

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2016**



**2016**



**CITY OF RICHMOND, CALIFORNIA**

City of Richmond  
California

# Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2016

Prepared by the Finance Department

Belinda Warner  
Finance Director/Treasurer

cover rendering by Marcy Wong Donn Logan Architects

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**CITY OF RICHMOND  
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2016

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## FINANCE DEPARTMENT

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RICHMOND, CA 94804  
(510) 620-6740

February 23, 2017

Citizens of the City of Richmond  
The Honorable Mayor and  
Members of the City Council

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Richmond, California (City). The Finance Department has prepared this report to present the financial position and the results of the City's operations for the fiscal year ended June 30, 2016, and the cash flows of its proprietary fund types for the year then ended. The basic financial statements and supporting schedules have been prepared in compliance with Article IV, Section 1(b)3 of the City Charter, with California Government Code Sections 25250 and 25253, and in accordance with generally accepted accounting principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB).

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City's financial statements have been audited by an independent auditing firm of licensed certified public accountants. The objective of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion on

the City's financial statements for the fiscal year ended June 30, 2016. The Independent Auditors' Report is presented as the first component of the Financial Section of this report.

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

### **The Reporting Entity and Its Services**

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

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

The City's blended component units and assessment districts are as follows: the Richmond Housing Authority, the Richmond Joint Powers Financing Authority, the Richmond Neighborhood Stabilization Corporation, the Richmond Surplus Property Authority and Harbor Navigation, Country Club Vista and Atlas Interchange Special Assessment Districts. The City also has one inactive component unit, Richmond Parking Authority. Please see note 1 for a detailed discussion of the financial reporting entity.

### **Profile of the Government**

The City of Richmond was chartered as a city in 1909, and is located 16 miles northeast of San Francisco, directly across San Francisco Bay. Richmond is on a peninsula separating San Francisco Bay (on the south) and San Pablo Bay (to the north), spanning 32 total miles of shoreline. The City's total area is 56.1 square miles, 33.8 of which is land area and 22.3 water area. Richmond is situated near major metropolitan cities and major new growth areas. San Francisco is within 35 minutes from Richmond by freeway; Oakland is 20 minutes; San Jose is approximately one hour's drive to the south and Sacramento, the state capitol, is approximately 90 minutes to the east. Central Marin County is 15 minutes from Richmond directly across the Richmond-San Rafael Bridge. Freeways provide direct access from Richmond to major new growth areas along Interstate 80 north and east to Vallejo, Fairfield

and Sacramento; along Interstate 680 in central Contra Costa County; and south along Interstate 880 to the San Jose area.

Richmond's population is 110,378. The population within a 30-mile radius of Richmond is over 3.7 million, and within a 70-mile radius is approximately 7.8 million. Richmond is located on the western shore of Contra Costa County, and is the largest city in the "West County" region consisting of five cities: Richmond, El Cerrito, San Pablo, Hercules and Pinole.

The City of Richmond provides a full range of municipal services, including police and fire protection, construction and maintenance of highways, streets and infrastructure, library services, storm water and municipal sewer systems, wastewater treatment facility and the administration of recreational activities and cultural events. The City also operates the Richmond Memorial Convention Center and the Port of Richmond.

The City Council is the governing body of the City and has six members elected at-large to alternating 4-year terms. The Mayor is elected at large and is a seventh member of the City Council. The City of Richmond is a Council-Manager form of government. The City Manager, appointed by the Mayor and Council, has administrative authority to manage administrative and fiscal operations of the City. In addition to the City Manager, the City Attorney, City Clerk and Investigative Appeals Officer are appointed by the Mayor and Council.

The mission of the City of Richmond is:

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

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

#### **Local economy**

The economy of the City of Richmond includes heavy and light manufacturing, distribution facilities, service industry, high-tech, bio-tech and medical technologies, retail centers and a multi-terminal shipping port on San Francisco Bay. Richmond also serves as a government center for western Contra Costa County. The Richmond economy is experiencing growth in light industrial and high technology companies, as well as retail. At the same time, the Port of Richmond has found success in the importation of automobiles.

A number of prime factors appear to be attracting new high-tech firms to Richmond:

- The ongoing development and leasing of light industrial/business park property at Hilltop and along the relatively new I-580 freeway along Richmond's South Shoreline evidence that an active market for this kind of space exists in the Richmond area;
- Availability of fairly extensive vacant or under-utilized land areas zoned for industrial use;
- Relatively lower land costs than most of the Bay Area;
- Richmond's central location in western Contra Costa County; within a short distance of San Francisco, Oakland, other East Bay cities and Marin County, and a relatively easy commute to and from the State's capitol, Sacramento;
- Proximity to the University of California, Berkeley, one of the major scientific universities and library systems in the world;
- Good access and transportation (Richmond has two Interstate freeways as well as good rail and water transportation facilities, including Southern Pacific and Santa Fe Railroads, Santa Fe western terminal and the Port of Richmond and the Richmond Transit Village featuring an inter-modal station providing easy access to Bay Area Rapid Transit (BART, Amtrak and buses); and
- Availability of relatively affordable housing for employees in a variety of neighborhoods, housing types and price ranges.

Small business firms, with 20 or fewer employees, comprise a very high percentage of Richmond businesses. The City played a major role in building capacity to service this group by establishing the West Contra Costa Business Development Center, which is located in Richmond's historical Downtown. The Center supports the Richmond Main Street Initiative, provides small business loans through a revolving loan fund and a façade improvement program.

Public policy decisions have been made that will improve the quality and quantity of the technical workforce ready to meet the challenges of the technological labor market. The Richmond area policy makers are working as a team to accomplish the common goal of retaining components of the current economic base and creating an economic environment that will attract and retain new businesses in growth industries. Some of the special programs and projects that have been created to accomplish this goal are as follows:

**Richmond Enterprise Zone:** This City of Richmond program offers businesses within its boundaries the opportunity to reduce their state business income taxes through a variety of tax credits. Most commercial and industrial areas of the City are within the Enterprise zone. Incentives include: a Hiring Tax Credit, Sales and Use Tax Credit, Business Expense Deduction for Real Property, Net Operating Loss Carry-over, Net

Interest Deduction for Lenders and Employer Tax Credit for hiring Low-Income Employees.

**Workforce Investment Board:** The Richmond Workforce Investment Board (WIB) is the official oversight and policy-making body for federally-funded employer services and employment and training programs in Richmond. The mission of the Richmond WIB is to oversee the articulation and implementation of comprehensive workforce development strategies, policies and performance outcomes of the City of Richmond's integrated service delivery system.

### **Significant Events and Accomplishments**

The City of Richmond is committed to providing excellent municipal services to its diverse residents and visitors. Highlights of the City's activities and accomplishments for the fiscal year ended June 30, 2016 include the following:

#### **Finance**

- The National Procurement Institute (NPI) has awarded the City of Richmond its Achievement of Excellence in Procurement Award for the 6th consecutive year. The award recognizes organizational excellence in procurement by public and non-profit organizations. The judging criteria are designed to measure innovation, professionalism, e-procurement, productivity, and leadership attributes of the agency's procurement function, as calculated by standardized criteria.

#### **Recreation**

- The City of Richmond's impact volunteering program, Richmond-Excellence Serving our Community (ESC), has been selected for the second time to serve as a Global Youth Service Day Lead Agency to mobilize Richmond youth to lead volunteer service projects that help meet community needs. The campaign of Youth Service America (YSA) and the largest youth service event in the world, Global Youth Service Day (GYSD), celebrates and mobilizes millions of children and youth who improve their communities each day of the year through service.
- The City of Richmond Recreation Department was selected as a 2015 California Park & Recreation Society (CPRS) Award of Excellence recipient for the Richmond Swim Center. The CPRS awards program recognizes outstanding achievement in the areas of facility design, park planning, marketing and communication, and community improvement and programming through demonstrating the CREAM (challenge, resourcefulness, execution, accomplishments, and mission) principles. This acknowledgement is particularly rewarding because of the partnership between the West Contra Costa Unified School District, which provided funding and construction oversight, and the Richmond Recreation and Public Works Departments, which provided design input and assisted in project management.

## **Library**

- The Richmond Tool Library is a free service that will provide community members with building, landscaping, and artistic tools to be self-sufficient, take agency over their neighborhoods, and build a more sustainable Richmond.

## **Employment and Training**

- The RichmondBUILD Academy began its 30th cohort on April 18th. Over twelve weeks, students received intensive job training in construction and valuable certifications in CPR/First Aide, OSHA 10, HAZ Whopper 40, Confined Spaces, and Traffic. Their graduation was June 30th. As a result of their training, RichmondBUILD graduates are eligible for direct entry in the respective unions for Carpenters, Laborers, Dry Wall/Lathers, and Iron Workers.

## **Public Safety**

- The Richmond Fire Department's Youth Academy was in its 22nd year of ensuring that the next generation understands the value of service, commitment, and giving back to community. This session continued to mentor and develop future leaders by establishing the importance of academic achievement, goal-setting, and personal and mutual accountability as the foundations of a better and safer Richmond.

## **Strategic Support**

- Received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA) for the fiscal year ending June 30, 2015.
- Received the Distinguished Budget Presentation Award for fiscal year 2015-16 from the Government Finance Officers Association (GFOA).
- Received the California Society of Municipal Finance Officers (CSMFO) Operating Budget Excellence Award and Capital Budgeting Excellence Award the fiscal year 2015-16.

## **Long-Term Financial Plan**

- One of the City Council's most important goals is to receive and review a five-year projection of operating revenues for budget planning purposes. To this end, the City Council approved a memorandum of understanding with the National Resource Network (NRN), which is a core component of the Obama Administration's Strong Cities, Strong Communities (SC2) initiative that provides technical assistance to help cities develop the tools and strategies they need to grow their economies. One of the projects undertaken through the agreement with NRN was to work with Public Financial Management, Inc. (PFM), an NRN partner, to develop a financial model for the City organization. In December of 2015, the Council was presented with a five-year projection by PFM. Since

then, there have been two additional presentations. The City continues to update its five-year plan as changes occur and inform the Council.

- Adhered to the Debt Policy which reflects general debt service cannot exceed 10% of General Fund Revenue.
- As part of its effort to address unfunded OPEB liabilities, the City Council, in December 2014, adopted a policy to place into its OPEB trust an amount equal to one-half of any one-time, non-operating revenues, and one-half of any year-end surplus in excess of the City's unfunded liability for retired employee health costs.

## **AWARDS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, a government must submit a published comprehensive annual financial report which substantially complies with GFOA's Certificate program requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

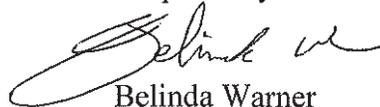
## **ACKNOWLEDGEMENTS**

The preparation of this CAFR represents the culmination of a concerted team effort by the entire staff of the Finance Department. They should be commended for their professionalism, dedication, efficiency, and their personal commitment and determination demonstrated through long days of focused attention to produce this exemplary document.

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

Finally, we wish to express our sincere appreciation to the Mayor and City Council for providing policy direction and a firm foundation of support for the pursuit of excellence in all realms of professional endeavors.

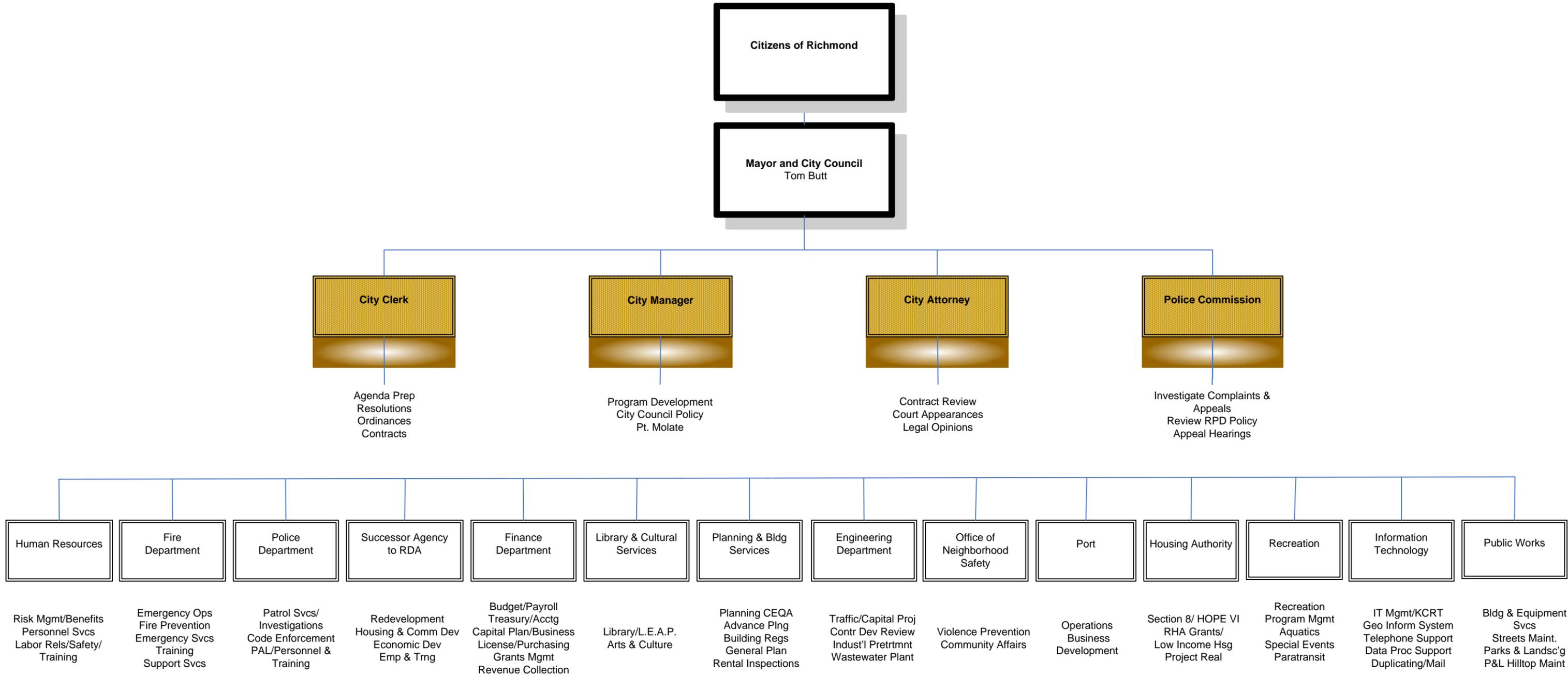
Respectfully submitted,



Belinda Warner  
Finance Director/Treasurer



City of Richmond  
 FY2015-16 & 2016-17 Organizational Chart



**CITY OFFICIALS**

**JUNE 28, 2016**

**CITY COUNCIL**

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

**ADMINISTRATION AND DEPARTMENT HEADS**

City Manager .....	Bill Lindsay
Capital Improvement Director.....	Yader Bermudez
City Attorney .....	Bruce Goodmiller
City Clerk .....	Pamela Christian
Community Services Director.....	Rochelle Monk
Employment & Training Director .....	Sal Vaca
Finance Director/Treasurer .....	Belinda Warner
Fire Chief.....	Adrian Sheppard
Housing Authority Director.....	Tim Jones
Human Resources Director .....	Lisa Stephenson
Information Technology Director .....	Sue Hartman
Infrastructure Maintenance & Operations Director.....	Tim Higare
Library and Cultural Services Director .....	Katy Curl
Planning Director.....	Richard Mitchell
Police Chief.....	Allwyn Brown
Port Director.....	Jim Matzorkis
Water Resource Recovery Manager.....	Ryan Smith



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Richmond  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO



## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
City of Richmond, California

### ***Report on Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richmond as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the component unit financial statements of RHA Properties, RHA Housing Corporation and RHA RAD LLC, which collectively represent 2.57%, 8.99% and 0.06% of the assets, net position and revenues, respectively, of the primary government. We did not audit the component unit financial statements of the Richmond Housing Authority (Authority), which is both a major fund and 16.72%, 47.22% and 22.14% of the assets, net position and revenues, respectively, of the business-type activities. These component unit financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the report of these other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Opinions*

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## *Emphasis of Matters*

### *General Fund Cash and Fund Balance and Other Fund Cash Balances*

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the City as a going concern. However, as of June 30, 2016, the General Fund's unrestricted cash balance represented approximately fifteen days of General Fund expenditures, unassigned fund balance represents available fund balance and equates to approximately twenty-eight days of General Fund expenditures, and revenues exceeded expenditures and other financing uses in fiscal year 2016 by \$.7 million. In addition, the Richmond Housing Authority Enterprise Fund, Port of Richmond Enterprise Fund, other Non-Major Enterprise Funds and Non-Major Governmental Funds had borrowed \$38.6 million from the General Fund and other funds. As a result of the interfund borrowing, City-wide, the City has a total of only \$58.6 million of unrestricted cash as of June 30, 2016, a decline of 22% over the last six fiscal years. If deficit spending continues, it reduces the likelihood that the City will be able to continue as a going concern.

The emphasis of this matter does not constitute a modification to our opinions.

### *Implementation of New Governmental Accounting Standards Board Pronouncements*

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, which became effective during the year ended June 30, 2016 as discussed in Note 2J to the financial statements.

Management early-implemented the provisions of Governmental Accounting Standards Board Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, during the year ended June 30, 2016 as noted in the Pension-Related Required Supplementary Information.

The emphasis of these matters does not constitute a modification to our opinions.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pleasant Hill, California  
February 23, 2017

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Fiscal Year Ended June 30, 2016**

This narrative overview and analysis of the City of Richmond's (the "City") Basic Financial Statements for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter, basic financial statements and notes to the financial statements.

#### **FINANCIAL HIGHLIGHTS**

- The liabilities and deferred inflows of resources of the City exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$161.3 million (net deficit). Of this amount, \$79.3 million is restricted for specific purposes (restricted net position); \$291.7 million is the net investment in capital assets and \$532.4 million represents a deficit in unrestricted net position.
- The City's total net position decreased by \$20 million from a deficit \$141.3 million during the fiscal year. This decrease is attributed to a \$3.1 million and \$16.9 million decrease in governmental and business-type activities, respectively. The change in net position for governmental activities represents a 1.5% decline from prior year. Expenses exceeded revenues by \$1.8 million in addition to special items related to a \$1.4 million net adjustment to terminate the City's Civic Center swaption and basis swap and assets transferred from Successor Agency. The change in net position for business-type activities represents a 34.4% decrease from prior year that is primarily due to the transfer of \$14.5 million of capital assets to the City's discretely presented component unit RHA RAD LLC.
- At June 30, 2016, the City's unrestricted net deficit (government and business-type activities) totaled \$532.4 million, a \$34.0 million or 6.8% decrease from prior year due to an increase in long-term liabilities such as debt and pension and post-employment benefits promised to current and former employees. The unrestricted net deficits represent the net unfunded liabilities of the government. Overtime, increases and decreases in this account will allow the reader to determine if the City's condition is improving or deteriorating. The City funds the majority of these costs on a pay as you go basis. Restricted net position for governmental and business-type activities increased by a net \$15.3 million to \$79.3 million.
- The Net Pension Liability of \$239.1 million, representing an accounting measure of the City's unfunded pension obligation, increased by \$29.8 million from \$209.3 million. The City reports \$49.6 million in other post-employment benefit (OPEB) liability for this fiscal year which is an increase of \$10.5 million from the \$39.1 million liability reported in the prior year. The increase represents the current year change in net OPEB obligation and was the result of actuarially required contributions exceeding actual contributions.

## **OVERVIEW OF FINANCIAL STATEMENTS**

The City's basic financial statements are comprised of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

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

The *Statement of Activities* presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and grants, governmental activities, and business-type activities, which are intended to recover all or a significant portion of their costs through user fees and charges. The City's activities include five blended component units which consist of the Richmond Housing Authority, Richmond Joint Powers Financing Authority, Richmond Neighborhood Stabilization Corporation, Richmond Surplus Property Authority and Richmond Parking Authority. Although legally separate, the City is financially accountable for the activities of these entities which are therefore shown as blended as part of the primary government.

RHA Properties, RHA Housing Corporation and RHA RAD LLC are discretely presented component units of the City that are legally separate reporting entities but are important because the City is financially accountable for them.

The government-wide financial statements can be found on pages 20-23 of the financial report.

### **Fund Financial Statements**

Fund Financial statements are designed to report information about the groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental Funds*** – Governmental funds focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City’s programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City has 19 governmental funds, of which five are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The City’s five major funds are the General Fund, Cost Recovery Special Revenue Fund, the Community Development and Loan Programs Special Revenue Fund, Environmental and Community Investment Agreement Special Revenue Fund (“ECIA”) and Civic Center Debt Service Fund. The basic governmental fund financial statements can be found on pages 26 through 32 of the financial report. Data from the other fourteen governmental funds are combined into a single, aggregated presentation and separately on pages 34 through 36 of the financial report.

***Proprietary Funds*** – Proprietary funds of the City are two types: (1) enterprise funds; and (2) internal service funds. The City maintains six enterprise funds that provide the same type of information as the government-wide financial statements, only in more detail. The City maintains four internal service funds to account for its vehicle operations, risk management program, police telecommunications and compensated absences. The proprietary funds financial statements can be found on pages 34 through 36.

***Fiduciary Funds*** – Fiduciary funds are used to account for resources held for the benefit of third parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The fiduciary funds for the City consist of Pension Trust Funds, Pt. Molate Private-Purpose Trust Fund, Successor Agency to the Richmond Community Redevelopment Agency Private-Purpose Trust Fund and Agency Funds. The fiduciary funds financial statements for these funds can be found on pages 38 through 39.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41 through 159 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Government-wide Net Position

Comparative financial information is presented below to provide the reader with highlights of changes from the prior year.

<b>City of Richmond's Net Position</b>						
<b>June 30, 2016 and 2015</b>						
<b>(in thousands)</b>						
	Governmental		Business-type		Totals	
	Activities		Activities			
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
<b>Assets:</b>						
Current assets	\$ 138,475	\$ 128,276	\$ 29,379	\$ 31,095	\$ 167,854	\$ 159,371
Capital assets	319,820	308,358	174,125	189,803	493,945	498,161
Total Assets	<u>458,295</u>	<u>436,634</u>	<u>203,504</u>	<u>220,898</u>	<u>661,799</u>	<u>657,532</u>
<b>Deferred Outflows of Resources:</b>						
Deferred outflow related to pensions	22,609	17,607	936	800	23,545	18,407
Deferred charge on refunding			5,452	5,827	5,452	5,827
Total Deferred Outflows of Resources	<u>22,609</u>	<u>17,607</u>	<u>6,388</u>	<u>6,627</u>	<u>28,997</u>	<u>24,234</u>
<b>Liabilities:</b>						
Current liabilities	92,803	88,538	57,409	20,581	150,212	109,119
Long-term liabilities	578,564	522,578	102,148	138,092	680,712	660,670
Total Liabilities	<u>671,367</u>	<u>611,116</u>	<u>159,557</u>	<u>158,673</u>	<u>830,924</u>	<u>769,789</u>
<b>Deferred Inflows of Resources:</b>						
Deferred inflows related to pensions	19,904	50,362	1,304	2,954	21,208	53,316
Total Deferred Inflows of Resources	<u>19,904</u>	<u>50,362</u>	<u>1,304</u>	<u>2,954</u>	<u>21,208</u>	<u>53,316</u>
<b>Net Position:</b>						
Net investment in capital assets	228,292	218,145	63,405	74,922	291,697	293,067
Restricted	70,324	54,579	9,008	9,408	79,332	63,987
Unrestricted	(508,982)	(479,961)	(23,382)	(18,432)	(532,364)	(498,393)
Total Net Position (Deficit)	<u>\$(210,366)</u>	<u>\$(207,237)</u>	<u>\$ 49,031</u>	<u>\$ 65,898</u>	<u>\$(161,335)</u>	<u>\$(141,339)</u>

## Analysis of Government-wide Activities

The following table indicates the changes in net position for governmental and business-type activities:

**City of Richmond's Changes in Net Position  
For the Years Ended June 30, 2016 and 2015  
(in thousands)**

	Governmental Activities		Business-type Activities		Totals	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 25,916	\$ 27,044	\$ 35,995	\$ 34,141	\$ 61,911	\$ 61,185
Operating grants/contributions	20,995	9,231	21,951	22,112	42,946	31,343
Capital grants/contributions	17,535	21,097	2,156	2,190	19,691	23,287
General revenues:						
Property taxes-current collections	51,303	45,129			51,303	45,129
Sales taxes	40,877	33,155			40,877	33,155
Utility user taxes	43,365	48,300			43,365	48,300
Documentary transfer taxes	6,187	4,819			6,187	4,819
Other taxes	5,735	5,100			5,735	5,100
Use of money and property	1,198	(4,752)	(3,077)	(563)	(1,879)	(5,315)
Unrestricted Intergovernmental	43	1,807			43	1,807
Pension stabilization revenue	916	954			916	954
Other	4,258	2,151			4,258	2,151
Gain on sale of capital assets	263	269			263	269
Total revenues	<u>218,591</u>	<u>194,304</u>	<u>57,025</u>	<u>57,880</u>	<u>275,616</u>	<u>252,184</u>
<b>Expenses:</b>						
General government	32,198	28,879			32,198	28,879
Public safety	107,380	102,733			107,380	102,733
Public works	44,410	43,364			44,410	43,364
Community development	5,003	4,772			5,003	4,772
Cultural & recreation	11,021	10,492			11,021	10,492
Housing & redevelopment	2,052	2,751			2,052	2,751
Interest and fiscal charges	18,903	17,220			18,903	17,220
Richmond Housing Authority			26,385	28,049	26,385	28,049
Port of Richmond			11,133	9,923	11,133	9,923
Richmond Marina			237	235	237	235
Municipal Sewer			16,447	15,966	16,447	15,966
Storm Sewer			2,466	3,282	2,466	3,282
Cable TV			2,114	948	2,114	948
Total expenses	<u>220,967</u>	<u>210,211</u>	<u>58,782</u>	<u>58,403</u>	<u>279,749</u>	<u>268,614</u>
Excess (Deficiency) of Revenues						
Over (Under) Expenses	(2,376)	(15,907)	(1,757)	(523)	(4,133)	(16,430)
Special items	(1,353)		(14,510)		(15,863)	-
Transfers	600	179	(600)	(179)	-	-
Changes in Net Position	<u>(3,129)</u>	<u>(15,728)</u>	<u>(16,867)</u>	<u>(702)</u>	<u>(19,996)</u>	<u>(16,430)</u>
Net position (deficit) at beginning of year						
	<u>(207,237)</u>	<u>(191,509)</u>	<u>65,898</u>	<u>66,600</u>	<u>(141,339)</u>	<u>(124,909)</u>
Net position (deficit) at end of year						
	<u><u>\$ (210,366)</u></u>	<u><u>\$ (207,237)</u></u>	<u><u>\$ 49,031</u></u>	<u><u>\$ 65,898</u></u>	<u><u>\$ (161,335)</u></u>	<u><u>\$ (141,339)</u></u>

## **Governmental Activities**

Governmental activities decreased the City's net position by \$3.1 million accounting for 15.6% of the City's total decrease in net position of \$20 million. Total expenses of \$221 million exceeded revenues of \$218.6 million by \$2.4 million. Revenues increased \$24.3 million or 12.5% from prior year primarily due to \$14 million increases in property and sales taxes within the City as well as the receipt of \$12.9 million grant funding for the ECIA program. Expenses increased \$10.8 million or 5.1% from prior year primarily in general government and public safety expenses. The City incurred a net of \$16.3 million expense in terminating swap agreements associated with the 2009 Lease Revenue Bonds that was offset by a \$15 million transfer of assets from the Successor Agency.

## **Business Type Activities**

Business-type activities decreased the City's net position by \$16.9 million. Key factors contributing to the decrease in business-type activities are as follows:

- The Richmond Housing Authority's ("RHA") net position decreased by \$15.7 million primarily due to a \$14.5 million transfer to RHA RAD LLC to finance capital asset purchase resulting in the \$15.7 million negative change in net position. RHA's operating loss of \$24.5 million improved \$1.6 million, or 6.1% from prior year due to decreases in depreciation expense and salaries and benefits. The operating loss is partially offset by grant funding of \$21.9 million, which declined only \$200 thousand from the prior year.
- The Port of Richmond ("Port") reported operating income of \$1.8 million. During the year, the Port incurred \$2.9 million of interest expense which resulted in a \$539 thousand decrease in net position.
- The Municipal Sewer fund reported operating income of approximately \$8 million, there were \$7.8 million of non-operating expenses the majority of which represented interest and swap expenses incurred on various Wastewater Debt issues, offset by \$801 thousand in federal subsidies received to reduce interest costs associated with Richmond Wastewater Revenue Bonds, Series 10B, resulting in a \$1 million change in net position.
- Other Enterprise funds had a combined \$1.6 million decline in net position. The majority of the decline, \$1.3 million, is attributed to the Cable TV fund that experienced increased salaries and benefits in addition to transferring of \$500 thousand to the General Fund.

## Net Program (Expenses) Revenues

Comparisons of the cost of services by function for the City's government-wide activities are shown in the preceding tables, along with the revenues used to cover the net expenses.

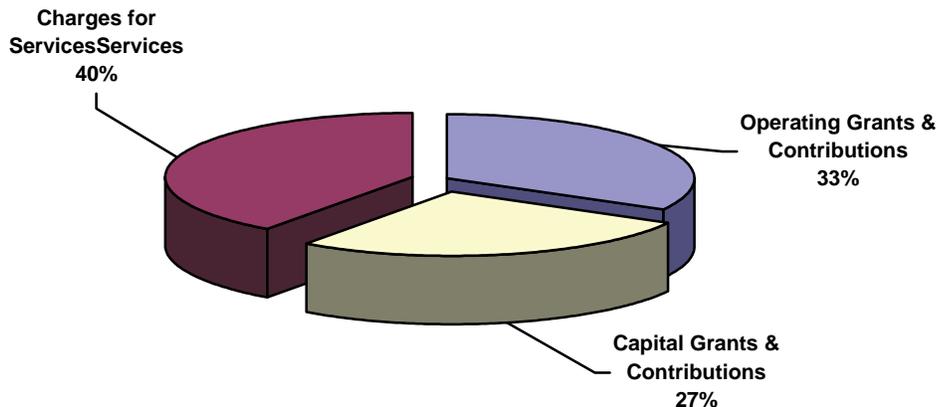
The following table details the net program costs for each of the governmental activities functions:

Functions	Expenses and Program Revenues		
	Governmental Activities		
	Expenses	Program Revenues	Net (Expenses) Revenues
General government	\$ 32,197,941	\$ 15,513,357	\$ (16,684,584)
Public safety	107,380,286	8,783,898	(98,596,388)
Public works	44,410,102	22,504,743	(21,905,359)
Community development	5,003,045	14,344,895	9,341,850
Cultural and recreational	11,021,226	2,030,861	(8,990,365)
Housing and redevelopment	2,051,898	1,268,085	(783,813)
Interest on long-term debt	18,902,831	-	(18,902,831)
<b>Total</b>	<b>\$ 220,967,329</b>	<b>\$ 64,445,839</b>	<b>\$ (156,521,490)</b>

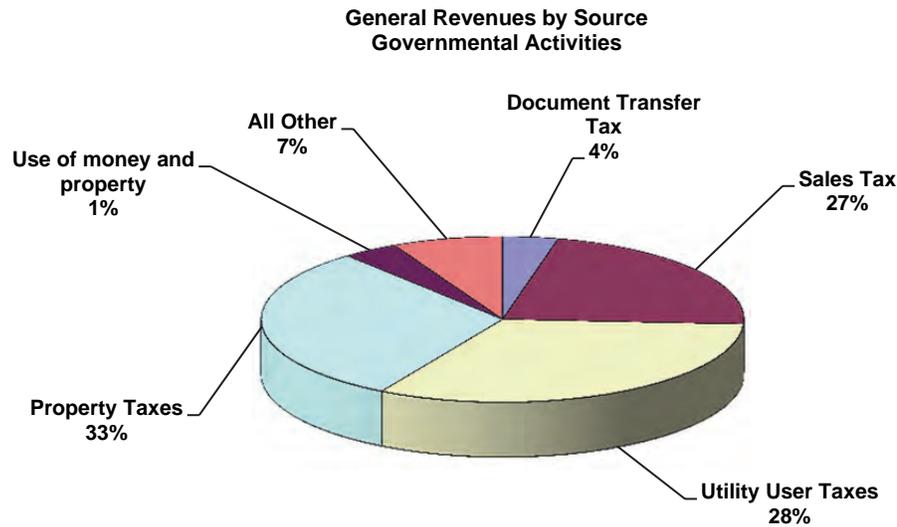
Total governmental activities expenses of \$221 million were offset by \$64.4 million in program revenues in fiscal year 2016. These expenses do not include capital outlays, which are reflected in the City's capital assets. Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues. During the fiscal year, the net costs funded by the City's general revenues were \$156.5 million.

As reflected in the pie chart below, 40% of the governmental program revenues came from Charges for Services, which includes licenses and permits and fees, fines, forfeitures and penalties, and several other revenues. The remaining 60% percent of governmental program revenues come from Operating Grants and Capital Grants Contributions which include restricted revenues such as Gas Tax, Transportation and Sales Tax, and Federal/State Grants.

**Program Revenues by Source  
Governmental Activities**



General revenues are all other revenues not categorized as program revenues and include property taxes, sales taxes, utility users' tax, documentary transfer taxes, investment earnings, grants and contributions not related to specific programs and other miscellaneous general revenues. Total general revenues from governmental activities were \$154.1 million in fiscal year 2016. The three largest components of general revenues received were Property Taxes-current collections of \$51.3 million, Utility User Taxes of \$43.4 million and Sales Taxes of \$40.9 million. The following table details the City's general revenues by source.



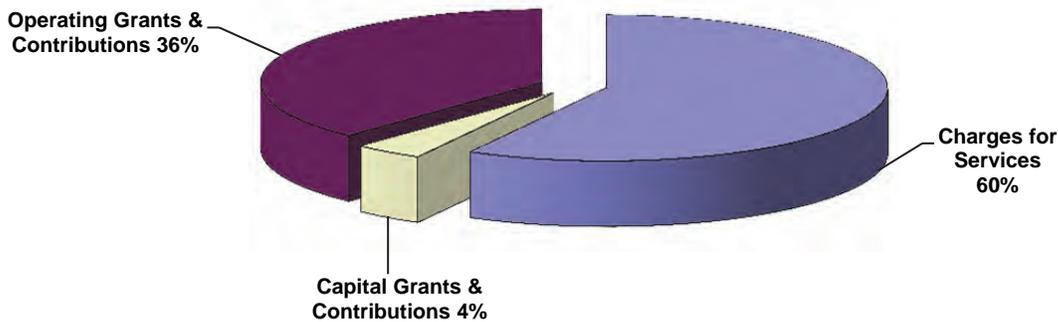
The following table details net program costs for business-type activities:

**Expenses and Program Revenues  
Business-type Activities**

<b>Business-type Activities</b>	<b>Expenses</b>	<b>Program Revenues</b>	<b>Net (Expenses) Revenues</b>
Richmond Housing Authority	\$ 26,385,133	\$ 25,156,898	\$ (1,228,235)
Port of Richmond	11,132,997	10,581,419	(551,578)
Richmond Marina	237,129	517,108	279,979
Municipal Sewer	16,446,626	20,559,316	4,112,690
Storm Sewer	2,465,929	1,966,537	(499,392)
Cable TV	2,114,436	1,320,486	(793,950)
<b>Total</b>	<b>\$ 58,782,250</b>	<b>\$ 60,101,764</b>	<b>\$ 1,319,514</b>

Richmond Marina and Municipal Sewer generated net revenues of \$280 thousand and \$4.1 million, respectively. However, the remaining business-type activities were not able to generate enough user fees sufficient to cover operating costs by \$3.1 million. As reflected in the pie chart below, 60% of the business-type program revenues came from Charges for Services and the remaining 40% were derived from Operating and Capital Grants.

## Program Revenues by Source Business-Type Activities



### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

#### Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial capacity.

At the end of the fiscal year, the City's governmental funds reported total fund balances of \$69.8 million, an increase of \$9.4 million, or 15.5% from prior year. Financial highlights for the City's major funds are discussed below:

**General Fund** The General Fund is the primary operating fund of the City. It is used to report the financial results of the daily operations of the City. The major revenue sources are utility users' tax, sales tax and property taxes. The major expenditures are salaries and administrative expenses. The City's general fund revenues and expenditures both grew by 2.3% or \$3.4 million and \$3.2 million, respectively. This increase is primarily due to the continuing growth in the City's assessed valuation of properties within the City which allowed the City to expand public safety services to its citizens.

At the end of the current fiscal year, the total fund balance increased by \$716 thousand from the prior year to \$29.4 million. General Fund reported an unassigned fund balance of \$11.0 million, an increase of \$1.1 million from prior year.

**Cost Recovery** This fund was established to record the receipt and use of monies for services provided to the public and developers. Cost recovery fund balance decreased \$632 thousand, or 7.3% from prior year. Revenue increases of \$985 thousand were not sufficient to offset the \$3.1 million increase in expenditures primarily due to a pavement rehabilitation project funded by state grants. However, the deficit was partially reduced by a \$2.2 million Solid Waste JPA reimbursement that is restricted for specific purposes.

***Community Development and Loan Programs*** This fund was established to account for the receipt of Community Development Block Grant, HOME Investment Partnership Program and Neighborhood Stabilization Program grant monies and the use of the grants. In conjunction with the dissolution of the Redevelopment Agency, this fund also accounts for the low and moderate income housing activities of the City as Housing Successor to the former Redevelopment Agency's low and moderate income housing activities. As of June 30, 2016, fund balance is \$24.1 million which represents a \$492 thousand, or 2% increase from prior year.

***Environmental and Community Investment Agreement*** This fund was established to account for funding received from Chevron in conjunction with the Chevron Modernization Project Environmental and Community Investment Agreement which funds various projects and programs within the City of Richmond. The City has received a total of \$13 million and has spent approximately \$2 million on various projects within the City. As of June 30, 2016, fund balance is \$11 million, which is restricted for use on projects under the agreement.

***Civic Center Debt Service*** This fund was established to account for debt service on the Civic Center Lease Revenue Bonds. Fund balance decreased by \$3.3 million during the year due to the City's partial funding of debt service payments through charges for services, subsidies and remaining Civic Center Swaption proceeds received in the prior year.

#### **Proprietary Funds:**

The City's proprietary funds are enterprise and internal service funds. Proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

The City's major enterprise funds are the Richmond Housing Authority, Port of Richmond, and Municipal Sewer.

***Richmond Housing Authority*** The Richmond Housing Authority ("RHA") was established to administer funds provided by the Department of Housing and Urban Development (HUD) to assist low-income families in obtaining decent, safe and sanitary housing. RHA'S net position declined \$15.7 million to \$23.2 million at June 30, 2016. Of the \$23.2 million, \$21.2 million is invested in capital assets, net of related debt and \$2 million is unrestricted. The majority of the \$15.7 million decline is attributed to a \$14.5 million transfer to RHA's discretely presented component unit, RHA RAD LLC, to finance the sale of assets.

***The Port of Richmond*** The Port of Richmond ("Port") is a public enterprise established by the City of Richmond and is administered as a department of the City. Operations include the marine terminal facilities and commercial property rentals. The Port's net position decreased by \$539 thousand, or 7.5% to \$7.1 million. The decrease is partially attributed to increased dredging and oil spill maintenance expenses.

***Municipal Sewer Fund*** This fund is used to account for a variety of sewer service-related revenues and expenses. Municipal Sewer's net position increased \$1 million, or 4.8% to \$20.9 million at June 30, 2016.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The adopted budget, excluding transfers, bond premium and proceeds from sale of property, reflected \$143.2 million in estimated revenues and \$140.8 million in appropriations.

Budget adjustments reflect extensive analysis and updates arising from the Mid-Year Revenue and Expenditure Review, and Council approved amendments that occurred during the fiscal year.

The final amended budget included a \$1.1 million increase in estimated revenue and a \$1.6 million decrease in appropriations. Actual revenues of \$143.4 million were \$791 thousand less than the adjusted operating revenue budget, a variance of 0.6 percent. Key elements of variances in revenues are discussed as follows:

Actual property taxes totaled \$33.2 million which is \$225 thousand less than expected. The City did not receive an expected payment from the County related to Successor Agency Surplus Payment of \$273 thousand because of implementation of Senate Bill 107 which diverted Successor Agency Surplus revenue to the Pension Tax Override Fund rather than the General Fund.

Actual sales tax totaled \$40.9 million which is \$601 thousand less than expected. The shortfall stemmed from significant decreases in the Business To Business Sales Tax category, the third most important category making up 16.7% of the regular sales tax revenue. It decreased by 22.4% year-over-year. This category includes the segments of Energy Sales, Light Industry and Chemical Products. The decrease is primarily attributed to the drop in oil prices.

The utility user tax is a tax imposed on various utilities and is usually collected from customers through their utility bills. The original budget was increased \$100 thousand from \$43.9 million to \$44.0 million to adjust for the updated UUT cap provision. Actual revenue of \$43.4 million was \$600 thousand less than expected as a result of a lower than expected UUT from Telecommunications. The main factor is the higher usage of prepaid cellular phones, which were previously exempt from UUT, and the decrease of landlines and monthly cellular plans. Beginning January 1, 2016, a prepaid mobile telephone services (MTS) surcharge was imposed on purchasers of prepaid MTS as a percentage of the sales price of each retail transaction involving prepaid wireless cards/service in this state. Even with this new revenue stream, the decrease in telecommunications UUT could not be mitigated.

Actual other tax revenue of \$11.6 million is \$573 thousand more than the final budget. This is the result of collecting \$2.0 million more than originally budgeted in Transfer Tax on sale of properties in Richmond.

The final adjusted appropriations totaled \$139.2 million, a decrease of \$1.6 million from the original adopted budget appropriation of \$140.8 million. The adopted budget appropriation was reduced due to reductions in salary and benefits to account for vacancy savings in both sworn and non-sworn classifications; and other operating savings. Actual operating expenditures of \$138.9 million were \$348 thousand less than final appropriations.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounted to \$493.9 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress is illustrated below:

#### Capital Assets by Type

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 24,369,421	\$ 14,428,675	\$ 7,195,986	\$ 8,231,777	\$ 31,565,407	\$ 22,660,452
Construction in Progress	78,644,050	56,394,914	23,250,473	28,577,142	101,894,523	84,972,056
Building and improvements	117,304,401	120,905,968	31,378,761	39,309,887	148,683,162	160,215,855
Machinery and equipment	10,078,226	12,241,846	5,171,749	5,401,541	15,249,975	17,643,387
Infrastructure	89,424,240	104,386,469	107,128,090	108,283,040	196,552,330	212,669,509
Total Capital assets	<u>\$ 319,820,338</u>	<u>\$ 308,357,872</u>	<u>\$ 174,125,059</u>	<u>\$ 189,803,387</u>	<u>\$ 493,945,397</u>	<u>\$ 498,161,259</u>

The City's infrastructure assets are recorded at historical cost in the government-wide financial statements.

Some of the City's major capital asset events during the year are detailed below:

- \$15 million in capital assets were transferred to the City from the Successor Agency as part of the approved Long Range Property Management Plan consisting of \$9.6 million of various land parcels and \$5.3 million construction in progress related to Lucretia Edwards Park, Marina Bay Trails and Marina Waterfront Esplanades.
- \$10.4 million in construction in progress were transferred from Successor Agency for the Moody Underpass and MetroWalk/Transit Village associated with Moody Underpass.
- Richmond Housing Authority transferred capital assets with a carrying value of \$14.4 million to RHA RAD LLC as part of the Rental Assistance Demonstration project.

Additional information about the City's capital assets can be found in Note 6 on pages 71 through 73 in the financial statements.

## Debt Administration

*Long Term Debt* – The City’s total debt outstanding at June 30, 2016 increased \$10.3 million from \$397.6 million to \$407.9 million.

### Outstanding Debt June 30

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue bonds			\$ 84,637,983	\$ 86,867,520	\$ 84,637,983	\$ 86,867,520
Lease revenue bonds	\$ 115,218,619	\$ 87,121,545	39,354,875	41,984,610	154,573,494	129,106,155
Pension obligation bonds	155,070,539	156,491,679			155,070,539	156,491,679
Total bonds payable	270,289,158	243,613,224	123,992,858	128,852,130	394,282,016	372,465,354
Loans payable	2,143,560	12,970,813	3,483,127	2,861,189	5,626,687	15,832,002
Capital leases	7,944,891	9,295,123			7,944,891	9,295,123
Total outstanding debt	\$ 280,377,609	\$ 265,879,160	\$ 127,475,985	\$ 131,713,319	\$ 407,853,594	\$ 397,592,479

The City does not have any general obligation bonds as of June 30, 2016.

