



The City of Richmond

Update on City Finances

December 15, 2015



Presentation Topics

I. Management Update

II. Financial Update:

- FY 2014-15 (unaudited financial results)
- FY 2015-16 Year-to-Date

III. Debt Profile and Debt Management

IV. Closing Remarks



I. Management Update

Richmond's Financial Position is Improving

□ Key financial strategies

- Recession strategy focused on maintaining critical services to continue crime reduction and preserve marketable quality of life despite a \$20 million reduction in top three revenue sources at lowest point of recession
- Current strategy focuses on rebuilding fiscal strength
- 27% reduction in City employees since FY 2007-08
- Budget surplus in FY 2014-15, and balanced budget in FY 2015-16

□ Richmond's economy and tax base has rebounded

- Unemployment lowest since WWII – 5.4%
- Commercial real estate at all-time high value and all-time low vacancy rates
- Residential real estate +15.1% in the past year, and projected +4.5% in the coming year
- 1,000 new residential units approved in 2015

Richmond's Financial Position is Improving

- ❑ FY2014-15 unaudited results show improvement in all major financial metrics
 - General Fund showed a net surplus of more than \$2.0 million
 - General Fund revenues significantly above and expenditures significantly below budget
 - All Governmental Funds produced positive contributions to fund balance
 - Ending General Fund cash and investments at \$7.2 million in FY2015 versus \$3.7 million in FY2014
- ❑ On June 30th, City Council passed a budget for FY2015-16 that does not utilize reserves
 - Revenues and expenditures aligned at \$144.4 million each
 - Reflects implementation of all negotiated pay increases effective July 1st
 - Balance achieved through additional revenues (including Measure U) and City-wide expenditure reductions (14 of 16 City departments), including elimination of 28 positions (mostly vacant)
 - Total budgeted positions have declined by 184 (FTE) since FY2008-09
 - Results through November trending on track with budget
 - Revenues generally tracking within budget, with already positive budget variances in Property Taxes, Utility User's Tax, and real estate transfer tax
 - Expenditures tracking within budget and slightly below the 25% threshold for the first quarter
- ❑ Potential for approximately \$18 million of non-operating additions to General Fund cash through 2016, including \$9.5 million contracted Terminal 1 sale
- ❑ Initial five-year projections completed with a financial model that allows for analysis of various operating scenarios



II. Financial Update

FY2014-15 Unaudited Results – Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance



	General	Cost Recovery	Community Development and Loan Programs	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	32,711,182			15,593,411	48,304,593
Sales taxes	33,131,486			-	33,131,486
Utility user taxes	48,299,957			-	48,299,957
Other taxes	9,918,446			-	9,918,446
Licenses, permits and fees	4,434,240	6,405,372	462,892	3,300,520	14,603,024
Developer revenue sharing				-	-
Fines, forfeitures and penalties	482,567	849,667		21,284	1,353,518
Use of money and property	77,213		119,822	29,478	226,513
Intergovernmental	2,279,431	1,680,081	1,943,396	11,507,556	17,410,464
Charges for services	4,260,887	3,887,850		498,667	8,647,404
Pension stabilization revenue				954,202	954,202
Settlement reimbursement				-	-
Other	768,618	16,345	65,738	387,898	1,238,599
Rent	809,111			-	809,111
Total Revenues	137,173,138	12,839,315	2,591,848	32,293,016	184,897,317
EXPENDITURES					
Current:					
General government	16,436,139	7,248,840	-	3,230,844	26,915,823
Public safety	83,858,316	4,301,549	-	1,115,082	89,274,947
Public works	18,686,950	3,445,185	-	1,183,503	23,315,638
Community development	-	-	170,262	4,406,120	4,576,382
Cultural and recreational	9,561,733	-	-	354,497	9,916,230
Housing and redevelopment	-	-	2,583,435	81,400	2,664,835
Capital outlay	256,353	157,683	200,000	8,214,009	8,828,045
Debt Service:					
Principal	1,320,696		815,967	5,733,096	7,869,759
Interest and fiscal agent fees	610,574			2,531,705	3,142,279
Total Expenditures	130,730,761	15,153,257	3,769,664	26,850,256	176,503,938
(EXCESS) DEFICIENCY OF REVENUES					
OVER (UNDER) EXPENDITURES	6,442,377	(2,313,942)	(1,177,816)	5,442,760	8,393,379
OTHER FINANCING SOURCES (USES)					
Issuance of debt	-		567,711	515,527	1,083,238
Bond Premium	82,880			-	82,880
Proceeds from sale of property	268,927			-	268,927
Transfers in	3,520,095	4,359,670	714,293	3,699,038	12,293,096
Transfers (out)	(8,268,026)			(6,496,140)	(14,764,166)
Total Other Financing Sources (Uses)	(4,396,124)	4,359,670	1,282,004	(2,281,575)	(1,036,025)
NET CHANGE IN FUND BALANCES	2,046,253	2,045,728	104,188	3,161,185	7,357,354
BEGINNING FUND BALANCES (DEFICITS), AS RESTATED					
	26,732,204	(10,692,364)	21,803,327	13,461,779	51,304,946
ENDING FUND BALANCES (DEFICITS)	28,778,457	(8,646,636)	21,907,515	16,622,964	58,662,300

Net surplus of \$2.0 million generated in the General Fund, and more than \$7.3 million of net surplus across all Governmental Funds

