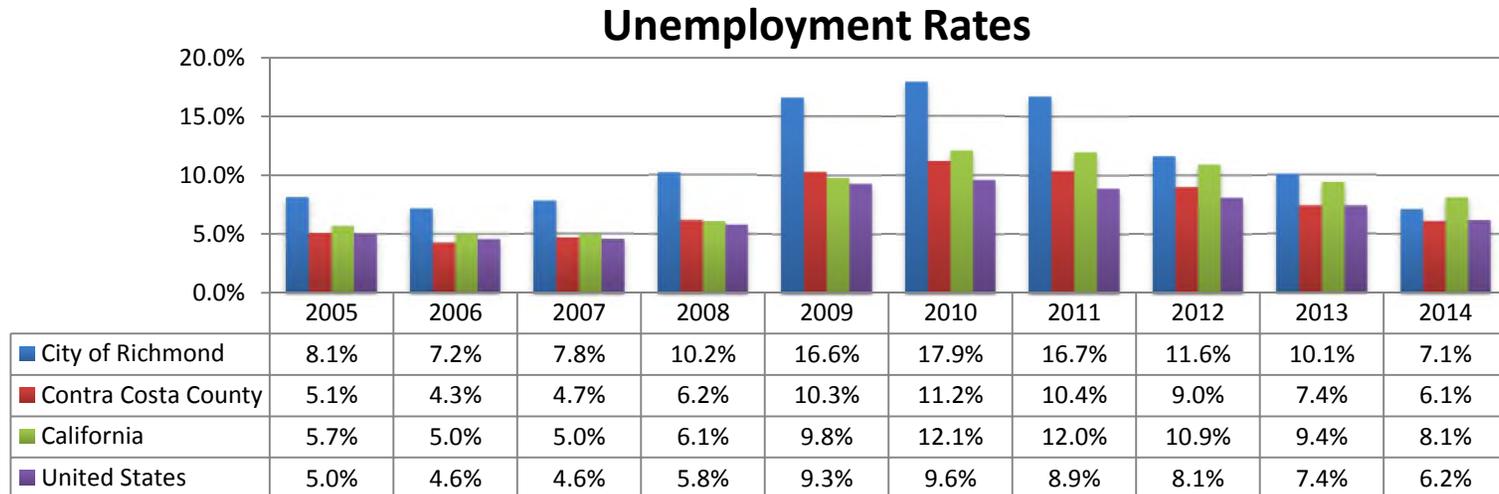
City residents account for approximately 10% of the population of Contra Costa County. While the period from 1980 to 2000 was characterized by rapid population growth in the City and the County, both reflect a trend of slower growth since then. The City's population growth averages less than 1% per year.

### City and County Population



## Employment

The chart below sets forth unemployment rates at the local, county, state, and national levels for the last ten years. The City's unemployment rate has continuously risen since 2006 and has remained significantly higher than the rates at the other three levels. The City's unemployment rate in 2009 more than doubled the rate of 7.2% in 2006, reflecting the general decline in the economy. With the slow economic recovery, the City's unemployment has consistently decreased from 2010 to 2014.



Sources: California Department of Finance; California Employment and Development Department; U.S. Department of Labor.

The City is centrally located in western Contra Costa County, within a short distance of the Cities of San Francisco and Oakland, as well as Marin County, and it is approximately 80 miles from the State capital, Sacramento. The economy of the City includes heavy and light manufacturing, distribution facilities, services, commercial centers, and a multi terminal shipping port on San Francisco Bay. Richmond also serves as a government center for the western portion of Contra Costa County.

Historically, the City has been viewed as a distribution center and a city of heavy industry, largely due to the visible presence of a major oil refinery, Chevron USA Richmond Refinery, and other major industrial and distribution uses: General Chemical, Bio-Rad Laboratories, the bulk liquid terminals in the Port of Richmond, the BNSF rail yard, a USPS distribution center and a UPS distributing center. The 500,000 square-foot Ford Assembly plant opened in early 2006, which significantly increased the amount of warehouse and manufacturing space in the City.

Since 1990, the City's economy has experienced growth in the high technology, light industry, research and development, medical technology, computer software and biotechnology sectors. Growth in these sectors is driven by a variety of factors, including proximity to San Francisco and the University of California at Berkeley, the availability of affordable housing for employees in a variety of neighborhoods, housing types and price ranges, and good access to freeway, rail and water transportation. While these new entrants have added diversity to the City's economy, older heavy industries continue to upgrade their facilities, making major investments in modernization and expansion. At the same time, green businesses, such as Power Light, have chosen to make Richmond their home.

The following table shows ten principal employers in the City, ranked by the number of their employees for Fiscal Year 2013-14.

**RICHMOND PRINCIPAL EMPLOYERS**

Employer	Number of Employees	Products
Chevron Refinery	2,317	Petrochemicals Refinery
West Contra Costa Unified School District	1,580	Education
Social Security Administration	1,259	Federal Government
U.S. Postal Service	1,047	Postal Service
Contra Costa County	844	County Government
City of Richmond	803	Local Government
The Permanete Medical Group	686	Health Services
Kaiser Permanente	506	Health Services
Bio-RAD Laboratories	473	Biotechnology
Michael Stead Auto Depot & Sales	472	Auto Dealership

Source: City of Richmond Comprehensive Annual Financial Report for the Year Ended June 30, 2014.

**Community Facilities**

Richmond area residents have access to modern health care facilities. Due to the closure of Doctors Medical Center in San Pablo the Richmond area now has one general hospital, 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. In addition, the City is home to the Rosie the Riveter/World War II Home Front National Historical Park. The City operates a public marina (775 boat berths at Marina Bay), four large community parks (Point Molate Beach Park, Hilltop Lakeshore Park, Nichol 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, the Richmond Plunge, Coach Randolph 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.

Richmond is also home to several private yacht harbors, golf and country clubs, and community theaters. All 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 (the John T. Knox Freeway) 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 California's third largest in annual tonnage, handling more than 20.8 million metric tons of general, liquid and dry bulk commodities each year, over 90% of which is in bulk liquids, the majority of which arrive at the private Chevron USA Long Wharf facility (the "Chevron Terminal"). The Port of Richmond (the "Port") comprises seven City owned terminals, five dry docks and 11 privately owned terminals. One of the City-owned terminals (Terminal One) is currently in the process of being sold to a developer for use as a residential development. In early 2004, the City entered into a lease with Auto Warehousing Company for the operation on City property of an auto importation business, which has been handling approximately 90,000 automobiles per year arriving on ships from South Korea. 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. The Port, together with the BNSF operations, serves as an intermodal rail facility. Interstate 580 has enhanced truck access to the Port.

The Port handles a widely varied assortment of cargo, although over 90% of the annual tonnage is in liquid bulk cargo, most of which is shipped through the Chevron Terminal. Principal liquid bulk cargoes 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 cargoes are also a significant part of the Port's business.



### *Regional Airports*

Oakland International Airport (18 miles away) and San Francisco International Airport (28 miles away) provide the City with world-wide passenger and freight service. In addition, Concord's Buchanan Field, in central Contra Costa County, is 25 miles to the east and provides limited scheduled service and general aviation services.

### *Public Transit*

The public is served by the San Francisco Bay Area Rapid Transit System ("BART") with a station conveniently located in downtown Richmond; AMTRAK passenger train service is available from a station adjacent to the Richmond BART station; and AC Transit offers local bus service within the City, to other East Bay communities and to San Francisco.