On December 23, 2015, the City received an updated issuer credit rating from S&P affirming the BBB+ issuer credit rating and removing the ratings from CreditWatch and noting that the outlook is stable.

For more detailed information on the City’s long-term debt see Note 7 on pages 74 through 102.

### Economic Factors, Next Year’s Budget and Inflation Rates

The City's economic base continues to grow after years of recession. Property values assessed by the County as of January 1, 2016 have increased by 5.8% over the prior year. Sales Tax is expected to stay about the same in FY2016-17 as compared to the previous year. As of June 30, 2016, unemployment in Richmond stands at 5.6%, slightly improved from 5.8% a year ago.

The City of Richmond is in contract with Terminal One Development, LCC to sell an approximately 10-acre site for development purposes at a price of \$10 million. The developer has paid the City \$500,000 in a non-refundable deposit, with the balance of \$9.5 million due following granting of all entitlements and close of escrow. Following City Council certification of the environmental impact report (EIR) for the project in July 2016, a lawsuit was filed that challenged certification of the EIR. A settlement was reached by all parties to this lawsuit in November 2016, which allows the project entitlement process to proceed. Close of escrow on the real estate sale by the City to Terminal One Development, LLC, including the transfer of the \$9.5 million balance due from the developer to the City, is anticipated in October 2017.

The City continues to closely monitor revenue and expenditures through monthly variance reports to assure adherence to budget controls. Simultaneously, position control is strictly enforced, ensuring that any employee hired is moving into a funded position. The City continues to work with National Resource Network's financial forecast model in planning, upcoming labor negotiations and addressing pension and Other Post-Employment Benefits (OPEB) funding. Additionally, the City continues to analyze the structural integrity of all funds and identify additional cost reductions and efficiencies.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all of its citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Richmond, Finance Department, 450 Civic Center Plaza, Richmond, CA 94804. Alternatively, you may send your inquiries via e-mail to [Finance@ci.richmond.ca.us](mailto:Finance@ci.richmond.ca.us).

**CITY OF RICHMOND**  
**JUNE 30, 2016**

<b>STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES</b>
--

The purpose of the Statement of Net Position and the Statement of Activities is to summarize the entire City's financial activities and financial position.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows of resources and the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position focuses the reader on the composition of the City's net position, by subtracting total liabilities and deferred inflows of resources from total assets and deferred outflows of resources and summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds primarily service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business Type Activities include all its Enterprise Fund activities and any portion of the Internal Service Fund balances that service Enterprise Funds. Fiduciary activity is excluded.

The Statement of Activities reports increases and decreases in the City's net position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, deferred outflows/inflows of resources, available revenues and measurable expenditures.

Both these Statements include the financial activities of the City, Richmond Joint Powers Finance Authority, City of Richmond Housing Authority, Richmond Neighborhood Stabilization Corporation and Richmond Surplus Property Authority, which are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for the activities of these entities. The balances and the activities of the discretely presented component units of the RHA Properties, RHA Housing Corporation and RHA RAD LLC are included in these Statements as separate columns.

**CITY OF RICHMOND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments (Note 3)	\$33,542,030	\$25,066,043	\$58,608,073
Restricted cash and investments (Note 3)	14,778,824	10,703,223	25,482,047
Receivables:			
Accounts, net	16,942,938	6,137,691	23,080,629
Interest	25,666	12,424	38,090
Grants	5,810,836	53,191	5,864,027
Due from developer (Note 16E)		11,221,743	11,221,743
Loans (Notes 5 and 16L)	42,315,696		42,315,696
Internal balances (Note 4D)	23,815,753	(23,815,753)	
Property held for resale (Note 2I)	665,139		665,139
Prepays, supplies, and other assets (Note 2C)	578,027		578,027
Capital assets (Note 6):			
Nondepreciable	103,013,471	30,446,459	133,459,930
Depreciable, net	216,806,867	143,678,600	360,485,467
Total Assets	<u>458,295,247</u>	<u>203,503,621</u>	<u>661,798,868</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions (Notes 10 and 11)	22,609,247	936,088	23,545,335
Deferred charge on refunding (Note 2G)		5,452,156	5,452,156
Total Deferred Outflows of Resources	<u>22,609,247</u>	<u>6,388,244</u>	<u>28,997,491</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	6,540,494	2,952,387	9,492,881
Interest payable	3,466,568	3,239,825	6,706,393
Refundable deposits	524,938	333,394	858,332
Unearned revenue (Note 8)	11,112,807	509,000	11,621,807
Derivative instrument at fair value - liability (Note 7)	40,847,992	12,182,683	53,030,675
Compensated absences (Note 2D):			
Due within one year	6,660,018	90,150	6,750,168
Due in more than one year	6,001,820	487,754	6,489,574
Claims liabilities (Note 14):			
Due within one year	13,331,213		13,331,213
Due in more than one year	26,072,016		26,072,016
Long-term debt (Note 7):			
Due within one year	10,319,252	38,101,574	48,420,826
Due in more than one year	270,058,357	89,374,411	359,432,768
Net pension liability (Notes 10 and 11):			
Due in more than one year	226,792,840	12,285,963	239,078,803
Net OPEB obligation (Note 12):			
Due in more than one year	49,638,537		49,638,537
Total Liabilities	<u>671,366,852</u>	<u>159,557,141</u>	<u>830,923,993</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions (Notes 10 and 11)	19,903,845	1,304,117	21,207,962
<b>NET POSITION (Note 9)</b>			
Net investment in capital assets	228,292,389	63,405,228	291,697,617
Restricted for:			
Capital projects	7,519,803		7,519,803
Debt service	7,827,246	9,008,038	16,835,284
Housing and redevelopment	41,475,245		41,475,245
Pension benefits	2,468,263		2,468,263
Community development projects	11,032,150		11,032,150
Total Restricted Net Position	<u>70,322,707</u>	<u>9,008,038</u>	<u>79,330,745</u>
Unrestricted (Deficit)	(508,981,299)	(23,382,659)	(532,363,958)
Total Net Position (Deficit)	<u>(\$210,366,203)</u>	<u>\$49,030,607</u>	<u>(\$161,335,596)</u>

See accompanying notes to financial statements

Component Units		
RHA Properties	RHA Housing Corporation	RHA RAD LLC
	\$27,726	
\$2,500,000		
		\$14,510,000
<u>2,500,000</u>	<u>27,726</u>	<u>14,510,000</u>
	34,138	
2,500,000		
<u>2,500,000</u>	<u>34,138</u>	
	(6,412)	14,510,000
	(\$6,412)	\$14,510,000

CITY OF RICHMOND  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$32,197,941	\$12,468,525	\$1,622,511	\$1,422,321
Public safety	107,380,286	7,271,472	1,179,132	333,294
Public works	44,410,102	3,936,242	3,815,169	14,753,332
Community development	5,003,045	1,069,767	13,275,128	
Cultural and recreational	11,021,226	1,128,267	902,594	
Housing and redevelopment	2,051,898	42,040	200,000	1,026,045
Interest on long-term debt	18,902,831			
<b>Total Governmental Activities</b>	<b>220,967,329</b>	<b>25,916,313</b>	<b>20,994,534</b>	<b>17,534,992</b>
Business-type Activities:				
Richmond Housing Authority	26,385,133	1,851,337	21,951,328	1,354,233
Port of Richmond	11,132,997	10,581,419		
Richmond Marina	237,129	517,108		
Municipal Sewer	16,446,626	19,757,863		801,453
Storm Sewer	2,465,929	1,966,537		
Cable TV	2,114,436	1,320,486		
<b>Total Business-type Activities</b>	<b>58,782,250</b>	<b>35,994,750</b>	<b>21,951,328</b>	<b>2,155,686</b>
<b>Total Primary Government</b>	<b>\$279,749,579</b>	<b>\$61,911,063</b>	<b>\$42,945,862</b>	<b>\$19,690,678</b>
<b>Component Units:</b>				
RHA Properties				
RHA Housing Corporation	\$173,079	\$166,667		
RHA RAD LLC				
General revenues:				
Taxes:				
Property taxes-current collections				
Sales taxes				
Utility user taxes				
Documentary transfer taxes				
Other taxes				
Unrestricted intergovernmental				
Use of money and property				
Pension stabilization revenue				
Gain from sale of capital assets				
Other				
Transfers, net (Note 4)				
Special items:				
Swap termination (Note 7A)				
Assets transferred from Successor Agency (Note 6B)				
Transfer of capital assets to RHA RAD LLC (Notes 6B and 16L)				
<b>Total general revenues, transfers and special items</b>				
Change in Net Position				
Net Position (Deficit)-Beginning				
Net Position (Deficit)-Ending				

See accompanying notes to financial statements

Net (Expense) Revenue and  
Changes in Net Position

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	RHA Properties	RHA Housing Corporation	RHA RAD LLC
(\$16,684,584)		(\$16,684,584)			
(98,596,388)		(98,596,388)			
(21,905,359)		(21,905,359)			
9,341,850		9,341,850			
(8,990,365)		(8,990,365)			
(783,813)		(783,813)			
(18,902,831)		(18,902,831)			
(156,521,490)		(156,521,490)			
	(\$1,228,235)	(1,228,235)			
	(551,578)	(551,578)			
	279,979	279,979			
	4,112,690	4,112,690			
	(499,392)	(499,392)			
	(793,950)	(793,950)			
	1,319,514	1,319,514			
(156,521,490)	1,319,514	(155,201,976)			
				(\$6,412)	
51,302,638		51,302,638			
40,877,125		40,877,125			
43,365,249		43,365,249			
6,187,096		6,187,096			
5,734,802		5,734,802			
43,312		43,312			
1,198,266	(3,076,857)	(1,878,591)			
915,860		915,860			
262,667		262,667			
4,258,061		4,258,061			
600,000	(600,000)				
(16,321,171)		(16,321,171)			
14,968,712		14,968,712			
	(14,510,000)	(14,510,000)			\$14,510,000
153,392,617	(18,186,857)	135,205,760			14,510,000
(3,128,873)	(16,867,343)	(19,996,216)		(6,412)	14,510,000
(207,237,330)	65,897,950	(141,339,380)			
(\$210,366,203)	\$49,030,607	(\$161,335,596)		(\$6,412)	\$14,510,000

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**CITY OF RICHMOND**  
**JUNE 30, 2016**

<b>FUND FINANCIAL STATEMENTS</b>
----------------------------------

Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the City in fiscal 2016. Individual non-major funds may be found in the Supplemental section.

**GENERAL FUND**

The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The General Fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

**COST RECOVERY SPECIAL REVENUE FUND**

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

**COMMUNITY DEVELOPMENT AND LOAN PROGRAMS FUND**

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

**ENVIRONMENTAL AND COMMUNITY INVESTMENT AGREEMENT (ECIA) SPECIAL REVENUE FUND**

The Environmental and Community Investment Agreement (ECIA) Special Revenue Fund accounts for funding received from Chevron in conjunction with the Chevron Modernization Project Environmental and Community Investment Agreement to fund various projects and programs within the City of Richmond.

**CIVIC CENTER DEBT SERVICE FUND**

The Civic Center Debt Service Fund accounts for principal and interest payments on the Civic Center project Lease Revenue Bonds.

CITY OF RICHMOND  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2016

	General	Cost Recovery	Community Development and Loan Programs	Environmental and Community Investment Agreement	Civic Center Debt Service
<b>ASSETS</b>					
Cash and investments (Note 3)	\$5,900,610			\$11,114,503	
Restricted cash and investments (Note 3)			\$3,301,288		\$940,048
Receivables:					
Accounts, net	11,873,993	\$1,836,489	98,323		
Interest	5,384		898		
Grants	518,314	3,141,455	536,229		
Loans (Note 5)	3,829,481		37,040,831		
Due from other funds (Note 4A)	119,442				
Property held for resale (Note 2I)			665,139		
Advances to other funds (Note 4B)	14,480,730		174,067		
Prepays, supplies and other assets	577,477				
<b>Total Assets</b>	<b>\$37,305,431</b>	<b>\$4,977,944</b>	<b>\$41,816,775</b>	<b>\$11,114,503</b>	<b>\$940,048</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$2,775,748	\$1,667,973	\$332,042	\$82,353	
Refundable deposits	75,023	449,915			
Due to other funds (Note 4A)		7,393,526	1,455,710		\$1,453,842
Unearned revenue (Note 8)	4,299,386	1,513,086	9,750		3,113,580
<b>Total Liabilities</b>	<b>7,150,157</b>	<b>11,024,500</b>	<b>1,797,502</b>	<b>82,353</b>	<b>4,567,422</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue (Note 8)	757,879	3,231,766	15,872,103		
<b>FUND BALANCES (Note 9)</b>					
Nonspendable	18,404,669				
Restricted			24,147,170	11,032,150	
Assigned	4,460				
Unassigned	10,988,266	(9,278,322)			(3,627,374)
<b>Total Fund Balances</b>	<b>29,397,395</b>	<b>(9,278,322)</b>	<b>24,147,170</b>	<b>11,032,150</b>	<b>(3,627,374)</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$37,305,431</b>	<b>\$4,977,944</b>	<b>\$41,816,775</b>	<b>\$11,114,503</b>	<b>\$940,048</b>

See accompanying notes to financial statements

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$8,413,209	\$25,428,322
10,537,488	14,778,824
2,690,917	16,499,722
5,013	11,295
1,614,838	5,810,836
895,384	41,765,696
	119,442
	665,139
	14,654,797
550	578,027
\$24,157,399	\$120,312,100
\$1,442,645	\$6,300,761
	524,938
2,005,338	12,308,416
887,766	9,823,568
4,335,749	28,957,683
1,735,043	21,596,791
550	18,405,219
18,572,927	53,752,247
431,867	436,327
(918,737)	(2,836,167)
18,086,607	69,757,626
\$24,157,399	\$120,312,100

CITY OF RICHMOND  
Reconciliation of the  
GOVERNMENTAL FUNDS -- BALANCE SHEET  
with the  
STATEMENT OF NET POSITION  
JUNE 30, 2016

Total fund balances reported on the governmental funds balance sheet \$69,757,626

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

**CAPITAL ASSETS**

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 319,820,338

**ALLOCATION OF INTERNAL SERVICE FUND NET POSITION**

Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance to individual governmental funds. The net current position of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Position.

Cash and investments	8,113,708
Accounts receivable	443,216
Interest receivable	14,371
Loans receivable	550,000
Due from other funds	20,524,924
Advances to other funds	2,213,421
Accounts payable, accrued liabilities and interest payable	(239,733)
Due to other funds	(1,388,415)
Compensated absences	(230,682)
Unearned revenue	(1,289,239)
Claims payable	(39,403,229)

**ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES**

Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 21,596,791

**LONG TERM ASSETS AND LIABILITIES**

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Interest payable	(3,466,568)
Long-term debt	(280,377,609)
Derivative instrument at fair value - liability	(40,847,992)
Net pension liability and deferred outflows/inflows related to pensions	(224,087,438)
Net OPEB obligation	(49,638,537)
Governmental activities portion of compensated absences	(12,431,156)

**NET POSITION OF GOVERNMENTAL ACTIVITIES** (\$210,366,203)

See accompanying notes to financial statements

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CITY OF RICHMOND  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016

	General	Cost Recovery	Community Development and Loan Programs	Environmental and Community Investment Agreement	Civic Center Debt Service
<b>REVENUES</b>					
Property taxes	\$33,232,037				
Sales taxes	40,877,125				
Utility user taxes	43,365,249				
Other taxes	11,628,519				
Licenses, permits and fees	2,542,704	\$7,648,737	\$892,767		
Fines, forfeitures and penalties	398,098	481,926			
Use of money and property	35,493		129,185		\$1,346
Intergovernmental	1,954,943	1,126,115	1,018,142		
Private grants				\$12,971,138	
Charges for services	8,284,694	2,379,273			2,569,384
Pension stabilization revenue					
Rent	765,753				
Other	353,991	2,188,172	1,062,155		
<b>Total Revenues</b>	<b>143,438,606</b>	<b>13,824,223</b>	<b>3,102,249</b>	<b>12,971,138</b>	<b>2,570,730</b>
<b>EXPENDITURES</b>					
Current:					
General government	22,371,710	6,923,282		847,168	
Public safety	86,859,602	5,010,804		411,944	
Public works	17,899,366	3,119,134		105,548	
Community development			25,743	444,438	
Cultural and recreational	9,952,449			129,890	
Housing and redevelopment			2,742,753		
Capital outlay	404,053	3,226,497			
Debt service:					
Principal	1,079,062				1,686,545
Interest and fiscal charges	318,574				6,636,967
Swap termination payment					28,554,000
<b>Total Expenditures</b>	<b>138,884,816</b>	<b>18,279,717</b>	<b>2,768,496</b>	<b>1,938,988</b>	<b>36,877,512</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,553,790</b>	<b>(4,455,494)</b>	<b>333,753</b>	<b>11,032,150</b>	<b>(34,306,782)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt (Note 7)					28,390,000
Bond issuance premium					1,393,619
Proceeds from sale of property	46,429		10,512		
Transfers in (Note 4C)	3,090,044	3,823,807	147,593		1,235,584
Transfers (out) (Note 4C)	(6,974,604)				
<b>Total Other Financing Sources (Uses)</b>	<b>(3,838,131)</b>	<b>3,823,807</b>	<b>158,105</b>		<b>31,019,203</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>715,659</b>	<b>(631,687)</b>	<b>491,858</b>	<b>11,032,150</b>	<b>(3,287,579)</b>
<b>BEGINNING FUND BALANCES (DEFICITS)</b>	<b>28,681,736</b>	<b>(8,646,635)</b>	<b>23,655,312</b>		<b>(339,795)</b>
<b>ENDING FUND BALANCES (DEFICITS)</b>	<b>\$29,397,395</b>	<b>(\$9,278,322)</b>	<b>\$24,147,170</b>	<b>\$11,032,150</b>	<b>(\$3,627,374)</b>

See accompanying notes to financial statements

Other Governmental Funds	Total Governmental Funds
\$19,482,503	\$52,714,540
	40,877,125
	43,365,249
	11,628,519
1,151,275	12,235,483
21,814	901,838
46,763	212,787
10,341,343	14,440,543
	12,971,138
228,919	13,462,270
915,860	915,860
3,000	768,753
695,832	4,300,150
<u>32,887,309</u>	<u>208,794,255</u>
1,677,209	31,819,369
2,492,195	94,774,545
4,566,615	25,690,663
4,373,506	4,843,687
468,998	10,551,337
295,382	3,038,135
4,936,013	8,566,563
6,383,302	9,148,909
5,547,901	12,503,442
	28,554,000
<u>30,741,121</u>	<u>229,490,650</u>
<u>2,146,188</u>	<u>(20,696,395)</u>
	28,390,000
	1,393,619
205,726	262,667
3,827,138	12,124,166
<u>(5,116,602)</u>	<u>(12,091,206)</u>
<u>(1,083,738)</u>	<u>30,079,246</u>
1,062,450	9,382,851
<u>17,024,157</u>	<u>60,374,775</u>
<u>\$18,086,607</u>	<u>\$69,757,626</u>

CITY OF RICHMOND  
Reconciliation of the  
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
with the  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$9,382,851

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds include capital outlays in departmental expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay expenditures are therefore added back to fund balance 7,424,260

Depreciation expense is deducted from the fund balance

(Depreciation expense is net of internal service fund depreciation of \$1,998,280 which has already been allocated to serviced funds) (19,355,437)

Retirements of capital assets are deducted from the fund balance

(Retirements are net of internal service fund retirements of \$11,175 which has already been allocated to serviced funds) (16,120)

Capital contributions from developers and the Successor Agency are added to fund balance 10,410,645

Transfers to Internal Services Funds are deducted from fund balance (264,695)

Assets transferred from Successor Agency are added to fund balance 14,968,712

LONG TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance 21,381,738

Capital appreciation bonds accretion is deducted from fund balance (4,895,860)

Interest accruals on debt are deducted from fund balance (1,543,516)

Proceeds from debt issuance is deducted from fund balance (28,390,000)

Bond issuance premium is deducted from fund balance (1,393,619)

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Interest payable 64,102

Unavailable revenue 341,768

Derivative instrument at fair value - liability 800,885

Compensated absences 479,894

Net pension liability and deferred outflows/inflows related to pensions 6,743,950

Net OPEB obligation (10,562,742)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Position - All Internal Service Funds (8,705,689)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (\$3,128,873)

See accompanying notes to financial statements

**CITY OF RICHMOND**  
**JUNE 30, 2016**

<b>MAJOR PROPRIETARY FUNDS</b>
--------------------------------

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The concept of major funds established by GASB Statement 34 extends to Proprietary Funds. The City has identified the funds below as major proprietary funds in fiscal 2016.

GASB 34 does not provide for the disclosure of budget vs. actual comparisons regarding proprietary funds that are major funds.

**RICHMOND HOUSING AUTHORITY**

This fund accounts for all funds provided by the Department of Housing and Urban Development (HUD) to assist low income families in obtaining decent, safe and sanitary housing.

**PORT OF RICHMOND**

This fund accounts for all financial transactions relating to the City-owned marine terminal facilities and commercial property rentals.

**MUNICIPAL SEWER**

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

CITY OF RICHMOND  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2016

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Richmond Housing Authority	Port of Richmond	Municipal Sewer	Other Enterprise Funds		
<b>ASSETS</b>						
Current assets:						
Cash and investments (Note 3)	\$770,834		\$20,771,320	\$3,523,889	\$25,066,043	\$8,113,708
Restricted cash and investments (Note 3)	99,225	\$9,008,038	1,595,960		10,703,223	
Receivables:						
Accounts, net	723,816	4,503,887	494,236	415,752	6,137,691	443,216
Interest			10,669	1,755	12,424	14,371
Grants	53,191				53,191	
Notes (Note 5)						550,000
Due from other funds (Note 4A)						20,524,924
Total current assets	<u>1,647,066</u>	<u>13,511,925</u>	<u>22,872,185</u>	<u>3,941,396</u>	<u>41,972,572</u>	<u>29,646,219</u>
Noncurrent assets:						
Receivables:						
Due from developer	11,221,743				11,221,743	
Capital assets (Note 6):						
Nondepreciable	2,696,684	4,937,160	22,812,615		30,446,459	246,896
Depreciable, net	18,469,455	50,028,535	71,615,422	3,565,188	143,678,600	4,718,720
Advances to other funds (Note 4B)			901,396	167,451	1,068,847	2,213,421
Total noncurrent assets	<u>32,387,882</u>	<u>54,965,695</u>	<u>95,329,433</u>	<u>3,732,639</u>	<u>186,415,649</u>	<u>7,179,037</u>
Total Assets	<u>34,034,948</u>	<u>68,477,620</u>	<u>118,201,618</u>	<u>7,674,035</u>	<u>228,388,221</u>	<u>36,825,256</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows related to pensions (Note 10)	406,547	161,692	161,692	206,157	936,088	249,814
Deferred charge on refunding (Note 2G)			5,452,156		5,452,156	
Total Deferred outflows of resources	<u>406,547</u>	<u>161,692</u>	<u>5,613,848</u>	<u>206,157</u>	<u>6,388,244</u>	<u>249,814</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued liabilities	260,216	311,021	2,171,923	209,227	2,952,387	239,551
Interest payable		1,376,244	1,748,777	114,804	3,239,825	182
Due to other funds (Note 4A)	2,122,080	2,990,374		1,835,081	6,947,535	1,388,415
Refundable deposits	99,225	151,550		82,619	333,394	
Compensated absences (Note 2D)	27,280			62,870	90,150	
Claims payable (Note 14)						13,331,213
Current portion of long-term debt (Note 7B)		2,830,000	35,190,000	81,574	38,101,574	353,378
Total current liabilities	<u>2,508,801</u>	<u>7,659,189</u>	<u>39,110,700</u>	<u>2,386,175</u>	<u>51,664,865</u>	<u>15,312,739</u>
Noncurrent liabilities:						
Advances from other funds (Note 4B)	1,242,914	14,480,730		2,213,421	17,937,065	
Compensated absences (Note 2D)	245,521	197,770	44,463		487,754	230,682
Unearned revenue (Note 8)		500,000	9,000		509,000	1,289,239
Claims payable (Note 14)						26,072,016
Derivative instrument at fair value - liability (Note 7B)			12,182,683		12,182,683	
Long-term debt, net (Note 7B)	700,000	36,524,875	49,447,983	2,701,553	89,374,411	180,754
Net pension liability (Note 10)	5,959,465	1,931,755	1,931,755	2,462,988	12,285,963	2,984,562
Total noncurrent liabilities	<u>8,147,900</u>	<u>53,635,130</u>	<u>63,615,884</u>	<u>7,377,962</u>	<u>132,776,876</u>	<u>30,757,253</u>
Total Liabilities	<u>10,656,701</u>	<u>61,294,319</u>	<u>102,726,584</u>	<u>9,764,137</u>	<u>184,441,741</u>	<u>46,069,992</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows related to pensions (Note 10)	632,579	205,050	205,050	261,438	1,304,117	316,802
<b>NET POSITION (Note 9)</b>						
Net investment in capital assets	21,166,139	24,618,858	16,838,170	782,061	63,405,228	4,431,484
Restricted for housing programs						
Restricted for debt service		9,008,038			9,008,038	
Unrestricted	1,986,076	(26,486,953)	4,045,662	(2,927,444)	(23,382,659)	(13,743,208)
Total Net Position	<u>\$23,152,215</u>	<u>\$7,139,943</u>	<u>\$20,883,832</u>	<u>(\$2,145,383)</u>	<u>\$49,030,607</u>	<u>(\$9,311,724)</u>

See accompanying notes to financial statements

CITY OF RICHMOND  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Richmond Housing Authority	Port of Richmond	Municipal Sewer	Other Enterprise Funds		
<b>OPERATING REVENUES</b>						
Rental	\$1,082,893				\$1,082,893	
Service charges		\$2,631,766	\$19,757,863	\$3,053,480	25,443,109	\$23,856,784
Lease income		7,421,299		521,362	7,942,661	
Other	768,444	27,354		229,289	1,025,087	
<b>Total Operating Revenues</b>	<b>1,851,337</b>	<b>10,080,419</b>	<b>19,757,863</b>	<b>3,804,131</b>	<b>35,493,750</b>	<b>23,856,784</b>
<b>OPERATING EXPENSES</b>						
Salaries and benefits	5,240,455	694,471	1,155,864	1,773,520	8,864,310	8,325,103
General and administrative		2,278,144	8,577,140	1,807,122	12,662,406	2,146,123
Maintenance	1,803,621	1,778,312	5,197		3,587,130	579,251
Depreciation	1,621,696	3,510,058	1,644,674	1,037,754	7,814,182	1,998,280
Housing assistance	17,719,361				17,719,361	
Claims losses						20,485,068
Other		3,928	369,479	74	373,481	9,687
<b>Total Operating Expenses</b>	<b>26,385,133</b>	<b>8,264,913</b>	<b>11,752,354</b>	<b>4,618,470</b>	<b>51,020,870</b>	<b>33,543,512</b>
<b>Operating Income (Loss)</b>	<b>(24,533,796)</b>	<b>1,815,506</b>	<b>8,005,509</b>	<b>(814,339)</b>	<b>(15,527,120)</b>	<b>(9,686,728)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Loss on retirement of capital assets						(11,175)
Interest income	139	12,947	(3,104,869)	14,926	(3,076,857)	184,594
Grants	21,951,328				21,951,328	
Settlements		501,000			501,000	
Interest (expense)		(2,868,084)	(4,694,272)	(199,024)	(7,761,380)	(24,115)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>21,951,467</b>	<b>(2,354,137)</b>	<b>(7,799,141)</b>	<b>(184,098)</b>	<b>11,614,091</b>	<b>149,304</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(2,582,329)</b>	<b>(538,631)</b>	<b>206,368</b>	<b>(998,437)</b>	<b>(3,913,029)</b>	<b>(9,537,424)</b>
Capital contributions/grants	1,354,233		801,453		2,155,686	264,695
Transfers in (Note 4C)						567,040
Transfers out (Note 4C)				(600,000)	(600,000)	
<b>Total Contributions and Transfers</b>	<b>1,354,233</b>		<b>801,453</b>	<b>(600,000)</b>	<b>1,555,686</b>	<b>831,735</b>
<b>Income (Loss) Before Special Items</b>	<b>(1,228,096)</b>	<b>(538,631)</b>	<b>1,007,821</b>	<b>(1,598,437)</b>	<b>(2,357,343)</b>	<b>(8,705,689)</b>
Special Item (Note 6B and 16L):						
Transfer of capital assets to RHA RAD LLC	(14,510,000)				(14,510,000)	
<b>Change in net position</b>	<b>(15,738,096)</b>	<b>(538,631)</b>	<b>1,007,821</b>	<b>(1,598,437)</b>	<b>(16,867,343)</b>	<b>(8,705,689)</b>
<b>BEGINNING NET POSITION (DEFICIT)</b>	<b>38,890,311</b>	<b>7,678,574</b>	<b>19,876,011</b>	<b>(546,946)</b>	<b>65,897,950</b>	<b>(606,035)</b>
<b>ENDING NET POSITION (DEFICIT)</b>	<b>\$23,152,215</b>	<b>\$7,139,943</b>	<b>\$20,883,832</b>	<b>(\$2,145,383)</b>	<b>\$49,030,607</b>	<b>(\$9,311,724)</b>

See accompanying notes to financial statements

CITY OF RICHMOND  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Richmond Housing Authority	Port of Richmond	Municipal Sewer	Other Enterprise Funds	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$1,630,005	\$10,283,540	\$19,327,890	\$3,814,258	\$35,055,693	\$24,015,231
Payments to suppliers	(22,097,125)	(3,996,299)	(8,552,500)	(1,621,217)	(36,267,141)	(2,730,416)
Payments to employees	(2,595,736)	(906,697)	(984,143)	(1,229,718)	(5,716,294)	(8,708,624)
Insurance premiums and claims paid						(10,665,579)
<b>Cash Flows from Operating Activities</b>	<b>(23,062,856)</b>	<b>5,380,544</b>	<b>9,791,247</b>	<b>963,323</b>	<b>(6,927,742)</b>	<b>1,910,612</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Interfund receipts						1,388,415
Interfund payments		(294,539)		(419,923)	(714,462)	(753,257)
Receipts from other governments	21,588,194				21,588,194	
Settlement receipts		501,000			501,000	
Transfers out				(600,000)	(600,000)	
Transfers in						567,040
<b>Cash Flows from Noncapital Financing Activities</b>	<b>21,588,194</b>	<b>206,461</b>		<b>(1,019,923)</b>	<b>20,774,732</b>	<b>1,202,198</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Receipts from other governments			801,453		801,453	
Grant receipts	1,354,233				1,354,233	
Acquisition of capital assets	(546,321)		(5,947,787)	1	(6,494,107)	(39,861)
Principal payments on capital debt		(2,723,455)	(2,200,000)	(78,062)	(5,001,517)	(342,808)
Interest paid		(2,869,343)	(4,393,375)	(202,244)	(7,464,962)	(24,231)
<b>Cash Flows from Capital and Related Financing Activities</b>	<b>807,912</b>	<b>(5,592,798)</b>	<b>(11,739,709)</b>	<b>(280,305)</b>	<b>(16,804,900)</b>	<b>(406,900)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest	139	655	75,313	13,171	89,278	170,401
<b>Cash Flows from Investing Activities</b>	<b>139</b>	<b>655</b>	<b>75,313</b>	<b>13,171</b>	<b>89,278</b>	<b>170,401</b>
<b>Net Cash Flows</b>	<b>(666,611)</b>	<b>(5,138)</b>	<b>(1,873,149)</b>	<b>(323,734)</b>	<b>(2,868,632)</b>	<b>2,876,311</b>
Cash and investments at beginning of period	1,536,670	9,013,176	24,240,429	3,847,623	38,637,898	5,237,397
Cash and investments at end of period	\$870,059	\$9,008,038	\$22,367,280	\$3,523,889	\$35,769,266	\$8,113,708
<b>Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:</b>						
Operating income (loss)	(\$24,533,796)	\$1,815,506	\$8,005,509	(\$814,339)	(\$15,527,120)	(\$9,686,728)
Adjustments to reconcile operating income to cash flows from operating activities:						
Depreciation	1,621,696	3,510,058	1,644,674	1,037,754	7,814,182	1,998,280
Gain on sale of assets	(151,747)				(151,747)	
Change in assets and liabilities:						
Receivables, net	66,275	133,321	(438,973)	10,127	(229,250)	66,973
Prepays and other assets	39,301				39,301	
Accounts payable and accrued liabilities and other accrued expenses	881,963	64,085	399,316	185,979	1,531,343	4,645
Refundable deposits	(103,518)	69,800			(33,718)	
Unearned revenue			9,000		9,000	91,474
Compensated absences payable		8,833	18,078	13,539	40,450	(31,523)
Claims payable						9,819,489
Net pension liability and deferred outflows/inflows of resources	(883,030)	(221,059)	153,643	530,263	(420,183)	(351,998)
<b>Cash Flows from Operating Activities</b>	<b>(23,062,856)</b>	<b>\$5,380,544</b>	<b>\$9,791,247</b>	<b>\$963,323</b>	<b>(\$6,927,742)</b>	<b>\$1,910,612</b>
<b>Non cash transactions:</b>						
Change in fair value of investment derivative		\$12,292	(\$3,190,683)		(\$3,178,391)	
Amortization of deferred charge on refunding		(16,672)	(358,020)		(374,692)	
Retirement of capital assets	(\$14,358,255)					(\$11,175)
Contributions of capital assets						264,695
Advance transferred to long-term debt	700,000					

See accompanying notes to financial statements

**CITY OF RICHMOND**  
**JUNE 30, 2016**

<b>FIDUCIARY FUNDS</b>
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Fiduciary funds are presented separately from the Government-wide and Fund financial statements.

Trust funds are used to account for assets held by the City as a trustee agent for individuals, private organizations, or other governments.

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments.

The financial activities of Trust and Agency funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

CITY OF RICHMOND  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2016

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>			
Cash and investments (Note 3)		\$10,373,652	\$5,582,170
Restricted cash and investments (Note 3)		29,026,789	9,656,841
Investment in reassessment bonds (Note 3)			11,370,000
Pension plan cash and investments (Note 11C):			
City of Richmond Investment Pool	\$2,581,820		
Local Agency Investment Fund	173,059		
Mutual Fund Investments	11,121,486		
Accounts receivable		190,920	312,879
Interest receivable	2		2,741
Grants receivable		3,720,553	
Loans receivable (Note 17B)		1,920,000	
Prepays and other assets		6,765,678	
Capital assets (Note 17C):			
Nondepreciable		6,258,806	
	<u>13,876,367</u>	<u>58,256,398</u>	<u>\$26,924,631</u>
<b>Total Assets</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities		2,582,627	\$321,189
Refundable deposits payable			9,138,795
Interest payable		1,498,473	
Derivative instrument at fair value - liability (Note 17D)		5,332,800	
Long-term debt (Note 17D):			
Due within one year		6,885,191	
Due in more than one year		104,598,719	
Due to assessment district bondholders			17,464,647
		<u>120,897,810</u>	<u>\$26,924,631</u>
<b>Total Liabilities</b>			
<b>NET POSITION</b>			
Restricted for employees' pension benefits	<u>\$13,876,367</u>		
Held in trust for other governments		<u>(\$62,641,412)</u>	

See accompanying notes to financial statements

CITY OF RICHMOND  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
<b>ADDITIONS</b>		
Property taxes		\$19,953,198
Licenses, permits and fees		200,000
Contributions from the City	\$1,927,307	
Net investment income:		
Net increase (decrease) in the fair value of investments	(391,236)	
Interest income	313,653	732,024
Investment management fees	(84,719)	
Intergovernmental revenue		6,474,204
Miscellaneous revenue		1,072,154
	<u>1,765,005</u>	<u>28,431,580</u>
<b>DEDUCTIONS</b>		
Community development		15,509,401
Pension benefits	3,854,874	
Payments in accordance with trust agreements		3,433,452
Depreciation		8,395
Interest and fiscal charges		5,639,617
	<u>3,854,874</u>	<u>24,590,865</u>
Change in net position before special item	(2,089,869)	3,840,715
<b>SPECIAL ITEM</b>		
Assets transferred to the City (Note 17C)		<u>(14,968,712)</u>
Change in net position	(2,089,869)	(11,127,997)
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>15,966,236</u>	<u>(51,513,415)</u>
NET POSITION (DEFICIT), END OF YEAR	<u><u>\$13,876,367</u></u>	<u><u>(\$62,641,412)</u></u>

See accompanying notes to financial statements

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**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 1 - ORGANIZATION AND DEFINITION OF REPORTING ENTITY**

The City was incorporated in 1905 under the laws of the State of California and adopted its charter in 1909. The City operates under a Council-Manager form of government and provides the following services to its citizens as authorized by its charter: police and fire protection, planning and community development, streets and roads, parks and recreation, sewage treatment, drainage and capital projects. In addition, the City has a port, marina, municipal and storm sewer enterprises, a housing authority, a joint powers financing authority, and a parking authority which is inactive.

The accompanying basic financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of its component units, which are entities for which the City is financially accountable. Although they are separate legal entities, *blended* component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. The discretely presented component unit, on the other hand, is reported in a separate column in the basic financial statements to emphasize it is legally separate from the government.

**A. PRIMARY GOVERNMENT**

The financial statements of the primary government of the City include the activities of the City as well as the Richmond Housing Authority, the Richmond Joint Powers Financing Authority, the Richmond Neighborhood Stabilization Corporation, the Richmond Parking Authority and the Richmond Surplus Property Authority all of which are controlled by and dependent on the City. While these are separate legal entities, their financial activities are integral to those of the City. Their financial activities have been aggregated and merged (termed "blended") with those of the primary government of the City in the accompanying financial statements.

**Blended Component Units:**

**Richmond Housing Authority (Housing Authority)** - Formed in 1941 as a separate legal entity under the provisions of the Housing Act of 1937, the Housing Authority was established to use funds provided by the Department of Housing and Urban Development (HUD) to rehabilitate local deteriorated housing and to subsidize low-income families in obtaining decent, safe, and sanitary housing needs.

Although the Housing Authority is a separate legal entity, it is an integral part of the City. The City exercises significant financial and management control over the Housing Authority and members of City Council serve as the governing board of the Housing Authority. The financial statements of the Housing Authority are included in the City's basic financial statements as an enterprise fund. Separate financial statements for the Housing Authority may be obtained by contacting the Richmond Housing Authority, 330 24<sup>th</sup> Street, Richmond, California 94804.

**Richmond Joint Powers Financing Authority (JPFA)** - A joint exercise of powers authority formed on December 1, 1989, by and between the City and the former Redevelopment Agency, the JPFA was created to assist the City, the Redevelopment Agency, and other local public agencies in financing and refinancing capital improvements and working capital pursuant to the Marks-Roos Local Bond Pooling Act of 1985. The JPFA is authorized to purchase obligations of the City, Redevelopment Agency, and other local public agencies.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 1 - ORGANIZATION AND DEFINITION OF REPORTING ENTITY (Continued)**

Although the JPFA is a separate legal entity, it is an integral part of the City. The City exercises significant financial and management control over the JPFA and the members of the City Council serve as the Board of Directors. The operations of the JPFA are included in the City's basic financial statements as a debt service fund. Separate financial statements for the JPFA may be obtained by contacting the Office of Finance, City of Richmond, 450 Civic Center Plaza, Richmond, California 94804.

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

The Corporation is governed by a board of directors consisting of the City Manager, the Finance Director, and five other City and Housing Authority Directors. Although the RNSC is a separate legal entity, it is an integral part of the City. The City exercises significant financial and management control over the RNSC and members of the Board of Directors are appointed by City Council and City management has operational responsibility for the RNSC. The operations of the RNSC are included in the City's basic financial statements as a special revenue fund. Separate financial statements for the RNSC may be obtained by contacting the Office of Finance, City of Richmond, 450 Civic Center Plaza, Richmond, California 94804.

**Richmond Surplus Property Authority** – Formed to become the owner of certain property declared surplus by the U.S. Government, the Authority is a separate legal entity but it is an integral part of the City. The City exercises significant financial and management control over the Authority and members of the City Council serve as the governing board of the Authority. The Authority was reactivated in fiscal year 2011 to facilitate certain Port of Richmond transactions. The financial activities of the Authority are included in the Port of Richmond Enterprise Fund. Separate financial statements are not issued for the Authority.

**Richmond Parking Authority (Parking Authority)** - Formed in 1975 pursuant to the provisions of California statutes for the purpose of financing the construction of off-street parking facilities. Although the Parking Authority is a separate legal entity, it is an integral part of the City. The City exercises significant financial and management control over the Parking Authority and members of the City Council serve as the governing board of the Parking Authority. The Parking Authority is inactive.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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<b>NOTE 1 - ORGANIZATION AND DEFINITION OF REPORTING ENTITY (Continued)</b>
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**B. DISCRETELY PRESENTED COMPONENT UNITS**

**RHA Properties** – A joint powers agreement between the City and the Housing Authority formed in 2004 for the purpose of owning and managing the operations of an affordable housing residential complex known as The Hilltop at Westridge Apartments in the City, dedicated to the needs of elderly persons. The City and the Housing Authority funded the acquisition of this complex through the issuance of debt. The City and Housing Authority exercise significant financial and management control over RHA Properties and appoint members of the Board of Directors, however RHA Properties manages its own programs separate from the City or the Housing Authority. Therefore, the financial activities of RHA Properties are discretely presented in the RHA Properties Component Unit column of the Statement of Net Position and the Statement of Activities.

**RHA Housing Corporation**– RHA Housing Corporation was incorporated and registered on January 26, 2004 as a California nonprofit public benefit corporation to benefit and support the RHA with respect to the Easter Hill development. RHA Housing Corporation entered into RAD Conversion redevelopment activities and it acts as the sole and managing member of RHA RAD LLC. The Corporation's fiscal year ends on December 31, 2016. The City and Housing Authority exercise significant financial and management control over RHA Housing Corporation and appoint members of the Board of Directors, however RHA Housing Corporation manages its own programs separate from the City or the Housing Authority. Therefore, the financial activities of RHA Housing Corporation are discretely presented in the RHA Housing Corporation Component Unit column of the Statement of Net Position and the Statement of Activities. Separate financial statements for RHA Housing Corporation may be obtained by contacting the Richmond Housing Authority, 330 24<sup>th</sup> Street, Richmond, California 94804.

**RHA RAD LLC** - A California limited liability company was formed on July 11, 2013 by RHA Housing Corporation, the sole and managing member. The Company is operated exclusively to further the tax exempt charitable purposes of the sole and managing member to provide affordable housing for low-income persons where no adequate housing exists for such persons, and to own and operate housing for the benefit of low-income persons who are in need of affordable, decent, safe and sanitary housing and related services, where an inadequate supply of housing exists for such persons. The City and Housing Authority exercise significant financial and management control over RHA RAD LLC and RHA Housing Corporation is the sole member of RHA RAD LLC, however RHA RAD LLC manages its own programs separate from the City or the Housing Authority. Therefore, the financial activities of RHA RAD LLC are discretely presented in the RHA RAD LLC Component Unit column of the Statement of Net Position and the Statement of Activities. Separate financial statements for RHA RAD LLC may be obtained by contacting the Richmond Housing Authority, 330 24<sup>th</sup> Street, Richmond, California 94804.

In order for the Authority to proceed in its participation into the RAD Program as discussed in Note 16L, RHA RAD LLC shall act as the managing general partner of RHA RAD Housing Partnership LP.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Richmond have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

**A. *Basis of Accounting and Measurement Focus***

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues, and expenditures or expenses. City resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

**Government-Wide Financial Statements** - The Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Fiduciary activities of the City are not included in these statements; they are presented separately.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The Government-wide financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows/inflows of resources and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the Statement of Net Position. The Statement of Activities presents all the City's revenues, expenses and other changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total column. In the Statement of Activities, internal service fund transactions have been eliminated. However, transactions between governmental and business-type activities have not been eliminated.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Governmental Fund Financial Statements** - Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and in the aggregate for all non-major funds. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-Wide financial statements.

All governmental funds are accounted for on the “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received such as business licenses and fines and penalties in cash, except that revenues subject to accrual (generally sixty days after the fiscal year-end) are recognized when due. The primary revenue sources which have been treated as susceptible to accrual by the City are property taxes, sales taxes, transient occupancy taxes, franchise taxes, certain other intergovernmental revenues, and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred also generally sixty days after the fiscal year end.

Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences between the two approaches.

**Proprietary Fund Financial Statements** - Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and in the aggregate for all non-major funds. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets, liabilities and deferred outflows/inflows of resources (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position.

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.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fiduciary Fund Financial Statements and Statement of Changes in Net Position** - Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Position, and a Statement of Changes in Fiduciary Net Position. The City's Fiduciary funds represent Pension Trust funds, Private-Purpose Trust funds and Agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Pension Trust funds and Private-Purpose Trust funds are accounted for on an economic resources measurement focus under the accrual basis of accounting.

**B. Major Funds**

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

**General Fund** – The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The General Fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

**Cost Recovery Special Revenue Fund** – The Cost Recovery Special Revenue Fund records the receipt and use of monies for services provided to the public and developers.

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

**Environmental and Community Investment Agreement Special Revenue Fund** – The Environmental and Community Investment Agreement Special Revenue Fund accounts for funding received from Chevron in conjunction with the Chevron Modernization Project Environmental and Community Investment Agreement to fund various projects and programs within the City of Richmond.

**Civic Center Debt Service Fund** - The Civic Center Debt Service Fund accounts for principal and interest payments on the Civic Center project Lease Revenue Bonds.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City reported the following major enterprise funds in the accompanying financial statements:

**Richmond Housing Authority** – This fund accounts for all funds provided by the Department of Housing and Urban Development (HUD) to assist low income families in obtaining decent, safe and sanitary housing.

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

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

The City also reports the following fund types:

**Internal Service Funds.** The funds account for insurance reserves, equipment services and replacement and police telecommunications, all of which are provided to other departments on a cost-reimbursement basis.

**Trust Funds.** The Pension Trust Funds account for assets held by the City as an Agent for various functions. The General Pension, Police and Fireman's and Garfield Pension Funds account for the accumulation of resources to be used for retiree pension payments at appropriate amounts and times in the future. The Pt. Molate Private-Purpose Trust Fund is used to account for assets held by the City as an agent for the U.S. Navy and a private developer for the cleanup of Point Molate as discussed in Note 16H. The Successor Agency to the Richmond Community Redevelopment Agency Private-Purpose Trust Fund was established as of February 1, 2012 to account for the activities of the Successor Agency to the former Richmond Community Redevelopment Agency as discussed in Note 17. The financial activities of the Trust Funds are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

**Agency Funds.** These funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments, including special assessment districts within the City and non-public organizations. The financial activities of these funds are excluded from the government-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. *Prepays and Supplies***

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed, rather than when purchased. Prepaid items in governmental funds are equally offset by nonspendable fund balance which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

Supplies are valued at cost using the weighted average method. Supplies of the governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure in the governmental funds at the time individual inventory items are consumed rather than when purchased. Reported governmental fund inventories are equally offset by nonspendable fund balance which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

**D. *Compensated Absences***

Compensated absences comprise unused vacation and certain other compensated time off, which are accrued and charged to expense as earned. Governmental funds include only amounts that have matured, while their long-term liabilities are recorded in the Statement of Net Position.

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

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$13,173,255	\$536,426	\$13,709,681
Additions	32,934,122	672,627	33,606,749
Payments	(33,445,539)	(631,149)	(34,076,688)
Ending Balance	\$12,661,838	\$577,904	\$13,239,742
Current Portion	\$6,660,018	\$90,150	\$6,750,168

The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund. Compensated absences for business-type activities are liquidated by the fund that has recorded the liability.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Property Tax Levy, Collection and Maximum Rates**

The State of California's Constitution limits the combined maximum property tax rate on any given property to one percent of its assessed value except for voter approved incremental property taxes. Assessed value equals purchase price and may be adjusted by no more than two percent per year unless the property is modified, sold, or transferred. The State Legislature distributes property tax receipts from among the counties, cities, school districts, and other districts.

Contra Costa County assesses properties and bills for and collects property taxes as follows:

	Secured	Unsecured
Valuation/lien dates	January 1	March 1
Levied dates	July 1	July 1
Due dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10 (for November) April 10 (for February)	August 31

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

**F. Expenditures in Excess of Appropriations**

The following funds incurred departmental expenditures in excess of appropriations.

Fund/Department	Excess of Expenditures Over Appropriations
General Fund	
General Government	\$1,574,323
Debt Service- Principal	31,077
Cost Recovery Special Revenue Fund	
Public Safety	419,255
Environmental and Community Investment	
Agreement Special Revenue Fund	
Public Works	16,715
Civic Center Debt Service Fund	
Interest and fiscal charges	212,862
Swap termination payment	1,497,954
Paratransit Operations Special Revenue Fund	
General Government	288,554
Public Safety Special Revenue Fund	
Public Safety	158,902

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position or balance sheet report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category, the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also has deferred outflows of resources related to pensions as discussed in Notes 10 and 11.

In addition to liabilities, the statement of financial position or balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: loans receivable, grants receivable and interest on interfund advances. See Note 8 for further discussion. The City also has deferred inflows of resources related to pensions as discussed in Notes 10 and 11. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**H. *Bond Issuance Costs, Original Issue Discounts and Premiums and Deferred Charge on Refunding***

For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Any differences between proprietary refunded debt and the debt issued to refund it, called a deferred charge on refunding, is amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter. The deferred charge on refunding is reported as a deferred inflow or outflow of resources, as applicable. Bond issuance costs, other than prepaid insurance, are expensed in the year incurred.

**I. *Property Held for Resale***

Property held for resale is accounted for at the lower of cost or net realizable value or agreed upon sales price if a disposition agreement has been made with a developer.

The City received five properties for resale in fiscal year 2013 with a book value of \$573,822 from the acceptance of a deed in lieu of foreclosure on the property related to developer defaults on prior loans under the Richmond Neighborhood Stabilization loan program discussed in Note 5. These properties were rehabilitated during fiscal years 2014 and 2015 increasing the carrying value by a total of \$749,716 and \$39,303, respectively. In fiscal year 2014, the City received an additional four properties with a carrying value of \$648,238. Six properties have been sold as of June 30, 2016, the remaining three properties held for resale had a book value of \$665,139 as of that date.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**K. Use of Estimates**

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

**L. New Funds**

The City established the Compensated Absences Internal Service Fund to account for sick, vacation and compensatory time leave payouts related to employee retirements.

The Richmond Promise Agency Fund was established to account for assets belonging to the Richmond Promise non-profit organization held as agent by the City.

**NOTE 3 - CASH AND INVESTMENTS**

**A. Investments and Cash Deposits**

The City maintains a cash and investment pool of cash balances and authorized investments of all funds except for funds required to be held by fiscal agents under the provisions of bond indentures, which the City Treasurer invests to enhance interest earnings. The pooled interest earned is allocated to the funds based on average month-end cash and investment balances in these funds.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

The City and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. Individual investments are generally made by the City's fiscal agents as required under its debt issues. In order to maximize security, the City employs the Trust Department of a bank as the custodian of all City managed investments, regardless of their form.

All investments are stated at fair value. Market value is used as fair value for all securities.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

**B. Cash, Cash Equivalents and Investments**

For purposes of reporting cash flows, the City considers each fund's share in the cash and investments pool and restricted cash and investments to be cash and cash equivalents.

**C. Classification**

Cash and investments are classified in the financial statements as shown below at June 30, 2016:

Cash and investments	\$58,608,073
Restricted cash and investments	25,482,047
<b>Total Primary Government cash and investments</b>	<b>84,090,120</b>
Cash and investments	27,726
<b>Total Discrete Component Unit cash and investments</b>	<b>27,726</b>
Cash and investments in Fiduciary Funds (Separate Statement)	
Cash and investments	15,955,822
Restricted cash and investments	38,683,630
Investments in reassessment bonds	11,370,000
<b>Total Fiduciary Funds cash and investments</b>	<b>66,009,452</b>
<b>Total cash and investments</b>	<b>\$150,127,298</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**D. Investments Authorized by the California Government Code and the City's Investment Policy**

Under the provisions of the City's Investment Policy, and in accordance with California Government Code, the following investments are authorized:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Bills, Bonds and Notes	5 years	A	None	None
Obligations issued by United States Government or its Agencies	5 years		None	None
Treasury bonds and notes issued by the State of California or any local agency with California	5 years	A	None	None
Commercial Paper	270 days	A	10% (A)	10%
Negotiable Certificates of Deposit	5 years	A	30%	None
Medium Term Corporate Notes	5 years	A	30%	None
Money Market Mutual Funds	N/A	Top rating category	15%	None
California Local Agency Investment Fund	N/A		None	\$50 Mil
Government Sponsored Investment Pools (CalTrust)	N/A		N/A	None
Collateralized Time Deposits	5 years		30%	10%

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

***Prohibited Investments***

Under the City's Investment Policy, the City imposed restrictions on investments. The City cannot invest in any funds in inverse floaters, range notes, or interest only Separate Trading of Registered Interest and Principal of Securities (STRIPS) that are derived from a pool of mortgages. In any security that could result in zero interest accrual if held to maturity (other than money market mutual funds).

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

*E. Investments Authorized by the California Government Code and the Housing Authority's Investment Policy*

The California Government Code allows the Authority to invest in the following; provided approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Specified Percentage of Portfolio</u>	<u>Minimum Credit Quality</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury obligations	5 years	None	None
State of California obligations	5 years	None	None
CA Local Agency obligations	5 years	None	None
U.S. Agencies	5 years	None	None
Banker's Acceptances	180 days	40%	A1/P1
Commercial Paper - select agencies	270 days	40%	A1/P1
Commercial Paper - other agencies	270 days	25%	None
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20%	None
Medium Term Corporate Notes	5 years	30%	A
Mutual Funds	N/A	20%	Multiple
Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	AA
Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
California Local Agency Investment Fund	N/A	None	None

There are no restrictions on the maximum amount invested in each security type or maximum that can be invested in any one issuer.

The Authority does not have reverse repurchase agreements.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**F. Investments Authorized by Debt Issues and Lease Agreements**

Under the terms of the City's and Agency's and debt issues and lease agreements, the City and Agency are subject to various restrictions in the type, maturity and credit ratings of investments of the unspent proceeds of these issues. These restrictions are generally no more restrictive than those listed above regarding investment of the City's and Agency's funds. In addition, some bond indentures authorize investments in guaranteed investment contracts and investment agreements with maturity dates that coincide with the applicable debt maturities. At June 30, 2016, the City and Agency were in compliance with the terms of all these restrictions.

**G. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

	Remaining Maturity (in Months)				Total
	12 months or Less	13 to 24 Months	25 to 60 Months	More than 60 months	
<b>Primary Government:</b>					
Federal Agency Securities	\$6,004,740	\$8,000,300	\$3,026,400		\$17,031,440
U.S. Treasury Bills	515,020				515,020
California Local Agency Investment Fund	22,621,817				22,621,817
CalTrust Short Term Fund	14,101,923				14,101,923
CalTrust Medium Term Fund	81,419				81,419
Certificates of Deposit- Negotiable		755,361			755,361
Money Market Mutual Funds (U.S. Securities)	138,039				138,039
Held by Trustee:					
Money Market Mutual Funds (U.S. Securities)	46,468,677				46,468,677
Investment Agreement				\$1,039,778	1,039,778
Guaranteed Investment Contracts			564,000	625,001	1,189,001
Reassessment Bonds	1,050,000	1,097,500	3,840,000	5,382,500	11,370,000
<b>Total Investments</b>	<u>\$90,981,635</u>	<u>\$9,853,161</u>	<u>\$7,430,400</u>	<u>\$7,047,279</u>	115,312,475
Cash in Banks and on hand - <i>Primary Government</i>					34,787,097
Cash in Banks - RHA Housing Corporation					<u>27,726</u>
<b>Total Cash and Investments</b>					<u>\$150,127,298</u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 3 - CASH AND INVESTMENTS (Continued)**

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2016, these investments matured in an average of 167 days.

The City is a participant in the Short-Term Fund and Medium-Term Fund of the Investment Trust of California (CalTrust), a joint powers authority and public agency established by its members under the provisions of Section 6509.7 of the California Government Code. Members and participants are limited to California public agencies. CalTrust is governed by a Board of Trustees of seven Trustees, at least seventy-five percent of whom are from the participating agencies. The City reports its investment in CalTrust at the fair value amount provided by CalTrust, which is the same as the value of the pool shares. The balance is available for withdrawal on demand, and is based on the accounting records maintained by CalTrust. Included in CalTrust's investment portfolio are: United States Treasury Notes, Bills, Bonds or Certificates of Indebtedness; registered state warrants or treasury notes or bonds; California local agency bonds, notes, warrants or other indebtedness; federal agency or United States government-sponsored enterprise obligations; bankers acceptances; commercial paper; negotiable certificates of deposit; repurchase agreements; medium-term notes; money market mutual funds; notes, bonds or other obligation secured by a first priority security interest in securities authorized under Government Code Section 53651; and mortgage passthrough securities, collateralized mortgage obligations, and other asset-backed securities. CalTrust's Short-Term Fund has a target portfolio duration of 0 to 2 years and CalTrust's Medium-Term Fund has a target portfolio duration of 0 to 4 years. At June 30, 2016 the Short-Term Fund investments matured in an average of 409 days and the Medium-Term Fund investments matured in an average of 752 days.

Money market funds and mutual funds are available for withdrawal on demand and as of June 30, 2016 have an average maturity from 4 to 48 days.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**H. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2016 for each investment type:

Investment Type	AAA <sub>m</sub>	AA <sub>f</sub>	AA+	Total
Federal Agency Securities			\$17,031,440	\$17,031,440
Money Market Mutual Funds (U.S. Securities)	\$46,468,677			46,468,677
CalTrust Short Term Fund		\$14,101,923		14,101,923
Totals	<u>\$46,468,677</u>	<u>\$14,101,923</u>	<u>\$17,031,440</u>	<u>77,602,040</u>
<i>Exempt From Rating:</i>				
U.S. Treasury Bills				515,020
<i>Not Rated:</i>				
California Local Agency Investment Fund				22,621,817
Investment Agreement				1,039,778
Guaranteed Investment Contracts				1,189,001
Certificates of Deposit - Negotiable				755,361
Money Market Mutual Funds (U.S. Securities)				138,039
CalTrust Medium Term Fund				81,419
Reassessment Bonds				<u>11,370,000</u>
<b>Total Investments</b>				<u>115,312,475</u>
Cash in Banks and On Hand				<u>34,814,823</u>
<b>Total Cash and Investments</b>				<u><u>\$150,127,298</u></u>

**I. Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2016, the book value of the City's cash with banks and petty cash was \$34,787,097 and the associated bank balances were \$43,758,063. Of the City's bank balances of \$43,758,063 as of June 30, 2016, \$790,467 was exposed to custodial credit risk, because it was not collateralized beyond the FDIC insurance limit as discussed in note 3A above.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**J. Fair Value Hierarchy**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2016:

Investment Type	Level 1	Level 2	Total
<b>Investments Measured at Fair Value:</b>			
Federal Agency Securities		\$17,031,440	\$17,031,440
U.S. Treasury Bills	\$515,020		515,020
California Local Agency Investment Fund		22,621,817	22,621,817
CalTrust Short Term Fund		14,101,923	14,101,923
CalTrust Medium Term Fund		81,419	81,419
Certificates of Deposit - Negotiable		755,361	755,361
Total Investments Measured at Fair Value	\$515,020	\$54,591,960	55,106,980
<b>Investments Measured at Amortized Cost:</b>			
Money Market Funds			138,039
Held by Trustee:			
Investment Agreement			1,039,778
Guaranteed Investment Contracts			1,189,001
Reassessment Bonds			11,370,000
Money Market Funds			46,468,677
Total Investments			\$115,312,475

U.S. Treasury Bills, classified in Level 1 of the fair value hierarchy, are valued based on quoted prices in active markets for identical assets. Federal agency securities and negotiable certificates of deposit, classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. These prices are obtained from various pricing sources by our custodian bank. The Local Agency Investment Fund are classified in Level 2 is valued based on the fair value factor provided by the Treasurer of the State of California, which is calculated as the fair value divided by the amortized cost of the investment pool. The investments in CalTrust, classified in Level 2 of the fair value hierarchy, are valued based on the fair value factor provided by CalTrust, which is calculated as the average cost to net asset value per share of the Fund. At June 30, 2016, the fair value approximated the City's cost. Fair value is defined as the quoted market value on the last trading day of the period.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**K. Concentration of Credit Risk**

Investments in the securities of any individual issuer, other than U. S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total Government-wide investments are as follows at June 30, 2016:

Issuer	Type of Investments	Amount
Federal National Mortgage Association	Federal Agency Securities	\$5,994,510
Federal Home Loan Mortgage Corporation	Federal Agency Securities	4,997,300

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, in Fiduciary Funds at June 30, 2016 were as follows:

Fiduciary Funds	Issuer	Type of Investment	Amount
Agency Funds:			
2006 A&B Reassessment District	City of Richmond JPFA	Municipal Bonds	\$8,415,000
JPFA Reassessment	City of Richmond JPFA	Municipal Bonds	2,955,000

**NOTE 4 - INTERFUND TRANSACTIONS**

**A. Current Interfund Balances**

Current interfund balances arise in the normal course of business and represent short-term borrowings occurring as a result of expenditures which are paid prior to the receipt of revenues. These balances are expected to be repaid shortly after the end of the fiscal year when revenues are received. Current amounts due from one fund to another at June 30, 2016 were as follows:

Due From Other Funds	Due To Other Funds	Amount
General Fund	Richmond Housing Authority Enterprise Fund	\$119,442
Internal Service Fund	Cost Recovery Special Revenue Fund	7,393,526
	Community Development and Loan Programs Special Revenue Fund	1,455,710
	Civic Center Debt Service Fund	1,453,842
	Richmond Housing Authority Enterprise Fund	2,002,638
	Port of Richmond Enterprise Fund	2,990,374
	Non Major Governmental Funds	2,005,338
	Non Major Enterprise Fund	1,835,081
	Internal Service Fund	1,388,415
	<b>Total</b>	<b>\$20,644,366</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 4 - INTERFUND TRANSACTIONS (Continued)**

**B. Long-Term Interfund Advances**

At June 30, 2016 the funds below had made advances which were not expected to be repaid within the next year.

Fund Receiving Advance	Fund Making Advance	Amount of Advance
Richmond Housing Authority Enterprise Fund	Community Development and Loan Programs Special Revenue Fund	\$174,067
	Municipal Sewer Enterprise Fund	901,396
	Non Major Enterprise Fund	167,451
Port of Richmond Enterprise Fund	General Fund	14,480,730
Non Major Enterprise Fund	Internal Service Funds	2,213,421
	<b>Total</b>	<b>\$17,937,065</b>

In fiscal 2007, the former Redevelopment Agency advanced \$174,067 to the Richmond Housing Authority Enterprise Fund, collateralized by a deed of trust on the Westridge at Hilltop Apartments, to assist the Authority with its lease payments for the 2003 A-S Multifamily Housing Revenue Bonds. The loan bears interest of 3%. In fiscal 2012, the advance receivable was transferred to the City as Housing Successor to the former Redevelopment Agency and is recorded in the Community Development and Loan Programs Special Revenue Fund.

In fiscal years 2007 through 2014, the General Fund and the Municipal Sewer and Storm Sewer Enterprise Funds made advances to the Richmond Housing Authority Enterprise Fund for police, sewer, and other services as well as the Housing Authority's employee payroll. The advance repayment terms were amended in April 2010 and the advance bears no interest and was payable in 135 monthly installments of \$30,000 and one final installment of \$22,446 on or before August 1, 2021. On June 28, 2011 the agreement was amended to make the monthly payments \$50,000 for the remaining 71 payments, starting July 1, 2011, and one final installment of \$36,634. However, in lieu of monthly payments, repayment may be in a lump sum on August 1, 2021. During fiscal year 2013, \$6,600,000 of the advance was assumed by RHA Properties and is classified as a loan receivable, as discussed in Note 5, and the remaining balance of the interfund advance as of June 30, 2016 is \$1,068,847.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 4 - INTERFUND TRANSACTIONS (Continued)**

In fiscal 2006 the General Fund established repayment terms for its advance of \$17,139,855 to the Port of Richmond Enterprise Fund to assist the Port with various lease transactions and other projects. The advance did not bear interest for the first three years; the next five years it bore an interest rate of 4%, with the balance payable on or before June 30, 2015. The advance repayment terms were amended in October 2013, effective June 30, 2013, to convert the accrued unpaid interest of \$745,119 to principal and reduce the advance balance by \$842,877, and the advance no longer bears interest. Annual principal payments of \$150,000 are due beginning June 30, 2014 through June 30, 2066, with a final principal payment of \$32,593 due on June 30, 2067, and in addition to those payments, the annual berthing cost of the vessel Red Oak Victory at the Port that is to be paid by the General Fund will instead offset and reduce the principal balance of the advance based on an established rental schedule. Historical rental payments from August 2004 to June 30, 2012 totaling \$842,877 were applied to the principal balance of the loan as of June 30, 2013. Another provision of the amended agreement provides that upon the sale of any Port property, including Terminal One and Terminal Four, the proceeds from the sale are to be used to repay and reduce the principal balance of the advance. The balance of the advance as of June 30, 2016 is \$14,480,730.

In fiscal 2008 the General Fund advanced \$1,758,342 to the Storm Sewer Enterprise Fund for the purpose of providing a clean storm sewer system and street sweeping activities. In fiscal year 2009 the advance was moved to the Insurance Reserves Internal Service Fund. The advance bears interest of 4.34% and is payable as follows: Semi-annual principal and interest payments in the amount of \$52,460 are to be made April 30 and December 31 of each year commencing in December 2009 until December 2038. The final interest payment of \$52,298 and the outstanding principal balance is due April 30, 2039. The Storm Sewer Enterprise Fund did not make the required payments during fiscal years 2015 or 2016, therefore unpaid interest of \$146,982 was added to the balance of the loan. The balance of the advance and accrued interest as of June 30, 2016 is \$2,213,421.

**C. Transfers Between Funds**

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of the transfers is to move General Fund resources to provide an annual subsidy to the Cost Recovery Fund and other non-major governmental funds, as well fund debt service, pension costs and capital projects. Transfers between funds during the fiscal year ended June 30, 2016 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Non Major Governmental Funds	\$2,590,044
	Non Major Enterprise Funds	500,000
Cost Recovery Fund	General Fund	3,623,129
	Non Major Governmental Funds	100,678
	Non Major Enterprise Funds	100,000
Community Development and Loan Programs Fund	General Fund	147,593
Civic Center Debt Service Fund	General Fund	1,235,584
Non Major Governmental Funds	General Fund	1,401,258
	Non Major Governmental Funds	2,425,880
Internal Service Funds	General Fund	567,040
	Total Interfund Transfers	<u>\$12,691,206</u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 4 - INTERFUND TRANSACTIONS (Continued)**

None of these transfers were unusual or non-recurring in nature, except for the transfer from the Secured Pension Override Special Revenue Fund to the General Fund in the amount of \$1,635,842 to fund current year pension contributions to PERS, which is included in transfers from Non-Major Governmental Funds.

**D. *Internal Balances***

Internal balances are presented in the Government-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 5 - NOTES AND LOANS RECEIVABLE**

At June 30, 2016, notes and loans receivable consisted of the following:

	Amount
<b>CalTrans Loan</b>	\$566,389
<b>Police Chief Loan</b>	56,449
<b>Groundwork Richmond</b>	6,643
<b>RHA RAD Project Loan</b>	700,000
<b>Richmond Neighborhood Stabilization Loans</b>	895,384
<b>East Bay Center for the Performing Arts</b>	550,000
<b>Community Development Block Grant, Home Investment Partnership Program, EDA and CALHome Loans:</b>	
Mechanics Bank Loans	41,096
Deferred Loans	4,483,412
Home Improvement Program Loans	900,862
Rental Rehabilitation Loans	340,589
Infill Phase II Loan	1,106,428
The Carquinez Project	148,490
Creely Avenue Housing Rehabilitation Loan (Arbors)	2,124,009
Lillie Mae Jones Project Loan	1,195,362
Nevin Court Homeowner Development Project	457,327
EDA Loans	399,971
CALHome Program	1,858,905
Miraflores Loan	1,208,258
<b>Subtotal - CDBG, HOME, EDA and CALHome Loans</b>	14,264,709
<b>Housing Successor Loans:</b>	
Rental Rehabilitation Loans	20,000
The Carquinez Project	1,152,510
Creely Avenue Housing Rehabilitation Loan (Arbors)	2,004,284
Lillie Mae Jones Project Loan	2,156,081
Miraflores Loan	471,044
MacDonald Place Senior Housing	4,078,511
Heritage Park Development	115,291
Silent Second Mortgage Loans	1,849,161
Chesley Avenue Mutual Housing Development	4,741,492
Easter Hill Project	4,957,921
Infill Phase II Loan	159,305
RHA RAD Project Loan	1,070,522
<b>Subtotal - Housing Successor Loans</b>	22,776,122
<b>RHA Properties Loans</b>	2,500,000
<b>Total Notes and Loans Receivable</b>	\$42,315,696

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)**

**CalTrans Loan**

The total of \$566,389 consists of two loans from the City of Richmond to Richmond Neighborhood Housing Services. These are pass-through loans from CalTrans for the construction of 27 new homes located in North Richmond.

**Police Chief Loan**

Under the Resolution Number 169-05, the City made a long-term loan of \$150,000, and a short-term loan of \$50,000, for a total loan amount of \$200,000, to finance the acquisition of the Police Chief's personal residence located within the City of Richmond. The loan is secured by a deed of trust on the property. The loan is due upon sale of the property, within eighteen months after the Police Chief's employment with the City terminates, or fifteen years from the date of the loan, whichever occurs first. The Police Chief left the City in January 2016, and although he continues to make the scheduled loan payments under the terms of the agreement the loan is due in July 2017. The loan bears a variable interest rate from the date of disbursement until repaid in full at an amount equal to the average annual interest rate of the California State Treasurer's Office Local Agency Investment Fund, adjusted effective as of each annual anniversary date of the close of escrow of the Property purchased by the Police Chief. The short-term loan of \$50,000 was repaid during fiscal year 2006.

**Groundwork Richmond**

On May 10, 2013 the City entered into an agreement to loan \$9,995 in cash flow assistance to Groundwork Richmond. Groundwork Richmond is a local non-profit organization dedicated to helping the City of Richmond reach its goals for improving the outdoor environment, and to engaging local residents in specific outdoor improvement projects. The loan bears interest of 1.42% and was due on December 31, 2013. The loan was amended in December 2014 to extend the repayment date to June 30, 2015 and the loan was again amended in December 2015 to extend the repayment date to June 30, 2017.

**RHA RAD Project**

In December 2014, the General Fund loaned \$700,000 to the Richmond Housing Authority Enterprise Fund for predevelopment costs related to the Triangle Court and Friendship Manor Rental Assistance Demonstration (RAD) Projects.

In December 2015, the loan agreement was replaced and the City entered into an amended agreement to loan \$5,400,000 to the RHA Housing Corporation for the furtherance of the development of the RAD Projects as discussed in Note 16L. Funding for the loan is as follows: \$1,162,000 from the City's General Fund, \$3,138,000 will come from the Community Development and Loan Programs Fund and \$1,100,000 from the Housing Successor funds. RHA Housing Corporation assigned the loan agreement and associated obligations to RHA RAD Housing Partners L.P. on December 22, 2015 upon closing of the financing for the rehabilitation of the RAD projects. See Note 16L for additional information related to the RAD projects. The loan is secured by a leasehold deed of trust, assignment of rents and security agreement. The loan bears simple interest of 1% and the loan is repayable from residual receipts, as defined in the loan agreement, starting May 1 of the year after issuance of the Certificate of Completion, and unpaid principal and accrued interest is due December 1, 2070. As noted above, \$700,000 of the General Fund loan was disbursed in December 2014. As of June 30, 2016, \$1,070,522 of the funds had been drawn down from the Housing Successor.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)**

**Richmond Neighborhood Stabilization Loans**

The Richmond Neighborhood Stabilization Corporation (RNSC) operates a residential rehabilitation loan program financed by Department of Housing and Urban Development grants that have passed through the City under its Neighborhood Stabilization Program (NSP1) and additional allocation under the third round of funding referred to as (NSP3). The program provides affordable home ownership opportunities for households of low and moderate income by facilitating the development financing necessary for the purchase, rehabilitation, and resale of deed-restricted affordable ownership units. During fiscal year 2014, the City foreclosed on seven of the loans with a carrying value of \$780,153 and reacquired the properties which have been recorded as property held for resale as discussed in Note 2I. As of June 30, 2016, the total balance of outstanding loans for NSP1 was \$895,384 and no NSP3 loans had been issued. Loans are payable upon the resale of improved properties.

**East Bay Center for the Performing Arts**

On June 12, 2009 the former Redevelopment Agency entered into an agreement to loan \$2,500,000 to the East Bay Center (Center) for the Performing Arts to fund renovations to the Winters Building. The East Bay Center for the Performing Arts is a California nonprofit public benefit corporation that offers programs and training in theater, music and dance. The loan bore interest of 3% per year and repayments of accrued interest was due in quarterly installments. The Center made a payment of \$1,100,000 prior to January 31, 2012. Due to the dissolution of the Redevelopment Agency effective January 31, 2012 as discussed in Note 18, the balance of the loan was evaluated and it was determined that although the Redevelopment Agency implemented and administered the loan, the Insurance Internal Service Fund had funded the loan via an interfund advance and therefore the interfund advance was repaid in fiscal year 2012 by transferring the loan receivable to the Insurance Internal Service Fund. The agreement with the Center was amended on June 27, 2012, to reduce the interest rate to 0% and extend the repayment of the remaining \$1,400,000 to June 30, 2016.

On February 18, 2014, the agreement was amended a second time to extend the maturity date of the loan to June 30, 2018 and to provide an annual grant from the City in the amount of \$200,000 for the next five years beginning in June 2014. The annual grant will be used to reduce the balance of the loan each fiscal year.

**Mechanics Bank Loans**

Loans are amortized home improvement loans to low and moderate income borrowers and are repaid at 3% per annum. CDBG loan contracts are forwarded to Mechanics Bank for servicing.

**Deferred Loans**

Deferred loans are granted to low and moderate income families to assist them in purchasing their homes. Emergency repair loans not exceeding \$10,000 funded by the HOME Investment Partnership Program (HIPP) are provided to low income families in Richmond to assist them in rehabilitating their existing housing units. These loans are required to be repaid over a period of 15 years to 30 years.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)**

**Home Improvement Program Loans**

“Silent second” mortgage loans are provided to low and moderate income first time homebuyers as gap financing to provide the minimum amount needed to close the gap between the primary lender’s requirements and the borrower’s ability to pay down payments or closing costs.

Home improvement program loans include amortized loans to assist low income families in Richmond in the improvement of their homes. The interest rates for these loans range from 0% to 3% and are payable over a period of 15 to 30 years.

**Rental Rehabilitation Loans**

Rental Rehabilitation Loans help make rental units affordable to low and very low income housing families. Loans assist private and non-profit owners in purchasing and rehabilitating existing multifamily housing units.

**Scattered Site Infill Housing Development (Infill Phase II)**

Under a loan agreement dated September 30, 2010, the City loaned Community Housing Development Corporation of North Richmond \$1,198,013 to fund construction of 36 townhomes to be made available for very-low and low income households. Funding for the loan was as follows: \$602,556 in HOME funds, \$266,000 in CDBG funds and \$329,457 in CDBG-R. Although the developer has not drawn down all of the proceeds from the HOME funds portion of the loan, the Department of Housing and Urban Development (HUD) has indicated that future drawdowns will not be reimbursed by the grantor. The current funding was for predevelopment activities in conjunction with the construction and development of the townhomes. The loan is secured by a deed of trust on the property. The outstanding balance of the loan bears simple interest at the rate of 3% per year. The payment of principal and interest is deferred and due at the end of the term due September 30, 2065. As of June 30, 2016, \$1,265,733 had been drawn down on the loan.

**The Carquinez Project**

Under a loan agreement dated November 14, 2008, the former Redevelopment Agency loaned Carquinez Associates, L.P. \$1,000,000 to fund rehabilitation of a five story building, with 36 apartments housing low-income seniors. On August 23, 2010 the agreement was amended to provide the Developer with a total amount of \$1,301,000. Funding for the loan is as follows: \$1,152,510 funded by Series 2007 Bonds and \$148,900 funded by CDBG. Repayments on the loan are to be made from residual receipts as defined in the agreement. The loan does not bear interest and the unpaid principal balance is due in November 2043. With the dissolution of the Redevelopment Agency as discussed in Note 17, the City agreed to become the successor to the Redevelopment Agency’s housing activities and as a result City, as Housing Successor, assumed the loans receivable of the Redevelopment Agency’s Low and Moderate Income Housing Fund, including the balance of the Carquinez loan as of February 1, 2012.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)**

**Creely Avenue Housing Rehabilitation (Arbors)**

On September 15, 2006, the former Redevelopment Agency and the City loaned Arbors Preservation Limited Partnership the amount of \$2,558,557, to construct extremely low, very low and low income rental housing units and a new community room on Creely Avenue. On October 31, 2008, the loan was amended to provide the developer a total loan amount of \$3,208,113. Funding for the loan is as follows: \$2,026,612 in HOME funds, \$97,397 in CDBG funds and \$1,594,057 in 2007 Series B bond funds. Although the developer has not drawn down all of the proceeds from the HOME funds portion of the loan, the Department of Housing and Urban Development (HUD) has indicated that future drawdowns will not be reimbursed by the grantor. The loan bears simple interest at the rate of 3% per year. All unpaid principal and interest on the loan is due on April 29, 2063. With the dissolution of the Redevelopment Agency as discussed in Note 17, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result the City, as Housing Successor, assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund, including the balance of the Arbors loan as of February 1, 2012.

**Lillie Mae Jones Project**

On January 19, 2010, the former Redevelopment Agency and the City entered into an agreement with Lillie Mae Jones Plaza, L.P. and the Community Housing Development Corporation of North Richmond to loan \$3,119,000 to construct and provide 26 housing units to very low and low income households. Funding for the loan is as follows: \$1,081,291 in HOME funds, \$84,000 in Section 108 funds and \$1,953,709 in 2007 Series B bonds. Although the developer has not drawn down all of the proceeds of the HOME funds portion of the loan, HUD has indicated that future drawdowns will not be reimbursed by the grantor. The loan bears an interest rate of 3% per year and repayments on the loan are to be made from residual receipts as defined in the agreement. All unpaid principal and accrued interest is due in January 2065. The agreement was amended in November 2011, due to securing a \$293,884 loan from County of Contra Costa with Mental Health Services Act, which specifies that two units are required to be available to and occupied by Mental Health Services Act Eligible Tenants pursuant to the County Regulatory Agreement with Lillie Mae Jones Plaza, L.P. With the dissolution of the Redevelopment Agency as discussed in Note 17, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result the City, as Housing Successor, assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund, including the balance of the Lillie Mae Jones loan as of February 1, 2012. As of June 30, 2016, Lillie Mae Jones has drawn down \$3,111,038.

**Nevin Court Homeowner Development Project**

In May 2005, the City entered into an agreement with Community Housing and Development Corporation of North Richmond (Development), in the original amount of \$227,000 to construct and develop 10 single family homes for low and moderate income households. The agreement was amended in November 2008, to increase the loan to \$377,000. In fiscal year 2010, the Development drew down \$343,839, and the outstanding balance of the loan is \$457,327, which includes accrued interest of \$113,488. The loan bears interest of 3% per year and the unpaid balance is due in November 2063.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)**

**EDA Loans**

The Agency's Revolving Loan Fund (RLF) is a community based program with the goal of fostering local economic growth through the creation and retention of employment opportunities for Richmond residents and complementing community and individual development initiatives. With the dissolution of the Redevelopment Agency as discussed in Note 17, the EDA loan program that was funded with grant funds from the Economic Development Administration is now administered by the City effective February 1, 2012.

**CALHome Program**

The CALHome loan program provides housing assistance to Richmond residents to assist with first-time homeowner down payments or rehabilitation projects for owner-occupied homes. The loans are secured by deeds of trust on the properties. Principal and interest on the loans are deferred for 30 years, unless otherwise specified in the promissory note. With the dissolution of the Redevelopment Agency as discussed in Note 17, the CALHome loan program that was funded with grant funds is now administered by the City effective February 1, 2012.

**Miraflores Loan**

Under an amended loan agreement dated June 21, 2011, the City agreed to loan Community Housing Development Corporation of North Richmond and Eden Housing, Inc., \$1,465,000 to fund the construction of 110 senior housing units for low and moderate income residents. Funding for the loan is as follows: \$449,000 in CDBG funds, \$925,000 in HOME funds, and \$91,000 Redevelopment Agency Low and Moderate Income Housing Fund funds. Although the developer has not drawn down all of the proceeds of the HOME funds portion of the loan, HUD has indicated that future drawdowns will not be reimbursed by the grantor. With the dissolution of the Redevelopment Agency as discussed in Note 17, the portion of the Miraflores loan that was funded by the Redevelopment Agency's Low and Moderate Income Housing Fund was assumed by the City as Housing Successor. The loan does not bear interest and the unpaid principal balance was due September 22, 2015, unless it was converted to a permanent loan. The loan was converted into a permanent loan on June 25, 2015. As of June 30, 2016, \$1,679,302 of the loan had been drawn down.

**Housing Successor Loans**

With the dissolution of the Redevelopment Agency as discussed in Note 17, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result City, as Housing Successor, assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund, including the balance of certain loans discussed above and all of the loans below as of February 1, 2012.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)**

**MacDonald Place Senior Housing**

On June 26, 2007, the former Redevelopment Agency agreed to loan MacDonald Housing Partners, L.P., and Richmond Labor and Love Community Development Corporation the amount of \$4,720,000, to construct senior housing units, a management office, small meeting rooms and ancillary retail use, and a separate space for community services. The loan's principal is due 57 years from the date of disbursement. The loan bears simple of interest of 2% per year payable from any residual receipts available from the prior calendar year with an additional 1% per year, but only to the extent that funds are available to pay such contingent interest from the Agency's share of residual receipts, as defined in the agreement.

**Heritage Park Development**

In 1999, the former Redevelopment Agency loaned Hilltop Group, LP a total of \$500,000, collateralized by deeds of trust and bearing interest at an effective rate of 1½% starting September 2004. The loans were used to finance the development of the Heritage Park Development in the City. Monthly installments of interest and principal in the total amount of \$3,115 are payable through September 1, 2019.

**Silent Second Mortgage Loans**

Loans were provided to qualifying individuals for the difference between the amount received by the individuals who qualified for low and moderate income housing loans and the amount needed to purchase the homes. The loans are to be forgiven in the future if the property owners do not sell or refinance the property.

**Chesley Avenue Mutual Housing Development**

On December 1, 2003, the former Redevelopment Agency loaned Chesley Avenue Limited Partnership the amount of \$4,741,492, to construct very low and low income housing units. The loan's principal is due in 2058; interest is payable starting May 1, 2006, at the rate of 2% per annum or in the amount of 95% of any residual receipts remaining from the prior year, whichever is less.

**Easter Hill Project**

The loan from the former Redevelopment Agency to Easter Hill Development, L.P. is providing financial assistance in the development of the Easter Hill Project. The Easter Hill Project consists of single and multifamily home components. Easter Hill Development, L.P. shall use the loan to pay for predevelopment, acquisition and construction costs. The outstanding balance of the loan bears simple interest at the rate of 2% per year. Repayments on the loan are to be made from residual receipts as defined in the agreement. All unpaid principal and accrued interest on the loan is due February 1, 2069.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)**

**RHA Properties Loans**

In fiscal years 2007 through 2014, the General Fund made advances to the Richmond Housing Authority Enterprise Fund for police, sewer, and other services as well as the Housing Authority's employee payroll, as discussed in Note 4B, and RHA Properties assumed a portion of that advance during fiscal year 2013, which is now classified as a loan receivable.

On May 1, 2013, a Memorandum of Understanding (MOU) was reached between the Housing Authority and RHA Properties, which states that the RHA Properties shall provide resources derived from the sale proceeds of Westridge at Hilltop Apartments to pay a financial sanction imposed by the Office of the Inspector General (OIG) in an amount no less than \$2,257,799 to the Housing Authority and to retire the outstanding debt owed to the General Fund by the Housing Authority in an amount no less than \$6,600,000 upon disposition of Westridge at Hilltop Apartments by RHA Properties. Using the proceeds from the sale of Westridge at Hilltop Apartments, RHA Properties paid back to the City \$7,717,728 of assumed debt during the fiscal year 2013-2014. Included in the repayment was the OIG Sanction debt of the \$2,257,799, was fully repaid as of June 30, 2014.

As of June 30, 2014, the Housing Authority had invested \$1,000,000 in start-up contributions and had advanced \$966,183 to RHA Properties, which was used for debt service and operating expenses. The entire amount was repaid by RHA Properties from the proceeds of the disposition of the Westridge at Hilltop Apartments.

At June 30, 2014, total debt owed to the City of Richmond by the Authority was \$3,687,450, out of which \$2,500,000 was assumed by RHA Properties on behalf of the Authority, \$1,187,450 remained with the Authority, which is included in the long term interfund advances in Note 4B.

Included in the \$2,500,000 assumed by the RHA Properties was \$1,359,929 of new debt owed by the Authority to the City of Richmond, which represented retroactive charges the City of Richmond billed during fiscal year 2013-2014 for the services the City had provided to the Authority prior to fiscal year 2013-2014. The entire amount of debt assumed by the RHA Properties is expected to be repaid from a \$2,500,000 repair reserve fund held in an escrow account from the sale of Westridge. This fund was released to RHA Properties in August 2016.

The total balance of the General Fund loan receivable from RHA Properties as of June 30, 2016 is \$2,500,000.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 6 - CAPITAL ASSETS**

**A. Policies**

Capital assets are valued at historical cost or at estimated fair value on the date donated. If actual historical costs are not available, assets have been valued at approximate historical cost. The City's policy is to capitalize assets costing at least \$5,000, and the Housing Authority's policy is to capitalize assets costing at least \$1,000. Depreciation is recorded on a straight-line basis over the following estimated useful lives:

Improvements other than buildings	20 years
Buildings and building improvements	20 - 50 years
Vehicles	3 - 10 years
Infrastructure	25 - 50 years
Machinery and equipment	3 - 20 years

Infrastructure includes streets systems, parks and recreation lands and improvement systems, storm water collection systems, and buildings combined with site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system is divided into subsystems. For example, the street system includes pavement, curbs and gutters, sidewalks, medians, streetlights, traffic control devices such as signs, signals and pavement markings, landscaping and land. In the case of the initial capitalization of general infrastructure assets reported by governmental activities, the City chose to include all such items regardless of their acquisition date or amount.

Net interest costs incurred during the construction of capital assets for the business-type and proprietary funds are capitalized as part of the asset's cost.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 6 - CAPITAL ASSETS (Continued)**

**B. Current Year Activity**

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

	Balance at June 30, 2015	Additions	Retirements	Transfers	Transfers from the Successor Agency	Balance at June 30, 2016
<b>Governmental activities</b>						
Capital assets not being depreciated:						
Land	\$14,428,675			\$300,278	\$9,640,468	\$24,369,421
Construction in progress	56,394,914	\$17,528,925		(608,033)	5,328,244	78,644,050
Total capital assets not being depreciated	<u>70,823,589</u>	<u>17,528,925</u>		<u>(307,755)</u>	<u>14,968,712</u>	<u>103,013,471</u>
Capital assets being depreciated:						
Buildings and improvements	151,291,694					151,291,694
Machinery and equipment	43,548,441	345,841	(\$931,371)	700,314	120,448	43,783,673
Land improvements and infrastructure	458,639,395			(392,559)		458,246,836
Total capital assets being depreciated	<u>653,479,530</u>	<u>345,841</u>	<u>(931,371)</u>	<u>307,755</u>	<u>120,448</u>	<u>653,322,203</u>
Less accumulated depreciation for:						
Buildings and improvements	(30,385,726)	(3,601,567)				(33,987,293)
Machinery and equipment	(31,306,595)	(3,182,480)	904,076		(120,448)	(33,705,447)
Land improvements and infrastructure	(354,252,926)	(14,569,670)				(368,822,596)
Total accumulated depreciation	<u>(415,945,247)</u>	<u>(21,353,717)</u>	<u>904,076</u>		<u>(120,448)</u>	<u>(436,515,336)</u>
Capital asset being depreciated, net	<u>237,534,283</u>	<u>(21,007,876)</u>	<u>(27,295)</u>	<u>307,755</u>		<u>216,806,867</u>
Governmental activity capital assets, net	<u>\$308,357,872</u>	<u>(\$3,478,951)</u>	<u>(\$27,295)</u>		<u>\$14,968,712</u>	<u>\$319,820,338</u>

As discussed in Note 17C, pursuant to the terms of the Long Range Property Management Plan, the Successor Agency transferred capital assets to the City with a carrying value of \$14,968,712, which has been reported as a Special Item in the Statement of Activities.