FY2014-15 Unaudited Results – Governmental Funds Balance Sheet



	General	Cost Recovery	Community Development and Loan Programs	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	7,164,206	-	-	9,832,267	16,996,473
Restricted cash and investments	2,534		2,942,278	15,725,361	18,670,173
Receivables:					
Accounts, net	9,699,763	2,315,304	122,000	1,663,630	13,800,698
Interest	69			13	82
Grants	702,136	680,448	866,726	3,486,620	5,735,930
Loans	3,964,967		33,066,175	1,011,214	38,042,355
Properties held for resale			1,323,538	648,238	1,971,776
Due from other funds			-	-	-
Advances to other funds	14,879,928			-	14,879,928
Prepays, supplies and other assets	585,167		5,230	485	590,881
Total Assets	36,998,770	2,995,752	38,325,947	32,367,828	110,688,296
LIABILITIES					
Accounts payable and accrued liabilities	2,751,680	334,696	86,494	1,571,383	4,744,253
Refundable deposits	68,334	452,238		-	520,572
Due to other funds		8,527,375	1,173,098	3,476,858	13,177,331
Unearned revenue	4,252,202	1,712,077		7,238,509	13,202,789
Advances from other funds				-	-
Note payable				-	-
Total Liabilities	7,072,216	11,026,386	1,259,592	12,286,750	31,644,944
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	1,148,097	616,002	15,158,840	3,458,113	20,381,052
FUND BALANCES					
Nonspendable	18,924,845			-	18,924,845
Restricted			21,907,515	17,301,376	39,208,891
Assigned	23,934			447,441	471,375
Unassigned	9,829,678	(8,646,636)		(1,125,853)	57,189
Total Fund Balances (Deficits)	28,778,457	(8,646,636)	21,907,515	16,622,964	58,662,300
Total Liabilities, Deferred Inflows of Resources and Fund Balances	36,998,770	2,995,752	38,325,947	32,367,828	110,688,296

Governmental cash and investments total approximately \$17.0 million

General Fund Budget to Actual Comparison – FY 2013-14 and FY 2014-15



City of Richmond General Fund Comparative Analysis						
	Original Budget FY 2014	Final Budget FY 2014	Actual FY 2014	Original Budget FY 2015	Final Budget FY 2015	Actual FY 2015
Revenues:						
Property tax	34,527,660	28,806,495	28,950,340	31,226,979	32,390,735	32,711,182
Sales tax	31,442,633	29,665,216	29,627,711	31,101,354	33,565,958	33,131,486
Utility user fees	51,088,925	49,379,108	48,033,706	50,358,779	48,807,979	48,299,957
Other taxes	7,248,989	7,683,989	7,053,691	7,457,098	8,297,098	9,918,446
Licenses, permits and fees	2,984,600	2,984,600	2,471,455	4,436,078	4,495,078	4,434,240
Fines, forfeitures and penalties	325,000	325,000	296,757	334,750	334,750	482,567
Use of money and property	335,038	335,038	44,408	86,708	86,708	77,213
Intergovernmental	1,179,746	1,515,476	1,924,544	891,797	2,067,028	2,279,431
Charges for services	3,546,740	4,247,958	4,314,503	3,189,506	4,248,534	4,260,887
Rent	716,070	648,863	708,626	813,265	843,015	809,111
Other	826,911	679,699	1,018,222	1,034,825	986,014	768,618
Total Revenues	134,222,312	126,271,442	124,443,963	130,931,139	136,122,897	137,173,138
Expenditures:						
Current						
General government	17,655,364	17,848,946	16,534,537	18,319,969	12,595,858	16,436,139
Public safety	82,608,665	82,779,129	85,843,324	86,679,091	88,222,230	83,858,316
Public works	21,483,091	20,348,195	19,413,504	19,346,042	20,015,420	18,686,950
Cultural and recreational	11,651,303	10,665,841	10,052,848	10,562,852	10,741,612	9,561,733
Capital outlay	213,742	555,612	343,303	670,772	695,377	256,353
Debt Service:						
Principal	1,019,724	1,019,724	1,228,729	1,248,895	1,248,895	1,320,696
Interest and fiscal charges	242,169	242,169	484,672	353,417	353,417	610,574
Total Expenditures	134,874,058	133,459,616	133,900,917	137,181,038	133,872,809	130,730,761
Net Revenues	(651,746)	(7,188,174)	(9,456,954)	(6,249,899)	2,250,088	6,442,377
Other Financing Sources (Uses):						
Bond Premium	109,701	109,701		25,000	82,880	82,880
Proceeds from Sale of Property	100,000	200,000	174,874	100,000	189,066	268,927
Transfers in	8,132,920	8,213,493	8,193,609	3,162,471	3,162,471	3,520,095
Transfers out	(9,843,340)	(8,855,597)	(8,195,038)	(7,948,323)	(7,843,221)	(8,268,026)
Total other Financing Sources (Uses)	(1,500,719)	(332,403)	173,445	(4,660,852)	(4,408,804)	(4,396,124)
Net Change in Fund Balance	(2,152,465)	(7,520,577)	(9,283,509)	(10,910,751)	(2,158,716)	2,046,253
Fund balance, July 1, as restated	36,825,337	36,825,337	36,825,337	26,732,204	26,732,204	26,732,204
Fund balance, June 30	34,672,872	29,304,760	27,541,828	15,821,453	24,573,488	28,778,457

Between the original FY 2014-15 Budget and year-end, a \$6.25 million operating deficit turned into a \$6.4 million operating surplus, a swing of over \$12.6 million

Net change in fund balance changed similarly, with an originally projected \$10.9 million negative change, to a \$2.05 million positive change to fund balance

Source: FY 2014 CAFR, pg. 166; City of Richmond Finance Department for Unaudited FY 2015