## Utilities

Electric power and natural gas services to the City are supplied by Pacific Gas & Electric Co. Telephone services to the City are supplied by AT&T. Water services to the City are supplied by East Bay Municipal Utility District. Sewer services to the City are supplied by West Contra Costa Sanitary District, Richmond Municipal Sewer District and Stege Sanitary District.

## Education

The City comprises a portion of the attendance area of the West Contra Costa Unified School District, which comprises 42 elementary schools (18 of which are located in the City), seven middle schools (two of which are located in the City), and 14 high schools and alternative schools (six of which are located in the City) and has a total K-12 enrollment of approximately 35,000 students. In addition, private schools operate in the City and several institutions of higher education are located in or near the City, including the University of California at Berkeley, Contra Costa College, Diablo Valley College, Los Medanos College, the California Maritime Academy, California State University – East Bay, San Francisco State University, and the University of California at San Francisco.

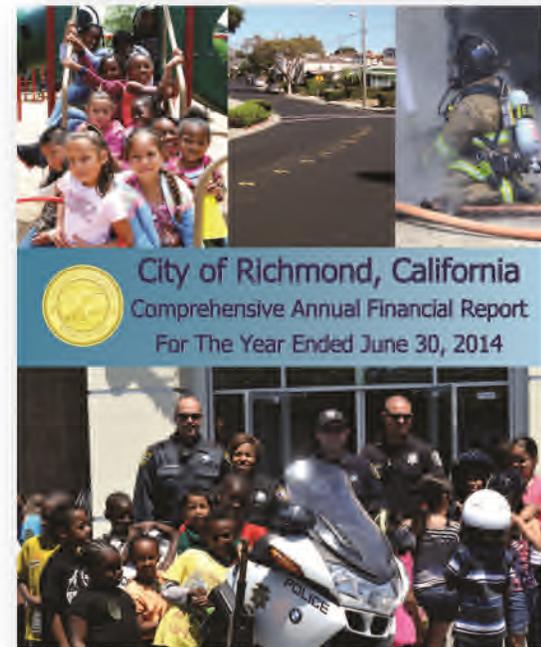
## FINANCIAL OPERATIONS

### Financial Statements

Since Fiscal Year 2001-02, the City has prepared its audited Basic Financial Statements (referred to as General Purpose Financial Statements in previous years) in accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34). The Basic Financial Statements provide both government-wide financial statements with a long-term perspective on the City's activities and the more traditional fund-based financial statements that focus on near-term inflows, outflows, and balances of spendable financial resources. The government-wide financial statements report on a full accrual basis and include comprehensive reporting of the City's infrastructure and other fixed assets.

### 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). Combined financial statements are produced following the close of each fiscal year.



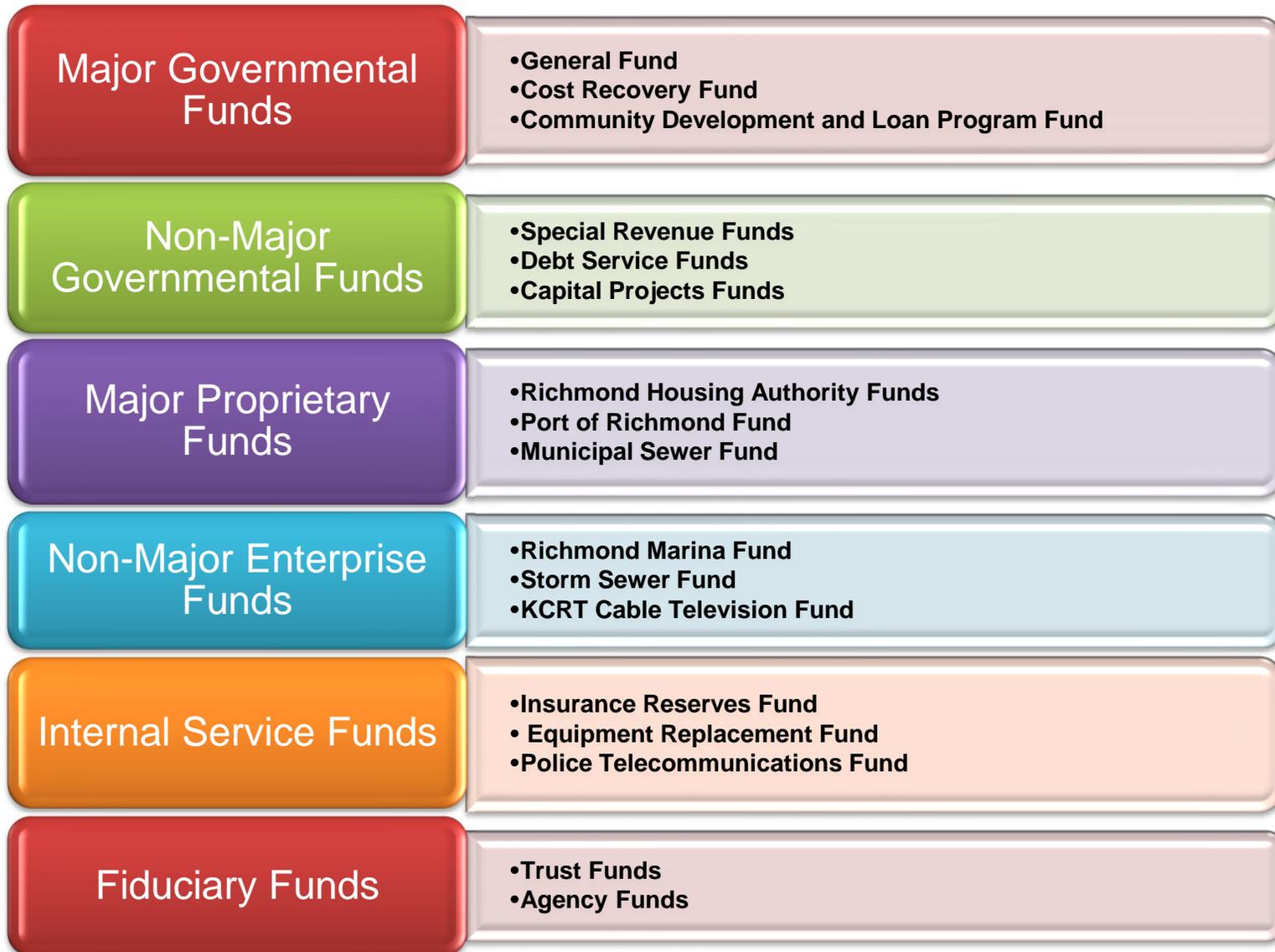
 **City of Richmond, California**  
Comprehensive Annual Financial Report  
For The Year Ended June 30, 2014

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 accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various governmental funds are grouped into three broad fund categories (governmental, proprietary, and fiduciary).



**Fund Structure**



## *Governmental Funds*

Governmental funds account for governmental activities mostly supported by taxes and charges for services. All governmental funds are accounted for on the "*current financial resources*" measurement focus and the modified accrual basis of accounting.

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. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The City has 19 governmental funds, of which three are considered major funds. Information is presented separately for each major governmental fund and in the aggregate for non-major governmental funds. The City reports the following major governmental funds:

General Fund is used for all 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.

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

Community Development and Loan Programs 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, and activities related to the City's loan from the California Department of Toxic Substances Control for the Miraflores Remediation project. 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.

## *Proprietary Funds*

Proprietary Funds account for business-type activities whose functions are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting.

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.

Proprietary funds of the City are two types: (1) enterprise funds and (2) internal service funds.