Governmental activities depreciation expenses for capital assets is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program for the year ended June 30, 2016 were as follows:

<b>Governmental Activities</b>	
General Government	\$4,841,884
Public Safety	927,459
Public Services	13,412,542
Community Development	4,664
Cultural and Recreational	168,888
Internal Service Funds	1,998,280
<b>Total Governmental Activities</b>	<u><u>\$21,353,717</u></u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 6 - CAPITAL ASSETS (Continued)**

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

	Balance at June 30, 2015	Additions	Transfers	Balance at June 30, 2016
<i>Business-type activities</i>				
Capital assets not being depreciated:				
Land	\$8,231,777		(\$1,035,791)	\$7,195,986
Construction in progress	28,577,142	\$5,549,109	(10,875,778)	23,250,473
Total capital assets not being depreciated	<u>36,808,919</u>	<u>5,549,109</u>	<u>(11,911,569)</u>	<u>30,446,459</u>
Capital assets being depreciated:				
Buildings and improvements	94,581,945		(15,842,938)	78,739,007
Machinery and equipment	17,273,645	945,000	(689,836)	17,528,809
Infrastructure	199,247,486		3,802,217	203,049,703
Total capital assets being depreciated	<u>311,103,076</u>	<u>945,000</u>	<u>(12,730,557)</u>	<u>299,317,519</u>
Less accumulated depreciation for:				
Buildings and improvements	(55,272,058)	(2,078,122)	9,989,934	(47,360,246)
Machinery and equipment	(11,872,104)	(778,893)	293,937	(12,357,060)
Infrastructure	(90,964,446)	(4,957,167)		(95,921,613)
Total accumulated depreciation	<u>(158,108,608)</u>	<u>(7,814,182)</u>	<u>10,283,871</u>	<u>(155,638,919)</u>
Capital asset being depreciated, net	<u>152,994,468</u>	<u>(6,869,182)</u>	<u>(2,446,686)</u>	<u>143,678,600</u>
Business-type activity capital assets, net	<u>\$189,803,387</u>	<u>(\$1,320,073)</u>	<u>(\$14,358,255)</u>	<u>\$174,125,059</u>

As discussed in Note 16L, the Richmond Housing Authority transferred capital assets with a carrying value of \$14,358,255 to the RHA RAD LLC during fiscal year 2016.

Business-type activities depreciation expenses for capital assets allocated to each program for the year ended June 30, 2016 were as follows:

<b>Business-Type Activities</b>	
Richmond Housing Authority	\$1,621,696
Port of Richmond	3,510,058
Municipal Sewer	1,644,674
Richmond Marina	85,196
Storm Sewer	929,867
Cable TV	22,691
<b>Total Business-Type Activities</b>	<u><u>\$7,814,182</u></u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 – LONG-TERM DEBT OBLIGATIONS**

**Government-Wide Financial Statements** – Long-term debt is reported as liabilities of the appropriate governmental or business-type activity.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are expensed in the year incurred.

**Fund Financial Statements** – Proprietary fund financial statements report long-term debt under the same principles as the City-wide financial statements. Governmental fund financial statements do not present long-term debt.

Governmental funds report bond premiums, discounts and issuance costs in the year the debt is issued. Bond proceeds are reported as other financing sources net of premium or discount. Issuance costs are reported as debt service expenditures.

**A. Governmental Activities**

Following is a summary of governmental activities long-term debt transactions during the fiscal year ended June 30, 2016:

	Balance July 01, 2015	Additions (A)	Retirements (B)	Balance June 30, 2016	Due Within One Year	Due in More than One Year
Bonds payable	\$243,613,224	\$34,679,479	(\$8,003,545)	\$270,289,158	\$9,110,000	\$261,179,158
Loans payable	12,970,813	1,543,516	(12,370,769)	2,143,560	146,727	1,996,833
Capital leases	9,295,123		(1,350,232)	7,944,891	1,062,525	6,882,366
<b>Total</b>	<u>\$265,879,160</u>	<u>\$36,222,995</u>	<u>(\$21,724,546)</u>	<u>\$280,377,609</u>	<u>\$10,319,252</u>	<u>\$270,058,357</u>

(A) Additions to bonds payable include bond accretion for capital appreciation bonds totaling \$4,895,860, new bonds payable in the amount of \$28,390,000, and a new bond premium of \$1,393,619. Additions to loans payable includes interest accrual of \$1,543,516.

(B) Retirements of loans payable include the principal and accrued interest of the interest rate swaption - embedded loan due to the swap termination in the amount of \$12,232,829.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)**

**Bonds Payable**

Bonds payable at June 30, 2016 consisted of the following:

	Net
Pension Obligation Bonds - 1999 Series A	\$9,580,000
Pension Funding Bond Series 2005	145,490,539
JPFA Lease Revenue Refunding Bonds - 2009	85,435,000
JPFA Lease Revenue Bonds - 2016	29,783,619
<b>Total</b>	<b>\$270,289,158</b>

**1999 Series A City of Richmond Taxable Limited Obligation Pension Bonds – Original Issue \$36,280,000**

The bonds were issued to fund a portion of the unfunded accrued actuarial liability in the City’s pension plans together with the prepayment of certain pension benefit costs of the Beneficiaries and to pay the costs of issuance associated with the issuance of the bonds. Interest rates vary from 6.37% to a maximum of 7.39% and are payable semiannually on February 1, and August 1. The term bonds consist of \$8,960,000 due August 1, 2020 with an interest rate of 7.57% and \$3,435,000 due August 1, 2029 with an interest rate of 7.62%. The bonds are payable from certain pension tax override revenues received by the City from a special tax pursuant to City Council Ordinance 9-99 adopted by the City Council on March 30, 1999. Principal and interest paid for the current fiscal year and total pension tax override revenues were \$2,413,430 and \$7,813,191 respectively.

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

For the Years	Principal	Interest	Total
Ending June 30,			
2017	\$1,570,000	\$667,499	\$2,237,499
2018	1,520,000	550,543	2,070,543
2019	1,375,000	440,967	1,815,967
2020	885,000	355,426	1,240,426
2021	795,000	291,838	1,086,838
2022-2026	2,700,000	730,759	3,430,759
2027-2030	735,000	84,013	819,013
<b>Total</b>	<b>\$9,580,000</b>	<b>\$3,121,045</b>	<b>\$12,701,045</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**2005 Taxable Pension Funding Bonds – Original Issue \$114,995,133**

These Bonds were issued to prepay the unfunded liability of the Miscellaneous and Safety pension plans provided through the California Public Employees’ Retirement System (See Note 10). The Bonds consist of three series as shown below:

Bond Type & Series	Initial Interest Rate	Less: Credit Adjustment	Adjusted Interest Rate	Maturity Date	Original Principal Amount	Index Rate Conversion Data		
						Full Accretion Date	Adjusted Subsequent Interest Rate	Adjusted Maturity Value
Current Interest - 2005A	5.9350%	-0.1000%	5.8350%	8/1/13	\$26,530,000	n/a	n/a	n/a
Convertible Auction Rate Securities, Capital Appreciation Bonds -								
2005B-1	6.2550%	-0.1000%	6.1550%	8/1/23	47,061,960	8/1/13	1 month LIBOR + 1.4%	\$66,058,000
2005B-2	6.5650%	-0.1000%	6.4650%	8/1/34	41,403,173	8/1/23	1 month LIBOR + 1.4%	127,968,000
					<u>\$114,995,133</u>			<u>\$194,026,000</u>

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

*Current Interest Bonds* - The Series 2005A Bonds were fully repaid during fiscal year 2015.

*Capital Appreciation Bonds* - The Series 2005B-1 Bonds and 2005B-2 Bonds are capital appreciation bonds, which means no interest is paid until the Adjusted Maturity Value is reached on the Full Accretion Date. Capital appreciation bonds are issued at a deep discount which then “accretes” over time. The discount on these bonds represented as the effective interest rate on each series is shown above.

*Mandatory Index Rate Conversion* – On the respective Full Accretion Date, the Series 2005B-1 or 2005B-2 Bonds convert from Capital Appreciation Bonds to Index Rate Bonds. From that date forward, the Bonds bear interest at a rate based on the 1 month LIBOR index plus 1.4%. This rate fluctuates according to the market conditions is limited to 17 percent per year. Following the applicable Full Accretion Date, interest on the converted bond series is due semiannually each February 1 and August 1. The Series 2005B-1 Bonds are due in annual installments from 2014 to 2023 ranging from \$4,468,000 to \$11,593,000. The 2005B-2 Bonds are due in annual installments from 2024 to 2034 ranging from \$6,466,000 to \$18,538,000.

*Optional Auction Rate Conversion* – On the respective Full Accretion Date, the 2005B-1 and the 2005B-2 Bonds may be converted to Auction Rate Bonds provided that certain conversion requirements are met. Auction rates fluctuate according to the market conditions is limited to a maximum 17 percent per year and a minimum of 80 percent of the LIBOR index rate. The Series 2005B-1 Bonds did not convert to auction rate bonds, and were instead converted to index rate bonds, as discussed above.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

Swap Agreements - The City entered into two interest rate swap agreements related to the 2005B-1 and 2005B-2 Bonds. The interest rate swap related to the 2005B-1 Bonds became effective August 1, 2013 while the 2005B-2 Bonds does not become effective until August 1, 2023, in the same amount as the outstanding principal balances of the Bonds on that date. The combination of the variable rate bonds and a floating swap rate will create synthetic fixed-rate debt for the City. The synthetic fixed rate for the 2005B-1 Bonds was 6.913% at June 30, 2016. Because neither the variable rate nor the swap rates are effective for the 2005B-2 Bonds as of June 30, 2016 the initial bond interest rates discussed above are used for disclosure purposes.

At June 30, 2016, the Bonds consisted of the following:

	Maturity Value	Accretion/ Amortization	Unamortized Premium (Discount)	Net
Capital appreciation bonds	\$194,026,000	\$4,895,860	(\$53,431,321)	\$145,490,539

The annual debt service requirements are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2017	\$5,660,000	\$6,578,844	\$12,238,844
2018	6,653,000	6,124,636	12,777,636
2019	7,720,000	5,597,091	13,317,091
2020	8,366,000	5,022,463	13,388,463
2021	9,458,000	4,374,913	13,832,913
2022-2026	41,354,000	13,346,922	54,700,922
2027-2031	47,351,000	8,177,872	55,528,872
2032-2035	67,464,000	2,063,759	69,527,759
<b>Total</b>	\$194,026,000	\$51,286,500	\$245,312,500

**Richmond Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2009 – Original Issue - \$89,795,000**

On November 10, 2009, the Authority issued Series 2009 Lease Revenue Refunding Bonds in the amount of \$89,795,000. The proceeds from the Bonds were used to refund and retire the outstanding principal amount of the Authority's 2007 Lease Revenue Bonds. The 2007 Bonds were used to finance a portion of the costs of the new Civic Center Project, and to refund a portion of the 1995A Joint Powers Financing Authority Revenue Refunding Bonds and the remaining principal amount of the 2001A Joint Powers Financing Authority Lease Revenue Bonds. The 2007 Bonds were also used to refund the remaining 1996 Port Terminal Lease Revenue Bonds. The 1995 A Bonds were called in November 2007 and the 2001 A Bonds were called in February 2011.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

The Series 2009 Bonds in the principal amount of \$85,435,000 have been recorded as governmental activities debt, and the business-type activities portion was fully repaid in fiscal year 2016 as discussed in Note 7B below.

The Bonds bear interest rates that range from 3.50% to 5.875%. Principal payments are due annually on August 1 through 2038 and semi-annual interest payments are due August 1 and February 1 commencing on February 1, 2010.

In connection with the issuance of the 2007 Lease Revenue Bonds, the Authority entered into a swap agreement for \$101,420,000, the entire amount of the Bonds. On November 10, 2009, in connection with the issuance of the Series 2009 Bonds, the Authority terminated the original swap agreement and entered into an amended swap agreement effective December 1, 2009 for \$85,360,000. The amended agreement required the Authority to make and receive payments based on variable interest rates. The Authority made payments based on a variable interest rate equal to 100% of SIFMA plus a fixed percentage of 0.56% and the Authority received variable rate interest payments equal to 68% of 1-month LIBOR from the swap counterparty. Floating rate payments were due semi-annually on August 1 and February 1 commencing on February 1, 2010.

On February 1, 2016, the interest rate swap agreement related to the 2009 Lease Revenue Refunding Bonds was terminated with the issuance of the Series 2016 Lease Revenue Bonds discussed below.

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

For the Years Ending June 30,	Principal	Interest	Total
2017	\$1,880,000	\$4,815,088	\$6,695,088
2018	1,970,000	4,725,888	6,695,888
2019	2,080,000	4,627,238	6,707,238
2020	2,190,000	4,523,088	6,713,088
2021	2,315,000	4,410,463	6,725,463
2022-2026	13,780,000	19,959,170	33,739,170
2027-2031	19,130,000	15,322,307	34,452,307
2032-2036	28,135,000	8,437,235	36,572,235
2037-2038	13,955,000	832,634	14,787,634
<b>Total</b>	<b>\$85,435,000</b>	<b>\$67,653,111</b>	<b>\$153,088,111</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**Richmond Joint Powers Financing Authority Lease Revenue Bonds, Series 2016 – Original Issue - \$28,390,000**

On February 1, 2016, the Authority issued Series 2016 Lease Revenue Bonds in the amount of \$28,390,000. The proceeds from the Bonds were used to pay the obligations of the City related to the termination of the interest rate swap agreement and the option on swap agreement (swaption) related to the Authority's Series 2009 Lease Revenue Refunding Bonds and to pay the costs associated with the issuance of the Series 2016 Bonds. On February 3, 2016 the interest rate swap agreement and the swaption related to the Series 2009 Bonds were terminated with a swap termination payment of \$28,554,000.

The Bonds bear interest rates of 4.00% to 5.50%. Principal payments are due annually on November 1 through 2037 and semi-annual interest payments are due May 1 and November 1 commencing on May 1, 2016.

At June 30, 2016, the 2016 Bonds consisted of the following:

Bonds outstanding	\$28,390,000
Unamortized premium	1,393,619
<b>Total</b>	<u><u>\$29,783,619</u></u>

The annual debt service requirements are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2017		\$1,343,375	\$1,343,375
2018		1,343,375	1,343,375
2019		1,343,375	1,343,375
2020	\$235,000	1,337,206	1,572,206
2021	1,015,000	1,304,394	2,319,394
2022-2026	6,310,000	5,572,277	11,882,277
2027-2031	8,270,000	3,565,676	11,835,676
2032-2036	9,035,000	1,608,900	10,643,900
2037-2038	3,525,000	140,497	3,665,497
<b>Total</b>	<u><u>\$28,390,000</u></u>	<u><u>\$17,559,075</u></u>	<u><u>\$45,949,075</u></u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

*Interest Rate Swap and Swaption Agreements*

The City entered into interest swap agreements in connection with the 2005B-1 Taxable Pension Funding Bonds and the 2009 Lease Revenue Refunding Bonds. The transaction allows the City to create a synthetic fixed rate or a synthetic variable rate on the Bonds, protecting it against increases and decreases in short-term interest rates. The various risks associated with the swap agreements are disclosed below. For the swap agreement pertaining to the 2005B-2 Taxable Pension Funding Bonds, the disclosure is included below, but the swap agreement does not become effective until August 1, 2023. In February 2016, the interest rate swap agreement relating to the 2009 Lease Revenue Bonds was terminated using proceeds from the 2016 Lease Revenue Bonds.

The City entered into an option on swap agreement (swaption) in connection with the anticipated refunding of the 2009 Lease Revenue Refunding Bonds. In February 2016, the swaption was terminated using proceeds from the 2016 Series Lease Revenue Bonds. See further discussion of the swaption in the loans payable section of Note 7A below.

On May 13, 2015, Moody's Investor Services ("Moody's") downgraded the City's issuer rating from "A1" to "Baa1" and the rating on its 1999 Taxable Limited Obligation Pension Bonds from "A2" to "Baa2". In addition, the City and its Wastewater Enterprise bonds were placed under review for possible downgrades. On August 4, 2015, Moody's further downgraded the City's issuer rating from "Baa1" to "Ba1" and its rating on the City's Taxable Pension Obligation Bonds and 1999 Taxable Limited Obligation Pension Bonds ("POB's) from "Baa2". In addition, Moody's downgraded its rating on the City's Wastewater Revenue Bonds, Series 2006A to "Baa2" from "A2". On September 1, 2015, Standard and Poor's Rating Services ("S&P") lowered the City's Issuer Credit Rating from "AA-" to "BBB+" placing the City on CreditWatch. Other credit ratings downgrades included S&P's assigned underlying rating (SPUR) for the Wastewater Enterprise Fund that was lowered from "A+" to "BBB".

Moody's downgrade of the City's issuer rating to "Ba1" resulted in allowing the counterparty, JPMorgan Chase Bank, NA ("JPM") to declare an Additional Termination Event (ATE) with the interest rate swaps the City entered in conjunction with the 2005 Taxable POBs (2007 Swaps). This means that JPM could exercise a right to terminate the 2007 Swaps and demand immediate payment of an approximately \$31.5 million settlement amount that represented the present value of the City's expected future performance obligations under the 2007 Swaps at the time of the ATE. The City entered into a restructuring of certain of its obligations through the issuance by the Richmond Joint Powers Financing Authority of Lease Revenue Bonds Series 2016A (tax-exempt) to fund the cost of terminating the Civic Center Swaps relating to the Richmond Joint Powers Financing Authority Series 2009 Civic Center Lease Revenue Bonds held by Royal Bank of Canada (RBC). RBC simultaneously entered into a novation of the 2007 Swaps with JPM. By terminating the Civic Center Swaps, the City reduced RBC's credit exposure to the City sufficiently to allow RBC to accept the additional credit exposure associated with stepping into JPM's position in the 2007 swaps through novation. Contemporaneous with the novation from JPM to RBC, RBC and the City amended and restated the 2007 Swaps, including eliminating the existence of the ATE by removing reference to a Moody's rating in the ATE provisions, reducing the Standard & Poor's rating threshold for a future ATE to BBB- from BBB and providing a mandatory early termination of the 2007 Swaps in 2023. The early termination will require the City to either refund or restructure the 2007 Swap at that date if a termination payment is due at the time. In addition, terminating the Civic Center Swaps eliminated the risk of an ATE with respect to the Civic Center Swaps, which require the City to maintain its Issuer Credit Rating at the current level of BBB+ to avoid an ATE.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

On August 4, 2015, the City received an updated issuer credit rating from S&P affirming the BBB+ issuer credit rating and removing the ratings from CreditWatch and noting that the outlook is stable, and the City's issuer credit rating from S&P was BBB+ as of June 30, 2016.

*Terms.* The terms, including the counterparty credit ratings of the outstanding swaps, as of June 30, 2016, are included below. The swap agreements contain scheduled reductions to the outstanding notional amount on an annual basis.

**Pay-Fixed, Receive-Variable Swap Agreements**

For the following Pay-Fixed, Receive-Variable swap agreements, the City owes interest calculated at a fixed rate to the counterparty of the swaps. In return, the counterparty owes the City interest based on a variable rate that *approximates* the rate required by the Bonds. Debt principal is not exchanged; it is only the basis on which the swap receipts and payments are calculated.

<b>Pay-Fixed, Receive-Variable</b>							
Outstanding Notional Amount	Effective Date	Counterparty	Long-Term Credit Rating (S&P/Moody's/Fitch)	Fixed Rate Paid	Variable Rate Received	Fair Value at June 30, 2016	Termination Date
<b>2005B-1 Taxable Pension Funding Bonds</b>							
\$66,068,745	8/1/2013	JPMorgan Chase Bank N.A.	A+/Aa3/AA-	5.712%	100% of USD- 3 Month LIBOR	(\$12,386,732)	8/1/2023
<b>2005B-2 Taxable Pension Funding Bonds</b>							
\$127,990,254	8/1/2023	JPMorgan Chase Bank N.A.	A+/Aa3/AA-	5.730%	100% of USD-3 Month LIBOR	(\$28,461,260)	8/1/2034

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

*Fair value.* Fair value of the swaps take into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swaps, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swap. The swaps are classified in Level 2 of the fair value hierarchy, using a market approach that considers observable swap rates commonly quoted for the full term of the swaps.

As of June 30, 2016, the fair value for the each of the outstanding swaps was in favor of the respective counterparties. The fair value represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. The City has accounted for the change in fair value of each of the ineffective hedges as noted below:

	Changes in Fair Value		Fair value at June 30, 2016	
	Classification	Amount	Classification	Amount
<i>Governmental Activities</i>				
<b>Pay-Fixed, Receive-Variable</b>				
<i>2005B-1 Taxable Pension Funding Bonds</i>	Investment revenue	\$929,268	Investment	(\$12,386,732)
<i>2005B-2 Taxable Pension Funding Bonds</i>	Investment revenue	(13,097,260)	Investment	(28,461,260)
<i>Civic Center Refunding Swaption Agreement</i>	Investment revenue	3,512,877 (A)		0
<b>Pay-Variable, Receive-Variable</b>				
<i>2009 Lease Revenue Refunding Bonds</i>	Investment revenue	9,456,000 (A)		0
<i>Totals</i>		<u>\$800,885</u>		<u>(\$40,847,992)</u>

(A) Civic Center Refunding Swaption Agreement and the 2009 Lease Revenue Bonds swap were terminated using proceeds from the 2016 Lease Revenue Bonds in February 2016. The change in fair value used fair value as of January 27, 2016, the closest available to the termination date.

*Credit risk.* The fair values of the swaps represent the City's credit exposure to the counterparties. As of June 30, 2016, the City was not exposed to credit risk on the outstanding swaps because the swaps had negative fair values. However, if *interest* rates change and the fair value of the swaps were to become positive, the City would be exposed to credit risk.

*Interest rate risk.* The City will be exposed to interest rate risk for the Pay-Fixed, Receive-Variable swaps only if the counterparty to the swaps defaults or if the swaps are terminated. As the SIFMA Municipal Swap Index Rate increases or the LIBOR decreases, the City's net payment on the swap increases.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

*Basis risk.* Basis risk is the risk that the interest rate paid by the City on the underlying variable rate bonds to the *bondholders* temporarily differs from the variable swap rate received from the counterparty. The City bears basis risk on the Pay-Fixed, Receive-Variable swaps. The swaps have basis risk since the City receives a percentage of the LIBOR Index to offset the actual variable bond rate the City pays on the underlying Bonds. The City is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

A portion of this basis risk is tax risk. The City is exposed to tax risk when the relationship between the taxable LIBOR based swap and tax-exempt variable rate bond changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt variable rate bonds converge the City is exposed to this basis risk.

*Termination risk.* The City may terminate if the other party fails to perform under the terms of the contract. The City will be exposed to variable rates if the counterparties to the swap contracts default or if the swap contracts are terminated. A termination of the swap contracts may also result in the City's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swaps have a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

*Swap payments and associated debt.* Using rates as of June 30, 2016, debt service requirements of the City's outstanding fixed rate 2005 Taxable Pension Funding Bonds and net swap payments, assuming current interest rates remain the same for their term, are as follows. The 2005B-2 Bond is not included in the table, because the swap is not effective until August 1, 2023. As rates vary, net swap payments will vary.

***2005 Taxable Pension Funding Bonds***

For the Years Ending June 30,	Variable-Rate Bonds		Interest Rate Swap, Net (A)	Total
	Principal	Interest		
2017	\$5,660,000	\$3,498,595	\$3,080,249	\$12,238,844
2018	6,653,000	3,376,868	2,747,768	12,777,636
2019	7,720,000	3,235,487	2,361,604	13,317,091
2020	8,366,000	3,081,488	1,940,975	13,388,463
2021	9,458,000	2,907,945	1,466,968	13,832,913
2022-2026	41,354,000	12,003,128	1,343,794	54,700,922
2027-2031	47,351,000	8,177,872		55,528,872
2032-2035	67,464,000	2,063,759		69,527,759
<b>Total</b>	<b>\$194,026,000</b>	<b>\$38,345,142</b>	<b>\$12,941,358</b>	<b>\$245,312,500</b>

(A) Includes only the 2005 B-1, because the 2005 B-2 is not effective until August 1, 2023.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**Loans Payable**

Loans payable at June 30, 2016 consisted of the following:

CalTrans Home Loans	\$477,074
California Energy Commission Loan #1	498,207
California Energy Commission Loan #2	1,168,279
	\$2,143,560
	\$2,143,560

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

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

**California Energy Commission Phase 1 – Original Amount \$621,558**

On April 22, 2013, the City entered into a loan agreement with the California Energy Commission in the amount of \$621,558. The purpose of the loan is to provide funding for the replacement of street lighting with new LED lights. The loan bears a 3% interest rate and is due in semi-annual payments in December and June through December 2025.

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

For the Years Ending June 30,	Principal	Interest	Total
2017	\$46,061	\$14,605	\$60,666
2018	47,453	13,213	60,666
2019	48,888	11,778	60,666
2020	50,338	10,328	60,666
2021	51,886	8,779	60,665
2022-2026	253,581	19,411	272,992
<b>Total</b>	<b>\$498,207</b>	<b>\$78,114</b>	<b>\$576,321</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**California Energy Commission Phase 2 – Original Amount \$1,239,036**

During fiscal year 2015, the City entered into a loan agreement with the California Energy Commission in the amount of \$1,239,036. The purpose of the loan is to provide funding for the replacement of street lighting with new LED lights. The loan bears interest at 1% and is due in semi-annual payments in December and June through June 2030.

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

For the Years Ending June 30,	Principal	Interest	Total
2017	\$78,150	\$11,488	\$89,638
2018	78,933	10,705	89,638
2019	79,724	9,914	89,638
2020	80,499	9,139	89,638
2021	81,331	8,308	89,639
2022-2026	419,032	29,158	448,190
2027-2030	350,610	7,944	358,554
<b>Total</b>	<b>\$1,168,279</b>	<b>\$86,656</b>	<b>\$1,254,935</b>

***Option on Interest Rate Swap Agreement (Swaption)***

On July 9, 2014 the Richmond Joint Powers Financing Authority entered into an option to enter a swap at a future date (swaption) agreement with the Royal Bank of Canada (RBC). The swaption counterparty, RBC, is the holder of the option and has the right, but not the obligation, to place the City into a pay-fixed, receive variable swap in the future. Upon entering into the swaption, the City received an up-front payment from RBC. The majority of the payment was a result of the option being in-the-money at inception, which means the written option has intrinsic value as the swaption's fixed rate is greater than the at-the-market rate. The remainder of the up-front payment reflects the time value that RBC pays for holding the option. To the City, the time value portion of the payment represents deferred investment revenue. This transaction was reported as a hybrid instrument. The intrinsic value of the swaption was considered a borrowing for financial reporting purposes and was treated as a liability or loan payable in the government-wide financial statements. Interest is accreted to the balance of the liability from inception through the swaption's exercise date. Thereafter, assuming the swaption was exercised, there would have been level amortization payments attributed to the borrowing. The other element of the hybrid instrument was measured at fair value. Fair value changes are reported within the investment revenue classification as noted in the Interest Rate Swaps section above.

The City entered into the swaption to effect a refunding of the Richmond Joint Powers Financing Authority Civic Center Project Lease Revenue Bonds, Series 2009, in order to realize substantial debt service savings. The Bonds are subject to early redemption on or after August 1, 2019, however due to the market's interest rates in July 2014, if the Authority refunded the bonds, the negative arbitrage associated with an advanced refunding would offset the potential debt service savings. The swaption agreement allowed the Authority to capture the estimated savings of the future refunding without issuing refunding bonds until a later date.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

The swaption agreement was issued in the notional amount of \$77,315,000 and the City received an upfront payment in the amount of \$10,659,909, which represented the embedded loan payable, and incurred costs of issuance that resulted in a net cash payment of \$9,386,000.

On February 1, 2016, the swaption was terminated with the issuance of the Series 2016 Bonds.

Interest of \$1,543,516 accreted on the embedded loan during fiscal year 2016 and the balance of the loan as of February 1, 2016, the date of termination, was \$12,232,829.

**Capital Leases**

Capital leases payable at June 30, 2016 consisted of the following:

Qualified Energy Conservation Lease	\$757,717
JPFA Recovery Zone Economic Development Lease	911,716
Holman Capital Corporation Lease #2	534,132
Holman Capital Corporation Lease #3	212,648
Holman Capital Corporation Lease #4	1,472,162
Street Light Capital Lease	<u>4,056,516</u>
<b>Total</b>	<u><u>\$7,944,891</u></u>

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

On December 22, 2010 the City entered into a capital lease with Bank of America in the amount of \$1,052,526 to finance the purchase and installation of energy conservation equipment at various City-owned buildings. The City received an allocation of the national Qualified Energy Conservation Bond which includes a direct subsidy from the United States Treasury for the interest payable on the bonds under the Hiring Incentives to Restore Employment Act (HIRE Act). The subsidy will be payable on or about the date that the City makes its debt service payments and is equal to 59.79% of the interest payable on the lease. The subsidy received in fiscal year 2016 was \$15,567. The lease bears interest at a rate of 6.79% and principal and interest payments are due semi-annually each June 15 and December 15 commencing on December 15, 2011 through 2026.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

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

For the Years Ending June 30,	Principal	Interest	Total
2017	\$66,865	\$50,322	\$117,187
2018	68,703	45,751	114,454
2019	70,591	41,054	111,645
2020	72,531	36,228	108,759
2021	74,525	31,269	105,794
2022-2026	404,502	77,067	481,569
<b>Total</b>	<b>\$757,717</b>	<b>\$281,691</b>	<b>\$1,039,408</b>

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

On December 22, 2010 the Authority entered into a capital lease with Bank of America in the amount of \$1,316,000 to finance the improvements to three of the City’s fire stations and a senior center. The City agreed to lease the three fire stations to the Authority in exchange for lease payments in the amount of the debt. The Authority received the lease proceeds under an allocation of the National Recovery Zone Economic Development Bonds under the American Recovery and Reinvestment Act of 2009, which includes a direct subsidy from the United States Treasury for the interest payable on the Bonds. The lease subsidy will be payable on or about the date that the Authority makes its debt service payments and is equal to 45% of the interest payable on the lease upon filing of a request by the Authority. The total subsidy received in fiscal year 2016 was \$26,481. The lease bears interest at a rate of 6.50% and principal and interest payments on the lease are due semi-annually each June 15 and December 15, commencing on June 15, 2011, through 2026.

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

For the Years Ending June 30,	Principal	Interest	Total
2017	\$82,169	\$57,938	\$140,107
2018	85,133	52,549	137,682
2019	88,203	46,966	135,169
2020	91,385	41,182	132,567
2021	94,681	35,189	129,870
2022-2026	470,145	78,202	548,347
<b>Total</b>	<b>\$911,716</b>	<b>\$312,026</b>	<b>\$1,223,742</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

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

On November 30, 2011, the City entered into a capital lease agreement with Holman Capital Corporation to finance police and fire department radios. The lease bears an interest rate of 2.47%. Principal and interest payments on the lease are due semi-annually on each May 31 and November 30 commencing on November 30, 2011 through 2015. The loan balance was fully repaid during the year ended June 30, 2016.

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

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

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

For the Years Ending June 30,	Principal	Interest	Total
2017	\$353,378	\$13,661	\$367,039
2018	180,754	2,766	183,520
<b>Total</b>	<b>\$534,132</b>	<b>\$16,427</b>	<b>\$550,559</b>

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

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

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

For the Years Ending June 30,	Principal	Interest	Total
2017	\$68,541	\$6,555	\$75,096
2018	70,857	4,239	75,096
2019	73,250	1,846	75,096
<b>Total</b>	<b>\$212,648</b>	<b>\$12,640</b>	<b>\$225,288</b>

**Holman Capital Corporation Lease #4 – West Contra Costa Family Justice Center - Original Amount \$2,000,000**

On November 1, 2012 the City entered into a lease agreement with Holman Capital Corporation in the amount of \$2,000,000 to finance improvements to the City’s West Contra Costa Family Justice Center. The lease bears an interest rate of 3.17%. Principal and interest payments on the lease are due semi-annually on each July 14 and January 14 commencing on July 14, 2013 through January 14, 2023.

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

For the Years Ending June 30,	Principal	Interest	Total
2017	\$215,943	\$44,770	\$260,713
2018	197,894	38,266	236,160
2019	204,217	31,943	236,160
2020	210,743	25,419	236,162
2021	217,476	18,684	236,160
2022-2023	425,889	16,300	442,189
<b>Total</b>	<b>\$1,472,162</b>	<b>\$175,382</b>	<b>\$1,647,544</b>

**Street Light Capital Lease - Original Amount \$4,641,936**

On July 31, 2013 the City entered into a lease agreement with Bank of America in the amount of \$4,641,936 to finance the purchase of streetlights and the associated upgrade costs. The lease bears an interest rate of 2.55%. Principal and interest payments on the lease are due semi-annually on each October 30 and April 30 commencing on April 30, 2014 through October 30, 2026.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

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

For the Years Ending June 30,	Principal	Interest	Total
2017	\$275,629	\$101,731	\$377,360
2018	313,719	94,586	408,305
2019	352,159	86,211	438,370
2020	370,787	77,114	447,901
2021	390,184	67,538	457,722
2022-2026	2,270,692	175,816	2,446,508
2027	83,346	1,063	84,409
<b>Total</b>	<b>\$4,056,516</b>	<b>\$604,059</b>	<b>\$4,660,575</b>

**B. Business-Type Activities**

The following is a summary of long-term debt of business-type activities during the fiscal year ended June 30, 2016:

	Balance July 01, 2015	Additions (A)	Retirements	Balance June 30, 2016	Due Within One Year	Due in More than One Year
Bonds payable	\$128,852,130		(\$4,859,272)	\$123,992,858	\$38,020,000	\$85,972,858
Notes and Loans payable	2,861,189	\$700,000	(78,062)	3,483,127	81,574	3,401,553
<b>Total</b>	<b>\$131,713,319</b>	<b>\$700,000</b>	<b>(\$4,937,334)</b>	<b>\$127,475,985</b>	<b>\$38,101,574</b>	<b>\$89,374,411</b>

(A) Additions to loans payable include the transfer of an advance to long-term debt.

Bonds payable at June 30, 2016 consisted of the following:

Wastewater Revenue Bonds Series 2006A	\$9,978,480
Wastewater Refunding Revenue Bonds 2008A	32,755,860
2009A Point Potrero Lease Revenue Bonds	26,672,598
2009B Point Potrero Lease Revenue Bonds	12,682,277
Wastewater Revenue Bonds Series 2010A	1,101,173
Wastewater Revenue Bonds Series 2010B	40,802,470
<b>Total</b>	<b>\$123,992,858</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**Wastewater Revenue Refunding Bonds Series 2006A and 2006B – Original Issue \$48,830,000**

On October 17, 2006 the City issued \$16,570,000 of Wastewater Revenue Bonds, Series 2006A and \$32,260,000 of Wastewater Revenue Bonds, Series 2006B to refund the remaining \$38,516,264 principal amount of the Wastewater Revenue Bonds, Series 1999 and to fund certain capital costs of the City's Wastewater Enterprise. Net proceeds were used to purchase U.S. government securities placed in an irrevocable trust to provide all the future debt service payments for the 1999 Wastewater Bonds. The outstanding defeased bonds were called during the fiscal year ended June 30, 2010. During the fiscal year ended June 30, 2009, the City issued \$33,015,000 of Wastewater Revenue Refunding Bonds, Series 2008A to refund the 2006B Bonds.

At June 30, 2016, the Bonds consisted of the following:

Bonds outstanding:	\$9,590,000
Unamortized premium	388,480
<b>Net</b>	<u><u>\$9,978,480</u></u>

Principal and interest payments are due semi-annually on February 1 and August 1 of each year through August 2022 for the Series 2006A bonds. The annual debt service requirements on the 2006A Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2017	\$1,205,000	\$377,000	\$1,582,000
2018	1,265,000	321,575	1,586,575
2019	1,315,000	269,975	1,584,975
2020	1,365,000	216,375	1,581,375
2021	1,420,000	160,675	1,580,675
2022-2023	3,020,000	137,363	3,157,363
<b>Total</b>	<u><u>\$9,590,000</u></u>	<u><u>\$1,482,963</u></u>	<u><u>\$11,072,963</u></u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**Richmond Variable Rate Wastewater Revenue Refunding Bonds, Series 2008 A – Original Issue \$33,015,000**

On October 17, 2008 the City issued Series 2008A Wastewater Revenue Refunding Bonds in the amount of \$33,015,000. The proceeds from the Bonds were used to refund the City's 2006B Wastewater Revenue Bonds. The 2008A Bonds were issued as variable rate Bonds. The rate fluctuates according to the market conditions, but is capped at 12%. Along with the issuance, the City entered into an irrevocable, direct-pay letter of credit issued by Union Bank of California in order to remarket the bonds at lower interest rates. The Union Bank letter of credit is valid through April 21, 2017, therefore the Bonds are reported as due in one year. The City originally entered into a 31-year interest rate swap agreement for the entire amount of the 2006B Bonds, and the City continued this interest rate swap agreement after the redemption of the 2006B Bonds, and the 2008A Bonds are associated with the interest rate swap agreement, but the notional amount of the swap is based on the 2006B Bonds. The combination of the variable rate bonds and a floating rate swap creates a synthetic fixed-rate debt for the City. The synthetic fixed rate for the Bonds was 3.820% at June 30, 2016.

At June 30, 2016, the Bonds consisted of the following:

Bonds outstanding	\$32,915,000
Unamortized discount	(159,140)
<b>Net</b>	<u><u>\$32,755,860</u></u>

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

For the Years Ending June 30,	Principal	Interest	Total
2017	\$32,915,000	\$1,506,677	\$34,421,677
2018		1,093,581	1,093,581
2019		1,093,581	1,093,581
2020		1,093,581	1,093,581
2021		1,093,581	1,093,581
2022-2026		5,130,610	5,130,610
2027-2031		3,640,920	3,640,920
2032-2036		1,766,984	1,766,984
2037-2039		94,409	94,409
<b>Total</b>	<u><u>\$32,915,000</u></u>	<u><u>\$16,513,924</u></u>	<u><u>\$49,428,924</u></u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**Richmond Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2009 – Port Refunding Bonds Original Issue \$2,673,455**

On November 10, 2009, the Authority issued Series 2009 Lease Revenue Refunding Bonds in the amount of \$89,795,000 as discussed in Note 7A above. The proceeds from the Bonds were used to refund the Authority's entire outstanding principal amount of its 2007 Lease Revenue Bonds. A portion of the proceeds from the 2007 Bonds were used to refund the remaining \$3,865,000 principal amount of the 1996 Port Terminal Lease Revenue Bonds. The 1996 Bonds were called in March 2008. The Port of Richmond Enterprise Fund's Portion of the Refunding Bonds was fully repaid during the fiscal year ended June 30, 2016.

In connection with the issuance of the 2007 Lease Revenue Bonds, the Authority entered into a swap agreement for \$101,420,000, the entire amount of the Bonds. On November 10, 2009, in connection with the issuance of the Series 2009 Bonds, the Authority terminated the original swap agreement and entered into an amended swap agreement effective December 1, 2009 for a notional amount of \$85,360,000. The amended agreement requires the Authority to make and receive payments based on variable interest rates. The Authority will make payments based on a variable interest rate equal to 100% of SIFMA plus a fixed percentage of 0.56% and the Authority will receive variable rate interest payments equal to 68% of 1-month LIBOR from the swap counterparty. Floating rate payments were made semi-annually on August 1 and February 1 commencing on February 1, 2010. On February 3, 2016, the interest rate swap agreement was terminated as discussed in Note 7A above.

***Interest Rate Swap Agreements***

On November 19, 2009, the City terminated the swap agreement associated with the 2006B Wastewater Revenue Refunding Bonds discussed above by using the proceeds from a swap agreement that is based on the \$32,260,000 notional amount of the 2006B Bonds. In connection with the 2009 swap agreement, the City received an up-front payment in the amount of \$4,431,618 that was used to make the termination payment on the prior swap agreement. The fixed rate payments to the counterparty will be due semi-annually on August 1 and February 1, commencing February 1, 2010. The variable payments from the counterparty will be due on a monthly basis on the last business day of each month commencing December 31, 2009. The transaction allows the City to create a synthetic fixed rate on the 2008A Bonds, protecting it against increases in short-term interest rates. The terms, fair value and credit risk of the swap agreement are disclosed below.

The City also entered into a swap agreement associated with the 2009 Lease Revenue Refunding Bonds, for which the terms and risks are disclosed in Note 7A above. On February 3, 2016, the swap agreement was terminated with the issuance of the Series 2016 Lease Revenue Bonds. Only disclosure related to the change in the fair value of the 2009 Lease Revenue Bonds is included below.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

*Terms.* The terms, including the counterparty credit rating of the outstanding 2006B Bonds swap, as of June 30, 2016, are included below. The swap agreement contains scheduled reductions to the outstanding notional amount on an annual basis.

Outstanding Notional Amount	Effective Date	Counterparty	Long-Term Credit Rating (S&P/Moody's/Fitch)	Fixed Rate Paid	Variable Rate Received	Fair Value at June 30, 2016	Termination Date
\$32,260,000	11/23/2009	Royal Bank of Canada	AA-/Aa3/AA	3.897%	63.42% of USD-1 Month LIBOR plus 22 basis points	(\$12,182,683)	8/1/2037

Based on the swap agreement, the City owes interest calculated at a fixed rate to the counterparty of the swap. In return, the counterparty owes the City interest based on the variable rate that *approximates* the rate required by the Bonds. Debt principal is not exchanged; the outstanding notional amount of the swap is the basis on which the swap receipts and payments are calculated.

*Fair value.* Fair value of the swaps take into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swap. The swaps are classified as Level 2 of the fair value hierarchy, using a market approach that considers observable swap rates commonly quoted for the full term of the swaps.

As of June 30, 2016, the fair value for the each of the outstanding swaps were in favor of the respective counterparties. The fair value represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. The City has accounted for the change in fair value of each of the ineffective hedges as noted below:

	Changes in Fair Value		Fair value at June 30, 2016	
	Classification	Amount	Classification	Amount
<b>Business-Type Activities</b>				
<b>Pay-Fixed, Receive-Variable</b>				
<b>2006B Wastewater Bonds</b>	Investment revenue	(\$3,190,683)	Investment	(\$12,182,683)
<b>Pay-Variable, Receive-Variable</b>				
<b>2009 Lease Revenue Refunding Bonds</b>	Investment revenue	12,292 (A)	Investment	0
<b>Totals</b>		<u>(\$3,178,391)</u>		<u>(\$12,182,683)</u>

(A) The 2009 Lease Revenue Refunding Bonds swap agreement was terminated with the issuance of the 2016 Lease Revenue Bonds in February 2016. The change in fair value is as of January 27, 2016, the closest available to the termination date.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

*Credit risk.* As of June 30, 2016, the City was not exposed to credit risk on the outstanding swaps because the swaps had a negative fair value. However, if interest rates increase and the fair value of the swaps were to become positive, the City would be exposed to credit risk. The City will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

*Basis risk.* Basis risk is the risk that the interest rate paid by the City on the underlying variable rate bonds to the *bondholders* temporarily differs from the variable swap rate received from the counterparty. The City bears basis risk on the swap. The swap has basis risk since the City receives a percentage of the LIBOR Index to offset the actual variable bond rate the City pays on the underlying Bonds. The City is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

A portion of this basis risk is tax risk. The City is exposed to tax risk when the relationship between the taxable LIBOR based swap and tax-exempt variable rate bond changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt variable rate bonds converge the City is exposed to this basis risk.

*Termination risk.* The City may terminate if the other party fails to perform under the terms of the contract. The City will be exposed to variable rates if the counterparty to the swap contract defaults or if the swap contract is terminated. A termination of the swap contract may also result in the City's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

*Rollover Risk.* Rollover risk is the risk that the swap associated with a debt issue matures or may be terminated prior to the maturity of the associated debt. When the swap terminates or a termination option is exercised by the counterparty, the City will be re-exposed to the risks being hedged by the swap. The swap based on the 2006B Wastewater Bonds, associated with the 2008A Wastewater Revenue Bonds, exposes the City to rollover risk because the swap terminates on August 1, 2037 while the 2008A Wastewater Revenue Bonds mature on August 1, 2038.