Budget versus Actual Results for the General Fund – FY2010-2015

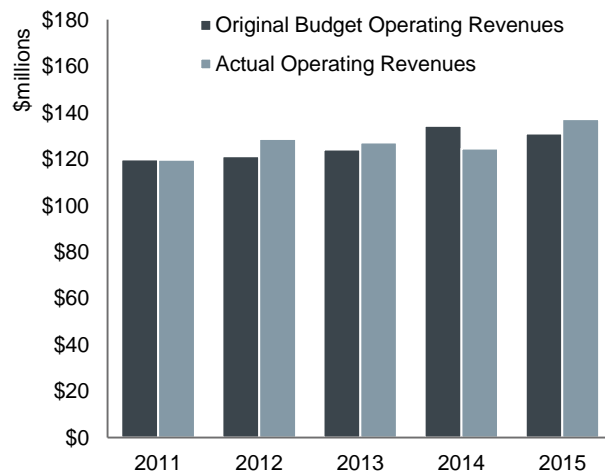
General Fund Original Budget vs. Actual Results

	Audited 2010	Audited 2011	Audited 2012	Audited 2013	Audited 2014	Unaudited 2015
Original Budget Operating Revenues	141,515,118	119,851,320	121,160,038	124,072,992	134,222,312	130,931,139
Actual Operating Revenues ¹	112,687,549	119,666,036	128,635,704	127,098,035	124,443,963	137,173,138
Original Budget Operating Expenditures	141,249,113	122,054,896	125,948,690	127,326,424	134,874,058	137,181,038
Actual Operating Expenditures ¹	122,954,044	123,449,887	134,846,869	127,089,660	133,900,917	130,730,762
Original Budget Operating Surplus (Deficiency)	266,005	(2,203,576)	(4,788,652)	(3,253,432)	(651,746)	(6,249,899)
Actual Budget Operating Surplus (Deficiency) ¹	(10,266,495)	(3,783,851)	(6,211,165)	8,375	(9,456,954)	6,442,376
Net Transfers plus Adjustments ²	3,935,230	5,057,011	3,089,945	(541,391)	173,445	(4,396,124)
Actual Net Change in General Fund Balance	(6,331,265)	1,273,160	(3,121,220)	(533,016)	(9,283,509)	2,046,253

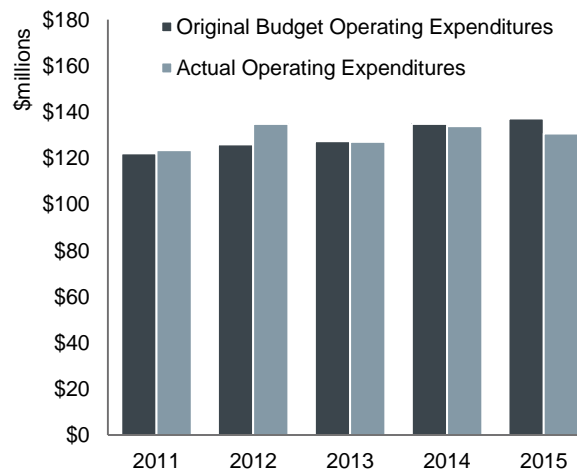
¹ Source: City of Richmond FY 2010-2014 CAFRs and Unaudited FY2015 results

² Includes Net Transfers, Bond Premium, and Proceeds from Sale of Property

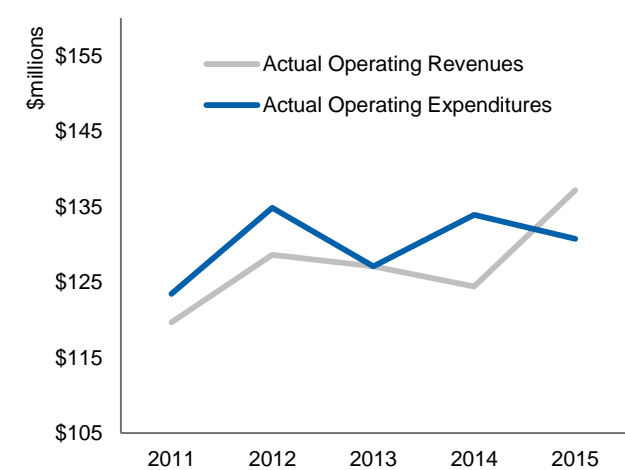
**General Fund Total Revenues:
Original Budget vs. Actual**