*Enterprise funds* are used to report any activity for which a fee is charged to external users for goods or services provided. The City reports the following major funds:

Richmond Housing Authority 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. The Richmond Housing Authority, a component unit of the City, manages this fund.

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

Municipal Sewer Fund accounts for all financial transactions relating to the City's Wastewater and Collection Treatment. Services are on a user charge basis to residents and business owners located in Richmond.

*Internal service funds* are used to finance and account for goods and services provided by a designated department to other departments in the City on a cost-reimbursement basis. Charges to receiving departments are determined using a variety of methodologies including historical usage and statistical analyses. The City maintains the following internal service funds:

Insurance Reserves Fund is used to report activities related to employees' claims due to industrial injuries and activities related to general claims against the City for damages incurred. Charges to departments are allocated based on average number of claims and dollar value, payroll costs incurred, and number of full-time equivalents in each department.

Equipment Replacement Fund is used to report activities related to replacement of City vehicles. Charges to departments are allocated based on acquisition cost, three percent annual increase for inflation, amortized over the useful life. Departments are charges based on usage.

Police Telecommunications Fund is used to report activities related to Computer Aided Dispatch (CAD) and Records Management System (RMS). Charges are allocated based on actual usage of services between local area Police and Fire agencies.

#### *Fiduciary Funds*

Fiduciary funds are used to account for resources that are held by the government as a trustee or agent for parties outside the government and cannot be used to support the government's own programs. The City reports the following fiduciary funds:

Pension Trust Funds were established to account for revenues and expenditures related to City retirees' pension plans. The City administers the activities of certain pension funds on behalf of retirees including the following closed pension plans of the City: General Pension, Police and Firemen Pension and Garfield Pension. All current and future City employees are enrolled in CalPERS (California Public Employee's Retirement System). CalPERS manages all of the financial activities related to the pension plans offered by the City to current and future City employees.

Agency Funds are used to account for assets held by the City on behalf of a third party. The City does not make any decisions relating to the uses of the assets in the agency funds.

## **Financial Policies**

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

### *Reserves 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% of general fund expenditures. The reserve can be temporarily reduced in times of emergency, but must be restored thereafter.

### *Debt Policy*

The City's Debt Policy limits General Fund net debt service to 10% of General Fund revenues and sets forth detailed debt management and refunding practices.

### *Structural Balance Policy*

In connection with its budget preparations for Fiscal Year 2004-05, the City Council adopted a policy to maintain structurally balanced budgets whereby one-time funds can be spent only on one-time uses and ongoing funds can be spent on ongoing (or one-time) uses. In addition, budget enhancements can be approved only if a new source of permanent revenues is received that will cover the future cost of such enhancements.

### *Swap Policy*

The City is authorized under California Government Code Section 5922 to enter into interest rate swaps to reduce the amount and duration of rate, spread, or similar risk when used in combination with the issuance of bonds. In May 2006, the City Council

adopted a comprehensive interest rate swap policy (the “Swap Policy”) to provide procedural direction to the City, the Richmond Housing Authority, the Richmond Community Redevelopment Agency and the Richmond Joint Powers Finance Authority regarding the utilization, execution, and management of interest rate swaps and related instruments (collectively, “interest rate swaps”). Periodically, but at least annually, the City will review the Swap Policy and will make modifications as appropriate due to changes in the business environment or market conditions.

### *Investment Policy*

The City’s investment policy (the “Investment Policy”) provides guidelines for City officers charged with the investment of idle cash to ensure prudent investment and cash management practices. The Investment Policy establishes three criteria for selecting investment vehicles: safety, liquidity and yield. The Investment Policy states that an adequate percentage of the portfolio should be maintained in liquid short-term securities that can be converted to cash if necessary to meet disbursement requirements and that yield or “rate of return” on an investment should be a consideration only after the requirements of safety and liquidity are met.

## **Budget**

### *Budgetary Accounting*

The City adopts a budget annually to be effective July 1, for the ensuing fiscal year. The budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP). 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. Unencumbered and unexpended appropriations lapse at year-end.

### *Budget Development Process*

The budget development process is the formal method through which the City establishes its program priorities, goals and service levels for the upcoming fiscal year. Through the budget development process, policy is set, programs are established, service levels are expressed, performance measures are articulated, and resources are identified.

The “budgetary” method of accounting is used for preparing the City’s budget. The budget is a plan of revenue and expense activities for the fiscal year and is intended to provide a clear, concise, and coordinated financial program to attain the City’s goals and objectives. Revenue estimates are derived using historical and economic data on the state and local levels. The budget should be balanced with current revenues equal to or greater than current expenditures.

Responsibilities:

1. The Finance Director has the overall administrative responsibility for planning, coordinating, analyzing, preparing and issuing the budget.
2. Each department director is responsible for preparing and submitting the budget for the department and its subsidiary divisions in accordance with the budget instructions.
3. The City Manager, in close consultation with the division and department directors, is responsible for making the final determination of the proposed budget to be submitted for approval to the City Council.
4. The City Council is responsible for approving the annual operating budget.

Preparing the Budget:

1. As a general rule, from October to December, the City Manager, the Finance Director, and Budget Division hold a series of planning meetings to analyze financial performance and determine preliminary budget guidelines for the upcoming fiscal year.
2. Following the planning meetings, the Finance Director prepares strategy recommendations for the upcoming budget and presents them to the City Manager.
3. The City Manager and the Finance Director make a final determination of the budget strategy and guidelines.
4. In January and February, the Budget Division drafts the budget guidelines, instructions, supporting materials, forms and worksheets, and distributes them to all departments and divisions responsible for budget preparation.

The budget guidelines are based on financial information that includes:

- a. New budget policies for the upcoming fiscal year.
  - b. Department worksheets with historical actual and proposed operating revenue and expenses.
  - c. Variance analysis (actual versus budgeted financial activity) and forecast analyses.
5. The Budget Division coordinates a series of workshops to provide technical assistance to staff who are involved in preparing budgets for their departments or divisions.
  6. Under the direction of the department director, departments and divisions prepare their budgets.
    - a. Budgets are expected to conform to the standards set forth in the Budget Guidelines and Instructions manual.
    - b. Should the budget deviate from those standards, the department or division prepares a justification.
    - c. If a department's proposed budget includes new programs, the department includes information and justification on the programs including amounts that will be required to fund their implementation.
  7. When the division and department budgets are completed, the department director reviews them and forwards them to the

#### Budget Division.

8. The Budget Division compiles the divisional and departmental budgets into a draft for a single City-wide budget, analyzing all revenue and expenditure projections to ensure that they meet the City's goals and objectives, adhere to the budget guidelines, and that no category has been overlooked.
9. The Budget Division presents to the City Manager and the Finance Director the completed draft budget and a master list of departments' proposed new programs.
10. The City Manager, Finance Director, and department directors meet between March and the end of April to review the draft budget, make necessary adjustments, and determine which of the proposed new programs will be presented to the City Council for adoption. These meetings are an opportunity for each department and division to present their proposed budget and their justifications for new programs, and to enhance senior management's knowledge of operational needs.
11. When the draft budget has been approved by the City Manager and the Finance Director, the adjusted divisional and departmental budgets are returned to the department directors for their information and acknowledgement.
12. In early May, the Budget Division compiles a brief summary of the draft budget and sends a copy to the City Council pursuant to the applicable City resolution.
13. The Budget Division distributes the draft budget summary to the City Council. At the May City Council meeting, the department directors hold a work session to inform the City Council about budget strategies and the financial data upon which it is based.
14. Based upon the City Council's comments, the Budget Division may subsequently revise the draft budget.
15. Public hearings are conducted on the proposed budgets to review all appropriations and sources of financing.
16. At its June meeting, the City Council formally adopts the budget. Once adopted, the budget is the City Council's approved operational plan for the ensuing fiscal year.