*Swap payments and associated debt.* Using rates as of June 30, 2016, debt service requirements of the City's outstanding variable-rate Bonds and net swap payments, assuming current interest rates remain the same for their term are as follows. As rates vary, variable-rate bond *interest payments* and net swap payments will vary. These payments below are included in the Debt Service Requirements above:

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

For the Years Ending June 30,	Variable-Rate Bonds		Interest Rate	Total
	Principal	Interest	Swap, Net	
2017	\$32,915,000	\$413,096	\$1,093,581	\$34,421,677
2018			1,093,581	1,093,581
2019			1,093,581	1,093,581
2020			1,093,581	1,093,581
2021			1,093,581	1,093,581
2022-2026			5,130,610	5,130,610
2027-2031			3,640,920	3,640,920
2032-2036			1,766,984	1,766,984
2037-2039			94,409	94,409
<b>Total</b>	<b>\$32,915,000</b>	<b>\$413,096</b>	<b>\$16,100,828</b>	<b>\$49,428,924</b>

**Richmond Joint Powers Financing Authority Point Potrero Lease Revenue Bonds, Series 2009A and 2009B – Original Issue Series 2009A (\$26,830,000), Series 2009B (\$20,820,000)**

On July 13, 2009, the Authority issued Series 2009A and Series 2009B Point Potrero Lease Revenue Bonds in the amounts of \$26,830,000 and \$20,820,000, respectively. The proceeds from the Bonds were used for the construction of an automobile warehousing and distribution facility, including rail improvements, to be located at the Point Potrero Terminal at the Port of Richmond. The facility began operations in April 2010. The Bonds bear interest rates that range from 6.25% to 8.50%. Principal payments are due annually on July 1 and semi-annual interest payments are due July 1 and January 1 commencing on January 1, 2010 through 2025 for the Series 2009A and through 2020 for the Series 2009B Bonds.

At June 30, 2016 the Series 2009A Bonds consisted of:

Bonds outstanding	\$26,830,000
Unamortized discount	(157,402)
<b>Net</b>	<b>\$26,672,598</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

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

For the Years Ending June 30,	Principal	Interest	Total
2017		\$1,676,875	\$1,676,875
2018		1,676,875	1,676,875
2019		1,676,875	1,676,875
2020		1,676,875	1,676,875
2021	\$3,905,000	1,554,844	5,459,844
2022-2025	22,925,000	3,393,281	26,318,281
<b>Total</b>	<b>\$26,830,000</b>	<b>\$11,655,625</b>	<b>\$38,485,625</b>

At June 30, 2016 the Series 2009B Bonds consisted of:

Bonds outstanding	\$12,815,000
Unamortized discount	(132,723)
<b>Net</b>	<b>\$12,682,277</b>

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

For the Years Ending June 30,	Principal	Interest	Total
2017	\$2,830,000	\$956,838	\$3,786,838
2018	3,065,000	709,419	3,774,419
2019	3,320,000	441,419	3,761,419
2020	3,600,000	151,031	3,751,031
<b>Total</b>	<b>\$12,815,000</b>	<b>\$2,258,707</b>	<b>\$15,073,707</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**Richmond Wastewater Revenue Bonds, Series 2010A and Richmond Wastewater Revenue Bonds Taxable Build America Bonds, Series 2010B– Original Issues \$3,110,000 and \$41,125,000**

On October 7, 2010 the City issued Series 2010A Wastewater Revenue Bonds in the amount of \$3,110,000. The proceeds from the Bonds were used to finance improvements to the City’s wastewater collection, treatment and disposal system. Principal payments are due annually on August 1. Interest rates on the Bonds range from 3% to 4% and payments are due semiannually on August 1 and February 1 beginning February 1, 2011. The Bonds mature on August 1, 2016. At June 30, 2016 the Series 2010A Bonds consisted of:

Bonds outstanding	\$1,070,000
Unamortized premium	<u>31,173</u>
<b>Net</b>	<b><u><u>\$1,101,173</u></u></b>

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

For the Years Ending June 30,	Principal	Interest	Total
<u>2017</u>	<u>\$1,070,000</u>	<u>\$21,400</u>	<u>\$1,091,400</u>

On October 7, 2010 the City also issued Series 2010B Wastewater Revenue Bonds Taxable Build America Bonds in the amount of \$41,125,000. The proceeds of these Bonds will be used in conjunction with the 2010A Bonds for the projects listed above. The taxable 2010B Bonds were sold as “Build America Bonds” pursuant to the American Recovery and Reinvestment Act of 2009. The interest on Build America Bonds is not tax-exempt and therefore the bonds carry a higher interest rate. However, this higher interest rate will be offset by a subsidy payable by the United States Treasury equal to 35% of the interest payable on the Bonds. The subsidy will be payable on or about the date that the City makes its debt service payments and the total subsidy received in fiscal year 2016 was \$801,453. Principal payments on the Bonds will be made annually on August 1. The Bonds bear interest of rates that range from 3.757% to 6.461% and payments are due semiannually on August 1 and February 1 beginning February 1, 2011. The Bonds mature on August 1, 2040.

At June 30, 2016 the Series 2010B Bonds consisted of:

Bonds outstanding	\$41,125,000
Unamortized discount	<u>(322,530)</u>
<b>Net</b>	<b><u><u>\$40,802,470</u></u></b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

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

For the Years Ending June 30,	Principal	Interest	Total
2017		\$2,463,546	\$2,463,546
2018	\$1,115,000	2,442,601	3,557,601
2019	1,145,000	2,397,359	3,542,359
2020	1,175,000	2,347,247	3,522,247
2021	1,210,000	2,293,638	3,503,638
2022-2026	6,665,000	10,454,991	17,119,991
2027-2031	8,005,000	8,328,448	16,333,448
2032-2036	9,790,000	5,516,724	15,306,724
2037-2041	12,020,000	2,005,172	14,025,172
<b>Total</b>	<b>\$41,125,000</b>	<b>\$38,249,726</b>	<b>\$79,374,726</b>

**Pledge of Wastewater Revenues**

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay the 2006A, 2008A, 2010A and 2010B Bonds through 2041. The Municipal Sewer Enterprise Fund's total principal and interest remaining to be paid on the bonds is \$140,968,013. The Municipal Sewer Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$6,593,375 and \$9,889,640, respectively.

**Notes and Loans Payable**

Notes and loans payable at June 30, 2016, consisted of the following:

California Department of Boating and Waterways	\$2,783,127
RHA RAD Housing Partners L.P. Promissory Note	700,000
<b>Total</b>	<b>\$3,483,127</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**California Department of Boating and Waterways**

The City has three loan agreements with the California Department of Boating and Waterways for total borrowings of \$9,427,000. Proceeds from the loans were used to finance marina construction projects. The loans bear interest at rates ranging from 4.5% to 7.9% and are due in annual installments through August 2042. The total amount outstanding at June 30, 2016 was \$2,783,127.

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

For the Years Ending June 30,	Principal	Interest	Total
2017	\$81,574	\$125,241	\$206,815
2018	85,246	121,570	206,816
2019	89,081	117,734	206,815
2020	93,090	113,725	206,815
2021	97,279	109,536	206,815
2022-2026	556,132	477,943	1,034,075
2027-2031	693,042	341,033	1,034,075
2032-2036	640,873	182,112	822,985
2037-2041	438,941	52,647	491,588
2042-2043	7,869	534	8,403
<b>Total</b>	<b>\$2,783,127</b>	<b>\$1,642,075</b>	<b>\$4,425,202</b>

**RHA RAD Housing Partners, LP Promissory Note**

On December 17, 2014, the Housing Authority's Component Unit, RHA Housing Corporation, entered into an agreement with the City and promised to pay a principal amount of \$700,000, plus accrued interest. The proceeds of the Note were then loaned from RHA Housing Corporation to the Housing Authority to finance acquisitions and development of the properties undergoing rehabilitation work in conjunction with a RAD conversion (Friendship Manor/Triangle Court). On December 22, 2015, the official closing of the RAD conversion took place, at which time the Note was assigned to a newly created entity, RHA RAD Housing Partners, L.P. The Note payable to the City was assigned from RHA Corporation to RHA RAD Housing Partners, L.P. along with a note receivable from the Housing Authority. The principle balance shall bear 1% simple interest. The term of the Note shall expire fifty-five years after. The balance of the promissory note at June 30, 2016 was \$700,000.

In fiscal year 2015, the City had advanced the \$700,000 to the Richmond Housing Authority Enterprise Fund, however, in fiscal year 2016 that loan was assigned to RHA RAD Housing Partners L.P. as discussed in Note 5. Therefore, the Richmond Housing Authority Enterprise Fund now owes this amount to RHA RAD Housing Partners L.P. and the interfund advance was converted to long-term debt in fiscal year 2016.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**C. Business-Type Activities – RHA Properties**

The following is a summary of RHA Properties long-term debt activities during the fiscal year ended June 30, 2016:

	Balance July 01, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
Loans payable	\$2,500,000			\$2,500,000	\$2,500,000

**Loans Payable**

In fiscal years 2007 through 2014, the General Fund made advances to the Richmond Housing Authority Enterprise Fund for police, sewer, and other services as well as the Housing Authority’s employee payroll, as discussed in Note 4B, and RHA Properties assumed a portion of that advance during fiscal years 2013 and 2014, which is reported as a loan payable.

On May 1, 2013, a Memorandum of Understanding (MOU) was reached between the Housing Authority and RHA Properties, which states that the RHA Properties shall provide resources derived from the sale proceeds of the Westridge at Hilltop Apartments to pay a financial sanction imposed by the Office of the Inspector General (OIG) in an amount no less than \$2,257,799 to the Housing Authority and to retire the outstanding debt owed to the General Fund by the Housing Authority in an amount no less than \$6,600,000. Upon disposition of the Westridge at Hilltop Apartments, RHA Properties had paid back to the City \$7,717,728 of assumed debt during fiscal year 2013-2014. Included in the repayment was the OIG Sanction debt of \$2,257,799, which had been fully repaid as of June 30, 2014.

As of June 30, 2013, the Housing Authority had invested \$1,000,000 in start-up contributions and had advanced \$966,183 to RHA Properties, which was used for debt service and operating expenses. The entire amount was repaid by RHA Properties from the proceeds of the disposition of the Westridge at Hilltop Apartments.

At June 30, 2016, total debt owed to the City by the Authority related to the above activity was \$5,571,485, of which \$2,500,000 was assumed by RHA Properties on behalf of the Authority in fiscal year 2014; \$3,071,485 remains with the Authority. Included in the \$2,500,000 assumed by the RHA Properties was \$1,359,929 of new debt owed by the Authority to the City, which represents retroactive charges the City billed during fiscal year 2013-2014 for the services the City had provided to the Authority prior to fiscal year 2013-2014. The entire amount of debt assumed by the RHA Properties is expected to be repaid from the \$2,500,000 of repair reserve fund withheld in the escrow account associated with the sale of the Westridge at Hilltop Apartments when the fund is released to RHA Properties.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)**

***D. Special Assessment Debt Without City Commitment***

Special assessment districts have been established in various parts of the City to provide improvements to properties located in those districts. Properties in these districts are assessed for the cost of improvements; these assessments are payable solely by property owners over the term of the debt issued to finance these improvements. The City is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties in these special assessment districts, nor is it obligated to advance City funds to repay these debts in the event of default by any of these districts. At June 30, 2016, the balances of these Districts' outstanding debt were as follows:

Harbor Navigation Improvement District	\$200,000
Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2006A (including Series 2006AT)	7,420,000
Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2006B	1,500,000
Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2011A	2,955,000

***E. Conduit Debt***

The City has assisted private-sector entities by sponsoring their issuance of debt for purposes the City deems to be in the public interest. These debt issues are secured solely by the property financed by the debt. The City is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties secured by these debts, nor is it obligated to advance City funds to repay these debts in the event of default by any of these issuers. At June 30, 2016, the balances of these issuers' outstanding debt were as follows:

Richmond Community Foundation, Richmond Housing Rehabilitation Program, Social Impact Bonds, Taxable Series 2015A	\$3,000,000
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**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 8 - UNAVAILABLE REVENUE AND UNEARNED REVENUE**

At June 30, 2016, the following unavailable revenues were recorded in the Fund Financial Statements because the funds were not available to finance expenditures of the current period:

	Loans Receivable	Grants Receivable	Total
General Fund	\$483,019	\$274,860	\$757,879
Cost Recovery Special Revenue Fund		3,231,766	3,231,766
Community Development and Loan Programs Special Revenue Fund	15,869,463	2,640	15,872,103
Non-Major Governmental Funds	895,384	839,659	1,735,043
<b>Total</b>	<b>\$17,247,866</b>	<b>\$4,348,925</b>	<b>\$21,596,791</b>

At June 30, 2016, the following unearned revenues were recorded in the City-wide financial statements on the Statement of Net Position:

	CAD Fees Enhancement	Prepaid Rent	Developer Fees & Other	Total
General Fund		\$3,652,098	\$647,288	\$4,299,386
Cost Recovery Special Revenue Fund			1,513,086	1,513,086
Community Development and Loan Programs Special Revenue Fund			9,750	9,750
Civic Center Debt Service Fund		3,113,580		3,113,580
Non-Major Governmental Funds			887,766	887,766
Port of Richmond Enterprise Fund			500,000	500,000
Municipal Sewer Enterprise Fund			9,000	9,000
Internal Service Funds	\$1,289,239			1,289,239
<b>Total</b>	<b>\$1,289,239</b>	<b>\$6,765,678</b>	<b>\$3,566,890</b>	<b>\$11,621,807</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 9 - FUND BALANCES AND NET POSITION**

**A. Net Position**

In the City-wide financial statements, Net Position is classified as follows:

**Net Investment in Capital Assets** – This amount consists of capital assets net of accumulated depreciation plus deferred outflows of resources associated with the refunding of related capital debt, reduced by outstanding debt that was used for the acquisition, construction, or improvement of these capital assets.

**Restricted Net Position** – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments. In addition net position restricted for pension benefits are restricted as a result of enabling legislation.

**Unrestricted Net Position** – This amount is all net position that do not meet the definition of “net investment in capital assets” or “restricted net position.”

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City’s policy is to apply restricted net position first.

**B. Fund Balances**

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

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

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

*Restricted* fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose.

*Committed* fund balances have constraints imposed by formal action of the City Council which may be altered only by the same formal action of the City Council. The highest level of formal action of the City Council is an Ordinance.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 9 - FUND BALANCES AND NET POSITION (Continued)**

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

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

Detailed classifications of the City's fund balances, as of June 30, 2016, are below:

Fund Balance Classifications	General Fund	Special Revenue		Debt Service		Other Governmental Funds	Total
		Cost Recovery	Community Development and Loan Programs	Environmental and Community Investment Agreement	Civic Center Debt Service		
<b>Nonspendable:</b>							
Items not in spendable form:							
Prepays, supplies and other assets	\$577,477					\$550	\$578,027
Loans receivable	3,346,462						3,346,462
Advance to other funds	14,480,730						14,480,730
<b>Total Nonspendable Fund Balances</b>	<b>18,404,669</b>					<b>550</b>	<b>18,405,219</b>
<b>Restricted for:</b>							
Street Improvement Projects						2,319,867	2,319,867
Employment and Training Programs						1,266,952	1,266,952
Public Safety Grant Programs (Police and Fire)						311,540	311,540
Lighting and Landscaping						973,922	973,922
Pension Obligations						2,468,263	2,468,263
Housing and Community Development			\$24,147,170			560,588	24,707,758
Debt Service						7,827,246	7,827,246
Community Development Projects				\$11,032,150			11,032,150
Other Capital Projects						2,844,549	2,844,549
<b>Total Restricted Fund Balances</b>			<b>24,147,170</b>	<b>11,032,150</b>		<b>18,572,927</b>	<b>53,752,247</b>
<b>Assigned to:</b>							
Other Capital Projects						431,867	431,867
Other Contracts	4,460						4,460
<b>Total Assigned Fund Balances</b>	<b>4,460</b>					<b>431,867</b>	<b>436,327</b>
<b>Unassigned:</b>							
General Fund	10,988,266						10,988,266
Other Governmental Fund Deficit Residuals		(\$9,278,322)				(\$3,627,374)	(918,737)
<b>Total Unassigned Fund Balances</b>	<b>10,988,266</b>	<b>(9,278,322)</b>				<b>(3,627,374)</b>	<b>(2,836,167)</b>
<b>Total Fund Balances (Deficits)</b>	<b>\$29,397,395</b>	<b>(\$9,278,322)</b>	<b>\$24,147,170</b>	<b>\$11,032,150</b>	<b>(\$3,627,374)</b>	<b>\$18,086,607</b>	<b>\$69,757,626</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 9 - FUND BALANCES AND NET POSITION (Continued)**

**C. Contingency Reserve Policy**

In fiscal year 2016, the City Council updated the fund balance policy to require the City to maintain a year-end contingency reserve balance of a minimum of 7% of the next year's budgeted General Fund expenditures. This is the minimum needed to maintain the City's creditworthiness and to adequately provide for economic and legislative uncertainties, cash flow needs and contingencies. City Council approval is required before any cash can be withdrawn from the reserve fund. The Council shall have the discretion to use the reserve for one time emergencies only and not to be used for ongoing expenses. At the time of City Council approval of any use of reserves, a Stabilization Policy laying out the plans for restoration of reserves must be simultaneously put in place with the Council's approval. The City's cash reserve as of June 30, 2016, which is a component of unassigned fund balance of the General Fund, is \$5.9 million, which is approximately 4.1% of fiscal year 2016-17 budgeted General Fund expenditures. As the City experiences net revenue gains in future years, the cash balance must grow back to 7% of total expenditures, following the stabilization policy, in order to allow the City to build up its capacity to handle future short term economic downturns or emergencies without cutting services.

**D. Deficit Fund Balances and Accumulated Deficits**

At June 30, 2016, the following funds had deficit fund balance or deficit net position, which will be eliminated by future revenues:

Major Funds:	
Cost Recovery Special Revenue Fund	\$9,278,322
Civic Center Debt Service Fund	3,627,374
Non Major Governmental Funds:	
Paratransit Operations Special Revenue Fund	825,324
Developer Impact Fees Special Revenue Fund	93,413
Non Major Enterprise Funds:	
Storm Sewer	2,610,616
Cable TV	1,689,535
Internal Service Fund:	
Insurance Reserves	12,797,568
Compensated Absences	1,388,415
Private-Purpose Trust Fund:	
Successor Agency to the Richmond Community Redevelopment Agency	67,642,836

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 10 – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM PENSION PLANS**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by the California Public Employees’ Retirement System (CalPERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

**A. General Information about the CalPERS Pension Plan**

**Plan Descriptions** – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The City’s employees hired on or before December 31, 2012 participate in the Miscellaneous Plan under the 2.7% @ 55 Benefit Formula or the Safety Plan under the 3.0% @ 50 (Police) or 3.0% @ 55 (Fire) Benefit Formula. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012. The City’s employees hired on or after January 1, 2013 participate under the Miscellaneous Plan 2.0% @ 62 Benefit Formula or the 2.7% @ 57 (Police and Fire) Benefit Formula.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 10 – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM PENSION PLANS**  
**(Continued)**

The Plans’ provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>Miscellaneous</u>		
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>	
Hire date			
Benefit formula	2.7% @ 55	2.0% @ 62	
Benefit vesting schedule	5 years service	5 years service	
Benefit payments	monthly for life	monthly for life	
Retirement age	50 - 55	52 - 67	
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%	
Required employee contribution rates	8.00%	6.75%	
Required employer contribution rates	22.070%	22.070%	
	<u><b>Safety - Police</b></u>	<u><b>Safety - Fire</b></u>	<u><b>Safety - Police and Fire</b></u>
	<u>Prior to January 1, 2013</u>	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date			
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3.00%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9.00%*	9.00%*	12.25%
Required employer contribution rates	33.264%*	33.264%*	33.264%

\* Effective July 1, 2015, Safety (Police and Fire) employees hired prior to January 1, 2013 pay 3% of the employer's required contribution. Therefore, the required employer contribution rate is 30.264% and required employee contribution rate is 12%.

**Employees Covered** – As of the June 30, 2014 actuarial valuation date and the June 30, 2015 measurement date, the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>		<u>Safety</u>	
	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Inactive employees or beneficiaries currently receiving benefits	876	883	450	467
Inactive employees entitled to but not yet receiving benefits	489	503	77	76
Active employees	494	472	264	260
Total	<u>1,859</u>	<u>1,858</u>	<u>791</u>	<u>803</u>

As of June 30, 2016, the City had 460 active employees in the Miscellaneous Plan and 258 active employees in the Safety Plan.

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 10 – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM PENSION PLANS**  
**(Continued)**

**B. Net Pension Liability**

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions** – For the measurement period ended June 30, 2015, the total pension liabilities were determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous (1)	Safety (1)
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.2% - 12.2% (2)	3.4% - 20.0% (2)
Investment Rate of Return	7.65% (3)	7.65% (3)
Mortality	Derived using CalPers Membership Data for all Funds (4)	Derived using CalPers Membership Data for all Funds (4)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

- (1) Actuarial assumptions are the same for all benefit tiers
- (2) Depending on age, service and type of employment
- (3) Net of pension plan investment expenses, including inflation
- (4) The mortality table used was developed based on CalPERS’ specific data. The table includes 5 years of mortality improvements using Society of Actuaries Scale AA. For more details on this table, please refer to the CalPERS 2010 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be found on the CalPERS website under Forms and Publications.

**Change of Assumptions** – GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

<b>NOTE 10 – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM PENSION PLANS</b> (Continued)
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**Discount Rate** – The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100.0%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 10 – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM PENSION PLANS**  
**(Continued)**

**C. Changes in the Net Pension Liability**

The changes in the Net Pension Liability as of the June 30, 2015 Measurement Date for each Plan follows:

*Miscellaneous Plan:*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2014</b>	<u>\$430,968,811</u>	<u>\$343,397,537</u>	<u>\$87,571,274</u>
<b>Changes in the year:</b>			
Service cost	7,446,410		7,446,410
Interest on the total pension liability	31,414,256		31,414,256
Differences between actual and expected experience	(5,280,549)		(5,280,549)
Changes in assumptions	(7,116,200)		(7,116,200)
Changes in benefit terms			
Plan to plan resource movement		(6,885)	6,885
Contribution - employer		7,189,716	(7,189,716)
Contribution - employee		3,141,565	(3,141,565)
Net investment income		7,502,958	(7,502,958)
Administrative expenses		(379,925)	379,925
Benefit payments, including refunds of employee contributions	(23,302,793)	(23,302,793)	
<b>Net changes</b>	<u>3,161,124</u>	<u>(5,855,364)</u>	<u>9,016,488</u>
<b>Balance at June 30, 2015</b>	<u><u>\$434,129,935</u></u>	<u><u>\$337,542,173</u></u>	<u><u>\$96,587,762</u></u>

*Safety Plan:*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2014</b>	<u>\$539,798,444</u>	<u>\$429,405,680</u>	<u>\$110,392,764</u>
<b>Changes in the year:</b>			
Service cost	10,142,245		10,142,245
Interest on the total pension liability	40,142,006		40,142,006
Differences between actual and expected experience	3,799,388		3,799,388
Changes in assumptions	(9,563,090)		(9,563,090)
Changes in benefit terms			
Plan to plan resource movement		3,476	(3,476)
Contribution - employer		10,652,641	(10,652,641)
Contribution - employee		3,797,568	(3,797,568)
Net investment income		9,408,186	(9,408,186)
Administrative expenses		(477,249)	477,249
Benefit payments, including refunds of employee contributions	(28,747,508)	(28,747,508)	
<b>Net changes</b>	<u>15,773,041</u>	<u>(5,362,886)</u>	<u>21,135,927</u>
<b>Balance at June 30, 2015</b>	<u><u>\$555,571,485</u></u>	<u><u>\$424,042,794</u></u>	<u><u>\$131,528,691</u></u>
<b>Totals - Miscellaneous and Safety Plans</b>	<u><u><b>\$989,701,420</b></u></u>	<u><u><b>\$761,584,967</b></u></u>	<u><u><b>\$228,116,453</b></u></u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 10 – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM PENSION PLANS**  
**(Continued)**

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* – The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.65%	6.65%
Net Pension Liability	\$149,934,428	\$203,757,842
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$96,587,762	\$131,528,691
1% Increase	8.65%	8.65%
Net Pension Liability	\$52,188,541	\$71,974,250

*Pension Plan Fiduciary Net Position* – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended June 30, 2016, the City recognized pension expense of \$13,099,772. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$19,577,382	
Differences between Expected and Actual Experience	2,772,526	(\$2,984,658)
Changes of Assumptions		(11,000,671)
Net Differences between Projected and Actual Earnings on Pension Plan Investments		(7,222,633)
Total	\$22,349,908	(\$21,207,962)

\$19,577,382 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2017	(\$12,085,599)
2018	(8,312,675)
2019	(6,228,383)
2020	8,191,221
2021	0
Thereafter	0

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 11 – OTHER CITY PENSION PLANS**

**A. *Plan Descriptions and Funding Policies***

The City administers three single-employer pension plans which are funded entirely by City contributions. These are the General Pension Plan, Police and Firemen’s Pension Plan, and Garfield Pension Plan (collectively, the “Plans”). The General Pension Plan, a defined benefit pension plan, covers seventeen former City employees (or their beneficiaries) not covered by CalPERS, all of whom have retired. The Police and Firemen’s Pension Plan, a defined benefit pension plan, covers forty-four retired police and fire personnel (or their beneficiaries) employed prior to October 1964. The Garfield Pension Plan is a defined benefit pension plan established for a retired police chief. The Plans provide retirement, disability, and death benefits based on the employee’s years of service, age and final compensation. Benefit provisions for the Plans are established by City Ordinance. No separate financial statements are issued for the Plans.

The City established the Secured Pension Override Special Revenue Fund to which proceeds of a special incremental property tax levy voted by the citizens of the City of Richmond are credited for the payment of benefits under the City’s pension plans. The incremental property tax revenue received for the year ended June 30, 2016 was \$7,813,191, and the City used the funds to pay the General Pension Plan and the Police and Firemen’s Pension Plan contributions of \$73,592 and \$1,222,197, respectively.

**General Pension Plan** – Retirement and other benefits are paid from the assets of the Plan and from related investment earnings. The City is required under its charter to contribute the remaining amounts necessary to fund the Plan using the entry age-normal actuarial method as specified by Ordinance. Management of the Plan is vested in the General Pension Board which consists of seven members: the Mayor, City Manager, Director of Finance, two members appointed by the Mayor, with the concurrence of five members of the City Council, each of whom shall be and remain a resident of the City in order to be a member of the Board and serve a term of five years, and two members to be elected every five years by secret ballot vote of the rank and file of Plan employees and of Plan employees who have retired and are receiving pensions from the Plan. Four members of the General Pension Board are to be concurred in by four members.

The Plan is closed to new members. Retirement benefits for Plan members are calculated as one-half of the average annual salary attached to the position held by the retiree during the three years prior to the date of retirement. Surviving spouses receive 100% of the retiree’s pension. Benefit terms provide for annual cost-of-living adjustments to each member’s retirement allowance subsequent to the member’s retirement date. The annual adjustments are an automatic increase of 2% per year. City Council may grant additional increases of up to 3% per year to bring the total increase in a given year to 5%.

**Police and Firemen’s Pension Plan** – Funding for the Plan is provided from the Secured Pension Override Special Revenue Fund. Employees were vested after five years of service. Members of the Plan are allowed normal retirement benefits after 25 or more continuous years of service. The City is required under its charter to contribute the remaining amounts necessary to fund the Plan using the entry age-normal actuarial method as specified by Ordinance. Management of the Plan is vested in the Pension Board which consists of seven members: the Mayor, City Manager, Director of Finance, two members appointed by the Mayor, with the concurrence of four members of the City Council, each of whom shall be and remain a resident of the City in order to be a member of the Board and serve a term of five years, one representative of the Police Department and one representative of the Fire Department.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 11 – OTHER CITY PENSION PLANS (Continued)**

The Plan is closed to new members. Retirement benefits for Plan members are calculated as one-half of the annual salary attached to the rank or position held by the retiree one year prior to the date of retirement. Surviving spouses receive 100% of the retiree’s pension. Benefit terms provide for annual cost-of-living adjustments to each member’s retirement allowance subsequent to the member’s retirement date. The annual adjustments are an increase each year for changes in the salary attached to the retiree’s rank in the year before retirement.

**Garfield Pension Plan** – Retirement and other benefits are paid from the assets of the Plan and from related investment earnings. Plan provisions have been established and may be amended upon agreement between the City and Mr. Garfield. Management of the Plan is vested in the City Council.

Mr. Garfield’s pension and any continuation to his spouse receive the same cost-of-living increases as the City’s police employees covered by CalPERS. (CalPERS cost-of-living increases include a 2% per year increase, subject to CPI increase constraints, and purchasing power protection through the CalPERS Purchasing Power Protection Allowance.) Mr. Garfield’s surviving spouse receives 50% of the retiree’s pension.

**B. Significant Accounting Policies**

City contributions for all plans are recognized when due and the City has made a formal commitment to provide contributions. Benefit payments and refunds are recognized when due and payable in accordance with the terms of the Plan. Administrative costs for all plans, except the investment management fees of the Police and Fireman’s Pension Plan, are paid by the City’s General Fund. The investment management fees are financed through investment earnings. Assets are valued at fair value based on available market information obtained from independent sources.

**C. Pension Plan Assets**

At June 30, 2016 the pension plans reported assets available for benefits as shown below. For actuarial purposes, the value of the Plans’ assets were determined to be fair value.

City of Richmond Investment Pool	\$2,581,820
Local Agency Investment Fund (Garfield Plan)	173,059
Wellington Trust Company Fund (Police and Firemen’s Plan)	11,121,486
Interest receivable	<u>2</u>
Assets available for benefits at June 30, 2016	<u><u>\$13,876,367</u></u>

The City of Richmond Investment Pool, classified in Level 2 of the fair value hierarchy, is valued using each Plan’s share of the investment pool. The California Local Agency Investment Fund (LAIF), classified in Level 2 of the fair value hierarchy, is valued using the fair value factor provided by the Treasurer of the State of California, which is calculated as the fair value divided by the amortized cost of the investment pool. The Wellington Trust Company Fund investments, classified in Level 2 of the fair value hierarchy, are valued using the market approach, which uses prices and other information generated from market transactions, which typically includes securities priced with unadjusted market quotes, evaluated bids, market multiples, and trade information, and also generally includes short term securities valued at amortized cost which approximates market value. Fair value is defined as the quoted market value on the last trading day of the period.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 11 – OTHER CITY PENSION PLANS (Continued)**

**Investment Policies**

The General Pension and Police and Firemen's Pension Plans' policies in regard to the allocation of invested assets is established and may be amended by Resolution of the respective Boards. The Plans allow investments in the following:

- (a) In investments which are authorized by General law for savings banks.
- (b) In investments other than those specified in subdivision (a) hereof, including, but not limited to, corporate bonds and securities, common stocks, preferred stocks, investments in real estate and investment trusts, provided that the total amount invested pursuant to this subdivision shall not exceed fifty percent (50%) of the total amount of funds invested pursuant to this section, and provided further that the following conditions are met:
  - (1) Any stocks or other corporate securities, in which funds are invested, except stocks of banks, insurance companies or mutual funds, shall be registered on a national securities exchange as provided by the Federal Securities Exchange Act.
  - (2) The total amount invested in common and preferred stocks shall not exceed at cost at the time of purchase twenty-five percent of the total amount invested pursuant to this section.
  - (3) The total amount invested in the common and preferred stocks of any one company shall not exceed at cost of the time of purchase two percent of the total amount invested pursuant to this section and shall not exceed five percent of the outstanding preferred or common stock of that company.
  - (4) No funds shall be invested in the common stocks of any company unless it has paid cash dividends on such stocks in eight of the ten years immediately preceding its purchase by the Board.
  - (5) No funds shall be invested in the stocks or other securities of any company other than a bank or insurance company unless it has assets of at least one hundred million dollars (\$100,000,000), or in the stocks or other securities of a bank or insurance company unless it has assets of at least fifty million dollars (\$50,000,000).
  - (6) The total amount invested in real estate and other than real estate owned by or leased to the City of Richmond, which amount may include land, buildings, land and buildings or real estate loans, shall not exceed twenty-five percent of the total amount invested pursuant to this section and such investments shall be restricted to first trust deeds which are insured by the Federal Housing Administration or which are guaranteed by the Veterans Administration.

The Garfield Pension Plan does not have a separate investment policy, therefore it uses the City's investment policy.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 11 – OTHER CITY PENSION PLANS (Continued)**

**Interest, Credit and Concentration Risk**

*Interest rate risk* is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City invests in equities which may be drawn down as needed, subject to terms of the underlying trust agreement. The investments held in the Pension Trust Funds all mature in less than one year.

*Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2016 the investments in the Pension Trust Funds were not rated.

*Concentration risk* states that significant investments in the securities of any individual issuers, other than U. S. Treasury securities or mutual funds, are required to be disclosed when they exceeds five percent of the total pension investments. Only the Police and Fire Pension Plan had investment concentration risk and such investments were as follows at June 30, 2016:

Issuer	Type of Investment	Amount
CIF II Core Bond Series 1 Equity	Equity Fund	\$3,923,862
CIF Research Equity	Equity Fund	2,256,060
CIF Opportunistic Investment Allocation Equity	Equity Fund	1,677,734
CIF International Research Equity	Equity Fund	1,606,261
CIF Global Contrarian Equity	Equity Fund	1,097,285
CIF Small Cap Quant Equity	Equity Fund	560,284

**Rate of Return**

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, for the Police and Firemen's, General Pension and Garfield Pension Plans was -1.2%, 0.3% and 0.4%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 11 – OTHER CITY PENSION PLANS (Continued)**

**D. Net Pension Liability of the Plans**

The components of the net pension liability of the City for each of the Plans is the total pension liability, less each Plan's fiduciary net position.

*Actuarial Assumptions.* The total pension liability as of June 30, 2016 was determined based on June 30, 2015 actuarial valuations, rolled forward to June 30, 2016 using standard update procedures. The following actuarial assumptions applied to all periods included in the measurement:

	<b>Police and Firemen's Plan</b>	<b>General Pension Plan</b>	<b>Garfield Pension Plan</b>
Discount rate, net of investment expenses	5.75%	3.00%	3.00%
Expected return on plan assets	5.75%	3.00%	3.00%
Inflation rate	2.75%	2.75%	2.75%
Cost-of-living increases	3% per year	5% per year	2% per year
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Salary increases	N/A	N/A	N/A

Mortality rates were based on the California PERS Mortality Table in its 2014 experience study (based on CalPERS 2001-2011 experience).

*Discount Rates.* The discount rates used to measure the total pension liability for the Police and Firemen's Pension Plan, General Pension Plan and Garfield Pension Plan were 5.75%, 3.00%, and 3.00%, respectively, as of June 30, 2015 and 2016.

For the Police and Firemen's Pension Plan, based on the 5 previous years the City has on average contributed 77% of the Actuarially Determined Contribution (ADC). A sufficiency test was performed including: (1) expected benefit payments for all future years; (2) assuming that 77% of the ADC is contributed to the Plan in future years; (3) assuming that future contribution losses are amortized according to the Plan's funding policy; (4) using the Plan's assumed investment return before the projected asset depletion (if any); and (5) using a 20-year AA tax-exempt general obligation municipal bond index rate of 2.85% (using as a municipal bond rate source the Bond Buyer GO 20-Year Municipal Bond Index as of June 30, 2016) after the projected asset depletion. Based on these parameters, plan assets are projected to be sufficient to pay all future benefits until a de minimus amount of estimated future benefits remain. Therefore, the Plan's long-term expected rate of return of 5.75% was used as the discount rate.

Based on the 5 previous years the City has on average contributed 89% and 83% of the Actuarially Determined Contribution (ADC) for the General Pension Plan and Garfield Pension Plan, respectively. A sufficiency test was performed including: (1) expected benefit payments for all future years; (2) assuming that 89% of the ADC is contributed to the General Pension Plan and 83% of the ADC is contributed to the Garfield Pension Plan in future years; (3) assuming that future contribution losses are amortized according to the Plans' funding policies; (4) using the Plans' assumed investment return before the projected asset depletion (if any); and (5) using a 20-year AA tax-exempt general obligation municipal bond index rate of 2.85% (using as a municipal bond rate source the Bond Buyer GO 20-Year Municipal Bond Index as of June 30, 2016) after the projected asset depletion. Based on these parameters, each of the Plan's assets are projected to be sufficient to pay all future benefits until a de minimus amount of estimated future benefits remain. Therefore, the long-term expected rate of return of 3.00% was used as the discount rate for each of these Plans.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 11 – OTHER CITY PENSION PLANS (Continued)**

The long-term expected rate of return on pension plan investments was determined for each Plan using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.75%). All results are then rounded to the nearest quarter percentage point.

The best-estimate of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best-estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

Best-estimates of geometric real and nominal rates of return for each major asset class included in the Plans' asset allocation as of the measurement date are summarized below:

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
<i>Police and Firemen's Plan:</i>			
Domestic Equity	52%	5.58%	8.33%
International Equity	0%	5.71%	8.46%
Fixed Income	36%	2.27%	5.02%
Real Estate and Alternatives	0%	4.44%	7.19%
Cash and Equivalents	12%	0.84%	3.59%
Total	<u>100%</u>		<u>6.91%</u>
Reduced for assumed investment expense			(0.64%)
Total (weighted avg, rounded to 1/4%)			<u>6.25% (1)</u>
<i>General Pension Plan:</i>			
Domestic Equity	0%	5.58%	8.33%
International Equity	0%	5.71%	8.46%
Fixed Income	0%	2.27%	5.02%
Real Estate and Alternatives	0%	4.44%	7.19%
Cash and Equivalents	100%	0.84%	3.59%
Total	<u>100%</u>		<u>3.58%</u>
Reduced for assumed investment expense			(0.50%)
Total (weighted avg, rounded to 1/4%)			<u>3.00%</u>
<i>Garfield Pension Plan:</i>			
Domestic Equity	0%	5.58%	8.33%
International Equity	0%	5.71%	8.46%
Fixed Income	0%	2.27%	5.02%
Real Estate and Alternatives	0%	4.44%	7.19%
Cash and Equivalents	100%	0.84%	3.59%
Total	<u>100%</u>		<u>3.58%</u>
Reduced for assumed investment expense			(0.50%)
Total (weighted avg, rounded to 1/4%)			<u>3.00%</u>

(1) The preliminary return for the Police and Firemen's Plan of 6.25% was then reduced by 50 basis points to 5.75% in order to reflect the effect of expected investment expense.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 11 – OTHER CITY PENSION PLANS (Continued)**

**E. Changes in the Net Pension Liability of Each Plan**

The net pension liability of each Plan is measured as of June 30, 2016 as follows:

**Police and Firemen's Plan:**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2015</b>	\$22,684,864	\$14,716,878	\$7,967,986
<b>Changes in the year:</b>			
Service cost			
Interest on the total pension liability	1,214,089		1,214,089
Differences between actual and expected experience			
Changes in assumptions			
Changes in benefit terms			
Contribution - employer		1,222,197	(1,222,197)
Contribution - employee			
Net investment income		(165,490)	165,490
Administrative expenses			
Benefit payments, including refunds of employee contributions	(3,140,552)	(3,140,552)	
<b>Net changes</b>	(1,926,463)	(2,083,845)	157,382
<b>Balance at June 30, 2016</b>	\$20,758,401	\$12,633,033	\$8,125,368

Plan fiduciary net position as a percentage of  
the total pension liability 60.9%

**General Pension Plan:**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2015</b>	\$3,899,557	\$975,637	\$2,923,920
<b>Changes in the year:</b>			
Service cost			
Interest on the total pension liability	107,632		107,632
Differences between actual and expected experience			
Changes in assumptions			
Changes in benefit terms			
Contribution - employer		602,970	(602,970)
Contribution - employee			
Net investment income		2,255	(2,255)
Administrative expenses			
Benefit payments, including refunds of employee contributions	(623,662)	(623,662)	
<b>Net changes</b>	(516,030)	(18,437)	(497,593)
<b>Balance at June 30, 2016</b>	\$3,383,527	\$957,200	\$2,426,327

Plan fiduciary net position as a percentage of  
the total pension liability 28.3%

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 11 – OTHER CITY PENSION PLANS (Continued)**

<i>Garfield Pension Plan:</i>	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2015</b>	<u>\$765,834</u>	<u>\$273,721</u>	<u>\$492,113</u>
<b>Changes in the year:</b>			
Service cost			
Interest on the total pension liability	21,615		21,615
Differences between actual and expected experience			
Changes in assumptions			
Changes in benefit terms			
Contribution - employer		102,140	(102,140)
Contribution - employee			
Net investment income		933	(933)
Administrative expenses			
Benefit payments, including refunds of employee contributions	(90,660)	(90,660)	
<b>Net changes</b>	<u>(69,045)</u>	<u>12,413</u>	<u>(81,458)</u>
<b>Balance at June 30, 2016</b>	<u><u>\$696,789</u></u>	<u><u>\$286,134</u></u>	<u><u>\$410,655</u></u>
 Plan fiduciary net position as a percentage of the total pension liability			 41.1%
 <b>Totals - Other City Pension Plans</b>	 <u><u>\$24,838,717</u></u>	 <u><u>\$13,876,367</u></u>	 <u><u>\$10,962,350</u></u>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the City for each of the Plans, calculated using the discount rate as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>Police and Firemen's Plan</u>	<u>General Pension Plan</u>	<u>Garfield Pension Plan</u>
1% Decrease	4.75%	2.00%	2.00%
Net Pension Liability	\$9,302,210	\$2,594,892	\$448,485
 Current Discount Rate	 5.75%	 3.00%	 3.00%
Net Pension Liability	\$8,125,368	\$2,426,327	\$410,655
 1% Increase	 6.75%	 4.00%	 4.00%
Net Pension Liability	\$7,064,265	\$2,272,529	\$376,132

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 11 – OTHER CITY PENSION PLANS (Continued)**

*F. Actuarially Determined Contributions*

As of June 30, 2015, the date of the most recent actuarial valuations, the actuarially determined contributions for each Plan were determined using the entry-age normal cost method and the assumptions in Note 11B above.

For the Police and Firemen’s Pension Plan, the City’s contribution policy is to annually contribute an amount equal to (1) amortization of the unfunded liability as a level-dollar over a 10-year closed period as of July 1, 2013, plus (2) future gains and losses amortized over the same period, but not less than five years. Over the past five years, the City has contributed an average of 77% of the Actuarially Determined Contribution.

For the General Pension Plan, the City’s contribution policy is to annually contribute an amount equal to (1) amortization of the unfunded liability as a level-dollar over a 6-year closed period as of July 1, 2013, plus (2) future gains and losses amortized over the same period, but not less than five years. Over the past five years, the City has contributed an average of 89% of the Actuarially Determined Contribution.

For the Garfield Pension Plan, the City’s contribution policy is to annually contribute an amount equal to (1) amortization of the unfunded liability as a level-dollar over a 7-year closed period as of July 1, 2013, plus (2) future gains and losses amortized over the same period, but not less than five years. Over the past five years, the City has contributed an average of 83% of the Actuarially Determined Contribution.