**General Fund Total Expenditures:
Original Budget vs. Actual**



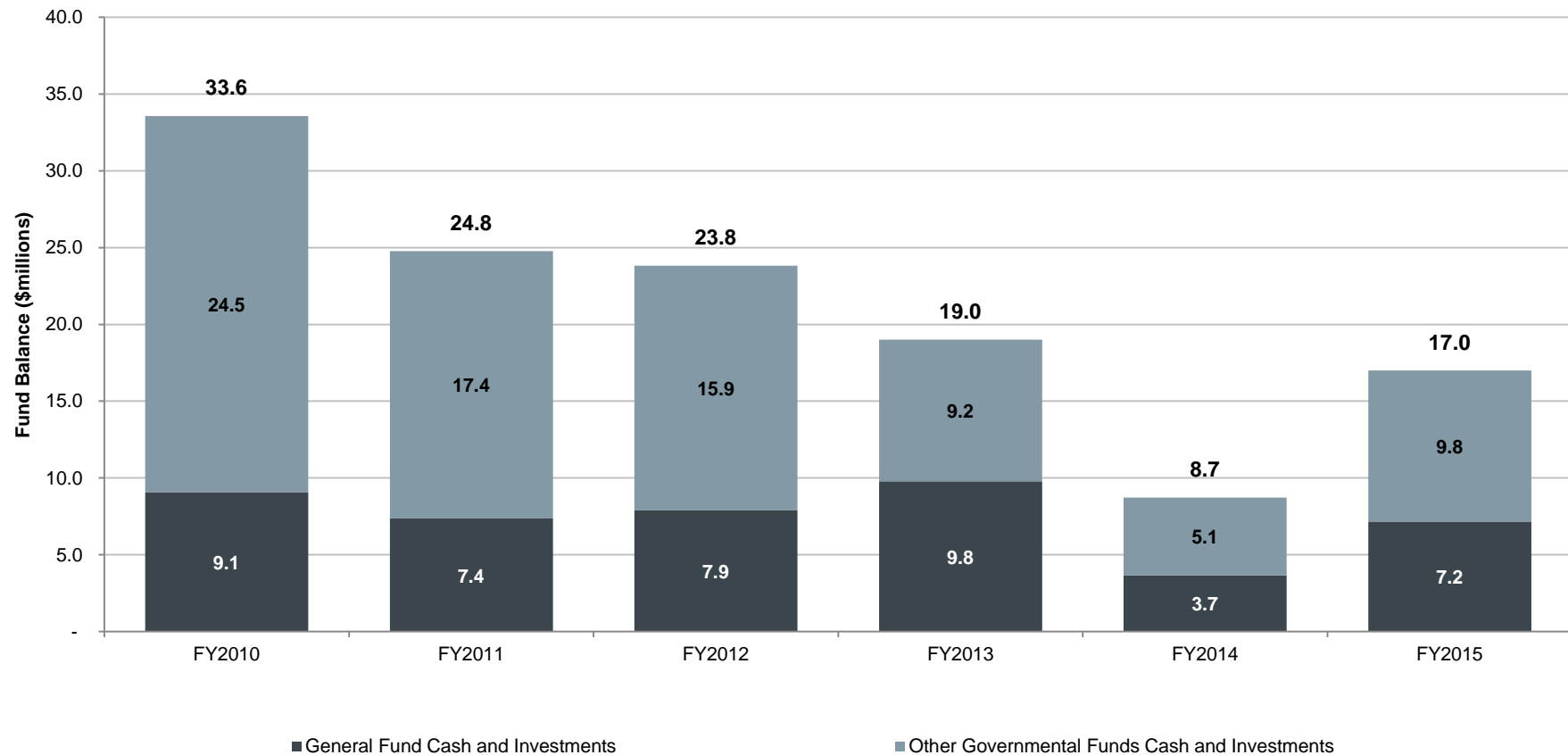
**General Fund Actual Total Revenues
vs. Actual Total Expenditures**



Governmental Funds Cash and Investments are Rebounding

- Both General Fund cash and total Governmental Funds cash have nearly doubled since FY 2014

Governmental Funds (General Fund & Other Governmental Funds)
Cash and Investments

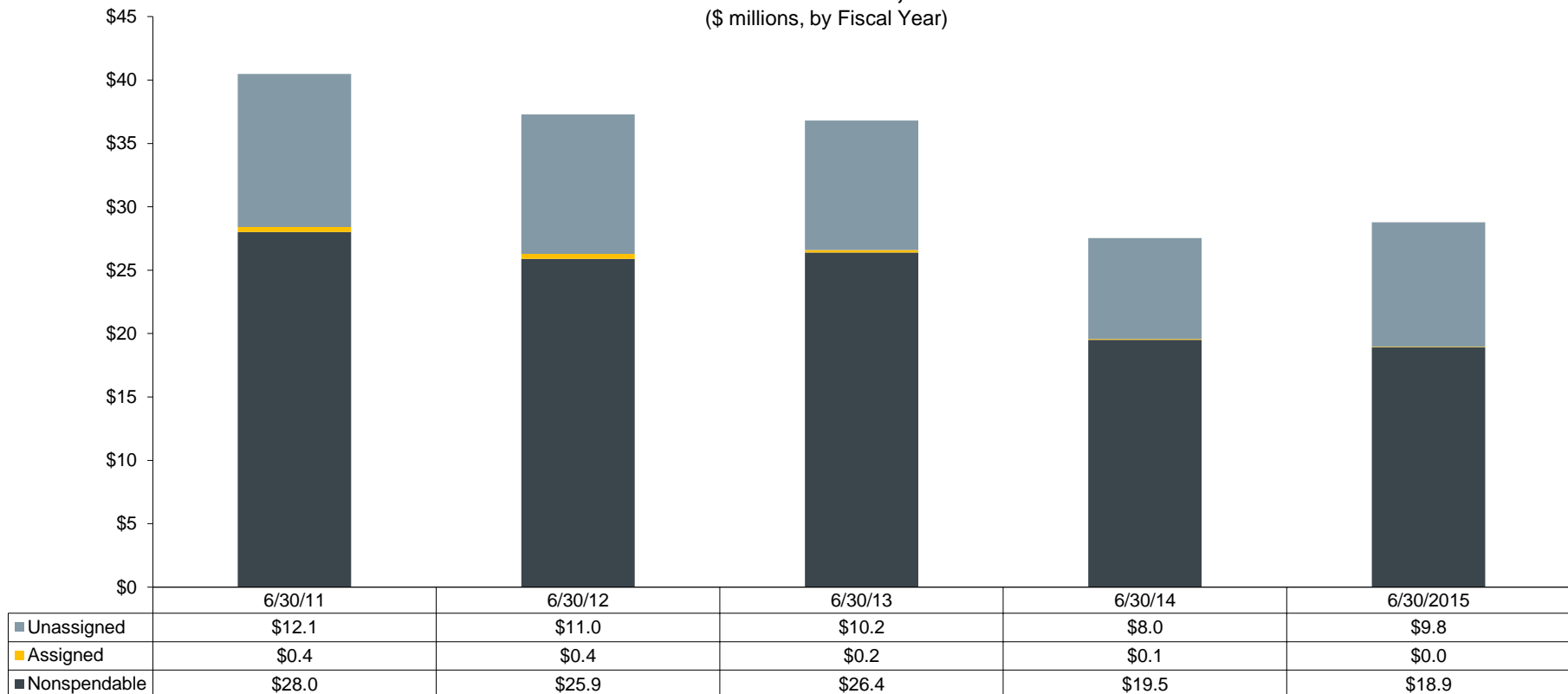


Fund Balances (General Fund) Expected to be Approximately \$28.8 Million for FY2014-15