#### Monitoring the Budget:

1. Once in place, the adopted budget becomes the main internal control document used to monitor and manage the City's financial position.
2. 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.
3. Department directors review the monthly financial reports and prepare written explanations of significant variances between actual revenues and expenditures and the budget projections. These data are intended to help department directors control expenditures and maximize revenue.
4. The Budget Division prepares and submits to the City Manager and the Finance Director the monthly City-wide variance report for review. During this review, budgetary issues are addressed and corrective action is taken.
5. Throughout the year, department directors assist their divisions and departments in taking any necessary corrective action to control costs.

## Budget Amendments:

Amendments to the budget may be made throughout the fiscal year. A mid-year budget review is conducted and presented to the City Council in January. 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. Appropriations of new monies, transfers between funds, or any amendment to the total level of appropriations require formal action through City Council resolution irrespective of amount. Supplemental appropriations financed with unanticipated revenues during the year must also be approved by the City Council.

## Cost Allocation Plan

The City uses a professionally prepared cost allocation plan to allocate indirect costs from central service departments to other City departments. Central service departments are those that provide administrative services, such as City Attorney, City Clerk, Finance, Human Resources, and Information Technology. The City maintains a full-cost and a 2 CFR 225 (formerly OMB A-87) compliant cost allocation plan. Charges are allocated to departments based on a number of metrics, such as number of agenda items for City Clerk, size of budget for Finance-Budget, number of full-time equivalents for Human Resources, number of desktops for Information Technology, etc.

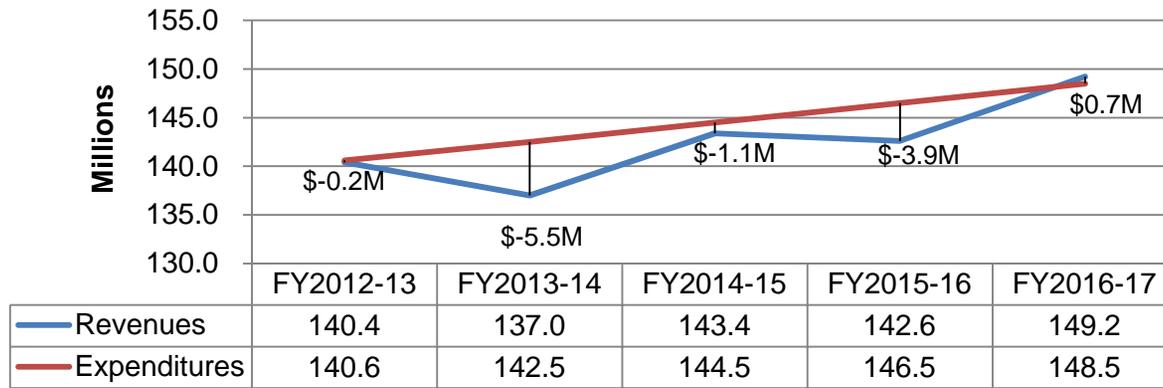
## Capital Improvement Planning

Each year the City adopts a five-year Capital Improvement Plan (“CIP”) containing a forecast of capital improvement needs and funds identified to meet those needs during the current budget fiscal year and the next four fiscal years. The CIP for FY2015-16 identifies approximately \$57.8 million of funded capital improvement projects funded by capital project funds, enterprise funds, internal service funds, and Successor Agency funds; and approximately \$455.2 million of unfunded capital improvement projects over the next five fiscal years.

## Long-term Financial Planning

The Five-Year Financial Plan works in conjunction with the budget as it provides a long-term financial outlook. This enables the City to take a proactive approach to address potential negative impacts. The forecast summary below, extracted from the Five-Year Financial Plan for FY2012-13 to FY2016-17, prepared the City for projected deficits in future years. The updated forecast is in progress; a draft is scheduled to be submitted to the City Council in November.

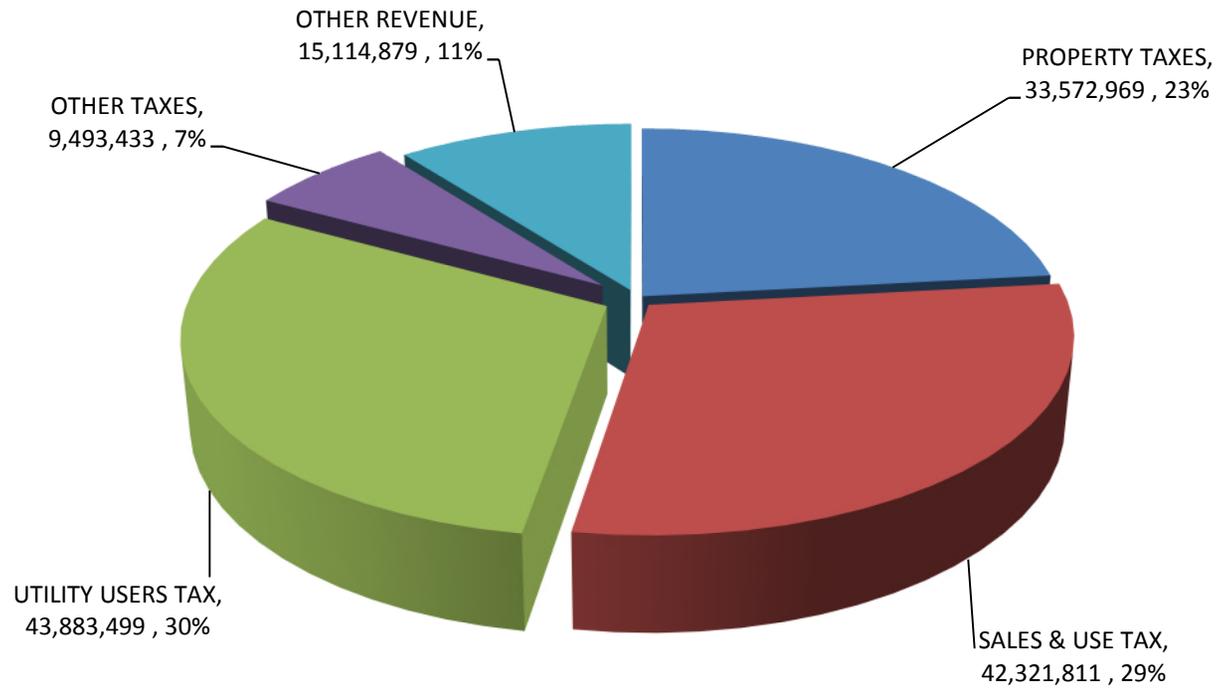
### Five-Year Financial Forecast Summary