The Actuarially Determined Contribution and the actual contributions for each Plan for the year ended June 30, 2016 are presented below:

	Actuarially Determined Contribution	Amount Contributed	Percent Contributed
Police and Firemen's Pension Plan	\$1,270,466	\$1,222,197	96%
General Pension Plan	750,016	602,970	80%
Garfield Pension Plan	78,987	102,140	129%

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 11 – OTHER CITY PENSION PLANS (Continued)**

**G. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended June 30, 2016, the City recognized pension expense for each of the Plans as follows:

	Pension Expense
Police and Firemen's Plan	\$773,284
General Pension Plan	97,766
Garfield Pension Plan	17,736
	<u>          </u>
Total	<u><u>\$888,786</u></u>

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for these Plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	-	-
Differences between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Net Differences between Projected and Actual		
Earnings on Pension Plan Investments	\$1,195,427	-
	<u>          </u>	<u>          </u>
Total	<u><u>\$1,195,427</u></u>	<u><u>\$0</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2017	\$335,018
2018	335,018
2019	335,017
2020	190,374

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 11 – OTHER CITY PENSION PLANS (Continued)**

**H. Plan Financial Statements**

The Statement of Net Position for the Plans at June 30, 2016 follows:

	<u>Police and Fireman's Pension</u>	<u>General Pension</u>	<u>Garfield Pension</u>
<b>ASSETS</b>			
Pension plan cash and investments:			
City of Richmond Investment Pool	\$1,511,546	\$957,200	\$113,074
Local Agency Investment Fund			173,059
Mutual Fund Investments	11,121,486		
Interest receivable	<u>1</u>		<u>1</u>
Total Assets	<u>12,633,033</u>	<u>957,200</u>	<u>286,134</u>
<b>NET POSITION</b>			
Restricted for employees' pension benefits	<u>\$12,633,033</u>	<u>\$957,200</u>	<u>\$286,134</u>

The Statement of Changes in Plan Net Position for the year ended June 30, 2016 follows:

	<u>Police and Fireman's Pension</u>	<u>General Pension</u>	<u>Garfield Pension</u>
<b>ADDITIONS</b>			
Net investment income:			
Net increase (decrease) in the fair value of investments	(\$391,119)	(\$108)	
Interest income	310,348	2,363	\$942
Investment management fees	(84,719)		(9)
Contribution from the City	<u>1,222,197</u>	<u>602,970</u>	<u>102,140</u>
Total Additions	<u>1,056,707</u>	<u>605,225</u>	<u>103,073</u>
<b>DEDUCTIONS</b>			
Pension benefits	<u>3,140,552</u>	<u>623,662</u>	<u>90,660</u>
Total Deductions	<u>3,140,552</u>	<u>623,662</u>	<u>90,660</u>
Net Increase (Decrease)	(2,083,845)	(18,437)	12,413
<b>NET POSITION RESTRICTED FOR PENSIONS</b>			
Beginning of year	<u>14,716,878</u>	<u>975,637</u>	<u>273,721</u>
End of year	<u>\$12,633,033</u>	<u>\$957,200</u>	<u>\$286,134</u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 11 – OTHER CITY PENSION PLANS (Continued)**

***I. PARS Defined Contribution Plan***

Effective July 1, 2014, the City contracted with the Public Agency Retirement System (PARS), to sponsor a Section PARS 457 FICA Alternative Retirement Plan created in accordance with IRC Sections 3121(b)(7)(F) and 457(b), which is a qualified defined contribution pension plan covering all eligible part-time, seasonal and temporary employees of the City on that date and hired thereafter.

The Plan requires these employees to contribute 6.2% and the City to contribute 1.3% of the employees pay plus administration costs. The City's required contributions of \$20,216 and the employees' required contributions of \$96,414 were made during the fiscal year ending June 30, 2016.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 12– OTHER POSTEMPLOYMENT BENEFITS**

**A. Plan Provisions**

In order to qualify for postemployment medical and dental benefits an employee must retire from the City and maintain enrollment in one of the City’s eligible health plans. The City pays a portion of the CalPERS premiums for retirees and their dependents that vary by employment classification. In addition, the following eligibility rules and contribution requirements apply for future retirees, followed by current retirees:

Plan Provisions for Future Retirees		
Classification	Eligibility (Age/Service Years)	Monthly Premium Paid by City Before/After Medicare
SEIU Local 1021	Service Retirement: 50/20, 51/18, 52/16, 53/14, 54/12, 55/10 Disability Retirement: any age/10	Retiree only or surviving spouse: the lesser of \$435 and medical premium Retiree +1 or more: the lesser of \$567 and medical premium Plus PEMHCA Minimum: \$125 Retired after 7/1/1995: Reimbursement allowed towards non-PERS plans
IFPTE, Miscellaneous Executive Management, City Council	Service Retirement: Same as SEIU	Retiree only or surviving spouse: the lesser of \$435 and medical premium Retiree +1 or more: the lesser of \$567 and medical premium Plus PEMHCA Minimum: \$125
Fire Local 188	35/15	Percentage of premium (medical premium minus PEMHCA minimum) for retiree/dependents/surviving spouse up to premium for coverage. Percentage is 90%, increased to 100% after 27 years of service. Total City contribution, excluding PEMHCA minimum, is capped at Kaiser non-Medicare eligible premium for coverage selected. Plus PEMHCA minimum: \$125
Fire Management and Fire Executive Management	35/15	Percentage of premium (medical premium minus PEMHCA minimum) for retiree/dependents/surviving spouse up to premium for coverage. Percentage is 80%, increased to 90% after 15 years of service and 100% after 25 years of service. Total City contribution, excluding PEMHCA minimum, is capped at Kaiser non-Medicare eligible premium for coverage selected. Plus PEMHCA minimum: \$125
Richmond Police Officer Association (RPOA)	10 years of service Service includes non City service Minimum 5 years City Service	Lesser of: percentage of premium for retiree/dependents/surviving spouse times medical premium minus PEMHCA minimum or percentage of premium for retiree/dependents/surviving spouse but no more than \$827 per month, minus dental and vision premiums. Percentage is 50%, increased to 90% after 15 years of service, and 100% after 25 years of service Plus PEMHCA Minimum: \$125 City also pays 100% of dental and vision premiums.
Police Widows	Death in line of duty	Full premium of medical, dental and vision
Police Management and Police Executive Management	50/20, 51/18, 52/16, 53/14, 54/12, 55/10 Service includes non City service Minimum 5 years City Service	Percentage of premium (medical premium minus PEMHCA minimum) for retiree/dependents/surviving spouse up to Kaiser (Pre Medicare) and 2nd highest premium plan (post Medicare). Percentage is 65%, increased to 75% after 20 years of service, and 100% after 25 years of service.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

<b>Plan Provisions for Current Retirees</b>		
<b>Classification</b>	<b>Subgroup</b>	<b>Monthly Premium Reimbursement Before/After Medicare Eligibility</b>
SEIU Local 1021	Retired July 1, 2007 or later	Same as future retirees
	Retired prior to July 1, 2007	Same as future retirees, but caps are: Retiree only or surviving spouse: \$224/\$182 Retiree +1 or more: \$344/\$284
IFPTE, Miscellaneous Executive Management	Retired July 1, 2007 or later	Same as future retirees
	Retired November 5, 1999 to June 30, 2007	Same as future retirees, but caps are: Retiree only or surviving spouse: \$224/\$182 Retiree +1 or more: \$344/\$284
	Retired before November 5, 1999	Same as future retirees, but caps are: Retiree only or surviving spouse: \$124/\$82 Retiree +1 or more: \$244/\$184
Fire Local 188		Same as future retirees
Fire Management	Retire on or after 7/1/2006	Same as future retirees
	Retire before 7/1/2006	Same as future retirees, but caps are: Percentage of premium for retiree/dependents/surviving spouse up to Kaiser non-Medicare eligible premium for coverage selected. Percentage is 90%, increased to 100% after 27 years of service.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

<b>Plan Provisions for Current Retirees (Continued)</b>		
<b>Classification</b>	<b>Subgroup</b>	<b>Monthly Premium Reimbursement Before/After Medicare Eligibility</b>
Richmond Police Officer Association (RPOA)	Retire on or after 7/1/2008	Same as future retirees
	Retired between 7/1/2004 and 6/30/2008	Same as future retirees, but: Reimbursement capped at \$614
	Retired between 7/1/1997 and 6/30/2004	Same as future retirees, but: Reimbursement capped at \$550
	Retired between 7/1/1994 and 6/30/1997	Percentage of premium (medical premium minus PEMHCA minimum) for retiree/dependents/surviving spouse including dental and vision. Percentage is 65% for 10-19 years of service, increased to 75% after 20 years of service, and 100% after 27 years of service Premium paid for dental and vision. Plus PEMHCA minimum
	Retired before 7/1/1994	Percentage of premium (medical premium minus PEMHCA minimum) for retiree/dependents/surviving spouse including dental and vision. Percentage is 65% for 10-19 years of service, increased to 75% after 20 years of service, and 100% after 27 years of service Reimbursement, excluding the PEMHCA minimum, capped at \$210 for single coverage and \$300 for 2-party coverage Premium paid for dental and vision. Plus PEMHCA minimum
Police Management and Police Executive Management	Retired on or after 7/1/2008	Same as future retirees
	Retired between 1/1/1995 <sup>(1)</sup> and 6/30/2008	Percentage of premium (medical premium minus PEMHCA minimum) for retiree/dependents/surviving spouse. Percentage is 65% for 10-19 years of service, increased to 75% after 20 years of service, and 100% after 27 years of service. Retired after 1/1/2007 - Reimbursement capped at Kaiser premium, excluding the PEMHCA minimum, for pre-Medicare and 2nd highest premium plan for post-Medicare for coverage selected Retired before 1/1/2007 - Reimbursement capped at 2nd highest premium plan, excluding the PEMHCA minimum, for coverage selected Retired after 7/1/1995: Reimbursement allowed towards non-PERS plans Plus PEMHCA minimum: \$125

<sup>(1)</sup> Although the City did provide medical premium benefits with single and 2-party caps for Police Management that retired prior to January 1, 1995, of June 30, 2016 there were no retirees receiving such benefits.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

For retirees eligible to continue health benefits, but failing to meet the criterion in the tables above, the City pays the Public Employees Medical and Hospital Care Act (PEMHCA) minimum, which is \$125 in 2016.

**B. Funding Policy and Actuarial Assumptions**

During the year ended June 30, 2008, the City joined the Public Agencies Post-Retirement Health Care Plan, an agent multiple employer trust administered by Public Agency Retirement Services (PARS). The balance in the City's PARS trust account as of June 30, 2016 was \$2,121,069. PARS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from Public Agency Retirement Services, 4350 Von Karman Avenue, Suite 100, Newport Beach, CA, 92660.

The City's policy is to partially prefund these benefits by accumulating assets with PARS discussed above along with making pay-as-you-go payments pursuant to Resolution No. 52-06 of June 27, 2006. In December 2014, the City adopted an additional funding policy to place into the PARS trust half of any one-time revenues and half of any year-end surplus in excess of the City's minimum reserve policy (7%) in an effort to pay down the unfunded liability. Although the City paid \$1,782,535 to the PARS trust during fiscal year 2016, there was no surplus as defined above in fiscal years 2015 or 2016 to provide additional funding contributions. The fiscal year 2016 annual required contribution (ARC) was determined as part of a July 1, 2015 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 3.75% investment rate of return, (b) 3.0% projected annual salary increase (c) inflation rate of 2.75% (general) and 4.0% (CPI medical care), and (d) health care cost trend rates for medical of 8.25-6.0% for 2016 to 2019, 5.30% for 2020 to 2052 and decreasing to an ultimate rate of 4.40% in 2076 and subsequent, and 4.0% for dental and vision. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year amortization period on a closed basis (24 years remaining at July 1, 2015). Subsequent changes are amortized over a closed 15-year period.

Changes of assumptions since the prior actuarial valuation were:

- To comply with newly revised Actuarial Standard of Practice No. 6 (ASOP 6), the July 1, 2015 actuarial valuation includes an implicit subsidy liability. This liability was not calculated in prior reports because of the former "community rating" exemption for employers participating in large pooled health plans like CalPERS. When premiums for retirees are determined using a blend of active employee and retiree experience, it creates an implicit subsidy to the retirees, since retiree healthcare costs are generally higher than active employees. ASOP 6 effectively requires most public agencies to calculate an implicit subsidy liability whenever their retirees participate in the group medical plans, but only pay the same premiums as active employees. ASOP 6 is effective for all actuarial valuations with a measurement date on or after March 31, 2015.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

- The discount rate was changed from 4.00% to 3.75% based on updated expectations of long-term returns on trust and general City assets.
- Healthcare, dental and vision trend rates were reset to reflect updated cost increase expectations.
- The assumed future CPI Medical Care increase rate was changed from 4.50% to 4.00% to reflect updated increase expectations.
- Retirement, disability, mortality and salary increase rates were updated from the rates used in the CalPERS 1997-2007 Experience Study for Miscellaneous, Police and Fire Public Agencies to rates used in the 6/30/2014 CalPERS Public Agency Miscellaneous, Police and Fire actuarial valuations.
- The percent of current retirees under age 65 currently waiving coverage assumed to elect coverage at age 65 changed from 20% to 0% to reflect updated expectations based on recent plan experience.
- The payroll growth assumption was changed from 3.25% to 3.00% to be consistent with the assumptions used in the 2014 CalPERS actuarial valuations.
- The general inflation assumption was changed from 3.00% to 2.75% to reflect updated historical analysis and forward-looking market expectations.

**C. Funding Progress and Funded Status**

Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2016, the City contributed \$3,612,753 to the Plan for pay-as-you-go premiums and an additional \$1,782,535 was contributed to the Plan, which in total represented 7.4% of the \$73,167,448 of covered payroll. As a result, the City has recorded the Net OPEB Obligation, representing the difference between the ARC and actual contributions, as presented below:

Annual required contribution	\$20,085,940
Interest on net OPEB obligation	1,465,342
Adjustment to annual required contribution	(3,256,100)
Annual OPEB cost	18,295,182
Contributions made:	
Pay as you go (premiums paid)	(3,612,753)
Paid to trust	(1,782,535)
Implicit subsidy	(2,337,152)
	10,562,742
Change in net OPEB obligation	39,075,795
Net OPEB obligation June 30, 2015	39,075,795
<b>Net OPEB obligation June 30, 2016</b>	<b>\$49,638,537</b>

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated July 1, 2015, amounted to \$196,378,960.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The Plan's annual required contributions and actual contributions for the fiscal year are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2014	\$11,427,000	\$2,012,286	18%	\$30,883,892
6/30/2015	12,081,000	3,889,097	32%	39,075,795
6/30/2016	18,295,182	7,732,440	42%	49,638,537

The Schedule of Funding Progress below and the required supplementary information immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the actuarial studies is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A - B)	Funded Ratio (A/B)	Covered Payroll (C)	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A - B)/C]
7/1/2015	\$345,000	\$196,379,000	(\$196,034,000)	0.2%	\$73,167,000	-268%

**NOTE 13 – DEFERRED COMPENSATION PLAN**

City employees may defer a portion of their compensation under a City sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under this plan are not the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 14 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets; general liability; errors and omissions; injuries to employees; natural disasters; and inverse condemnation. The City began self-insuring its workers' compensation in 1976. In July 2009 the City joined the California Joint Powers Risk Management Authority (CJPRMA) for general liability and employment practices coverage. In April 2009 the City joined the California State Association of Counties Excess Insurance Authority (CSAC EIA) for worker's compensation insurance. The City has chosen to establish a risk financing internal service fund where assets are accumulated for claim settlements and expenses associated with the above risks of loss up to certain limits.

Excess coverage for the risk categories excluding inverse condemnation is provided by policies with various commercial insurance carriers. Self-insurance and insurance company limits are as follows:

Type of Coverage	Self-Insurance / Deductible	Coverage Limit	Insurance Carrier
	Earthquake: 10% pre-1970, 5% post-1970 of total insured value of each building; minimum \$100,000		
Difference in Conditions	All others: \$25,000	\$50,000,000 inclusive of deductible	Various National Union Fire Insurance Company of Pittsburgh, PA
Crime/Employee Dishonesty	\$10,000 per claim	\$1,000,000 inclusive of deductible	
Property	\$10,000 per claim	\$1,000,000,000 inclusive of deductible \$25,000,000 limit for flood	Various
Boiler and Machinery	\$5,000 per claim	\$100,000,000 inclusive of deductible	Lexington
Port Liability	\$25,000 per claim	\$50,000,000 inclusive of deductible	Various
Special Events Program	N/A	\$1,000,000 per occurrence; \$2,000,000 aggregate	Evanston Insurance
Excess Workers' Compensation	\$750,000 per claim	Statutory limit	Various
Student Volunteer	N/A	\$50,000 limit	Ace American
Pollution Liability - Policy 1	\$250,000 per claim	\$20,000,000 inclusive of deductible	Ace - Illinois Union
Pollution Liability - Policy 2	\$75,000 per claim	\$1,000,000 limit	Various
Cyber Liability	\$100,000 per claim	\$2,000,000 limit	Various

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 14 - RISK MANAGEMENT (Continued)**

**CJPRMA**

The CJPRMA provides coverage against the following types of loss risks under the terms of a joint powers agreement with the City as follows:

<u>Type of Coverage (Deductible)</u>	<u>Coverage Limits</u>
Liability (\$500,000)	\$40,000,000
Employment Practices (\$500,000)	10,000,000

Once the self-insured retention is exhausted on each claim, CJPRMA becomes responsible for payment of future expenses related to the claim. The City paid contributions of \$587,813 for the year ended June 30, 2016. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Audited financial statements for the CJPRMA are available from CJPRMA, 3201 Doolan Road, Suite 285, Livermore, CA 94551.

**CSAC-EIA**

CSAC-EIA is a public entity risk pool of cities and counties within California. The CSAC-EIA provides workers' compensation coverage up to the statutory limit and the City retains a self-insured retention of \$750,000. Loss contingency reserves established by the CSAC-EIA are funded by contributions from member agencies. The City pays an annual contribution to the CSAC-EIA, which includes its pro-rata share of excess insurance premiums, charges for pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the risk pool. The City paid contributions of \$278,774 for the year ended June 30, 2016. CSAC-EIA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained. CSAC-EIA is currently fully funded. No provision has been made on these financial statements for liabilities related to possible additional assessments.

Audited financial statements for CSAC-EIA are available from CSAC-EIA, 75 Iron Point Circle, Suite 200, Folsom, CA 95630.

**Housing Authority Insurance Group**

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 14 - RISK MANAGEMENT (Continued)**

Property	Building and Personal Property Premium	Annual Premium	Deductible
Triangle Court	\$13,170	\$13,543	\$25,000
Nevin Plaza (#1)	4,769	4,886	25,000
Friendship Manor	5,438	5,664	25,000
Hacienda	10,365	10,365	25,000
Nystrom Village	16,922	17,443	25,000
Administration Office	639	639	25,000

All of the Housing Authority properties are included in the general liability coverage under the CJPRMA program.

**Liability for Self Insured Claims**

The City records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers' compensation claims. The estimated liability for workers' compensation claims and general liability claims is based on case reserves and include amounts for claims incurred but not reported (IBNR), and is recorded in the Insurance Reserves Internal Service Fund. At June 30, 2016, the estimated claims payable of \$39,403,229, consisting of reserves for both reported and IBNR losses, as well as allocated loss adjustment expenses, have been recorded in the Insurance Reserves Internal Service Fund. The claims payable are reported at their present value using expected future investment yield assumptions of 3% and an 80% confidence level. The undiscounted claims totaled \$43,868,000 at June 30, 2016. Changes in the claims liabilities for the years ended June 30, 2016 and 2015 were as follows:

	2016	2015
Claims liabilities, beginning of year	\$29,583,740	\$25,697,150
Current year claims	9,802,000	8,931,978
Change in prior year claims	8,480,693	4,661,085
Claim payments	(5,232,866)	(5,969,331)
Legal, administrative and other expenses	(3,230,338)	(3,737,142)
<b>Claims liabilities, end of year</b>	<b><u>\$39,403,229</u></b>	<b><u>\$29,583,740</u></b>
<b>Claims liabilities, due in one year</b>	<b><u>\$13,331,213</u></b>	<b><u>\$7,919,524</u></b>

For the years ended June 30, 2016, 2015 and 2014 the amount of settlements did not exceed insurance coverage.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 15 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City’s non-major enterprise funds include the following:

- Richmond Marina Fund – Marina operations and maintenance, including berth rentals and use of marina facilities.
- Storm Sewer Fund – Storm sewer management and urban runoff control.
- Cable TV Fund – Administration and enforcement of the franchise agreements with two cable television systems, management of a municipal cable channel, departmental video services, media and public information, and telecommunications planning.

Fiscal 2016 condensed financial information for the Richmond Marina Enterprise Fund is as follows:

**Condensed Statement of Net Position**

Assets:	
Current assets	\$3,525,793
Capital assets	1,608,325
Total assets	<u>5,134,118</u>
Liabilities:	
Current liabilities	277,797
Long-term liabilities	2,701,553
Total liabilities	<u>2,979,350</u>
Net position:	
Net investment in capital assets	(1,174,802)
Unrestricted	3,329,570
Total net position	<u>\$2,154,768</u>

**Condensed Statement of Revenues, Expenses and Changes in Net Position**

Operating revenues:	
Lease income	\$517,108
Operating expenses:	
General and administrative	(26,400)
Depreciation	(85,196)
Operating income	<u>405,512</u>
Nonoperating revenues (expenses):	
Interest income	13,524
Interest expense	(125,533)
Income (Loss) Before Contributions and Transfers	<u>293,503</u>
Transfers out	(100,000)
Change in net position	193,503
Beginning net position	1,961,265
Ending net position	<u>\$2,154,768</u>

**Condensed Statement of Cash Flows**

Net cash provided (used) by:	
Operating activities	\$485,018
Noncapital and related financing activities	(100,000)
Capital and related financing activities	(206,814)
Investing activities	11,850
Net increase	190,054
Beginning cash and investments	3,262,392
Ending cash and investments	<u>\$3,452,446</u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 16 - COMMITMENTS AND CONTINGENCIES**

**A. *Lease and Construction Commitments***

The Police Department occupies leased premises owned by DiCon Fiberoptics, Inc. The City's original lease was a three year lease which expired on December 31, 2009, and it had an option to renew for five (5) one year periods until December 31, 2014. In October 2014, the City and DiCon Fiberoptics, Inc. entered into a new five year lease extension with the term commencing January 1, 2015 through December 31, 2019, with an option to renew for five (5) one year periods until December 31, 2024. The lease calls for minimum monthly lease payments of \$100,573.

The City's future commitments under construction and other projects totaled approximately \$60.1 million at June 30, 2016 for various projects.

**B. *Litigation***

The City is involved in various claims and litigation resulting from its normal operations. The ultimate outcome of these matters is not presently determinable. In City management's opinion these matters will not have a significant adverse effect on the City's or RHA Properties' financial position, with two potential exceptions noted below:

In March 2012, a developer and an associated entity filed a complaint in federal court against the United States of America, two individuals, and the City contending breach of contract related to a Land Disposition Agreement (LDA) between the developer and the City for the development of City-owned property for a specific use. The developer and associated entity seek damages of \$30 million as well as lost profits of over \$750 million. The City disputes the allegations and contends that the LDA did not commit the developer or the City to develop the property for the specific use and that the developer's right to move forward with the development was subject to various federal approvals. The City received a favorable judgement on the matter, but an appeal by the developer and associated entity is pending. The City had filed a separate lawsuit in state court against the developer seeking declaratory relief that the City did not breach the LDA, but that lawsuit was stayed by the state court judge pending resolution of the federal action. The City may be negatively impacted should the court rule in favor of the developer and associated entity, however any such impact cannot be determined at this time.

**C. *Grant Programs***

The City participates in several federal and State grant programs. These programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, except as noted under Grant Programs – Disallowed Costs below.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 16 - COMMITMENTS AND CONTINGENCIES (Continued)**

**D. Grant Programs – Disallowed Costs**

*HOME and CDBG Programs*

During fiscal year 2013, the City was subject to two separate monitoring visits by the Department of Housing and Urban Development (HUD) of the City's HOME investment partnership (HOME) and Community Development Block Grant (CDBG) activities. In its reports, HUD listed thirteen findings covering various activities performed over a six year period applicable to the programs and disallowed costs approximating \$2.4 million. The City prepared responses to the findings, including assembling and providing additional documentation to HUD as well as performing numerous corrective actions and meetings to negotiate settlements with HUD. In July 2016, HUD determined the City's repayment obligation to be \$366,063, \$786,597, and \$1,807,490 for CDBG-R, CDBG and HOME, respectively. The City could request a Voluntary Grant Reduction in the amount of \$1,807,409 in unspent HOME funds to be applied toward the obligation, however, if the City elected to make this request, all remaining obligations would be due within 90 days. Alternatively, the City could request a repayment plan with installments over a three-year period. In lieu of making payments to HUD for the return of the ineligible costs, in August 2016, the City requested a Voluntary Grant Reduction of \$1,807,409 in unspent HOME funds to be applied toward the obligation. The City also requested a Voluntary Grant Reduction in the amount of \$85,000 in unspent CDBG funds to be used towards the \$786,597 CDBG repayment obligation. Finally, the City requested a payment plan with installments over three years for the remaining CDBG and CDBG-R funds. In December 2016, the City accepted HUD's repayment terms regarding the treatment of the ineligible costs for the CDBG repayment obligation of \$786,597, which is payable in two equal installments in fiscal years 2018 and 2019. The CDBG-R repayment obligation of \$366,063 is due on or before March 30, 2017. As of February 2017, the City has not received approval from HUD regarding the treatment of the HOME ineligible costs and the ultimate method of repayment cannot be determined at this time.

*Neighborhood Stabilization Program (NSP1)*

During fiscal year 2014, the City was subject to a monitoring visit from the Office of Inspector General of the City's Neighborhood Stabilization Program (NSP1) and received notification in October 2014 from HUD that it was demanding the repayment of \$914,090 for ineligible expenses. In lieu of making a payment to HUD for the return of the ineligible costs, in November 2014, the City requested a grant reduction of \$595,863 in unspent NSP1 funds to be applied towards the finding. In addition, the City requested approval to use the proceeds from income generated from the pending sale of certain NSP1 properties to make up the \$318,227 difference. Given that the NSP1 is governed by CDBG regulations, the City believes that HUD's Voluntary Grant Reductions in Lieu of Repayment for Ineligible CDBG and HOME Activities "Program" applies to NSP1. In July 2016, HUD notified the City that it could make a request for a Voluntary Grant Reduction of \$595,863 in unspent NSP1 funds to be applied towards the NSP1 repayment obligation. If the request was made, the remaining \$318,227 would be due within 90 days. In August 2016, the City made a second request for the approval of a Voluntary Grant Reduction of \$595,863 in unspent NSP1 funds and for the remaining \$318,227 to be paid using the proceeds from income generated from the sale of NSP1 properties. In December 2016, the City accepted HUD's repayment terms regarding the treatment of the ineligible costs of \$318,227, which are due in two payments in fiscal year 2017 (\$62,645) and fiscal year 2018 (\$255,762).

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 16 - COMMITMENTS AND CONTINGENCIES (Continued)**

*Environmental Protection Agency Program (EPA)*

In May 2014, the City received notification from the U.S. Environmental Protection Agency (EPA) that due to four findings included the fiscal year 2012 Single Audit related to four separate grant programs, the EPA is questioning as unsupported \$1,200,000 in grant expenditures. The notification requires the City to either confirm that the corrective actions to resolve the Single Audit findings were implemented or to repay the grant funds to the EPA. City staff submitted a response to the notification, providing the required documentation and objecting to the claim. The matter is still pending with the EPA as of February 2017, and the final amount of disallowed costs, if any, cannot be determined at this time.

*HOME and Neighborhood Stabilization Program (NSP3)*

During fiscal year 2015, the City was subject to monitoring visits by the Department of Housing and Urban Development (HUD) of the City's HOME investment partnership (HOME) and Neighborhood Stabilization Program (NSP3) activities. In its reports, HUD listed three findings (two HOME findings and one NSP3 finding). The findings require the City to repay \$1,089,613 of expended grant funds on the Filbert Phase 2 activity, which is not a HOME eligible activity, and to repay \$23,070 for expenses disbursed by the City prior to the completion of the required environmental review. The City prepared responses to the findings, including assembling and providing additional documentation to HUD as well as performing numerous corrective actions and meetings to negotiate settlements with HUD. The negotiations are still in process as of February 2017, and the final amount of disallowed costs cannot be determined at this time.

*Housing and Urban Development*

On June 3, 2016, the Office of the Inspector General issued a report in response to an allegation that the Authority allowed the City to use HUD funds and Authority assets and that the City charged the Authority for rent and services at an unreasonable price. The report concluded that the allegations held merit and the Authority misspent \$2.2 million in HUD funds and had \$994,910 in unsupported costs due to a lack of independence between the Authority and the City along with a weak internal control environment. The OIG recommended that the Director of the San Francisco Office of Public Housing that monitors the Authority, require the Authority to repay \$2.1 million for ineligible use of HUD funds along with \$53,347 for duplicate charges, and \$60,000 for a City initiated management audit. In addition, it was suggested the Authority be required to provide additional support for \$80,890 of the Executive Director's salary spent on activities, \$180,000 spent on office rent, determine proper use of former maintenance building property, and develop and implement financial policies and procedures for the current operating environment. Further, it was recommended that HUD work with the Authority to improve control and accountability including HUD receivership and separating the Authority finances from the City. The Authority is contesting several of the conclusions made by the OIG and is seeking legal counsel with regards to further actions necessary. OIG's report is subject to HUD and the Departmental Enforcement Center Revisions and evaluations. Authority management strongly believes in its response made to OIG that the Authority's actions were proper and agreed to in advance by HUD. As of February 2017, the amount of ineligible costs cannot be determined at this time.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 16 - COMMITMENTS AND CONTINGENCIES (Continued)**

*E. Housing Authority – Easter Hill Project*

The Authority participates in a number of federally assisted grant programs, principal of which are the Section 8 Housing Assistance and the HOPE VI Revitalization Grant. It is possible that at some future date, it may be determined that the Authority is not in compliance with applicable grant requirements. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Authority does not expect such disallowed amounts, if any, to materially affect the financial statements.

In June 2000, the Richmond Housing Authority received a \$35 million grant (HOPE VI Grant) from the U.S. Department of Housing and Urban Development (“HUD”) for the revitalization of the former Easter Hill Public Housing Project. The original Easter Hill site, owned by the Richmond Housing Authority, included 300 units on 21 acres in the Cortez/Stege neighborhood of Richmond.

The California Tax Credit Committee, City of Richmond, Bank of America, Silicon Valley, Federal Home Loan Bank, California Housing Finance Agency, the Richmond Housing Authority along with the \$35 million dollar HUD grant financed this \$120 million revitalization effort. Physical costs are estimated to be approximately \$108 million and life services, relocation, acquisition, administrative and other costs are estimated to be approximately \$12 million. The physical development includes approximately 320 rental and homeownership units to replace the 300 rental units originally at the site and 273 remaining units at the time of grant approval. Amenities at the revitalized site include a pool and a 5,000 square feet community room with facilities for an after school program, computer center, gymnasium and conference room.

In addition, pursuant to the same agreement, the Authority is entitled to receive reimbursement for certain costs it has incurred in development of these projects. Upon completion of the project, the Authority recorded \$14,276,909, representing reimbursement from the developer which had been recorded in the accompanying financial statements as due from developer. The balance outstanding as of June 30, 2016 is \$11,221,743.

In 2002, the Authority chose the development team of McCormack Baron Salazar, Inc. and Em Johnson Interest, Inc. to develop the site. Em Johnson Interest has developed the 82 homeownership units affordable to low, moderate and market rate buyers. McCormack Baron was charged with the development of 300 rental units, affordable to households 60% or below the area median income for Contra Costa County.

Thus far, all new construction rental units at the former Easter Hill site have been developed. Thirty-six rehab rental units at the site are underway. The remaining 202 rental units at the site have been leased. Similarly, all 82 homeownership units at the former Easter Hill and Cortez sites have been constructed. With the exception of one unit at the Cortez site, all homeownership units have been sold.

Due to the City Council’s action to not allow the Authority to retain the Fire Training site originally anticipated for phase III of the project, the third phase is being revised to include the Authority’s Nystrom Village and Hacienda Public Housing sites. This will include the demolition and reconstruction of the 252 rental units presently existing at the two sites. As the proposal and conceptual plans are being developed, the final financial and construction plans are not determined at this time.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 16 - COMMITMENTS AND CONTINGENCIES (Continued)**

**F. *Disposition of Westridge at Hilltop Apartments***

On May 24, 2013, RHA Properties entered into a Purchase & Sale Agreement (PSA) with Menlo Capital Group, LLC (the Buyer) for the disposition of Westridge at Hilltop Apartments for a price of \$40 million. Upon closure of the disposition on April 15, 2014, title of all capital assets was transferred from RHA Properties to Menlo Westridge Affordable Partners, LP. The gain from the capital assets sale, after charges and costs associated with the sale, was \$12,703,208. According to the sales agreement, at June 30, 2016, \$2,500,000 of sales proceeds were withheld in an escrow account as a repair reserve fund held by the Buyer to be used for repairs within 18 months after closing.

The Buyer, at its sole and absolute discretion will hire third party contractors to implement such repairs. Once the repairs are complete, the Buyer is to submit third part audited and certified invoices to escrow for immediate reimbursement to the Buyer or payment to contractors for such repairs at the Buyer's option. All repairs and reimbursement of repairs from the Repair Reserve Fund Holdback are subject to the Buyer's sole and absolute discretion. RHA Properties has made demands to return the \$2,500,000 based on the passage of 18 months from the closing date of the sale.

Pursuant to the Holdback Agreement, the funds held in escrow were only available to the Buyer within 18 months of closing, which has expired. Management of RHA Properties is of the opinion that they are in a very good position and can expect to collect the \$2,500,000. A lawsuit was filed by the Authority/RHA Properties against the buyer of Westridge at Hilltop Apartments to release the funds and according to the Attorney acting on behalf of RHA Properties, the case is moving along as expected. The repair reserve fund was released to RHA Properties in August 2016.

**G. *RHA Properties – Status of Operations***

RHA Properties having sold Westridge at Hilltop Apartments is at the point of being an entity with no activity. It is idle and available to be used in the future. Management currently has no further plans for the entity.

**H. *Point Molate – Pollution Remediation***

In September 2008, the City entered into an Early Transfer Cooperative Agreement (ETCA) with the United States Department of the Navy the (Navy) to facilitate the transfer of 41 acres of property that was formerly the Naval Fuel Depot Point Molate (Point Molate). The ETCA identifies certain known pollution issues with the property, and the Navy is the responsible party. However, under the provisions of the ETCA, the Navy advanced \$28 million to the City representing the estimated cost of cleanup, and the City committed to manage the project. Any pollution found that was not caused by the Navy's use of the land is to be paid by the City, however, as of June 30, 2016, no additional pollution has been identified.

The City also entered into an agreement in September 2008 with a Developer to sell approximately 134 acres of land located the Point Molate along with the 41 acres of which the Navy is to transfer to the City. The Developer is to complete the cleanup on behalf of the City in accordance with the requirements of the ETCA. The City committed to pass-through the funds received from the Navy to the Developer.

In April 2010, the City and Developer entered into an agreement to establish a fiscal agent escrow account to maintain the funds held for the remediation of Point Molate. The funds advanced by the Navy are to be held in escrow with a fiscal agent and the agent is responsible for disbursing funds to the Developer as costs are incurred. The terms of the agreement are effective until a certificate of completion is issued for the remediation of the property.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 16 - COMMITMENTS AND CONTINGENCIES (Continued)**

Under the terms of the agreements with the Navy and the Developer, the City does not retain responsibility for the cleanup of the known pollution. The City is merely acting as a pass-thru of the grant funds from the Navy to the Developer and the activities for the project are reported in the Pt. Molate Private-Purpose Trust Fund.

**I. Other – Major Taxpayer**

In fiscal year 2009, a major business license taxpayer filed a complaint challenging the legality of Measure T, a voter initiative that took effect on January 1, 2009. Measure T amended the City's business license tax calculation for manufacturers. Although the City believed Measure T to be lawful, the court ruled on December 17, 2009 that the tax was unconstitutional. The court ruled in favor of the business license taxpayer awarding a refund of the \$20.5 million Measure T taxes paid. The City filed an appeal, however in May 2010 the taxpayer and the City entered into a settlement agreement in order to achieve certainty in the tax revenue that the City will receive from the taxpayer over the next 15 years. The agreement provides for annual payments from the taxpayer ranging from \$4 million to \$13 million starting July 1, 2011, with payments totaling \$114 million. In addition, the agreement incorporated the prior settlement of a dispute over fiscal year 2006, 2007 and 2008 utility user's taxes totaling \$28 million that was paid in four installments beginning in fiscal year 2009. Payments totaling \$61 million were received under the settlement agreements in fiscal years 2011 through 2016.

In fiscal year 2015, the City entered into an Environmental Community Investment Agreement (ECIA) with the same taxpayer that provides for funding to the City and other community agencies totaling \$80 million over the next ten years. During fiscal year 2016, the City received \$8 million that is restricted for use on pre-approved projects, and the City has received \$12 million to date.

**J. Police Communications Systems**

The City administers a program to provide records management and dispatch services to participating local agencies. The participating agencies, which include the City, are responsible for maintenance and system enhancements. The City is required to account for the enhancement in a separate account which is shown in the Police Telecommunications Internal Service Fund as unearned revenue as of June 30, 2016.

**K. Department of Toxic Substance Control (DTSC) Settlements**

During the fiscal year ended June 30, 2015 the City entered into a settlement agreement with DTSC for the Drew Middle and South Property Richmond Parkway Site. The City disputed the amount of operations and maintenance costs charged by DTSC for the remediation of affected soil at the property. The settlement agreement stipulates that the City will pay DTSC a total of \$31,365 for charges that occurred during fiscal years 1996 through 2013. Monthly installment payments will be made over 24 consecutive months with the first payment due December 15, 2014.

During the fiscal year ended June 30, 2015 the City entered into a settlement agreement with DTSC for the Richmond Parkway Site. The City disputed the amount of operations and maintenance costs charged by DTSC for the remediation of affected soil at the property. The settlement agreement stipulates that the City will pay DTSC a total of \$24,476 for charges that occurred during fiscal years 1996 through 2013. Monthly installment payments will be made over 24 consecutive months with the first payment due December 15, 2014.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 16 - COMMITMENTS AND CONTINGENCIES (Continued)**

The outstanding liabilities payable at year-end related to these settlement agreements were deemed immaterial for presentation purposes.

**L. *Housing Authority Rental Assistance Demonstration***

RHA Rental Assistance Demonstration ("RAD") Program conversion of the Friendship Manor and Triangle Court public housing sites occurred during the 2016 calendar year (includes both the 2015 and 2016 fiscal years). Starting in December 2015, 156 units of Public Housing will convert to non-profit ownership with Section 8-Project Based Voucher rental subsidy on two separate properties; all 156 units, except for three units (two are reserved for onsite managers and one for a manager's office), will be used to house low-income residents.

On October 8, 2015, the Department of Housing and Urban Development (HUD) issued and executed the RAD Conversion Commitment (RCC) which represents the agreed upon and approved terms of the RAD conversion transaction.

On November 18, 2015, California Tax Credit Allocation Committee made a preliminary reservation of federal tax credits in the amount of \$1,228,999 accommodated upon executing Tax-Exempt Bond Project to raise funding in the amount of \$36.7 million, the approximate estimated cost of the RAD project; of which \$16.5 million shall be provided by a third-party Tax Credit investor.

The Authority has partnered with the John Stewart Company and The Richman Group to form a Limited Partnership, RHA RAD Housing Partners L.P., that will complete the conversion, manage the property and own the buildings. The Authority will relinquish the land via a long term ground lease.

In furtherance of the finances provided by the Authority, the City of Richmond loaned \$1,770,522 to RHA RAD Housing Partners L.P. as a portion of a \$5.4 million loan that will be repaid in 55 years and accrues interest at a rate of 1%. The loan was initially signed with RHA Housing Corporation and then it was transferred and reassigned to RHA RAD Housing Partners L.P., as discussed in Note 5.

After the property is placed in service and receives approval of the 8609 documents from the State of California, the Authority will split a developer fee of \$2.5 million with its general partner John Stewart Company (70%/30%). The project will not be placed in service until approximately April 2017, so the majority of the fee will not be received until that time.

RHA RAD Housing Partners L.P. will also receive \$732,557 in Public Housing and Capital Improvement funds throughout the January 1, 2016 – December 31, 2016 calendar year to cover the RAD Housing Assistance Program (HAP) Voucher commitments of subsidy for the low income housing units at the two developments. The terms of this requirement are consistent with Notice 2012-32 of the Rental Assistance Demonstration program which requires RAD conversions that close after November 30<sup>th</sup> of the calendar year to be funded out of Public Housing and Capital Fund Programs until the next calendar year, at which time the Developments will be funded with Section 8 Housing Choice RAD Vouchers.

In a transaction related to the RAD project, the Richmond Housing Authority sold capital assets to RHA RAD Housing Partners LP with a carrying value of \$14,358,255 in return for two loans receivable in the amounts of \$8,891,500 and \$5,618,500. These loans are to be repaid in 55 years and bear annual interest rates of 2.82%. The sale of the capital assets, along with the difference between the loans receivable of \$14,510,000 and the carrying value of the capital assets, have been recorded as a special item in the Statement of Activities.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 16 - COMMITMENTS AND CONTINGENCIES (Continued)**

**M. State Gas Tax Audit**

The State Controller’s Office completed an audit of the City’s use of gas tax funds for the period July 1, 2006 through June 30, 2004 and in its July 2016 report indicated that the City had charged unallowable debt service payments to the Gas Tax Special Revenue Fund totaling \$1,861,769. Although City staff disputed the disallowed costs, the State Controller’s Office did not reverse its position and in the response to the audit finding included in that report, management agreed to repay the disallowed costs over six years beginning in fiscal year 2018. Subsequent to that response, City staff discovered that a September 1992 judgment in favor of the City authorized the use of gas tax revenues to fund the debt service disallowed by the State. The City again disputed the disallowed costs to the State Controller’s Office in February 2017. Although the State Controller’s Office would not accept the debt service as an allowable expense, they did indicate that the City could replace the debt service with prior eligible street-related expenditures that had been incurred in funds other than the Gas Tax Special Revenue Fund. Therefore, the City determined that it had incurred eligible street repaving costs in the General Capital Improvement Capital Projects Fund in fiscal year 2011 in excess of the ineligible costs above and had reclassified those costs to replace the prior year debt service expenditures in the Gas Tax Special Revenue Fund as instructed by the State Controller’s Office.

**N. Other Commitments and Contingencies**

The Authority and its component units RHA Housing Corporation and RHA RAD LLC entered into several arrangements including a Co-Guarantor Contribution Agreement with third parties as participants in a tax credit bonds project to accommodate the required funding to convert two properties from a conventional public housing project to a rental assistance demonstration program, as discussed in Note 16L.

**O. Encumbrances**

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end. Encumbrances outstanding as of June 30, 2016 were as listed below:

	Amount
General Fund	\$4,460
Cost Recovery Special Revenue Fund	544,630
Community Development and Loan Programs Special Revenue Fund	692,222
Environmental and Community Investment Agreement (ECIA) Special Revenue Fund	35,536
Non-Major Governmental Funds	1,668,071
	\$2,944,919

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**

**A. *Redevelopment Dissolution***

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

The suspension provisions prohibit all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

ABx1 26 and AB1484 created three regulatory authorities, the Successor Agency Oversight Board, State Controller and Department of Finance (DOF), to review former Agency's asset transfers, obligation payments and wind down activities. ABx1 26 specifically directs the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the Redevelopment Agency or, on or after February 1, 2012, to the Successor Agency. The State Controller's Office completed its asset transfer review in November 2013 and the State ordered the return of certain assets to the Successor Agency to the Redevelopment Agency. The City complied with certain aspects of the State's order during fiscal year 2013 by returning applicable capital assets to the Successor Agency and the Oversight Board retroactively approved other prior transfers to the City and the State has indicated that no further action is necessary. The State also ordered the return of assets previously transferred to the City as Housing Successor totaling \$16,460,848, because the transfer of the housing assets had not been approved by the Oversight Board. The Oversight Board adopted a Resolution on February 25, 2014 retroactively approving the transfer of the loans to the Housing Successor.

Effective January 31, 2012, the Redevelopment Agency was dissolved. Certain assets of the Redevelopment Agency Low and Moderate Income Housing Fund were distributed to a Housing Successor; and the remaining Redevelopment Agency assets and liabilities were distributed to a Successor Agency.

Under the provisions of AB 1484, the City can elect to become the Housing Successor and retain the housing assets. The City elected to become the Housing Successor and on February 1, 2012, certain housing assets were transferred to the City's Low and Moderate Income Housing Fund which is included in the Community Development and Loan Programs Special Revenue Fund. The activities of the Housing Successor are reported in the Low and Moderate Income Housing Asset Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The City also elected to become the Successor Agency and on February 1, 2012 the Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established in April 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including one member of City Council and one former Redevelopment Agency employee appointed by the Mayor.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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<b>NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES</b> <b>(Continued)</b>
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AB1484 required the Successor Agency to complete two due diligence reviews – one for the low and moderate income housing assets of the Successor Agency (Housing DDR), and a second for all other balances of the Successor Agency (Non-housing DDR). The due diligence reviews were to calculate the balance of unencumbered balances as of June 30, 2012 available to be remitted to the County for disbursement to taxing entities. The Successor Agency submitted both due diligence reviews to the State Department of Finance for review and approval. The Department of Finance approved the Housing DDR, after making an adjustment, and the Successor Agency remitted the unencumbered balance of \$4,067,242 to the County in November 2014. The Department of Finance approved the Non-housing DDR in December 2014, and no funds were required to be remitted to the County. The Successor Agency received a Finding of Completion on December 9, 2014.