- ❑ Total fund balance is about 20.7% of FY 2014-15 GF expenditures and transfers out
- ❑ Unassigned fund balance is about 7.1% of FY 2014-15 GF expenditures and transfers out
 - Not an equivalent metric to City’s cash reserves policy percentage

General Fund Balance, Audited⁽¹⁾
(\$ millions, by Fiscal Year)

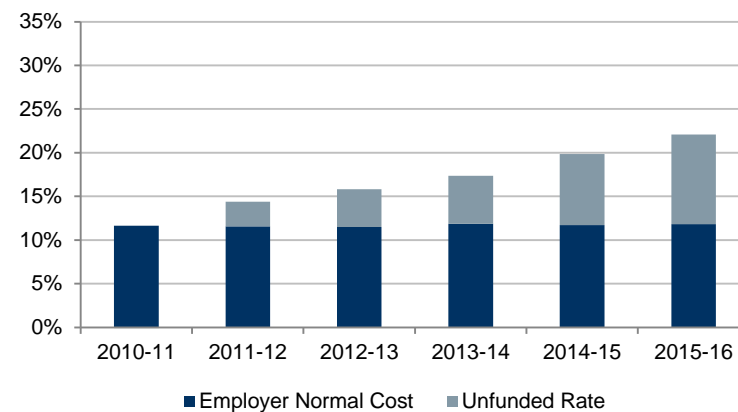
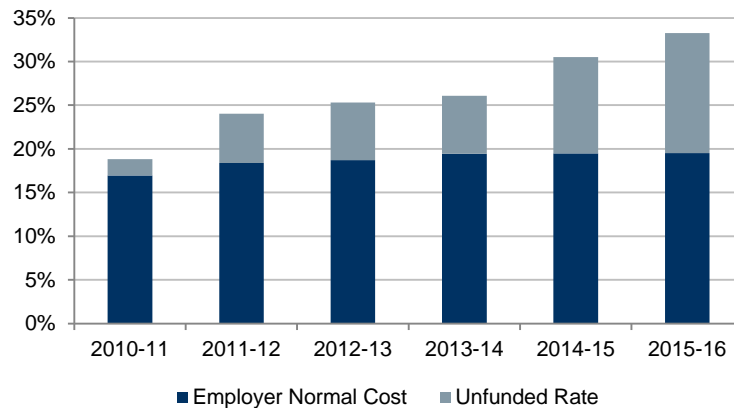


(1) FY2014-15 unaudited actuals; all other data based on audited financials.

Pension and OPEB

CalPERS - Safety					CalPERS - Miscellaneous			
Valuation Date	Accrued Liability	AVA	MVA	Funded Ratio (MVA)	Accrued Liability	AVA	MVA	Funded Ratio (MVA)
6/30/09	\$407.1	\$383.9	\$279.5	68.7%	\$322.8	\$317.2	\$231.4	71.7%
6/30/10	426.5	394.7	306.7	71.9%	349.3	325.8	253.8	72.7%
6/30/11	448.1	408.7	359.8	80.3%	370.1	335.0	295.5	79.8%
6/30/12	470.1	416.1	346.9	73.8%	382.1	338.4	282.3	73.9%
6/30/13	493.1	(1)	378.4	76.7%	394.3	(1)	304.2	77.1%

(1) PERS ceased reporting actuarial value of assets with 6/30/2013 report.



Actuary estimated the OPEB UAAL to be \$125.5 million as of July 1, 2013

Fiscal Year	Annual OPEB Cost (AOC) (\$ millions)	Actual Contribution (\$ millions)	Percentage of AOC Contributed	Net OPEB Obligation (Asset) (\$ millions)
6/30/10	\$6.78	\$2.48	36.6%	-\$0.31
6/30/11	7.29	2.85	39.1%	4.13
6/30/12	8.05	2.98	37.0%	16.91
6/30/13	8.59	4.03	46.9%	21.47
6/30/14	11.43	2.01	17.6%	30.89
06/30/2015 (est.)	12.08	5.32	44.0%	36.01



FY 2015-16 Revenues as of November 2015

0001-GENERAL FUND	REVISED BUDGET	YTD RECEIVED	AVAILABLE BUDGET	42% THRESHOLD PCT USED
PROPERTY TAXES	33,572,926	1,036,806	32,536,120	3.1%
SALES & USE TAX	42,321,811	6,540,331	35,781,480	15.5%
UTILITY USERS TAX	43,883,499	20,448,080	23,435,419	46.6%
OTHER TAXES	9,493,433	3,192,207	6,301,226	33.6%
LICENSES, PERMITS & FEES	4,726,275	1,032,171	3,694,104	21.8%
CHARGES FOR SERVICES	3,567,509	907,880	2,659,629	25.4%
OTHER REVENUE	2,352,559	423,324	1,929,235	18.0%
GRANTS	1,309,525	312,747	996,777	23.9%
OPER XFERS IN	2,924,831	1,162,537	1,762,294	39.7%
TOTAL	144,152,368	35,056,082	109,096,285	24.3%