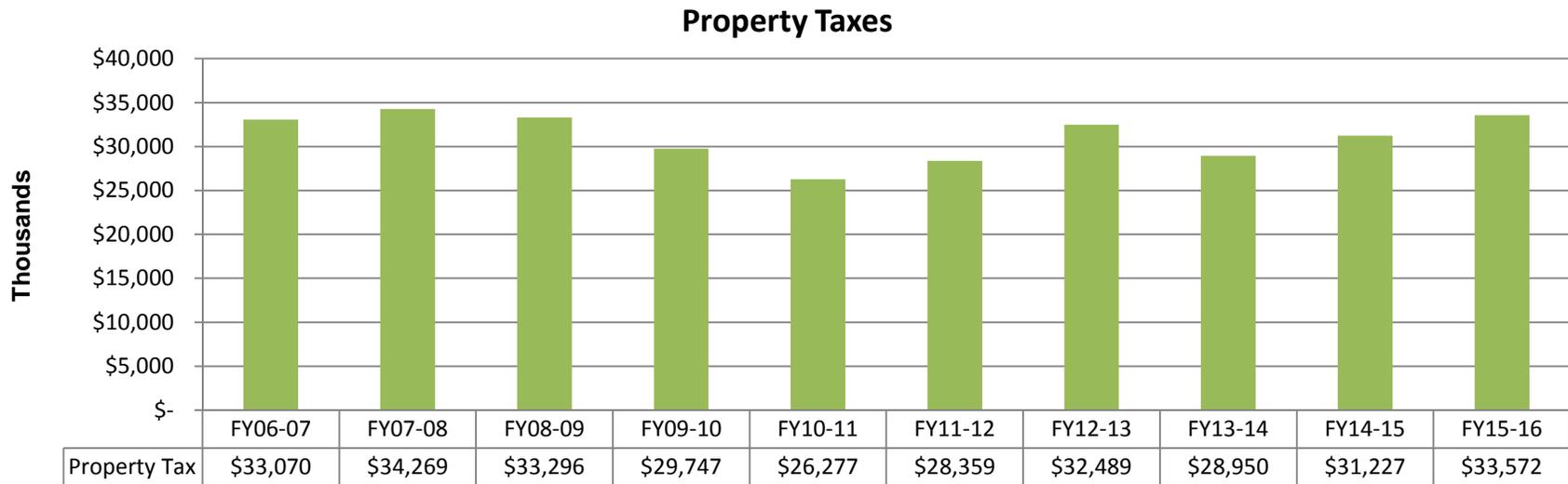
### Major General Fund Revenue Sources

Following is a discussion of the City’s principal general fund revenue sources: property taxes, utility user taxes, sales and use taxes, and other taxes. For Fiscal Year 2015-16, the budget projects these principal sources to total approximately \$129.3 million, or 89.5% of the General Fund revenue budget. The overall General Fund budget including all revenue sources totals \$144.4 million. The revenue budget is developed based on financial indicators and analyses, including the consumer price index, trend analyses, and reports provided by Contra Costa County.

**FY2015-16 General Fund Revenue Budget**



Property Taxes and Assessed Valuations



The City utilizes the facilities of the County for the assessment and collection of property related taxes for City purposes. The assessed valuation of property is established by the County Assessor and reported at 100% of the full cash value as of January 1, except for public utility property, which is assessed by the State Board of Equalization. City property related taxes are assessed and collected at the same time and on the same tax rolls as are county, school, and special district taxes.

The County collects the *ad valorem* property taxes. Taxes arising from the basic one percent levy are apportioned among local taxing agencies on the basis of a formula established by State law in 1979. Under this formula, the City receives a base year allocation plus an allocation on the basis of growth in assessed value (consisting of new construction, change of ownership and inflation). Taxes relating to voter-approved indebtedness are allocated to the relevant taxing agency. Taxes relating to voter-approved pension costs are allocated to the taxing agency. Beginning in Fiscal Year 1990-91 (with the adoption of new State legislation), the County has deducted the pro-rata cost of collecting property taxes from the City’s allocation.

The California Community Redevelopment Law authorizes redevelopment agencies to receive the allocation of tax revenues resulting from increases in assessed valuations of properties within designated project areas. In effect, the other local taxing authorities realize tax revenues from such properties only on the base-year valuations, which are frozen at the time a redevelopment project area is created. The tax revenues which result from increases in assessed valuations flow to the redevelopment areas. The City has created redevelopment project areas pursuant to State law. Generally, funds must be spent within the redevelopment areas in which the tax increment revenues were generated and may only be spent on projects which qualify under State redevelopment law.

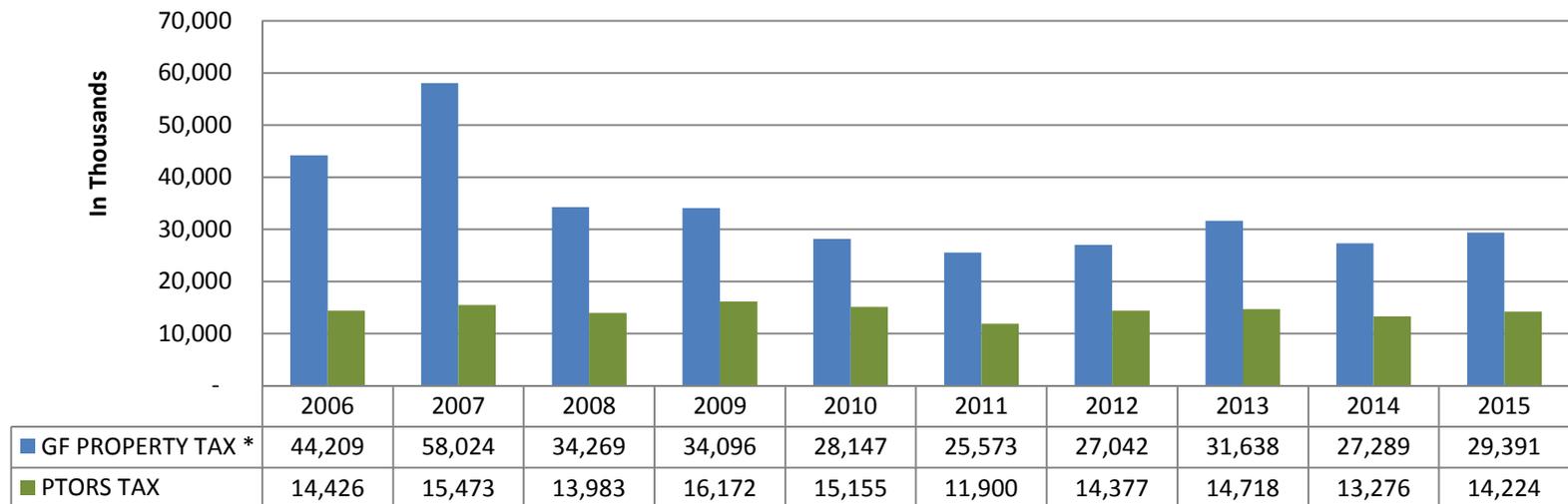
As previously discussed, pursuant to Article XIII A of the California Constitution, annual increases in property valuations by the County Assessor are limited to a maximum 2% unless properties are improved or sold. Transferred properties and improvements are assessed at 100% of full cash value. Therefore, the County tax rolls do not reflect values uniformly proportional to market values.

Business inventories are 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.

“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.

Property tax receipts collected for the City by the County are set forth in the chart below. In preparing its annual budgets, the City forecasts property taxes based on each of the specific categories of receipts (secured and unsecured, current and delinquent receipts, supplemental, and State replacement funds). Current receipts are derived from the County Assessor's estimate of growth in assessed valuation, adjusted for estimates in growth for redevelopment project areas. Estimates of other property tax receipts are primarily based on historical collections.

### City of Richmond Property Tax Collections Last Ten Fiscal Years



*Teeter Plan.* The City is located within a county that is following the “Teeter Plan” (defined below) with respect to property tax collection and disbursement procedures. Under this plan, a county can implement an alternate procedure for the distribution of certain property tax levies on the secured roll pursuant to Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Section 4701 through 4717, inclusive), commonly referred to as the “Teeter Plan.”

Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes and assessments are distributed to taxing agencies within the county included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all participating taxing agencies is avoided. While the County bears the risk of loss on delinquent taxes that go unpaid, it benefits from the penalties associated with these delinquent taxes when they are paid. In turn, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk. The constitutionality of the Teeter Plan was upheld in *Corrie v. County of Contra Costa*, 110 Cal. App. 2d 210 (1952). The County was the first Teeter Plan county in the State when the Teeter Plan was enacted by the State Legislature in 1949.

The valuation of property is determined as of January 1 each year and equal installments of tax levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due May 15 and become delinquent August 31.

Although the City receives its entire secured tax levy amount each year under the Teeter Plan, an indication of actual tax collections can be obtained from the history of collections of all entities levying taxes within the City limits.

*Largest Taxpayers.* Set forth in the following table are the ten largest secured taxpayers in the City for the Fiscal Year FY2014-15, based on assessed valuations within the City.

### RICHMOND LARGEST PROPERTY TAX PAYERS<sup>(1)</sup>

<u>Property Owner</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Total</u>
CHEVRON USA INC	Industrial	2,684,106,606	21.91%
KAISER FOUNDATION HOSPITALS	Unsecured	172,134,006	1.41%
GUARDIAN/KW HILLTOP LLC	Residential	146,839,839	1.20%
RICHMOND ESSEX LP	Residential	72,666,213	0.59%
LENNAR EMERALD MARINA SHORES	Residential	66,344,500	0.54%
CRESCENT PARK EAH LP	Residential	51,907,545	0.42%
DICON FIBEROPTICS INC	Industrial	41,564,124	0.34%
FORD POINT LLC	Industrial	39,001,016	0.32%
BP WEST COAST PRODUCTS	Industrial	38,097,261	0.31%
RICHMOND TIDES OWNER LLC	Residential	37,911,339	0.31%
<b>Total</b>		<b>12,249,871,973</b>	

(1) Contra Costa county Assessor

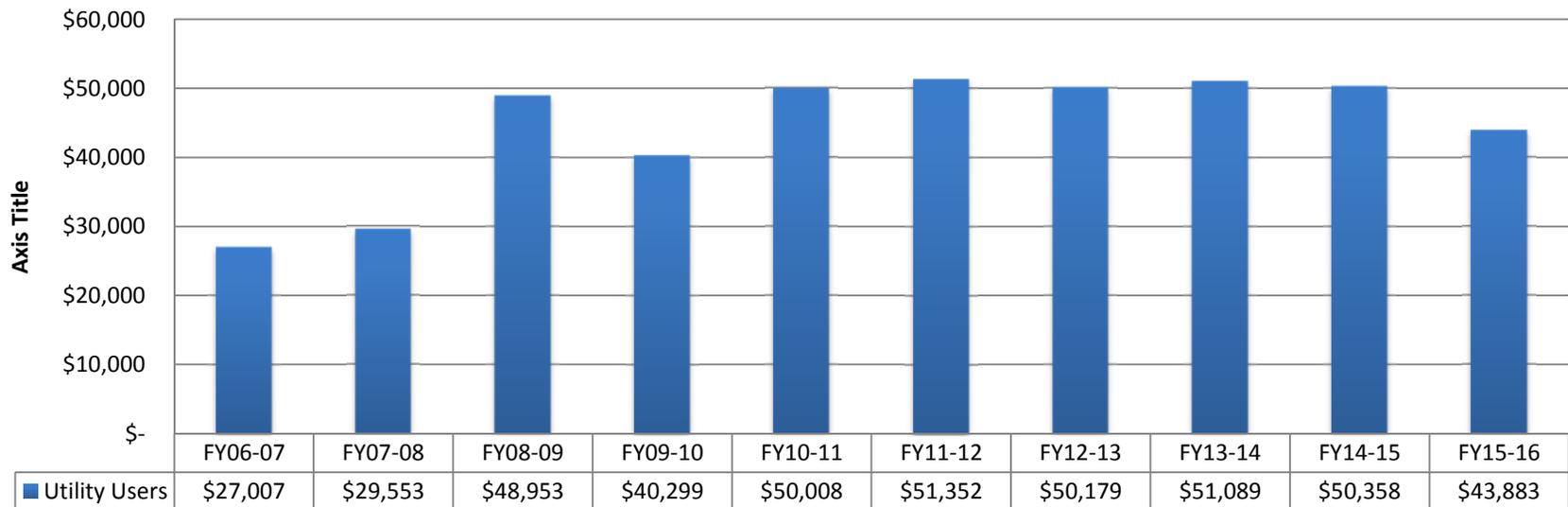


### Utility Users Tax

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 2013-14.

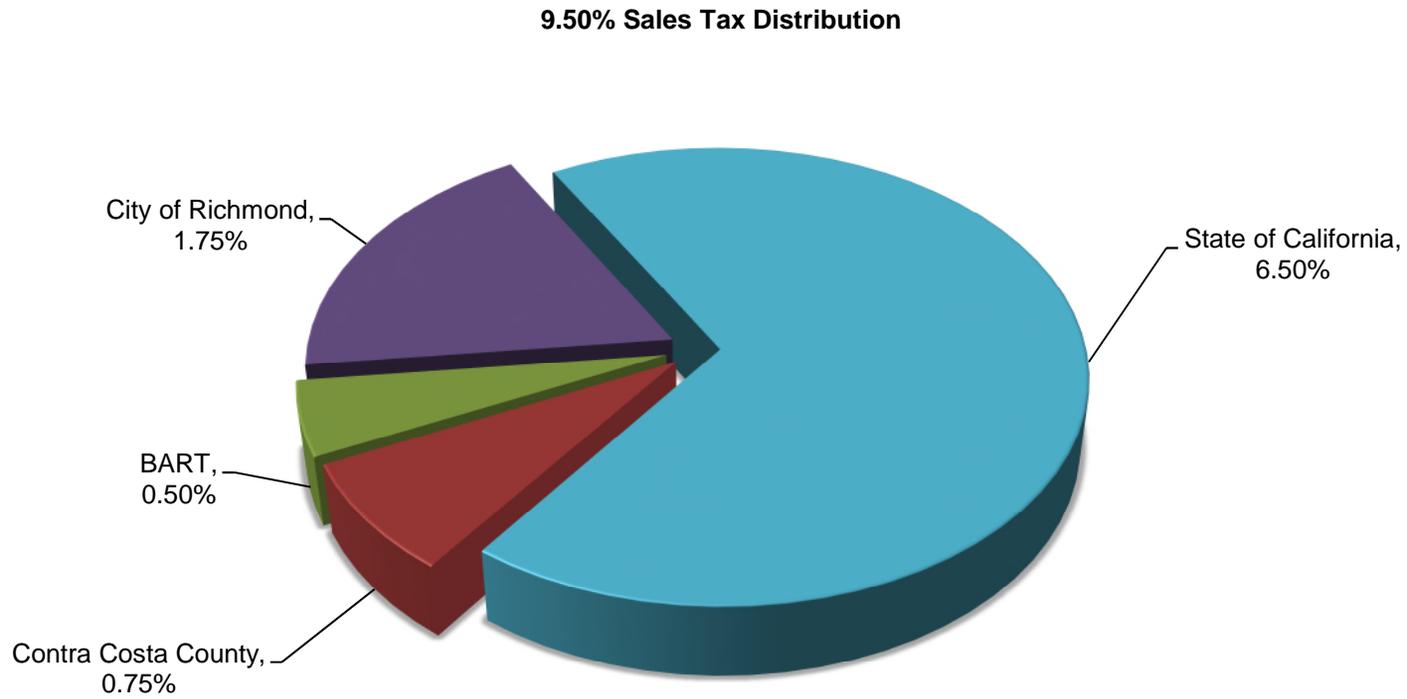
The Richmond Municipal Code Section 13.52.100 provides that any electric service user may annually elect to pay a maximum Utility Users Tax that is calculated as the base amount of \$1,148,137.54 for each percent of tax imposed for any tax year, which base amount is then adjusted annually by that percentage which is ninety percent (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 Users Tax, a user of the electric service must enter into an agreement with the City Tax Administrator prior to the commencement of the tax year to pay the maximum tax liability directly to the City during the tax year. No portion of the maximum Utility Users Tax is refundable in the event the service user subsequently determines that its tax liability under this chapter would have been less than the maximum Utility Users Tax calculated as described above.