The activities of the Successor Agency are reported in the Successor Agency to the Richmond Community Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

Cash and investments of the Successor Agency as of June 30, 2016 are discussed in Note 3 above. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2016.

**B. *Loans Receivable***

The Successor Agency assumed non-housing loans receivable of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency engaged in programs designed to encourage economic development. Under these programs, grants or loans were provided under favorable terms to developers who agreed to expend these funds in accordance with the Agency's terms.

**Ford Assembly Building Loan**

Under a loan agreement dated November 22, 2004 between the Redevelopment Agency and Ford Point LLC, the Redevelopment Agency agreed to loan \$3,000,000 to fund improvements to the Ford Assembly Building, collateralized by a Deed of Trust. The Redevelopment Agency funded the loan in fiscal 2006 with proceeds from the Section 108 HUD loan discussed in Note 7. The loan's principal is due in August 2025. Interest is payable starting August 2006 at a variable rate based on the 90-day LIBOR rate plus 70 basis points; adjusted quarterly. The interest rate converts to a fixed rate in accordance with the terms of the agreement after the Section 108 loan is sold by HUD. The developer repaid \$143,000 of the loan in fiscal year 2010, \$147,000 in fiscal year 2011, \$150,000 in fiscal year 2012, \$154,000 in fiscal year 2013, \$158,000 in fiscal year 2014, \$162,000 in fiscal 2015 and \$166,000 in fiscal 2016 and the balance of the loan was \$1,920,000 as of June 30, 2016.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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<b>NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES</b> <b>(Continued)</b>
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**C. Capital Assets**

The Successor Agency assumed the non-housing capital assets of the Redevelopment Agency as of February 1, 2012. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Successor Agency’s policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year’s pro rata share of the cost of capital assets.

Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets.

Depreciation is provided using the straight line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Successor Agency has assigned the useful lives and capitalization thresholds listed below to capital assets.

Improvements other than buildings	20 years
Buildings and building improvements	50 years
Vehicles	3 – 10 years
Infrastructure	25 - 50 years
Machinery and equipment	3 – 20 years

Capital assets recorded at June 30 comprise:

	Balance at June 30, 2015	Additions	Retirements	Transfers to the City	Balance at June 30, 2016
Capital assets not being depreciated:					
Land and land improvements	\$17,603,162		(\$1,703,888)	(\$9,640,468)	\$6,258,806
Construction in Progress	5,328,244			(5,328,244)	
Total capital assets not being depreciated	22,931,406		(1,703,888)	(14,968,712)	6,258,806
Capital assets being depreciated:					
Machinery and equipment	120,448			(120,448)	
Less accumulated depreciation for:					
Machinery and equipment	(112,053)	(\$8,395)		120,448	
Capital assets being depreciated, net	8,395	(8,395)			
Capital assets, net	\$22,939,801	(\$8,395)	(\$1,703,888)	(\$14,968,712)	\$6,258,806

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

Pursuant to the terms of the Long Range Property Management Plan, the Successor Agency transferred capital assets with a carrying value of \$14,968,712 to the City.

**D. Long-term Obligations**

The following is a summary of long-term debt transactions during the fiscal year ended June 30, 2016:

	Balance July 01, 2015	(A) Additions	Retirements	Balance June 30, 2016	Due Within One Year	Due in More than One Year
Bonds payable	\$77,847,743	\$1,069,131	(\$5,781,567)	\$73,135,307	\$5,565,000	\$67,570,307
Loans payable	24,135,000		(790,000)	23,345,000	830,000	22,515,000
Notes payable	15,482,536		(478,933)	15,003,603	490,191	14,513,412
<b>Total</b>	<u>\$117,465,279</u>	<u>\$1,069,131</u>	<u>(\$7,050,500)</u>	<u>\$111,483,910</u>	<u>\$6,885,191</u>	<u>\$104,598,719</u>

(A) Includes bond accretion for capital appreciation bonds totaling \$1,069,131.

**Bonds Payable**

Bonds payable at June 30, 2016 consisted of the following:

	Net
Harbour Tax Allocation Refunding Bonds - 1998 Series A	\$7,745,586
Subordinate Tax Allocation Bonds - 2007 Series B	11,610,455
Subordinate Tax Allocation Refunding Bonds - 2010 Series A	27,640,000
Successor Agency of RCRA Refunding Bonds - 2014 Series A & B	26,139,266
<b>Total</b>	<b>\$73,135,307</b>

**1998 Harbour Redevelopment Project Tax Allocation Refunding Bonds Series A – Original Issue \$21,862,779**

The bonds were issued by the Agency to refinance a portion of the 1991 Harbour Redevelopment Project Tax Allocation Refunding Bonds, refinance certain loans from the City to the Agency, which were used by the City to finance certain publicly owned capital projects, finance certain redevelopment activities within the Harbour Redevelopment Project Area, fund a reserve account and pay certain costs of issuance of the 1998 bonds. The bonds mature annually through 2023, in amounts ranging from \$50,000 to \$1,130,000. Interest rates vary from 3.5% to a maximum of 5.2% and are payable semiannually on January 1 and July 1. The bonds are secured by a pledge of tax revenues derived from taxable property within the Harbour Project Area. On March 27, 2014, the Agency issued the Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds 2014 Series A & B which resulted in the defeasance of the outstanding balance of the current interest portion of the bonds in the amount of \$9,180,000, as discussed below.

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**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

At June 30, 2016, the Bonds consisted of the following:

	Value	Accretion/ Amortization	Unamortized Premium (Discount)	Net
Capital appreciation bonds	\$9,200,000	\$384,156	(\$1,838,570)	\$7,745,586

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

For the Years	Principal
Ending June 30,	
2017	\$1,150,000
2018	1,150,000
2019	1,150,000
2020	1,150,000
2021	1,150,000
2022-2024	3,450,000
<b>Total</b>	<b>\$9,200,000</b>

**Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds Series 2007A and Series B - Original Issue Series A \$65,400,000, Series B \$9,772,622**

On July 12, 2007 the Redevelopment Agency issued Series 2007A Subordinate Tax Allocation Bonds in the amount of \$65,400,000. The proceeds from the Bonds were used to pay the amount of \$22,000,000 to the City to assist with the financing of the Civic Center Project, and to fund other Redevelopment Agency projects.

The 2007A Subordinate Tax Allocation Bonds were issued as variable auction rate bonds with interest calculated every thirty-five days, however, the Agency entered into a 29-year interest rate swap agreement for the entire amount of its 2007A Subordinate Tax Allocation Bonds. In fiscal year 2010 the Agency experienced a significant decline in tax increment revenue. In order to bring debt service in line with current revenues and maintain compliance with the required 1.4:1 tax increment to debt service coverage ratio, the Agency suspended a number of projects originally funded by the 2007A Bonds and applied approximately \$36 million of the unspent 2007A proceeds and other available funds along with the proceeds from the issuance of the Subordinate Tax Allocation Refunding Bonds, Series 2010A to refund the outstanding balance of the 2007A Bonds. As part of the issuance of the 2010A Bonds, the interest rate swap agreement associated with the 2007A Bonds was amended and restated as discussed with the Series 2010A Bonds below.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

On July 12, 2007 the Redevelopment Agency issued Series 2007B Housing Set-Aside Subordinate Tax Allocation Capital Appreciation Bonds in the amount of \$9,772,622 at interest rates ranging from 5.57% to 6.40%. The proceeds from the 2007B Bonds will be used to finance certain low and moderate income housing activities of the Redevelopment Agency. The 2007B Bonds mature annually through 2037, in amounts ranging from \$465,000 to \$2,020,000. The 2007B Bonds are secured by a pledge of subordinated housing and non-housing tax revenues.

At June 30, 2016, the 2007B Bonds consisted of the following:

	Maturity Value	Accretion/ Amortization	Unamortized Premium (Discount)	Net
Capital appreciation bonds	\$20,855,000	\$684,975	(\$9,929,520)	\$11,610,455

The annual debt service requirements on the 2007B Bonds are as follows:

For the Years Ending June 30,	Principal
2017	
2018	\$935,000
2019	990,000
2020	1,040,000
2021	1,415,000
2022-2026	5,665,000
2027-2031	5,800,000
2032-2036	4,175,000
2037	835,000
<b>Total</b>	<b>\$20,855,000</b>

**2010 Subordinate Tax Allocation Refunding Bonds Series A – Original Issue \$33,740,000**

The 2010A Bonds were issued on March 31, 2010 by the Agency. The proceeds of the 2010A Bonds were used to refund all of the outstanding Series 2007A Subordinate Tax Allocation Bonds. Interest rates range from 3.00% to 6.125% and are payable semiannually on March 1 and September 1. The 2010A Bonds mature annually through 2037 and are secured by a pledge of certain tax increment revenues derived from taxable property within the Merged Project Area.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

In connection with the issuance of the Series 2007A Subordinate Tax Allocation Bonds, the Agency entered into a swap agreement for \$65,400,000, the entire amount of the 2007 A Bonds. With the issuance of the 2010A Bonds, the Agency amended and restated the swap agreement. The amended agreement requires the Agency to make and receive payments based on variable interest rates. The Agency will make payments based on a variable interest rate equal to 100% of SIFMA plus a fixed percentage of 0.83% and the Agency will receive variable rate interest payments equal to 68% of 1-month LIBOR from the swap counterparty. With the issuance of the 2014 Successor Agency to the Richmond Redevelopment Agency Refunding Bonds, the Successor Agency amended the swap agreement to subordinate the termination payment provisions of the swap agreement to the debt service on the 2014 Bonds.

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

For the Years Ending June 30,	Principal	Interest	Total
2017	\$1,165,000	\$2,019,455	\$3,184,455
2018	1,240,000	1,946,446	3,186,446
2019	1,325,000	1,864,331	3,189,331
2020	1,015,000	1,785,745	2,800,745
2021	1,270,000	1,688,909	2,958,909
2022-2026	6,980,000	7,029,013	14,009,013
2027-2031	9,610,000	3,371,633	12,981,633
2032-2036	4,020,000	1,291,900	5,311,900
2037	1,015,000	34,735	1,049,735
<b>Total</b>	<b>\$27,640,000</b>	<b>\$21,032,167</b>	<b>\$48,672,167</b>

**Interest Rate Swap Agreement**

The Agency entered into an interest swap agreement in connection with the 2010A Subordinate Tax Allocation Refunding Bonds. The transaction allows the Agency to create a synthetic variable rate on the Bonds. The terms, fair value and credit risk of the swap agreement are disclosed below.

*Terms.* The terms, including the counterparty credit rating of the outstanding swap, as of June 30, 2016 are included below. The swap agreement contains scheduled reductions to the outstanding notional amount.

Outstanding Notional Amount	Effective Date	Counterparty	Long-Term Credit Rating (S&P/Moody's/Fitch)	Variable Rate Paid	Variable Rate Received	Fair Value at June 30, 2016	Termination Date
\$52,000,000	7/12/2007	Royal Bank of Canada	AA-/Aa3/AA	SIFMA Municipal Swap Index	68% of USD-1 Month LIBOR	(\$5,332,800)	9/1/2036

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

Based on the swap agreement, the Agency owes interest calculated at a variable rate to the counterparty of the swap, and in return, the counterparty owes the Agency interest based on a variable rate. Debt principal is not exchanged; the outstanding notional amount of the swap is the basis on which the swap receipts and payments are calculated.

*Fair value.* Fair value of the swap takes into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market’s best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swap. The swap is classified as Level 2 of the fair value hierarchy, using a market approach that considers the observable swap rates commonly quoted for the full term of the swap. As of June 30, 2016, the fair value of the swap was in favor of the counterparty.

The fair value represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. The Agency has accounted for the change in fair value of the ineffective hedge as noted below:

	Changes in Fair Value		Fair value at June 30, 2016	
	Classification	Amount	Classification	Amount
<b>Pay-Variable, Receive-Variable</b>				
<i>2010A Subordinate Tax Allocation Refunding Bonds</i>	Investment revenue	(\$11,141,800)	Investment	(\$5,332,800)

*Credit risk.* As of June 30, 2016, the Agency was not exposed to credit risk on the outstanding swap because the swap had a negative fair value. However, if *interest* rates increase and the fair value of the swap were to become positive, the Agency would be exposed to credit risk. The Agency will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

*Interest rate risk.* The swap increases the Agency’s exposure to variable interest rates. As the SIFMA Municipal Swap Index Rate increases or the LIBOR decreases, the Agency’s net payment on the swap increases.

*Basis risk.* Basis risk is the risk that the interest rate paid by the Agency on the underlying fixed rate bonds to the *bondholders* temporarily differs from the variable swap rate received from the counterparty. The Agency bears basis risk on the swap. The swap has basis risk since the Agency receives a percentage of the LIBOR Index to offset the fixed bond rate the Agency pays on the underlying Bonds. The Agency is exposed to basis risk should the floating rate that it receives on a swap be less than the fixed rate the Agency pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

<b>NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES</b> <b>(Continued)</b>
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A portion of this basis risk is tax risk. The Agency is exposed to tax risk when the relationship between the taxable LIBOR based swap and tax-exempt fixed rate bond changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt fixed rate bonds converge the Agency is exposed to this basis risk.

*Termination risk.* The Agency may terminate if the other party fails to perform under the terms of the contract. The Agency will be exposed to variable rates if the counterparty to the swap contract defaults or if the swap contract is terminated. A termination of the swap contract may also result in the Agency’s making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swap has a negative fair value, the Agency would be liable to the counterparty for a payment equal to the swap’s fair value.

*Swap payments and associated debt.* Using rates as of June 30, 2016, debt service requirements of the Agency’s outstanding fixed rate Bonds and net swap payments assuming current interest rates remain the same for their term, are as follows. As rates vary, fixed rate bond *interest* payments and net swap payments will vary. These payments below are included in the Debt Service Requirements above:

For the Years Ending June 30,	Fixed-Rate Bonds		Interest Rate	Total
	Principal	Interest	Swap, Net	
2017	\$1,165,000	\$1,551,043	\$468,412	\$3,184,455
2018	1,240,000	1,498,386	448,060	3,186,446
2019	1,325,000	1,437,361	426,970	3,189,331
2020	1,015,000	1,377,846	407,899	2,800,745
2021	1,270,000	1,317,325	371,584	2,958,909
2022-2026	6,980,000	5,500,420	1,528,593	14,009,013
2027-2031	9,610,000	2,535,870	835,763	12,981,633
2032-2036	4,020,000	963,156	328,744	5,311,900
2037	1,015,000	31,084	3,651	1,049,735
<b>Total</b>	<b>\$27,640,000</b>	<b>\$16,212,491</b>	<b>\$4,819,676</b>	<b>\$48,672,167</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

**Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds 2014 Series A & B – Original Issue Amounts \$25,795,000 and \$1,655,000, respectively**

The 2014 A & B Bonds were issued on March 27, 2014 by the Successor Agency to the Richmond Community Redevelopment Agency. The proceeds of the Bonds, together with other available funds, were used to refund and defease the outstanding balance of the current interest portion of the 1998 Harbour Redevelopment Project Tax Allocation Refunding Bonds Series A, and the outstanding balances of the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds Series 2000 A & B and Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds Series 2003A. Interest rates range from 1.40% to 5.00% and is payable semiannually on March 1 and September 1. The 2014A Bonds mature annually on each September 1 through 2025 while the 2014B Bonds mature annually on each September 1 through 2018. Both Bonds are secured by a pledge of Redevelopment Property Tax Trust Fund revenues. The outstanding balances of the defeased debt as of June 30, 2016 were as follows:

Harbour Tax Allocation Refunding Bonds - 1998 Series A	\$7,700,000
JPFA Tax Allocation Revenue Bonds - 2000 Series A & B	8,395,000
JPFA Tax Allocation Revenue Bonds - 2003 Series A	12,205,000
	<u>\$28,300,000</u>

At June 30, 2016, the 2014 A & B Bonds consisted of the following:

Bonds outstanding:	\$24,305,000
Unamortized premium	1,834,266
<b>Net</b>	<u>\$26,139,266</u>

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

For the Years Ending June 30,	Principal	Interest	Total
2017	\$3,250,000	\$1,027,195	\$4,277,195
2018	3,375,000	903,144	4,278,144
2019	3,505,000	771,512	4,276,512
2020	1,775,000	659,375	2,434,375
2021	1,870,000	568,250	2,438,250
2022-2026	10,530,000	1,336,000	11,866,000
<b>Total</b>	<u>\$24,305,000</u>	<u>\$5,265,476</u>	<u>\$29,570,476</u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

**Loans Payable**

The Richmond Joint Powers Financing Authority (Authority) has issued the Bonds listed below to assist in financing the Agency’s operations. The Authority has retained reserve amounts required under the respective Bond indentures and loaned the net proceeds of these Bond issues to the Agency. The Authority is responsible for paying principal and interest on the Bonds; the Agency is responsible for making payments to the Authority in the amounts shown below.

The outstanding balances of loans payable to the Authority at June 30, 2016 came from the Bond issues listed below:

JPFA Tax Allocation Revenue Bonds - 2003 Series B	\$9,155,000
JPFA Tax Allocation Revenue Bonds - 2004 Series A & B	<u>14,190,000</u>
<b>Total</b>	<u><u>\$23,345,000</u></u>

**Loan from the Authority dated August 1, 2003**

In 2003, the Authority issued 2003 Tax Allocation Revenue Bonds Series A and Series B in the original amount of \$28,580,000. The net proceeds of the bond issue were loaned to the Agency to provide funding for certain capital improvements and to repay the City of Richmond \$18,000,000 in partial payment of prior obligations. Under the terms of the loan agreement between the Agency and the Authority dated August 1, 2003, repayment of the loan is being made from certain tax increment revenues derived from taxable property within the Post-2004 Limit Area pledged by the Agency for the purpose of loan repayment. On March 27, 2014, the Agency issued the Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds 2014 Series A & B which resulted in the refunding and defeasance of the outstanding balance of the 2003 Series A Bonds in the amount of \$12,910,000, as discussed above.

The annual debt service requirements on the 2003 Series B loan as of June 30, 2016 are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2017	\$525,000	\$554,035	\$1,079,035
2018	555,000	522,391	1,077,391
2019	590,000	488,842	1,078,842
2020	735,000	448,403	1,183,403
2021	785,000	400,523	1,185,523
2022-2026	<u>5,965,000</u>	<u>1,094,154</u>	<u>7,059,154</u>
<b>Total</b>	<u><u>\$9,155,000</u></u>	<u><u>\$3,508,348</u></u>	<u><u>\$12,663,348</u></u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

**Loan from the Authority dated October 1, 2004**

In 2004, the Authority issued the 2004 Tax Allocation Revenue Bonds Series A and Series B in the original amounts of \$15,000,000 and \$2,000,000, respectively. The net proceeds of the bond issue were loaned to the Agency to provide funding for certain capital improvements, low/moderate income housing and to repay the City of Richmond \$6,367,031 in prior obligations. Under the terms of the loan agreement between the Agency and the Authority dated August 1, 2003, repayment of the loan is being made from certain subordinate housing and non-housing tax increment revenues derived from the taxable property within the Merged Project Area pledged by the Agency for the purpose of loan repayment.

The annual debt service requirements for these loans as of June 30, 2016 are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2017	\$305,000	\$737,664	\$1,042,664
2018	320,000	722,711	1,042,711
2019	335,000	707,050	1,042,050
2020	3,105,000	620,564	3,725,564
2021	680,000	525,014	1,205,014
2022-2026	4,090,000	2,011,442	6,101,442
2027	5,355,000	145,106	5,500,106
<b>Total</b>	<b>\$14,190,000</b>	<b>\$5,469,551</b>	<b>\$19,659,551</b>

**Pledge of Redevelopment Tax Increment Revenues**

The Bond issues and loans payable to the Authority discussed above consist of senior and parity obligations secured by future tax increment revenues. The pledge of all future tax increment revenues (housing and non-housing revenue) ends upon repayment of \$140,620,542 remaining debt service on the Bonds and loans which is scheduled to occur in 2027.

With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. In addition, under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations. Total property taxes available for distribution to the Successor Agency and other taxing entities for fiscal year 2016 calculated by the County Auditor–Controller were \$22,309,990. The total received by the Successor Agency for fiscal year 2016 debt service and other enforceable obligations was \$19,953,198 and debt service was \$10,661,960.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 17- REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

**Notes Payable**

HUD Section 108 Loans	\$3,722,000
SERAF Loan	11,281,603
<b>Total</b>	<u><u>\$15,003,603</u></u>

**HUD Section 108 – Original Amount \$3,000,000**

In fiscal 2004, the Agency entered into a Disposition and Development Agreement to receive a Section 108 loan from the Department of Housing and Urban Development to finance costs related to the Ford Assembly Building project. Interest is payable quarterly and the interest rate is fixed at 2.58% or, in specific conditions, adjusted to the latest LIBOR Rate. The principal payments are due annually from 2009 through 2026 as follows:

For the Years Ending June 30,	Principal	Interest	Total
2017	\$171,000	\$91,422	\$262,422
2018	175,000	83,602	258,602
2019	180,000	75,454	255,454
2020	184,000	66,816	250,816
2021	189,000	57,648	246,648
2022-2026	1,021,000	136,360	1,157,360
<b>Total</b>	<u><u>\$1,920,000</u></u>	<u><u>\$511,302</u></u>	<u><u>\$2,431,302</u></u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

**HUD Section 108 – Original Amount \$3,500,000**

In fiscal 2006, the City received a Section 108 loan from the Department of Housing and Urban Development to finance costs related to the North Richmond-Iron Triangle project. The loan proceeds were given to the Agency for the project, therefore the Agency is responsible for the repayment of the loan. Interest is payable quarterly and the interest rate is fixed at 2.58% or, in specific conditions, adjusted to the latest LIBOR Rate. During the fiscal year ended June 30, 2015, the City received CDBG grant funds from HUD in the amount of \$1,092,323 for the partial repayment of the loan, which were transferred to the Agency to retire that portion of the loan. The payment included \$998,000 in principal and \$104,323 in interest. The principal payments are due annually from 2012 through 2026 as follows:

For the Years Ending June 30,	Principal	Interest	Total
2017		\$46,491	\$46,491
2018		46,491	46,491
2019		46,491	46,491
2020	\$102,000	44,079	146,079
2021	250,000	37,948	287,948
2022-2026	1,450,000	82,841	1,532,841
<b>Total</b>	<b>\$1,802,000</b>	<b>\$304,341</b>	<b>\$2,106,341</b>

**SERAF Loan**

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by the redevelopment agencies, be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2010 and 2011. The Agency did not have the resources to make these payments and instead was able to enter into a structured payment plan agreement with the State Department of Finance that allows the payments to the County to be made over a ten year period. The loan bears interest at a rate of 2%. Payments of principal and interest are due on an annual basis, commencing May 10, 2014.

For the Years Ending June 30,	Principal	Interest	Total
2017	\$319,191	\$225,632	\$544,823
2018	325,575	219,248	544,823
2019	332,087	212,737	544,824
2020	338,728	206,095	544,823
2021	9,966,022		9,966,022
<b>Total</b>	<b>\$11,281,603</b>	<b>\$863,712</b>	<b>\$12,145,315</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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<b>NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES</b> <b>(Continued)</b>
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**Debt Without Agency or City Commitment**

A special assessment district has been established in an area of the Agency to provide improvements to properties located in that district. Properties in the district are assessed for the cost of improvements; these assessments are payable solely by property owners over the term of the debt issued to finance these improvements. The Agency is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties in these special assessment districts, nor is it obligated to advance Agency funds to repay these debts in the event of default.

One District, Marina Westshore Community Facilities District No. 1998-1, had issued Community Facilities District No. 1998-1 Special Tax Bonds which had a remaining balance outstanding of \$2,860,000 at June 30, 2016.

**Conduit Debt**

The Agency has assisted private-sector entities by sponsoring their issuance of debt for purposes the Agency deems to be in the public interest. These debt issues are secured solely by the property financed by the debt. The Agency is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties secured by these debts, nor is it obligated to advance Agency funds to repay these debts in the event of default by any of these issuers. At June 30, 2016, the balances of these issuers' outstanding debts were as follows:

Baycliff Apartment Project, 2004 Revenue Bonds	\$26,490,000
Crescent Park Apartment Project, 2007 Series A & Series A-T Revenue Bonds	27,104,008

**E. Commitments and Contingencies**

**State Approval of Enforceable Obligations**

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) annually that contains all proposed expenditures for the subsequent twelve-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**Miraflores – Pollution Remediation**

The City, through the former Redevelopment Agency, has undertaken a known pollution remediation project at the Miraflores Housing Development site. The Successor Agency assumed the administration of the project as of February 1, 2012. Clean up of the 14 acre former flower nursery site, located at South 45<sup>th</sup> Street and Wall Avenue, will provide future residential and open space land. The remediation phase of the Miraflores project was completed during the fiscal year ended June 30, 2015.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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<b>NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES</b> <b>(Continued)</b>
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At the time the original Remedial Action Plan was prepared, the original cost of the preferred alternative remediation was estimated to be \$3,200,000. As of June 30, 2015, the estimate had increased to \$13.6 million. During the fiscal year ended June 30, 2016, the Agency decreased the remediation estimate to \$13.4 million. The Agency spent \$13.2 million in pollution remediation costs since the project's inception through June 30, 2016, leaving a remaining estimated pollution liability of \$232,000 at June 30, 2016 for ongoing monitoring costs. The Successor Agency has recorded this amount as an accrued liability in the Statement of Fiduciary Net Position, however this obligation is an estimate and is subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

**Marina Bay – Pollution Remediation**

The Successor Agency owns a group of land tracts collectively referenced as the “Nine Deed Restricted Properties.” The Successor Agency is named as a responsible party at these sites under a Voluntary Cleanup Agreement with the State Department of Toxic Substances Control (DTSC) to conduct pollution monitoring and remediation. These nine properties sit within the larger Marina Bay development site. A Remediation Action Plan (RAP) was prepared for Marina Bay in 1993, and included references to each of the Deed Restricted Properties. Eight of the nine deed restricted properties are subject to an Operations & Maintenance (O&M) Plan. The O&M Plans require annual inspections of the cap material and reporting of the findings to DTSC. The O&M Plans also require that a five-year review report be prepared and submitted to DTSC. The five-year review reports describe the inspection and maintenance activities that were performed over the previous five years. The annual monitoring costs are estimated at \$8,700, with the five year review estimated at \$45,000. The monitoring costs over a five year period are estimated at \$88,500.

The RAP was subsequently amended in 2008 to address Area T, one of the Nine Deed Restricted Properties. The amended RAP subjects the site to groundwater sampling, analysis, and remediation. The approximate annual costs for the existing groundwater sampling, analysis and remediation program is approximately \$49,500. The known pollution at this site is a layer of petroleum hydrocarbons above groundwater and petroleum hydrocarbons dissolved in groundwater. Active remediation has been conducted since September 2008 by the former Redevelopment Agency and now by the Successor Agency. DTSC requested that the Successor Agency submit a work plan describing the methods to enhance the recovery of free product and dissolved petroleum hydrocarbons at Area T. The Successor Agency submitted a Work Plan for Enhancement of Groundwater Remediation Program to DTSC in March 2015 (Work Plan). DTSC approved the Work Plan in April 2015. The cost to implement the enhanced groundwater remediation program is estimated at \$115,000. This preliminary estimate has not been accrued as a liability in the Successor Agency's Statement of Fiduciary Net Position. This estimate is subject to change as the draft work plan moves through the regulatory review process. This estimate is also subject to change from price increases or reductions, technology, and changes in applicable laws or regulations.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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**NOTE 18 – SUBSEQUENT EVENTS**

**A. *CalPERS Discount Rate***

In December 2016, CalPERS' Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019, and result in increases to employers' normal costs and unfunded actuarial liabilities.

**B. *Terminal One Land Sale***

The City is in contract with Terminal One Development, LCC, to sell an approximately 10-acre site for development purposes at a price of \$10 million. The developer has paid the City \$500,000 in a non-refundable deposit, with the balance of \$9.5 million due following the granting of all entitlements and close of escrow. Following City Council certification of the environmental impact report (EIR) for the project in July 2016, a lawsuit was filed that challenged certification of the EIR. A settlement was reached by all parties to this lawsuit in November 2016, which allows the project entitlement process to proceed. Close of escrow on the real estate sale by the City to Terminal One Development, LLC, including the transfer of the \$9.5 million balance due from the developer to the City, is anticipated in October 2017.

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**City of Richmond  
Required Supplementary Information**

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**BUDGETARY COMPARISON SCHEDULES**

CITY OF RICHMOND  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Property tax	\$33,572,926	\$33,456,877	\$33,232,037	(\$224,840)
Sales tax	42,321,811	41,478,593	40,877,125	(601,468)
Utility user fees	43,883,499	44,006,160	43,365,249	(640,911)
Other taxes	9,493,433	11,055,475	11,628,519	573,044
Licenses, permits and fees	2,854,228	2,854,228	2,542,704	(311,524)
Fines, forfeitures and penalties	341,445	500,000	398,098	(101,902)
Use of money and property	90,605	90,605	35,493	(55,112)
Intergovernmental	1,608,023	1,845,914	1,954,943	109,029
Charges for services	7,310,034	7,918,560	8,284,694	366,134
Rent	751,909	759,109	765,753	6,644
Other	930,600	264,334	353,991	89,657
	<u>143,158,513</u>	<u>144,229,855</u>	<u>143,438,606</u>	<u>(791,249)</u>
<b>EXPENDITURES:</b>				
Current				
General government	18,488,324	20,797,387	22,371,710	(1,574,323)
Public safety	90,962,671	88,273,744	86,859,602	1,414,142
Public works	18,822,783	18,219,434	17,899,366	320,068
Cultural and recreational	10,734,748	9,973,481	9,952,449	21,032
Capital outlay	282,000	602,272	404,053	198,219
Debt Service:				
Principal	1,047,985	1,047,985	1,079,062	(31,077)
Interest and fiscal charges	469,548	318,932	318,574	358
	<u>140,808,059</u>	<u>139,233,235</u>	<u>138,884,816</u>	<u>348,419</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>2,350,454</u>	<u>4,996,620</u>	<u>4,553,790</u>	<u>(442,830)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond premium	85,000			
Proceeds from sale of property	150,000	70,000	46,429	(23,571)
Transfers in	2,924,831	2,924,831	3,090,044	165,213
Transfers (out)	(5,510,188)	(6,438,301)	(6,974,604)	(536,303)
	<u>(2,350,357)</u>	<u>(3,443,470)</u>	<u>(3,838,131)</u>	<u>(394,661)</u>
<b>NET CHANGE IN FUND BALANCE</b>	97	1,553,150	715,659	(837,491)
Fund balance, July 1	<u>28,681,736</u>	<u>28,681,736</u>	<u>28,681,736</u>	
Fund balance, June 30	<u>\$28,681,833</u>	<u>\$30,234,886</u>	<u>\$29,397,395</u>	<u>(\$837,491)</u>

CITY OF RICHMOND  
 COST RECOVERY SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Licenses, permits and fees	\$6,144,230	\$6,693,165	\$7,648,737	\$955,572
Fines, forfeitures and penalties	750,000	750,000	481,926	(268,074)
Intergovernmental	6,404,783	6,406,397	1,126,115	(5,280,282)
Charges for services	2,270,543	3,607,055	2,379,273	(1,227,782)
Other	599	2,175,797	2,188,172	12,375
	<u>15,570,155</u>	<u>19,632,414</u>	<u>13,824,223</u>	<u>(5,808,191)</u>
<b>EXPENDITURES:</b>				
Current				
General government	6,603,346	7,943,502	6,923,282	1,020,220
Public safety	4,629,456	4,591,549	5,010,804	(419,255)
Public works	3,570,462	4,445,242	3,119,134	1,326,108
Capital outlay	5,048,583	5,070,472	3,226,497	1,843,975
	<u>19,851,847</u>	<u>22,050,765</u>	<u>18,279,717</u>	<u>3,771,048</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(4,281,692)</u>	<u>(2,418,351)</u>	<u>(4,455,494)</u>	<u>(2,037,143)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,310,032	4,423,129	3,823,807	(599,322)
	<u>4,310,032</u>	<u>4,423,129</u>	<u>3,823,807</u>	<u>(599,322)</u>
<b>NET CHANGE IN FUND BALANCE</b>	28,340	2,004,778	(631,687)	(2,636,465)
Fund balance (deficit), July 1	<u>(8,646,635)</u>	<u>(8,646,635)</u>	<u>(8,646,635)</u>	
Fund balance (deficit), June 30	<u><u>(\$8,618,295)</u></u>	<u><u>(\$6,641,857)</u></u>	<u><u>(\$9,278,322)</u></u>	<u><u>(\$2,636,465)</u></u>

CITY OF RICHMOND  
COMMUNITY DEVELOPMENT AND LOAN PROGRAMS SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses, permits and fees	\$5,439,518	\$627,243	\$892,767	\$265,524
Use of money and property	28,582	43,082	129,185	86,103
Intergovernmental	8,789,617	6,061,735	1,018,142	(5,043,593)
Other	236,206	436,206	1,062,155	625,949
<b>Total Revenues</b>	<b>14,493,923</b>	<b>7,168,266</b>	<b>3,102,249</b>	<b>(4,066,017)</b>
<b>EXPENDITURES</b>				
Current:				
Community development	8,352,160	2,381,396	25,743	2,355,653
Housing and redevelopment	7,123,114	4,647,559	2,742,753	1,904,806
Capital outlay	2,164,319	2,164,319		2,164,319
<b>Total Expenditures</b>	<b>17,639,593</b>	<b>9,193,274</b>	<b>2,768,496</b>	<b>6,424,778</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(3,145,670)</b>	<b>(2,025,008)</b>	<b>333,753</b>	<b>2,358,761</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of property	950,000	332,059	10,512	(321,547)
Transfers in	457,085	180,207	147,593	(32,614)
<b>Total other financing sources (uses)</b>	<b>1,407,085</b>	<b>512,266</b>	<b>158,105</b>	<b>(354,161)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,738,585)</b>	<b>(1,512,742)</b>	<b>491,858</b>	<b>2,004,600</b>
Fund balance, July 1	23,655,312	23,655,312	23,655,312	
Fund balance, June 30	<u>\$21,916,727</u>	<u>\$22,142,570</u>	<u>\$24,147,170</u>	<u>\$2,004,600</u>

CITY OF RICHMOND  
ENVIRONMENTAL AND COMMUNITY INVESTMENT AGREEMENT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Private grants	\$12,981,833	\$12,981,833	\$12,971,138	(\$10,695)
Total Revenues	<u>12,981,833</u>	<u>12,981,833</u>	<u>12,971,138</u>	<u>(10,695)</u>
EXPENDITURES				
Current:				
General government	11,250,000	11,339,305	847,168	10,492,137
Public safety	450,000	440,000	411,944	28,056
Public works	88,833	88,833	105,548	(16,715)
Community development	444,438	444,438	444,438	
Cultural and recreational	605,562	605,562	129,890	475,672
Capital outlay	<u>143,000</u>	<u>153,000</u>		<u>153,000</u>
Total Expenditures	<u>12,981,833</u>	<u>13,071,138</u>	<u>1,938,988</u>	<u>11,132,150</u>
NET CHANGE IN FUND BALANCE		(89,305)	11,032,150	11,121,455
Fund balance, July 1				
Fund balance, June 30		<u>(\$89,305)</u>	<u>\$11,032,150</u>	<u>\$11,121,455</u>

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**City of Richmond**  
**Required Supplementary Information**

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**NOTES TO BUDGETARY COMPARISON SCHEDULES**

**Budgets and Budgetary Accounting**

The City adopts a budget annually to be effective July 1, for the ensuing fiscal year. Budgeted expenditures are adopted through the passage of a resolution. This resolution constitutes the maximum authorized expenditures for the fiscal year and cannot legally be exceeded except by subsequent amendments of the budget by the City Council.

The City uses an encumbrance system as an extension of normal budgetary accounting for the General Fund, special revenue funds, and capital projects funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund balance since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end.

An operating budget is adopted each fiscal year on a basis consistent with Generally Accepted Accounting Principles (GAAP) for the General Fund, certain Special Revenue Funds (State Gas Tax, General Purpose, Paratransit Operations, Public Safety, Cost Recovery, Lighting and Landscaping Districts, Developer Impact Fees, Community Development and Loan Programs, and Richmond Neighborhood Stabilization Corporation) and certain debt service funds (2005 Pension Obligation Bonds, General Debt Service and Civic Center Debt Service). Public hearings are conducted on the proposed budgets to review all appropriations and sources of financing. Capital projects funds are budgeted on a project length basis and are therefore not comparable on an annual basis.

Expenditures are controlled at the fund level for all budgeted departments within the City. This is the level at which expenditures may not legally exceed appropriations. Budgeted amounts for the Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual include budget amendments approved by City Council.

**City of Richmond**  
**Required Supplementary Information**

Miscellaneous Agent Multiple-Employer Defined Benefit Pension Plan

Last 10 Years\*

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

<b>Measurement Date</b>	<b>6/30/2014</b>	<b>6/30/2015</b>
<b>Total Pension Liability</b>		
Service Cost	\$ 7,816,868	\$ 7,446,410
Interest	30,597,498	31,414,256
Differences between expected and actual experience		(5,280,549)
Changes in assumptions		(7,116,200)
Changes in benefits		
Benefit payments, including refunds of employee contributions	(23,007,539)	(23,302,793)
<b>Net change in total pension liability</b>	15,406,827	3,161,124
<b>Total pension liability - beginning</b>	415,561,984	430,968,811
<b>Total pension liability - ending (a)</b>	\$ 430,968,811	\$ 434,129,935
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 6,661,038	\$ 7,189,716
Contributions - employee	3,195,699	3,141,565
Net investment income (1)	51,867,728	7,502,958
Plan to plan resource movement		(6,885)
Administrative expense		(379,925)
Benefit payments, including refunds of employee contributions	(23,007,539)	(23,302,793)
<b>Net change in plan fiduciary net position</b>	38,716,926	(5,855,364)
<b>Plan fiduciary net position - beginning</b>	304,680,611	343,397,537
<b>Plan fiduciary net position - ending (b)</b>	\$ 343,397,537	\$ 337,542,173
Net pension liability - ending (a)-(b)	\$ 87,571,274	\$ 96,587,762
Plan fiduciary net position as a percentage of the total pension liability	79.68%	77.75%
Covered payroll	\$ 37,210,225	\$ 36,151,102
Net pension liability as percentage of covered payroll	235.34%	267.18%

**Notes to Schedule:**

(1) Net of administrative expense in 2014.

**Benefit changes.** The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes in assumptions.** GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

\* - Fiscal year 2015 was the 1st year of implementation.

**City of Richmond**  
**Required Supplementary Information**

Miscellaneous Agent Multiple-Employer Defined Benefit Pension Plan  
As of fiscal year ending June 30  
Last 10 Years\*

**SCHEDULE OF CONTRIBUTIONS**

<b>Fiscal Year Ended June 30</b>	<b>2015</b>	<b>2016</b>
Actuarially determined contribution	\$ 7,178,549	\$ 8,084,584
Contributions in relation to the actuarially determined contributions	(7,178,549)	(8,084,584)
Contribution deficiency (excess)	\$ -	\$ -
 Covered payroll	 \$ 36,151,102	 \$ 36,638,889
 Contributions as a percentage of covered payroll	 19.86%	 22.07%
 <b>Notes to Schedule</b>		
Valuation date:	6/30/2012	6/30/2013
 Methods and assumptions used to determine contribution rates:		
Actuarial cost method	Entry age normal	
Amortization method	Level percentage of payroll, closed	
Average remaining amortization period	24 years as of valuation date	
Asset valuation method	15 year Smoothed Market value	
Inflation	2.75%	
Salary increases	Varies by Entry Age and Service	
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, includes inflation	
Retirement age	The probability of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.	
Mortality Rate Table	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	

\* - Fiscal year 2015 was the 1st year of implementation.

**City of Richmond**  
**Required Supplementary Information**

Safety Agent Multiple-Employer Defined Benefit Pension Plan

Last 10 Years\*

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

Measurement Date	6/30/2014	6/30/2015
<b>Total Pension Liability</b>		
Service Cost	\$ 10,167,167	\$ 10,142,245
Interest	38,254,517	40,142,006
Differences between expected and actual experience		3,799,388
Changes in assumptions		(9,563,090)
Changes in benefits		
Benefit payments, including refunds of employee contributions	(27,199,743)	(28,747,508)
<b>Net change in total pension liability</b>	21,221,941	15,773,041
<b>Total pension liability - beginning</b>	518,576,503	539,798,444
<b>Total pension liability - ending (a)</b>	\$ 539,798,444	\$ 555,571,485
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 9,352,438	\$ 10,652,641
Contributions - employee	3,348,408	3,797,568
Net investment income (1)	64,842,562	9,408,186
Plan to plan resource movement		3,476
Administrative expense		(477,249)
Benefit payments, including refunds of employee contributions	(27,199,743)	(28,747,508)
<b>Net change in plan fiduciary net position</b>	50,343,665	(5,362,886)
<b>Plan fiduciary net position - beginning</b>	379,062,015	429,405,680
<b>Plan fiduciary net position - ending (b)</b>	\$ 429,405,680	\$ 424,042,794
Net pension liability - ending (a)-(b)	\$ 110,392,764	\$ 131,528,691
Plan fiduciary net position as a percentage of the total pension liability	79.55%	76.33%
Covered payroll	\$ 35,479,947	\$ 36,151,966
Net pension liability as percentage of covered payroll	311.14%	363.82%

**Notes to Schedule:**

(1) Net of administrative expense in 2014.

**Benefit changes.** The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes in assumptions.** GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

\* - Fiscal year 2015 was the 1st year of implementation.



**City of Richmond**  
**Required Supplementary Information**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**Last 10 Fiscal Years \***

<i>General Pension Plan</i>	<b>Measurement Period Ended June 30</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Total Pension Liability</b>			
Service Cost			
Interest	\$147,247	\$128,954	\$107,632
Differences between expected and actual experience		345,786	
Changes of assumptions		322,312	
Changes of benefit terms			
Benefit payments, including member contribution refunds	(592,105)	(672,546)	(623,662)
Net change in Total Pension Liability	(444,858)	124,506	(516,030)
Total Pension Liability at beginning of year	4,219,909	3,775,051	3,899,557
<b>Total pension liability at end of year</b>	<b>\$3,775,051</b>	<b>\$3,899,557</b>	<b>\$3,383,527</b>
<b>Fiduciary Net Position</b>			
Contributions - employer	\$602,970	\$602,970	\$602,970
Contributions - donations and other income			
Contributions - member			
Net investment income	(837)	2,017	2,255
Other additions			
Benefit payments, including member contribution refunds	(592,105)	(672,546)	(623,662)
Administrative expenses			
Other deductibles			
Net change in Fiduciary Net Position	10,028	(67,559)	(18,437)
Fiduciary Net Position at beginning of year	1,033,168	1,043,196	975,637
<b>Fiduciary net position at end of year</b>	<b>\$1,043,196</b>	<b>\$975,637</b>	<b>\$957,200</b>
<b>Net pension liability (asset) at end of year</b>	<b>\$2,731,855</b>	<b>\$2,923,920</b>	<b>\$2,426,327</b>
<b>Fiduciary net position as percentage of total pension liability</b>	27.6%	25.0%	28.3%
<b>Covered payroll</b>	n/a	n/a	n/a
<b>Net pension liability as percentage of covered payroll</b>	n/a	n/a	n/a

\* Fiscal year 2014 was the 1st year of implementation.

**City of Richmond  
Required Supplementary Information**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

**Last 10 Fiscal Years \***

	<b>Measurement Period Ended June 30</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Police and Firemen's Pension Plan</b>			
<b>Total Pension Liability</b>			
Service Cost			
Interest	\$1,579,762	\$1,464,746	\$1,214,089
Differences between expected and actual experience		(323,462)	
Changes of assumptions		1,380,854	
Changes of benefit terms			
Benefit payments, including member contribution refunds	(3,436,887)	(3,074,421)	(3,140,552)
Net change in Total Pension Liability	(1,857,125)	(552,283)	(1,926,463)
Total Pension Liability at beginning of year	25,094,272	23,237,147	22,684,864
<b>Total pension liability at end of year</b>	<b>\$23,237,147</b>	<b>\$22,684,864</b>	<b>\$20,758,401</b>
<b>Fiduciary Net Position</b>			
Contributions - employer	\$740,235	\$740,235	\$1,222,197
Contributions - donations and other income			
Contributions - member			
Net investment income	2,968,492	369,240	(165,490)
Other additions			
Benefit payments, including member contribution refunds	(3,436,887)	(3,074,421)	(3,140,552)
Administrative expenses			
Other deductibles	(3,424,568)		
Net change in Fiduciary Net Position	(3,152,728)	(1,964,946)	(2,083,845)
Fiduciary Net Position at beginning of year	19,834,552	16,681,824	14,716,878
<b>Fiduciary net position at end of year</b>	<b>\$16,681,824</b>	<b>\$14,716,878</b>	<b>\$12,633,033</b>
<b>Net pension liability (asset) at end of year</b>	<b>\$6,555,323</b>	<b>\$7,967,986</b>	<b>\$8,125,368</b>
<b>Fiduciary net position as percentage of total pension liability</b>	71.8%	64.88%	60.86%
<b>Covered payroll</b>	n/a	n/a	n/a
<b>Net pension liability as percentage of covered payroll</b>	n/a	n/a	n/a

\* Fiscal year 2014 was the 1st year of implementation.