FY 2015-16 Expenditures as of November 2015

0001-GENERAL FUND	REVISED BUDGET	YTD EXPENDED	ENCUMBS	AVAILABLE BUDGET	42% THRESHOLD PCT USED	42%THRESHOLD PCT USED w/ ENCUMBS
40 SALARIES AND WAGES	69,464,709	28,986,143		40,478,566	41.7%	41.7%
41 PYROLLFRINGE BENEFIT	38,853,351	17,114,343		21,739,007	44.0%	44.0%
42 PROF & ADMIN	8,596,004	3,008,781	2,515,207	3,072,016	35.0%	64.3%
43 OTHER OPERATING	5,923,005	2,389,818	2,859,330	673,857	40.3%	88.6%
44 UTILITIES	3,556,987	1,325,693	253,418	1,977,877	37.3%	44.4%
45 EQPT & CONTRACT SVCS	1,505,078	720,723	276,688	507,666	47.9%	66.3%
46 PROVISN FOR INS LOSS	12,000	12,000		0	100.0%	100.0%
47 COST POOL	13,010,340	5,624,745		7,385,595	43.2%	43.2%
48 ASSET/CAPITAL OUTLAY	511,789	211,703		300,086	41.4%	41.4%
49 DEBT SVC EXPENDITURE	1,456,258	304,733		1,151,525	20.9%	20.9%
4A A87 COST PLAN REIMBS	-6,571,114	-2,772,915		-3,798,199	42.2%	42.2%
50 GRANT EXPENDITURES	255,775	47,180		208,595	18.4%	18.4%
91 OPER XFERS OUT	7,437,495	3,098,965		4,338,530	41.7%	41.7%
TOTAL	144,011,676	60,071,911	5,904,643	78,035,122	41.7%	45.8%

Revenue and Expenditure Budget Summary

Fiscal Years 2014-15 and 2015-16



	FY2014-15 Adopted Budget	FY2014-15 Actuals	FY2015-16 Adopted Budget	FY2015-16 Revised Budget
Total Revenue	\$139,557,314	\$140,983,728	\$144,386,591	\$144,152,368
Total Expenditures	\$141,716,029	\$138,937,475	\$144,386,494	\$144,011,676
Net Operating Surplus/(Deficit)	\$(2,158,715)	\$2,046,252	\$98	\$140,691

Labor Contracts

Labor Contracts		
Employee Bargaining Group ⁽¹⁾	Contract Expiration Date	Salary Increases
Fire Fighters I.A.F.F., Local 188	June 30, 2018	4.0% increase on July 1, 2015 and a 6% increase on January 1, 2016; Members to contribute an additional 1% towards CalPERS commencing January 1, 2016 for a total contribution of 12% by January 1, 2016
Fire Management, RFMA	June 30, 2018	4.0% increase on July 1, 2015 and a 6% increase on January 1, 2016; Members to contribute an additional 1% towards CalPERS commencing January 1, 2016 for a total contribution of 12% by January 1, 2016
General (Part time), S.E.I.U. Local 1021	March 31, 2016	3% increase on July 1, 2015
General (Full time), S.E.I.U. Local 1021	March 31, 2016	3.03% increase on July 1, 2015 ⁽²⁾
Management, IFPTE Local 21	June 30, 2017	4% increase on July 1, 2015 ⁽³⁾
Police Management Association	December 31, 2016	1% increase on January 1, 2015, 2% increase on July 1, 2015 and 3% January 1, 2016; Members to contribute an additional 1% toward CalPERS for a total contribution of 12% by end of the contract term ⁽⁴⁾
Police Officers Association	June 30, 2016	3.0% annual increase on each July in 2013, 2014 and 2015; Members to contribute an additional 1% toward CalPERS

(1) Effective January 1, 2013, all new hires are subject to PEPR requirements. See “–Pension Plans–Pension Reform.”

(2) Pursuant to the terms of the agreement, the proposed increase includes deferred 1% increases that were scheduled to take effect on each of July 1, 2014 and January 1, 2015 and the 1% increase scheduled to take effect on July 1, 2015, plus 0.03% to compensate for compounding lost due to deferrals.

(3) Includes a deferred 2% increase that was scheduled to take effect on July 1, 2014 and a 2% increase scheduled to take effect on July 1, 2015.

(4) Includes a deferred 2% increase that was scheduled to take effect on January 1.

Source: City of Richmond, Human Resources Department.

Ongoing and Future Priorities

- ❑ Five-Year Forecast to be presented to City Council on December 15
 - Critical element of upcoming labor negotiations and addressing pension and OPEB funding
 - Technical assistance is being provided by the National Resource Network (PFM consulting)
 - Forecast includes financial model for scenario planning and updating
- ❑ Staff is continuing to examine its budget management activities:
 - Continue to analyze structural integrity of all funds, including funds subsidized by the General Fund
 - Implement organizational restructuring
 - Work with bargaining units to discuss future budget constraints, especially as they relate to OPEB
 - Research new revenue opportunities for new and existing projects and programs, and seek grant funds
 - Continue to take steps to eliminate General Fund subsidies for revenue-based programs
 - Work with departments to identify additional cost reductions and efficiencies

Projected Liquidity Events During Calendar Years 2015 and 2016

- Nearly \$18 million potential positive liquidity events are pending (cash to the General Fund):
 - \$1.7 million Housing Authority Rental Assistance Demonstration conversion developer fee to be distributed on December 21, 2015
 - \$2.175 million distribution of excess reserves established for a solid waste joint venture with other cities will be deposited into the General Fund by December 31, 2015
 - \$2.5 million of cash holdback from sale of Westridge Apartments expected to be released from escrow pending expected settlement of dispute in favor of City, estimated prior to end of calendar 2016
 - \$2.0 million proceeds from sale of surplus property (Fire Training Center) pending approval by Council on November 17th – proceeds estimated prior to end of calendar 2016
 - \$9.5 million contracted sale of Terminal 1 expected by end of calendar 2016– will repay \$9.5 million of the \$14.8 million loan outstanding from the General Fund