### Utility Users Tax



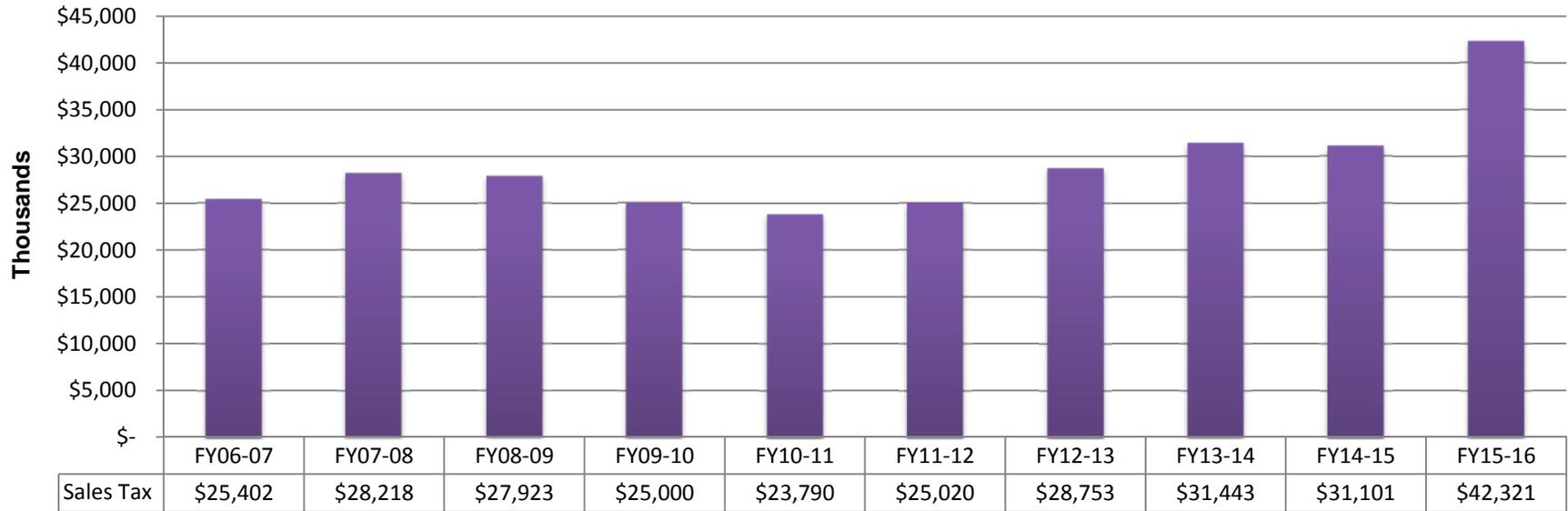
### Sales and Use Taxes

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 the table below. The total Sales Tax rate for the City currently is 9.50% and is allocated as follows:



Source: California State Board of Equalization.

## Sales Tax



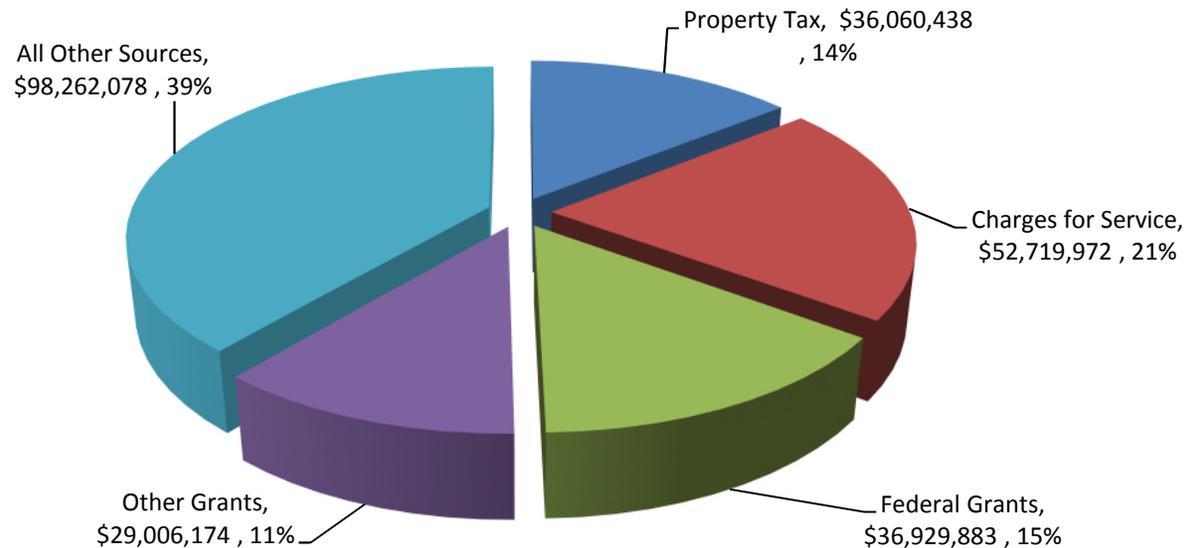
### *Other Taxes*

Other taxes include franchise fees, transient occupancy tax, and documentary transfer tax which is the largest amount collected under this revenue source. 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.

## Major Non-General Fund Revenue Sources

Following is a discussion of the City's principal non-general fund revenue sources: property tax, charges for services, federal grants, and other grants. For Fiscal Year 2015-16, the budget projects these individual non-general fund revenue sources to total approximately \$154.7 million. The overall Non-General Fund budget including all revenue sources totals \$253 million.

### FY2015-16 Non-General Fund Revenue



### Property Taxes

The property taxes received outside the General Fund is from tax increment, special assessment tax (assessment district, floating lien), pension override, and secured and unsecured property taxes. The tax increment is collected and used in the Successor Agency to the Richmond Community Redevelopment Agency (RCRA) for the revitalization of physical, economic and social conditions of blighted areas and community enhancing programs to improve the general welfare and enhance the quality of life in the community. The other revenues are used on debt service, retirement benefits, bank fees, and other miscellaneous expenses. Projections of tax increment revenues are from hiring an outside consulting agency with assumptions from the assessor's office. Assessed valuation determines the revenue from the special assessment tax each year. Pension override is a fixed rate of tax levied upon the taxable and personal property within the taxing districts. For secured property taxes - revenue is generated when the Assessor establishes the value of property (land or structures) on January 1<sup>st</sup>. This value is multiplied by the tax rate then some

special charges are added i.e. sewer assessment charges. Unsecured property taxes are taxes against businesses for property that can be relocated such as business equipment, planes, and boats. The unsecured tax revenue comes from the prior year secured tax on January 1<sup>st</sup> multiplied by the tax rate.