III. Debt Profile and Debt Management

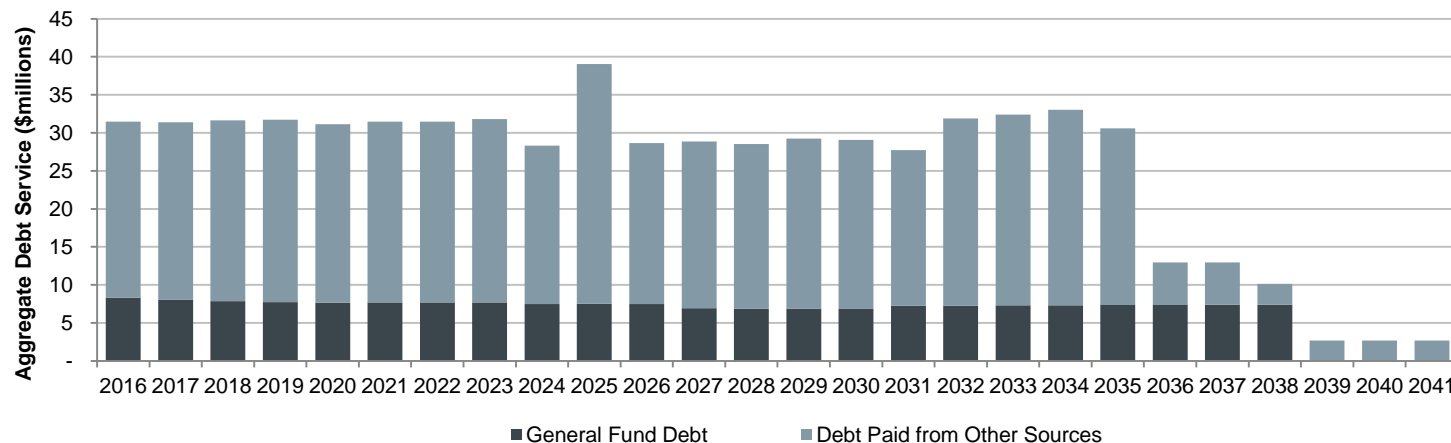
Debt Profile and Annual Debt Service Requirements

- ❑ All of the debt payable from the General Fund is fixed rate debt
- ❑ POBs, payable from PTORS, are variable rate
 - Currently 100% hedged by swaps
 - Index floaters with no credit facilities or remarketing
- ❑ Wastewater debt 36% variable
 - Backed by Union Bank LOC
 - 100% hedged by swap

City Obligations as of June 30, 2015					
Series / Credit Enhancement (if any)	Coupon Type	Original Par (\$000)	Outstanding Par (\$000)	% Paid from General Fund	% Paid from Other Sources
Lease Revenue Bonds					
Series 2009 (Civic Center) (AGM)	Fixed	\$ 89,795	\$ 87,235	98%	2%
Series 2009A (Pt. Portrero)	Fixed	26,830	26,830	0%	100%
Series 2009B Taxable (Pt. Portrero)	Fixed	20,280	15,425	0%	100%
Pension Obligation Bonds					
Series 1999A (MBIA/NPFG)	Fixed	\$ 36,280	\$ 11,205	0%	100%
Series 2005B-1, B-2	Variable	114,995	198,718	0%	100%
Wastewater System Bonds					
2006A (Ambac)	Fixed	\$ 16,570	\$ 10,735	0%	100%
2008A (UBOC LOC)	Variable	33,015	32,935	0%	100%
2010A (AGM)	Fixed		2,105	0%	100%
2010B (AGM)	Fixed	41,125	41,125	0%	100%
Loans	Fixed	\$10,772	\$4,128	100%	0%
Capital Leases	Fixed	\$12,711	\$7,484	100%	0%
TOTAL		\$405,483	\$437,925		

Note: The City does not have any General Obligation Bonds outstanding

Annual Debt Service Requirements (Fiscal Year)



Summary of Interest Rate Swap Agreements (as of October 22, 2015)

Associated Bonds	Effective/ Termination Date	Initial / Current Notional Amount	Counterparty / Guarantor / Ratings (M/S/F)	Pay	Receive	Additional Termination Events	Current Relevant Rating	Market Rate/Market Termination Value to City ⁽¹⁾
City of Richmond Taxable Pension Funding Bonds Series 2005B-1 ⁽²⁾	8/1/13/ 8/1/2023	\$75,230,476/ 66,068,745	JPMorgan Chase Co. Bank Aa3/A+/A+	5.71%	100% 3ML	City's credit rating falls below BBB+/Baa1 and City fails to post collateral; City's credit rating falls below either BBB or Baa2	BBB+ / Ba1	1.429%/
City of Richmond Taxable Pension Funding Bonds Series 2005B-2 ⁽²⁾	8/1/2023 / 8/1/2034	\$127,990,254/ 127,990,254	JPMorgan Chase Co. Bank Aa3/A+/A+	5.73%	100% 3ML			2.906%/
City of Richmond Variable Rate Wastewater Revenue Refunding Bonds, Series 2008A ⁽³⁾	11/23/09/ 8/1/1937	\$32,260,000/ 32,260,000	Royal Bank of Canada Aa3/AA-/AA	3.90%	63.42% 1ML	Wastewater bond ratings fall below A-/Baa3, or either ceases to rate bonds	AA- / Baa2	1.580%/
Richmond Community Redevelopment Agency Subordinate Tax Allocation Refunding Bonds (Merged Project Areas) 2010 Series A ⁽⁴⁾	7/12/07/ 9/1/2036	\$65,400,000/ 52,000,000	Royal Bank of Canada Aa3/AA-/AA	SIFMA	68% 1ML	Ratings fall below BBB/Baa2, or either ceases to rate such bonds. Moody's does not rate bonds.	A-	(\$5,371,500)
Richmond Joint Powers Financing Authority Lease Revenue Refunding Bonds (Civic Center) Series 2007 ⁽⁵⁾	9/19/07/ 8/1/2037	\$101,420,000/ 81,000,000	Royal Bank of Canada Aa3/AA-/AA	SIFMA	68% 1ML	Rating on related bonds falls below BBB or S&P ceases to rate bonds	BBB	(\$8,650,500)
Richmond Joint Powers Financing Authority Lease Revenue Refunding Bonds (Civic Center Project) Series 2009 ⁽⁶⁾	8/1/19/ 8/1/2037	\$77,315,000/ 77,315,000	Royal Bank of Canada Aa3/AA-/AA	4.80%	80% 3ML	Rating on related bonds falls below BBB or S&P ceases to rate bonds	BBB	2.184%/
TOTAL		\$479,615,729/						(\$75,571,200)
<i>Source: The Majors Group</i>		436,633,999				To be novated to RBC		
						To be terminated		

† As of October 22, 2015

(1) All values are shown at mid-market from the perspective of the City.

(2) A pro-rata obligation of all City agencies and the General Fund.

(3) An obligation of the Wastewater Enterprise Fund.

(4) Originally, an obligation of the Richmond Community Redevelopment Agency, now an obligation of the RCRA Successor Agency. See "Dissolution of the Richmond Community Redevelopment Agency."

(5) An obligation of the General Fund.

(6) In accordance with the Swap Policy, on July 10, 2014, the Authority entered into an agreement (the "2014 Swaption") with the Royal Bank of Canada ("RBC"). Pursuant to the terms of the 2014 Swaption, the City sold a cash-settled option to RBC in order to capture the approximate value of the City's early redemption rights with respect to the Richmond Joint Powers Financing Authority Lease Revenue Refunding Bonds (Civic Center Project), Series 2009 without incurring the negative arbitrage costs associated with an advance refunding.



IV. Closing Remarks

Managing the City's Finances

Areas of Focus / Challenges	Current Status	Planning for the Future
Bringing Operations Into Balance	<ul style="list-style-type: none"> ▪ FY2014-15 ended with more than \$2 million General Fund surplus ▪ FY2015-16 budget balanced and tracking on budget 	<ul style="list-style-type: none"> ▪ Five-year forecast will inform labor negotiations and aid in long-term planning
Deficits in Operating Funds	<ul style="list-style-type: none"> ▪ Cost Recovery departments no longer accumulating deficits 	<ul style="list-style-type: none"> ▪ Future surplus funds will be returned to the General Fund
Revenue Volatility and Concentrated Tax Base	<ul style="list-style-type: none"> ▪ Tax base still highly concentrated in Chevron, but new distribution centers added in last 1.5 years will diversify tax base and employment in Richmond ▪ AV and sales tax are growing 	<ul style="list-style-type: none"> ▪ UC Berkeley Global Campus and Shea Homes/South Shore Specific Plan ▪ \$1 billion Chevron modernization project will increase AV and concentration
Derivative and Variable Rate Portfolios	<ul style="list-style-type: none"> ▪ POBs are indexed floaters – no bank credit or renewal risks ▪ All variable rate debt is hedged by swaps ▪ Moody's downgrade affects POB swaps 	<ul style="list-style-type: none"> ▪ Novation of POB swaps removes immediate ATE and eliminates Moody's ▪ Civic Center swaps terminated, leaving POB swap as only GF swap
Outstanding General Fund Loans	<ul style="list-style-type: none"> ▪ \$15 million outstanding Port loan ▪ \$1.9 million outstanding storm water loan 	<ul style="list-style-type: none"> ▪ Terminal 1 contract sale will repay \$9.5 million of Port loan
Wastewater Enterprise	<ul style="list-style-type: none"> ▪ FY2015-16 budget shows cash funding of capital projects ▪ Budget does not assume rate increases 	<ul style="list-style-type: none"> ▪ Rate increase of 6.8% per year for five years approved by City Council ▪ City is currently pursuing SRF loans for capital projects
Pension and OPEB Liabilities	<ul style="list-style-type: none"> ▪ Increased PERS contributions included in FY2015-16 budget ▪ Funded status ~77% for both plans ▪ Paying OPEB Normal Cost 	<ul style="list-style-type: none"> ▪ City Council has an adopted policy regarding use of one-time revenues to make OPEB payments

Summary

- ❑ The City has worked hard to maintain services to residents during and in the aftermath of the Great Recession, which has led to several years of budgetary deficits
- ❑ FY2014-15 has ended on a positive note, with surpluses and growing fund balances
- ❑ The City made hard choices to deliver a FY2015-16 budget that does not rely on reserves, despite the implementation of negotiated salary increases
 - 14 of 16 City departments reduced expenditures, including the elimination of 28 positions (mostly vacant), for a total reduction of budgeted positions of 184 since FY2008-09
 - Year to date budget performance monitored closely and generally tracking on budget
- ❑ The City is taking several steps to ensure financial sustainability, including:
 - Termination of Civic Center swaps and novation/amendment of POB swaps to remove contingent liquidity risk
 - Re-instatement of Five Year Forecast practice
 - No new long-term debt and swap transactions backed by the General Fund
 - Management activities to identify additional cost reductions and revenue enhancements
- ❑ The future holds many promising developments for Richmond
 - Up to approximately \$18 million of potential transactions would add to General Fund cash reserves
 - Economy is improving, with record low unemployment and increasing home values
 - Economy and tax base are diversifying with addition of new companies
 - Economic development projects will add to the City's tax and revenue base

Key Financial Issues

- Adopting a right-sized “base year” budget for FY 2016-17
- Achieving cash reserve levels established by City Council policy
- Planning for investments in infrastructure, especially street improvements
- Establishing a long-term strategy for amortizing the OPEB UAAL
- Maintaining current the new five-year budget forecasting model as assumptions and operating parameters change