#### *Charges for Services*

These charges are imposed by three main departments of the City of Richmond – Utilities, Human Resources, and Public Works. The Utilities department generates revenue from wastewater sewer charges. The wastewater sewer division receives revenues from fixed fees from residential, commercial, and industrial users as set by ordinance. While the residential fees are fixed based on the number of users, commercial and industrial pay a flat fee and a flow based fee. These non-residential fees (commercial & residential) are based on prior year usage. The Human Resources department receives revenue from general liability cost allocations and worker's compensation charges. Charges are allocated to the departments to fund the City's insurance reserves. The Public Works department receives revenue come from internal service fund charges for equipment replacement. The allocations are based on the straight-line depreciation method taking into account acquisition cost and useful life.

#### *Federal Grants*

The revenue received from federal grants fund programs managed in four main departments - Housing Department, Employment and Training, Richmond Housing Authority, and the Successor Agency. Funding is received from the following sources: Department of Housing and Urban Development (HUD), Community and Block Development Grant (CDBG), Workforce Investment Act (WIA). While many of the grants are recurring, the City will continue to explore and apply for grants in the future to better help serve our communities.

#### *Other Grants*

The revenue from other grants primarily fund Paratransit operations and capital improvement projects. Funding is received from the following local sources: Contra Costa Transit Authority, One Bay Area Grant Program, Safe Routes to School, Measure J, Bay Area Air Quality Management District.

### **Employee Compensation**

Employees are compensated based on job classification, which is a group of positions sufficiently similar with respect to their duties and responsibilities that: (a) the same descriptive title may be used to designate the positions allocated to the class; (b) the scope and level of duties and responsibilities are similar; (c) the same qualifications and tests of fitness may be required of all incumbents; and (d) the same salary rate or range can apply with equity under substantially the same working conditions. Salaries are established on a monthly basis and are paid over twenty-four periods each fiscal year.

Compensation packages include the following benefits: medical plan, dental plan, vision plan, cafeteria plan, life insurance, disability insurance, flexible benefits plan, employee assistance program, and professional development.

Employees are represented by the following bargaining units: Service Employees International Union (SEIU) Local 1021; International Federation of Professional and Technical Employees (IFPTE) Local 21; Richmond Police Officers Association (RPOA); Richmond Police Management Association (RPMA); International Association of Fire Fighters (IAFF) – Local 188; and Richmond Fire Management Association (RFMA). Memorandums of Understanding (MOUs) between the City of Richmond and bargaining units explain employee compensation as stipulated. They are available on the City’s website.

## **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.

### *California Public Employees’ Retirement System*

The City contributes to PERS, an agent, multiple-employer, public employee, defined benefit, pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS’ annual financial report may be obtained from their Executive Office: 400 P Street, Sacramento, CA 95814.

*Funding Policy:* Miscellaneous Plan participants are required to contribute 8% of their annual covered salary, while Safety Plan participants are required to contribute 9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City as employer is required to contribute actuarially determined rates each fiscal year for police, fire, and miscellaneous employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

*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.

*Police and Firemen’s Pension Plan.* The Police and Firemen’s Pension Plan is a defined benefit pension plan covering 98 police and fire personnel employed by the City prior to October 1964. The Police and Firemen’s Pension Plan is closed to new

membership, and substantially all of its current members are retired. Funding for the Police and Firemen’s Pension Plan is provided from the Pension Reserve Trust Fund. Employees eligible under the Police and Firemen’s Pension Plan were vested after five years of service, and members were allowed normal retirement benefits after 25 or more continuous years of service. The City is required under its charter to contribute the remaining amounts necessary to fund the Police and Firemen’s Pension Plan using the Entry Age Normal Cost actuarial cost method as specified by ordinance. The City has established the Pension Reserve Trust Fund, to which a portion of the proceeds of an incremental property tax levy approved by the citizens of the City are credited, for the payment of benefits under the Police and Firemen’s Pension Plan as well as other pre-1978 benefits approved for general safety and miscellaneous employees enrolled in PERS.

*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.

**Postretirement Health Care Benefits**

In addition to the retirement and pension benefits described above, the City provides postretirement health care benefits (“OPEB Obligations”), in accordance with City ordinances, to all employees who retire from the City on or after attaining retirement age (50 for police and fire employees, and 55 for all other employees) and who have at least ten years of service. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omission, injuries to employees, natural disasters, and inverse condemnation. The City began self-insuring its workers’ compensation and its general and auto liability in 1976. The City has chosen to establish risk financing internal service funds where assets are accumulated for claim settlements associated with the above risks of loss up to certain limits. Excess coverage for the above-mentioned risk categories excluding wrongful termination, sexual harassment, and inverse condemnation is provided by policies with various commercial insurance carriers. Self-insurance and insurance company limits are as follows:

<b>Type of Coverage</b>	<b>Self Insurance</b>	<b>Commercial Insurance Carrier</b>
Workers’ compensation for public safety employees	Up to \$1,000,000 per claim	\$24,000,000 in excess of self-insured retention
Workers’ compensation for general employees	Up to \$1,000,000 per claim	\$24,000,000 in excess of self-insured retention

**Annual Appropriations Limit**

Article XIII B of the State Constitution, more commonly referred to as the Gann Initiative or Gann Limit, and subsequent implementation legislation requires that the City of Richmond limit each fiscal year's appropriations of the proceeds of taxes to the amount of such appropriations in Fiscal Year 1978-79 as adjusted for changes in the cost of living and population. Section 7910 of

the Government Code requires each local government to establish by resolution its appropriations limit for each fiscal year. The City's limitation is calculated every year and it is established by a resolution of the City Council as a part of the Annual Operating Budget. Resolution No. 67-15 was approved on June 30, 2015 establishing the City of Richmond's appropriation limit. Below is the calculation.

<b>Fiscal Year</b>	<b>Population Percent Change</b>	<b>Per Capita Inflation Change Factor</b>	<b>Annual Growth Factor</b>	<b>Annual Adjustment</b>	<b>Annual Appropriations Limit</b>
2015-16	1.0090	1.0382	1.0475	\$15,109,563	\$332,912,580
2014-15	1.0098	0.9977	1.0075	\$2,358,722	\$317,803,017
2013-14	1.0077	1.0512	1.0593	\$17,657,067	\$315,444,295
2012-13	1.0083	1.0377	1.0463	\$13,180,945	\$297,787,227
2011-12	1.0077	1.0251	1.0330	\$9,090,177	\$284,606,282
2010-11	1.0110	0.9746	0.9853	-\$4,104,665	\$275,516,105
2009-10	1.0116	1.0062	1.0179	\$4,909,616	\$279,620,770
2008-09	1.0136	1.0429	1.0571	\$14,834,645	\$274,711,154
2007-08	1.0113	1.0442	1.0560	\$13,781,204	\$259,876,509
2006-07	1.0100	1.0396	1.0500	\$11,717,931	\$246,095,305

The City's appropriations subject to the Gann Limit total \$132,123,397, which is well below the authorized spending limit of \$322,912,580. Additional appropriations to the budget funded by non-tax sources such as beginning fund balances, grants or service charges are unaffected by the appropriations limit. Historically, the City's Annual Appropriations Limit has exceeded annual appropriations and the City projects this trend to continue.