**City of Richmond**  
**Required Supplementary Information**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**Last 10 Fiscal Years \***

<i>Garfield Pension Plan</i>	<b>Measurement Period Ended June 30</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Total Pension Liability</b>			
Service Cost			
Interest	\$30,759	\$28,597	\$21,615
Differences between expected and actual experience		(45,458)	
Changes of assumptions		64,544	
Changes of benefit terms			
Benefit payments, including member contribution refunds	(87,140)	(88,883)	(90,660)
Net change in Total Pension Liability	(56,381)	(41,200)	(69,045)
Total Pension Liability at beginning of year	863,415	807,034	765,834
<b>Total pension liability at end of year</b>	<b>\$807,034</b>	<b>\$765,834</b>	<b>\$696,789</b>
<b>Fiduciary Net Position</b>			
Contributions - employer	\$102,140	\$102,140	\$102,140
Contributions - donations and other income			
Contributions - member			
Net investment income	227	577	933
Other additions			
Benefit payments, including member contribution refunds	(87,141)	(88,883)	(90,660)
Administrative expenses			
Other deductibles			
Net change in Fiduciary Net Position	15,226	13,834	12,413
Fiduciary Net Position at beginning of year	244,661	259,887	273,721
<b>Fiduciary net position at end of year</b>	<b>\$259,887</b>	<b>\$273,721</b>	<b>\$286,134</b>
<b>Net pension liability (asset) at end of year</b>	<b>\$547,147</b>	<b>\$492,113</b>	<b>\$410,655</b>
<b>Fiduciary net position as percentage of total pension liability</b>	32.2%	35.7%	41.1%
<b>Covered payroll</b>	n/a	n/a	n/a
<b>Net pension liability as percentage of covered payroll</b>	n/a	n/a	n/a

\* Fiscal year 2014 was the 1st year of implementation.

**City of Richmond**  
**Required Supplementary Information**

**SCHEDULE OF CONTRIBUTIONS**

**Last 10 Fiscal Years**

Fiscal Year	(1) Actuarially Determined Contribution (ADC)	(2) Employer Contributions	(3) Contribution Deficiency (Excess) (1)-(2)	(4) Covered- Employee Payroll	(5) ADC / Covered- Employee Payroll (1)/(4)
<b>Police and Firemen's Plan</b>					
June 30, 2007	\$2,215,648	\$6,215,648	(\$4,000,000)	n/a	n/a
June 30, 2008	2,199,459	5,000,000	(2,800,541)	n/a	n/a
June 30, 2009	1,887,057	4,800,000	(2,912,943)	n/a	n/a
June 30, 2010	2,477,902	4,600,000	(2,122,098)	n/a	n/a
June 30, 2011	2,257,912	0	2,257,912	n/a	n/a
June 30, 2012	1,596,771	0	1,596,771	n/a	n/a
June 30, 2013	1,813,721	1,596,771	216,950	n/a	n/a
June 30, 2014	740,235	740,234	1	n/a	n/a
June 30, 2015	740,235	740,235	0	n/a	n/a
June 30, 2016	1,270,466	1,222,197	48,269	n/a	n/a
<b>General Pension Plan</b>					
June 30, 2007	\$238,264	\$238,264	\$0	n/a	n/a
June 30, 2008	307,948	307,948	0	n/a	n/a
June 30, 2009	307,948	307,948	0	n/a	n/a
June 30, 2010	486,092	486,092	0	n/a	n/a
June 30, 2011	486,092	486,092	0	n/a	n/a
June 30, 2012	455,662	148,186	307,476	n/a	n/a
June 30, 2013	502,278	660,992	(158,714)	n/a	n/a
June 30, 2014	602,970	602,970	0	n/a	n/a
June 30, 2015	602,970	602,970	0	n/a	n/a
June 30, 2016	750,016	602,970	147,046	n/a	n/a
<b>Garfield Pension Plan</b>					
June 30, 2007	\$73,917	\$73,917	\$0	n/a	n/a
June 30, 2008	72,484	72,484	0	n/a	n/a
June 30, 2009	72,484	72,484	0	n/a	n/a
June 30, 2010	76,692	76,692	0	n/a	n/a
June 30, 2011	76,692	76,692	0	n/a	n/a
June 30, 2012	78,731	0	78,731	n/a	n/a
June 30, 2013	92,092	77,000	15,092	n/a	n/a
June 30, 2014	102,140	102,140	0	n/a	n/a
June 30, 2015	102,140	102,140	0	n/a	n/a
June 30, 2016	78,987	102,140	(23,153)	n/a	n/a

**City of Richmond  
Required Supplementary Information**

**SCHEDULE OF CONTRIBUTIONS (Continued)**

**Notes to Schedule:**

	<u>Police and Firemen's Plan</u>	<u>General Pension Plan</u>	<u>Garfield Pension Plan</u>
Actuarially determined contribution rates are calculated as of the end of the fiscal year in which contributions are reported.			
Methods and assumptions used to determine contribution rates:			
Actuarial cost method	Entry age normal cost	Entry age normal cost	Entry age normal cost
Amortization method	<b>Investment Gains &amp; Losses:</b> Straight-line amortization over a closed 5-year period.		
	<b>Effects of Assumptions Changes and Experience Gains and Losses:</b>		
	Straight-line amortization over a closed period equal to the average of the expected remaining service lives of all members that are provided with pensions through the pension plan.		
	Since the plan no longer has active members, the effects of assumption changes and experience gains and losses are recognized immediately.		
Remaining amortization period	5 years	5 years	5 years
Asset valuation method	Market value of assets	Market value of assets	Market value of assets
Inflation	2.75%	2.75%	2.75%
Salary increases used to estimate future increases to pensions	N/A	N/A	N/A
Discount rate, net of investment expenses	5.75%	3.00%	3.00%
Retirement age	Closed to new members	Closed to new members	Closed to new members
Mortality	California PERS Mortality Table in its 2014 experience study (based on CalPERS 2001 - 2011 experience)		

**SCHEDULE OF INVESTMENT RETURNS**

**Last 10 Fiscal Years \***

<u>Annual money-weighted rate of return, net of investment expense</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Police and Fireman's Plan</b>	3.90%	2.40%	-1.20%
<b>General Pension Plan</b>	0.10%	0.30%	0.30%
<b>Garfield Pension Plan</b>	0.40%	0.30%	0.40%

\* Fiscal year 2014 was the 1st year of implementation.

**City of Richmond  
Required Supplementary Information**

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**OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULES**

**SCHEDULE OF CONTRIBUTIONS**

The Plan's annual required contributions and actual contributions for the last three fiscal years are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2014	\$11,427,000	\$2,012,286	18%	\$30,883,892
6/30/2015	12,081,000	3,889,097	32%	39,075,795
6/30/2016	18,295,182	7,732,440	42%	49,638,537

**SCHEDULE OF FUNDING PROGRESS**

The Schedule of Funding Progress below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the actuarial studies is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A - B)	Funded Ratio (A/B)	Covered Payroll (C)	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A - B)/C]
7/1/2011	\$1,804,000	\$94,486,000	(\$92,682,000)	1.9%	\$72,327,000	-128%
7/1/2013	986,000	126,447,000	(125,461,000)	0.8%	71,393,000	-176%
7/1/2015	345,000	196,379,000	(196,034,000)	0.2%	73,167,000	-268%

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**CITY OF RICHMOND**  
**JUNE 30, 2016**

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<p><b>MAJOR GOVERNMENTAL FUNDS, OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS</b></p>
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**CIVIC CENTER DEBT SERVICE FUND**

This fund accounts for principal and interest payments on the Civic Center project Lease Revenue Bonds.

CITY OF RICHMOND  
CIVIC CENTER DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Charges for services	\$4,942,040	\$2,569,384	(\$2,372,656)
Use of money and property		1,346	1,346
<b>Total Revenues</b>	<b>4,942,040</b>	<b>2,570,730</b>	<b>(2,371,310)</b>
<b>EXPENDITURES</b>			
Debt service:			
Principal	1,686,545	1,686,545	
Interest and fiscal charges	6,424,105	6,636,967	(212,862)
Swap termination payment	27,056,046	28,554,000	(1,497,954)
<b>Total Expenditures</b>	<b>35,166,696</b>	<b>36,877,512</b>	<b>(1,710,816)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(30,224,656)</b>	<b>(34,306,782)</b>	<b>(4,082,126)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt	28,390,000	28,390,000	
Bond issuance premium	1,393,619	1,393,619	
Transfers in	1,235,584	1,235,584	
<b>Total other financing sources (uses)</b>	<b>31,019,203</b>	<b>31,019,203</b>	
<b>NET CHANGE IN FUND BALANCE</b>	<b>794,547</b>	<b>(3,287,579)</b>	<b>(4,082,126)</b>
Fund balance, July 1	(339,795)	(339,795)	
Fund balance, June 30	\$454,752	(\$3,627,374)	(\$4,082,126)

**CITY OF RICHMOND**  
**JUNE 30, 2016**

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<b>NON-MAJOR GOVERNMENTAL FUNDS</b>
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**SPECIAL REVENUE FUNDS**

**State Gas Tax Fund** accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code. State gas taxes are restricted to uses for street construction activities including location of underground utilities, geotechnical work relating to identification of soil and groundwater contamination, materials sampling and testing.

**General Purpose Fund** accounts for other restricted monies that are to be used for the specific purposes for which the funds were set up.

**Paratransit Operations Fund** accounts for monies used to provide subsidized, accessible transportation to the seniors and disabled residents of the City of Richmond and the adjacent unincorporated areas of West Contra Costa County.

**Employment & Training Fund** is a fund set up to plan, administer and operate job training programs for the adult and youth residents of Richmond.

**Public Safety Fund** records the receipt and use of grant monies under the Local Law Enforcements Block Grant Program, Office of Traffic Safety Grants, OES Grants, FEMA Grants and various other grants.

**Lighting and Landscaping Districts Fund** was set up to account for maintenance services in the nature of landscaping, lighting, cleaning provided to the Hilltop parking lot area, the Marina Way Development area, and the Marina Bay area.

**Developer Impact Fees Fund** is used to account for monies received from fees levied by the City on new commercial and residential projects. These funds will be used to mitigate the additional public safety and infrastructure costs resulting from these development projects.

**Secured Pension Override Fund** – The Secured Pension Override Fund records the receipt of Pension Tax override collected through property taxes for payment of pension contributions.

**Richmond Neighborhood Stabilization Corporation Fund** - The Richmond Neighborhood Stabilization Corporation Special Revenue Fund accounts for the activities of the Corporation.

**CITY OF RICHMOND**  
**JUNE 30, 2016**

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<b>NON-MAJOR GOVERNMENTAL FUNDS (Continued)</b>
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**DEBT SERVICE FUNDS**

**2005 Pension Obligation Bonds Debt Service Fund** receives transfers from the General Fund and the Pension Tax Override Fund, and pays the debt service on the 2005 Pension Obligation Bonds.

**General Debt Service Fund** accounts for monies received in connection with the 1995A and the 1999 Series A Pension Obligation Bonds and the related payments on such debt. The 1995 Series A bonds were to refinance the cost of capital improvements, and the 1999 Series A bonds were issued to find a portion of the unfunded accrued actuarial liability in the Pension Fund.

**CAPITAL PROJECTS FUNDS**

**General Capital Improvement Fund** accounts for monies designated for capital improvement projects.

**Measure C/J Fund** was set up when the voters of Contra Costa County approved Measure C providing for the creation of the Contra Costa County Transportation Authority. The half-cent transportation sales tax was renewed under Measure J, effective April 1, 2009. The Authority collects one-half of one percent sales and use tax. Twenty percent of this tax is allocated to the City of Richmond to be used for the improvement of local transportation, including streets and roads in accordance with Measure C and Measure J compliance.

**Harbor Navigation Fund** records the expenses relating to the construction of certain public improvements relating to the Port of Richmond consisting of dredging and deepening of the Richmond Harbor.

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CITY OF RICHMOND  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2016

	SPECIAL REVENUE FUNDS			
	State Gas Tax	General Purpose	Paratransit Operations	Employment and Training
<b>ASSETS</b>				
Cash and investments	\$1,349,936	\$1,363,106		\$1,122,649
Restricted cash and investments				7,090
Receivables:				
Accounts, net	172,052	3,365	\$2,125	46,076
Interest	768	823		
Grants		713,416		430,290
Loans				
Advances to other funds				
Prepays and other assets				550
Total Assets	\$1,522,756	\$2,080,710	\$2,125	\$1,606,655
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$553,719	\$198,023	\$21,688	\$158,355
Due to other funds			805,761	
Unearned revenue		810,766		77,000
Total Liabilities	553,719	1,008,789	827,449	235,355
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue		295,071		103,798
<b>FUND BALANCE</b>				
Nonspendable				550
Restricted	969,037	776,850		1,266,952
Assigned				
Unassigned			(825,324)	
Total Fund Balances (Deficits)	969,037	776,850	(825,324)	1,267,502
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$1,522,756	\$2,080,710	\$2,125	\$1,606,655

SPECIAL REVENUE FUNDS					DEBT SERVICE FUNDS	
Public Safety	Lighting and Landscaping Districts	Developer Impact Fees	Secured Pension Override	Richmond Neighborhood Stabilization Corporation	2005 Pension Obligation Bonds	General Debt Service
\$389,641	\$1,037,563			\$435,668	\$8,936,523	
			\$2,467,299	124,772		
204	543	\$784	964	283		
30,342				895,384		
<u>\$420,187</u>	<u>\$1,038,106</u>	<u>\$784</u>	<u>\$2,468,263</u>	<u>\$1,456,107</u>	<u>\$8,936,523</u>	
\$108,647	\$64,184	\$3,897		\$135	\$1,109,277	
		90,300				
<u>108,647</u>	<u>64,184</u>	<u>94,197</u>		<u>135</u>	<u>1,109,277</u>	
				895,384		
311,540	973,922		\$2,468,263	560,588	7,827,246	
		(93,413)				
<u>311,540</u>	<u>973,922</u>	<u>(93,413)</u>	<u>2,468,263</u>	<u>560,588</u>	<u>7,827,246</u>	
<u>\$420,187</u>	<u>\$1,038,106</u>	<u>\$784</u>	<u>\$2,468,263</u>	<u>\$1,456,107</u>	<u>\$8,936,523</u>	

(Continued)

CITY OF RICHMOND  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2016

	<u>CAPITAL PROJECTS FUNDS</u>			Total Nonmajor Governmental Funds
	<u>General Capital Improvement</u>	<u>Measure C / J</u>	<u>Harbor Navigation</u>	
<b>ASSETS</b>				
Cash and investments	\$681,832	\$1,601,162	\$431,652	\$8,413,209
Restricted cash and investments	1,123,595		345,508	10,537,488
Receivables:				
Accounts, net				2,690,917
Interest	13	416	215	5,013
Grants	170,790	270,000		1,614,838
Loans				895,384
Advances to other funds				
Prepays and other assets				550
Total Assets	<u>\$1,976,230</u>	<u>\$1,871,578</u>	<u>\$777,375</u>	<u>\$24,157,399</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$83,249	\$250,748		\$1,442,645
Due to other funds				2,005,338
Unearned revenue				887,766
Total Liabilities	<u>83,249</u>	<u>250,748</u>		<u>4,335,749</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	170,790	270,000		1,735,043
<b>FUND BALANCE</b>				
Nonspendable				550
Restricted	1,722,191	1,350,830	\$345,508	18,572,927
Assigned			431,867	431,867
Unassigned				(918,737)
Total Fund Balances (Deficits)	<u>1,722,191</u>	<u>1,350,830</u>	<u>777,375</u>	<u>18,086,607</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$1,976,230</u>	<u>\$1,871,578</u>	<u>\$777,375</u>	<u>\$24,157,399</u>

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CITY OF RICHMOND  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE FUNDS			
	State Gas Tax	General Purpose	Paratransit Operations	Employment and Training
<b>REVENUES</b>				
Property taxes				
Licenses, permits and fees		\$180,594		
Fines, forfeitures and penalties		21,814		
Use of money and property	\$7,273	6,109		
Intergovernmental	2,223,680	1,683,930	\$810,882	\$2,218,262
Charges for services			51,919	177,000
Pension stabilization revenue				
Other		5,004	3,511	509,888
Rent				3,000
<b>Total Revenues</b>	<b>2,230,953</b>	<b>1,897,451</b>	<b>866,312</b>	<b>2,908,150</b>
<b>EXPENDITURES</b>				
Current:				
General government		165,695	1,437,922	
Public safety		405,546		
Public works	1,342,499	238,639		
Community development				4,373,506
Cultural and recreational		420,832		
Housing and redevelopment				
Capital outlay	2,176,216	203,353		
Debt Service:				
Principal				
Interest and fiscal charges				
<b>Total Expenditures</b>	<b>3,518,715</b>	<b>1,434,065</b>	<b>1,437,922</b>	<b>4,373,506</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,287,762)</b>	<b>463,386</b>	<b>(571,610)</b>	<b>(1,465,356)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of property				
Transfers in		7,800		816,887
Transfers (out)				
<b>Total Other Financing Sources (Uses)</b>		<b>7,800</b>		<b>816,887</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,287,762)</b>	<b>471,186</b>	<b>(571,610)</b>	<b>(648,469)</b>
<b>BEGINNING FUND BALANCES (DEFICITS)</b>	<b>2,256,799</b>	<b>305,664</b>	<b>(253,714)</b>	<b>1,915,971</b>
<b>ENDING FUND BALANCES (DEFICITS)</b>	<b>\$969,037</b>	<b>\$776,850</b>	<b>(\$825,324)</b>	<b>\$1,267,502</b>

SPECIAL REVENUE FUNDS					DEBT SERVICE FUNDS	
Public Safety	Lighting and Landscaping Districts	Developer Impact Fees	Secured Pension Override	Richmond Neighborhood Stabilization Corporation	2005 Pension Obligation Bonds	General Debt Service
	\$1,411,902		\$7,813,191		\$10,257,410	
		\$970,681				
\$2,100	3,785	9,429	4,425	\$283	7,261	
306,469				1,780		
					915,860	
108,486	12,295			42,040		
<u>417,055</u>	<u>1,427,982</u>	<u>980,110</u>	<u>7,817,616</u>	<u>44,103</u>	<u>11,180,531</u>	
			73,592			
736,445	1,902,245	128,007	1,222,197			
		48,166				
21,693		382,364		295,382		
	66,302				4,692,000	\$1,625,000
	8,794				4,746,027	793,080
<u>758,138</u>	<u>1,977,341</u>	<u>558,537</u>	<u>1,295,789</u>	<u>295,382</u>	<u>9,438,027</u>	<u>2,418,080</u>
<u>(341,083)</u>	<u>(549,359)</u>	<u>421,573</u>	<u>6,521,827</u>	<u>(251,279)</u>	<u>1,742,504</u>	<u>(2,418,080)</u>
				205,726		
	584,371		(4,053,922)		(954,202)	2,418,080
	<u>584,371</u>		<u>(4,053,922)</u>	<u>205,726</u>	<u>(954,202)</u>	<u>2,418,080</u>
(341,083)	35,012	421,573	2,467,905	(45,553)	788,302	
652,623	938,910	(514,986)	358	606,141	7,038,944	
<u>\$311,540</u>	<u>\$973,922</u>	<u>(\$93,413)</u>	<u>\$2,468,263</u>	<u>\$560,588</u>	<u>\$7,827,246</u>	

(Continued)

CITY OF RICHMOND  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>CAPITAL PROJECTS FUNDS</u>			Total Nonmajor Governmental Funds
	<u>General Capital Improvement</u>	<u>Measure C / J</u>	<u>Harbor Navigation</u>	
<b>REVENUES</b>				
Property taxes				\$19,482,503
Licenses, permits and fees				1,151,275
Fines, forfeitures and penalties				21,814
Use of money and property	\$782	\$3,249	\$2,067	46,763
Intergovernmental	338,705	2,757,635		10,341,343
Charges for services				228,919
Pension stabilization revenue				915,860
Other	14,608			695,832
Rent				3,000
				<u>3,000</u>
Total Revenues	<u>354,095</u>	<u>2,760,884</u>	<u>2,067</u>	<u>32,887,309</u>
<b>EXPENDITURES</b>				
Current:				
General government				1,677,209
Public safety				2,492,195
Public works	497,792	585,440		4,566,615
Community development				4,373,506
Cultural and recreational				468,998
Housing and redevelopment				295,382
Capital outlay	1,039,961	1,112,426		4,936,013
Debt Service:				
Principal				6,383,302
Interest and fiscal charges				5,547,901
				<u>5,547,901</u>
Total Expenditures	<u>1,537,753</u>	<u>1,697,866</u>	<u>2,067</u>	<u>30,741,121</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(1,183,658)</u>	<u>1,063,018</u>	<u>2,067</u>	<u>2,146,188</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of property				205,726
Transfers in				3,827,138
Transfers (out)	(7,800)	(100,678)		(5,116,602)
				<u>(5,116,602)</u>
Total Other Financing Sources (Uses)	<u>(7,800)</u>	<u>(100,678)</u>	<u>2,067</u>	<u>(1,083,738)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(1,191,458)	962,340	2,067	1,062,450
<b>BEGINNING FUND BALANCES (DEFICITS)</b>	<u>2,913,649</u>	<u>388,490</u>	<u>775,308</u>	<u>17,024,157</u>
<b>ENDING FUND BALANCES (DEFICITS)</b>	<u>\$1,722,191</u>	<u>\$1,350,830</u>	<u>\$777,375</u>	<u>\$18,086,607</u>

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CITY OF RICHMOND  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	STATE GAS TAX			GENERAL PURPOSE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Property taxes						
Licenses, permits and fees				\$227,000	\$180,594	(\$46,406)
Fines, forfeitures and penalties				28,000	21,814	(6,186)
Use of money and property		\$7,273	\$7,273	2,000	6,109	4,109
Intergovernmental	\$2,243,630	2,223,680	(19,950)	2,397,867	1,683,930	(713,937)
Charges for services						
Pension stabilization revenue						
Rent						
Other				10,500	5,004	(5,496)
<b>Total Revenues</b>	<u>2,243,630</u>	<u>2,230,953</u>	<u>(12,677)</u>	<u>2,665,367</u>	<u>1,897,451</u>	<u>(767,916)</u>
<b>EXPENDITURES</b>						
Current:						
General government				287,000	165,695	121,305
Public safety				605,504	405,546	199,958
Public works	1,928,217	1,342,499	585,718	1,224,799	238,639	986,160
Community development						
Cultural and recreational				913,016	420,832	492,184
Housing and redevelopment						
Capital outlay	2,453,413	2,176,216	277,197	283,647	203,353	80,294
Debt Service:						
Principal						
Interest and fiscal charges						
<b>Total Expenditures</b>	<u>4,381,630</u>	<u>3,518,715</u>	<u>862,915</u>	<u>3,313,966</u>	<u>1,434,065</u>	<u>1,879,901</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(2,138,000)</u>	<u>(1,287,762)</u>	<u>850,238</u>	<u>(648,599)</u>	<u>463,386</u>	<u>1,111,985</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of property						
Transfers in				7,800	7,800	
Transfers (out)				(10,000)		10,000
<b>Total Other Financing Sources (Uses)</b>				<u>(2,200)</u>	<u>7,800</u>	<u>10,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(\$2,138,000)</u>	<u>(1,287,762)</u>	<u>\$850,238</u>	<u>(\$650,799)</u>	<u>471,186</u>	<u>\$1,121,985</u>
<b>BEGINNING FUND BALANCES (DEFICITS)</b>		<u>2,256,799</u>			<u>305,664</u>	
<b>ENDING FUND BALANCES (DEFICITS)</b>		<u>\$969,037</u>			<u>\$776,850</u>	

PARATRANSIT OPERATIONS			PUBLIC SAFETY			LIGHTING AND LANDSCAPING DISTRICTS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
						\$1,411,909	\$1,411,902	(\$7)
\$854,064	\$810,882	(\$43,182)	\$486	\$2,100	\$1,614		3,785	3,785
40,000	51,919	11,919	333,686	306,469	(27,217)			
349,940	3,511	(346,429)	49,327	108,486	59,159		12,295	12,295
1,244,004	866,312	(377,692)	383,499	417,055	33,556	1,411,909	1,427,982	16,073
1,149,368	1,437,922	(288,554)	577,543	736,445	(158,902)	2,051,660	1,902,245	149,415
			379,143	21,693	357,450	70,000		70,000
						66,302	66,302	
						8,794	8,794	
1,149,368	1,437,922	(288,554)	956,686	758,138	198,548	2,196,756	1,977,341	219,415
94,636	(571,610)	(666,246)	(573,187)	(341,083)	232,104	(784,847)	(549,359)	235,488
						584,371	584,371	
						584,371	584,371	
\$94,636	(571,610)	(\$666,246)	(\$573,187)	(341,083)	\$232,104	(\$200,476)	35,012	\$235,488
	(253,714)			652,623			938,910	
	(\$825,324)			\$311,540			\$973,922	

(Continued)

CITY OF RICHMOND  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	DEVELOPER IMPACT FEES			RICHMOND NEIGHBORHOOD STABILIZATION CORPORATION		
	Budget	Actual	Variance	Budget	Actual	Variance
			Positive (Negative)			Positive (Negative)
REVENUES						
Property taxes						
Licenses, permits and fees	\$370,089	\$970,681	\$600,592			
Fines, forfeitures and penalties						
Use of money and property	341	9,429	9,088		\$283	\$283
Intergovernmental				\$30,000	1,780	(28,220)
Charges for services						
Pension stabilization revenue						
Rent						
Other					42,040	42,040
<b>Total Revenues</b>	<b>370,430</b>	<b>980,110</b>	<b>609,680</b>	<b>30,000</b>	<b>44,103</b>	<b>14,103</b>
EXPENDITURES						
Current:						
General government						
Public safety	317,954	128,007	189,947			
Public works						
Community development						
Cultural and recreational	165,000	48,166	116,834			
Housing and redevelopment				397,094	295,382	101,712
Capital outlay	382,358	382,364	(6)			
Debt Service:						
Principal						
Interest and fiscal charges						
<b>Total Expenditures</b>	<b>865,312</b>	<b>558,537</b>	<b>306,775</b>	<b>397,094</b>	<b>295,382</b>	<b>101,712</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(494,882)	421,573	916,455	(367,094)	(251,279)	115,815
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of property				367,094	205,726	(161,368)
Transfers in						
Transfers (out)						
<b>Total Other Financing Sources (Uses)</b>				<b>367,094</b>	<b>205,726</b>	<b>(161,368)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(\$494,882)</b>	<b>421,573</b>	<b>\$916,455</b>		<b>(45,553)</b>	<b>(\$45,553)</b>
BEGINNING FUND BALANCES (DEFICITS)		(514,986)			606,141	
ENDING FUND BALANCES (DEFICITS)		(\$93,413)			\$560,588	

2005 PENSION OBLIGATION BONDS			GENERAL DEBT SERVICE		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$10,257,410	\$10,257,410				
	7,261	\$7,261			
934,414	915,860	(18,554)			
<u>11,191,824</u>	<u>11,180,531</u>	<u>(11,293)</u>			
4,692,000	4,692,000		\$1,625,000	\$1,625,000	
6,655,266	4,746,027	1,909,239	793,930	793,080	\$850
<u>11,347,266</u>	<u>9,438,027</u>	<u>1,909,239</u>	<u>2,418,930</u>	<u>2,418,080</u>	<u>850</u>
<u>(155,442)</u>	<u>1,742,504</u>	<u>1,897,946</u>	<u>(2,418,930)</u>	<u>(2,418,080)</u>	<u>850</u>
<u>(955,243)</u>	<u>(954,202)</u>	<u>1,041</u>	2,418,930	2,418,080	(850)
<u>(955,243)</u>	<u>(954,202)</u>	<u>1,041</u>	<u>2,418,930</u>	<u>2,418,080</u>	<u>(850)</u>
<u>(\$1,110,685)</u>	788,302	<u>\$1,898,987</u>			
	<u>7,038,944</u>				
	<u>\$7,827,246</u>				

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**CITY OF RICHMOND**  
**JUNE 30, 2016**

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<b>NON-MAJOR ENTERPRISE FUNDS</b>
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**Richmond Marina Fund** records revenues collected from berth rentals and the use of the marina facilities. The fund also records expenses incurred for the operation of the facility and for the payment of the loan from the California Department of Boating and Waterways.

**Storm Sewer Fund** records the revenues from storm water fees and transfers from operations reserves. It also records the expenses of maintaining a clean storm sewer system so that the City is in compliance with the federally mandated Storm Water Pollution Prevention Program.

**Cable TV Fund** was set up for the administration and enforcement of the franchise agreements with two cable television systems, management of municipal cable channel, departmental video services, media and public information, and telecommunications planning. The fund records revenue received from franchise fees and indirect charges to other funds and administration expenses incurred in operating the system.

CITY OF RICHMOND  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENTS OF NET POSITION  
JUNE 30, 2016

	Richmond Marina	Storm Sewer	Cable TV	Total
ASSETS				
Current Assets				
Cash and investments	\$3,452,446		\$71,443	\$3,523,889
Receivables:				
Accounts	71,673	\$4,899	339,180	415,752
Interest	1,674		81	1,755
Total Current Assets	<u>3,525,793</u>	<u>4,899</u>	<u>410,704</u>	<u>3,941,396</u>
Noncurrent Assets				
Capital assets:				
Depreciable, net	1,608,325	1,929,690	27,173	3,565,188
Advances to other funds		167,451		167,451
Total Noncurrent Assets	<u>1,608,325</u>	<u>2,097,141</u>	<u>27,173</u>	<u>3,732,639</u>
Total Assets	<u>5,134,118</u>	<u>2,102,040</u>	<u>437,877</u>	<u>7,674,035</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions		36,381	169,776	206,157
Total Deferred Outflows of Resources		<u>36,381</u>	<u>169,776</u>	<u>206,157</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities		203,014	6,213	209,227
Refundable deposits	81,419	1,200		82,619
Interest payable	114,804			114,804
Due to other funds		1,835,081		1,835,081
Compensated absences		15,540	47,330	62,870
Current portion of long term debt	81,574			81,574
Total Current Liabilities	<u>277,797</u>	<u>2,054,835</u>	<u>53,543</u>	<u>2,386,175</u>
Noncurrent Liabilities				
Advance from other funds		2,213,421		2,213,421
Long-term debt	2,701,553			2,701,553
Net pension liability		434,645	2,028,343	2,462,988
Total Noncurrent Liabilities	<u>2,701,553</u>	<u>2,648,066</u>	<u>2,028,343</u>	<u>7,377,962</u>
Total Liabilities	<u>2,979,350</u>	<u>4,702,901</u>	<u>2,081,886</u>	<u>9,764,137</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions		46,136	215,302	261,438
Total Deferred Inflows of Resources		<u>46,136</u>	<u>215,302</u>	<u>261,438</u>
NET POSITION				
Net investment in capital assets	(1,174,802)	1,929,690	27,173	782,061
Unrestricted	3,329,570	(4,540,306)	(1,716,708)	(2,927,444)
Total Net Position	<u>\$2,154,768</u>	<u>(\$2,610,616)</u>	<u>(\$1,689,535)</u>	<u>(\$2,145,383)</u>

CITY OF RICHMOND  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016

	Richmond Marina	Storm Sewer	Cable TV	Total
<b>OPERATING REVENUES</b>				
Service charges		\$1,962,283	\$1,091,197	\$3,053,480
Lease income	\$517,108	4,254		521,362
Other			229,289	229,289
<b>Total Operating Revenues</b>	<b>517,108</b>	<b>1,966,537</b>	<b>1,320,486</b>	<b>3,804,131</b>
<b>OPERATING EXPENSES</b>				
Salaries and benefits		8,831	1,764,689	1,773,520
General and administrative	26,400	1,453,740	326,982	1,807,122
Depreciation	85,196	929,867	22,691	1,037,754
Other			74	74
<b>Total Operating Expenses</b>	<b>111,596</b>	<b>2,392,438</b>	<b>2,114,436</b>	<b>4,618,470</b>
<b>Operating Income (Loss)</b>	<b>405,512</b>	<b>(425,901)</b>	<b>(793,950)</b>	<b>(814,339)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	13,524		1,402	14,926
Interest (expense)	(125,533)	(73,491)		(199,024)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(112,009)</b>	<b>(73,491)</b>	<b>1,402</b>	<b>(184,098)</b>
<b>Income (Loss) Before Transfers</b>	<b>293,503</b>	<b>(499,392)</b>	<b>(792,548)</b>	<b>(998,437)</b>
Transfers out	(100,000)		(500,000)	(600,000)
<b>Change in Net Position</b>	<b>193,503</b>	<b>(499,392)</b>	<b>(1,292,548)</b>	<b>(1,598,437)</b>
<b>BEGINNING NET POSITION</b>	<b>1,961,265</b>	<b>(2,111,224)</b>	<b>(396,987)</b>	<b>(546,946)</b>
<b>ENDING NET POSITION</b>	<b>\$2,154,768</b>	<b>(\$2,610,616)</b>	<b>(\$1,689,535)</b>	<b>(\$2,145,383)</b>

CITY OF RICHMOND  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016

	Richmond Marina	Storm Sewer	Cable TV	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$510,680	\$1,964,649	\$1,338,929	\$3,814,258
Payments to suppliers	(25,662)	(1,268,376)	(327,179)	(1,621,217)
Payments to employees		(202,859)	(1,026,859)	(1,229,718)
	<u>485,018</u>	<u>493,414</u>	<u>(15,109)</u>	<u>963,323</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers Out	(100,000)		(500,000)	(600,000)
Interfund receipts (payments)		(419,923)		(419,923)
	<u>(100,000)</u>	<u>(419,923)</u>	<u>(500,000)</u>	<u>(1,019,923)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>				
(Acquisition) sale of capital assets	1			1
Repayment of long-term borrowing	(78,062)			(78,062)
Interest paid	(128,753)	(73,491)		(202,244)
	<u>(206,814)</u>	<u>(73,491)</u>		<u>(280,305)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received	11,850		1,321	13,171
	<u>11,850</u>		<u>1,321</u>	<u>13,171</u>
Net Cash Flows	190,054		(513,788)	(323,734)
Cash and investments at beginning of period	3,262,392		585,231	3,847,623
Cash and investments at end of period	<u>\$3,452,446</u>		<u>\$71,443</u>	<u>\$3,523,889</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>				
Operating income (loss)	\$405,512	(\$425,901)	(\$793,950)	(\$814,339)
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	85,196	929,867	22,691	1,037,754
Change in assets and liabilities:				
Accounts receivable	(6,428)	(1,888)	18,443	10,127
Accounts payable and accrued liabilities and other accrued expenses	738	185,364	(123)	185,979
Compensated absences		6,893	6,646	13,539
Net pension liability and deferred outflows/inflows of resources		(200,921)	731,184	530,263
Cash Flows from Operating Activities	<u>\$485,018</u>	<u>\$493,414</u>	<u>(15,109)</u>	<u>\$963,323</u>

**CITY OF RICHMOND**  
**JUNE 30, 2016**

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<b>INTERNAL SERVICE FUNDS</b>
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Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

**Insurance Reserves Fund** is used to report activities related to employee's claims due to industrial injuries and activities related to general claims against the City for damages incurred.

**Equipment Services and Replacement Fund** is used to report activities related to maintenance and replacement of City vehicles.

**Police Telecommunications Fund** is used to report activities related to CAD dispatch, RMS records maintenance, and 800 MHz equipment expense.

**Compensated Absences Fund** is used to account for sick, vacation and compensatory time leave payouts related to employee retirements.

CITY OF RICHMOND  
INTERNAL SERVICES FUND  
COMBINING STATEMENTS OF NET POSITION  
JUNE 30, 2016

	Insurance Reserves	Equipment Services and Replacement	Police Tele- communications	Compensated Absences	Total
<b>ASSETS</b>					
Current Assets					
Cash and investments	\$6,580,314	\$406,384	\$1,127,010		\$8,113,708
Receivables:					
Accounts	42,686		400,530		443,216
Interest	13,621	281	469		14,371
Loan	550,000				550,000
Due from other funds	20,524,924				20,524,924
<b>Total Current Assets</b>	<b>27,711,545</b>	<b>406,665</b>	<b>1,528,009</b>		<b>29,646,219</b>
Noncurrent Assets					
Capital assets:					
Nondepreciable		246,896			246,896
Depreciable, net		4,651,784	66,936		4,718,720
Advances to other funds	2,213,421				2,213,421
<b>Total Noncurrent Assets</b>	<b>2,213,421</b>	<b>4,898,680</b>	<b>66,936</b>		<b>7,179,037</b>
<b>Total Assets</b>	<b>29,924,966</b>	<b>5,305,345</b>	<b>1,594,945</b>		<b>36,825,256</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows related to pensions	249,814				249,814
<b>Total Deferred Outflows of Resources</b>	<b>249,814</b>				<b>249,814</b>
<b>LIABILITIES</b>					
Current Liabilities					
Due to other funds				\$1,388,415	1,388,415
Accounts payable and accrued liabilities	209,242	817	29,492		239,551
Interest payable		182			182
Accrued claims liabilities	13,331,213				13,331,213
Current portion of long-term debt		353,378			353,378
<b>Total Current Liabilities</b>	<b>13,540,455</b>	<b>354,377</b>	<b>29,492</b>	<b>1,388,415</b>	<b>15,312,739</b>
Noncurrent Liabilities					
Compensated absences	58,513		172,169		230,682
Unearned revenue			1,289,239		1,289,239
Accrued claims liabilities	26,072,016				26,072,016
Long-term debt		180,754			180,754
Net pension liability	2,984,562				2,984,562
<b>Total Noncurrent Liabilities</b>	<b>29,115,091</b>	<b>180,754</b>	<b>1,461,408</b>		<b>30,757,253</b>
<b>Total Liabilities</b>	<b>42,655,546</b>	<b>535,131</b>	<b>1,490,900</b>	<b>1,388,415</b>	<b>46,069,992</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to pensions	316,802				316,802
<b>Total Deferred Inflows of Resources</b>	<b>316,802</b>				<b>316,802</b>
<b>NET POSITION (DEFICIT)</b>					
Net investment in capital assets		4,364,548	66,936		4,431,484
Unrestricted	(12,797,568)	405,666	37,109	(1,388,415)	(13,743,208)
<b>Total Net Position (Deficit)</b>	<b>(\$12,797,568)</b>	<b>\$4,770,214</b>	<b>\$104,045</b>	<b>(\$1,388,415)</b>	<b>(\$9,311,724)</b>

CITY OF RICHMOND  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016

	Insurance Reserves	Equipment Services and Replacement	Police Tele- communications	Compensated Absences	Total
<b>OPERATING REVENUES</b>					
Charges for services-internal	\$16,525,950	\$435,000	\$3,637,128	\$1,689,600	\$22,287,678
Charges for services-external			1,569,106		1,569,106
<b>Total Operating Revenues</b>	<b>16,525,950</b>	<b>435,000</b>	<b>5,206,234</b>	<b>1,689,600</b>	<b>23,856,784</b>
<b>OPERATING EXPENSES</b>					
Salaries and benefits	1,070,982		4,176,106	3,078,015	8,325,103
General and administrative	1,229,905		916,218		2,146,123
Maintenance		457,439	121,812		579,251
Depreciation		1,904,462	93,818		1,998,280
Claims losses	20,485,068				20,485,068
Other	9,687				9,687
<b>Total Operating Expenses</b>	<b>22,795,642</b>	<b>2,361,901</b>	<b>5,307,954</b>	<b>3,078,015</b>	<b>33,543,512</b>
<b>Operating Income (Loss)</b>	<b>(6,269,692)</b>	<b>(1,926,901)</b>	<b>(101,720)</b>	<b>(1,388,415)</b>	<b>(9,686,728)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Gain (loss) from sale of property		(11,175)			(11,175)
Capital contributions		264,695			264,695
Interest income	182,016	2,578			184,594
Interest expense		(24,115)			(24,115)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>182,016</b>	<b>231,983</b>			<b>413,999</b>
<b>Income (Loss) Before Transfers</b>	<b>(6,087,676)</b>	<b>(1,694,918)</b>	<b>(101,720)</b>	<b>(1,388,415)</b>	<b>(9,272,729)</b>
Transfers in	200,000	367,040			567,040
<b>Change in Net Position</b>	<b>(5,887,676)</b>	<b>(1,327,878)</b>	<b>(101,720)</b>	<b>(1,388,415)</b>	<b>(8,705,689)</b>
<b>BEGINNING NET POSITION (DEFICIT)</b>	<b>(6,909,892)</b>	<b>6,098,092</b>	<b>205,765</b>		<b>(606,035)</b>
<b>ENDING NET POSITION (DEFICIT)</b>	<b>(\$12,797,568)</b>	<b>\$4,770,214</b>	<b>\$104,045</b>	<b>(\$1,388,415)</b>	<b>(\$9,311,724)</b>

CITY OF RICHMOND  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016

	Insurance Reserves	Equipment Services and Replacement	Police Tele- communications	Compensated Absences	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$16,683,264	\$435,000	\$5,207,367	\$1,689,600	\$24,015,231
Payments to employees	(1,435,841)		(4,194,768)	(3,078,015)	(8,708,624)
Payments to suppliers	(1,199,890)	(476,122)	(1,054,404)		(2,730,416)
Insurance premiums and claims paid	(10,665,579)				(10,665,579)
<b>Cash Flows from Operating Activities</b>	<b>3,381,954</b>	<b>(41,122)</b>	<b>(41,805)</b>	<b>(1,388,415)</b>	<b>1,910,612</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Interfund receipts				1,388,415	1,388,415
Interfund payments	(753,257)				(753,257)
Transfers in	200,000	367,040			567,040
<b>Cash Flows from Noncapital Financing Activities</b>	<b>(553,257)</b>	<b>367,040</b>		<b>1,388,415</b>	<b>1,202,198</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets		(39,861)			(39,861)
Principal payments on capital debt		(342,808)			(342,808)
Interest and fiscal charges paid		(24,231)			(24,231)
<b>Cash Flows from Capital and Related Financing Activities</b>		<b>(406,900)</b>			<b>(406,900)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest	168,573	2,297	(469)		170,401
<b>Cash Flows from Investing Activities</b>	<b>168,573</b>	<b>2,297</b>	<b>(469)</b>		<b>170,401</b>
<b>Net Cash Flows</b>	<b>2,997,270</b>	<b>(78,685)</b>	<b>(42,274)</b>		<b>2,876,311</b>
Cash and investments at beginning of period	3,583,044	485,069	1,169,284		5,237,397
Cash and investments at end of period	<u>\$6,580,314</u>	<u>\$406,384</u>	<u>\$1,127,010</u>		<u>\$8,113,708</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>					
Operating income (loss)	(\$6,269,692)	(\$1,926,901)	(\$101,720)	(\$1,388,415)	(\$9,686,728)
<b>Adjustments to reconcile operating income to net cash flows from operating activities:</b>					
Depreciation		1,904,462	93,818		1,998,280
<b>Change in assets and liabilities:</b>					
Receivables, net	157,314		(90,341)		66,973
Accounts and other payables	39,702	(18,683)	(16,374)		4,645
Unearned revenue			91,474		91,474
Compensated absences	(12,861)		(18,662)		(31,523)
Claims payable	9,819,489				9,819,489
(Decrease) increase in due to retirement system	(351,998)				(351,998)
<b>Cash Flows from Operating Activities</b>	<b>3,381,954</b>	<b>(41,122)</b>	<b>(41,805)</b>	<b>(1,388,415)</b>	<b>1,910,612</b>
<b>Non cash transactions:</b>					
Retirement of capital assets		(\$11,175)			(\$11,175)
Contributions of capital assets		\$264,695			\$264,695

**CITY OF RICHMOND**  
**JUNE 30, 2016**

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<b>TRUST FUNDS</b>
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**TRUST FUNDS** are used to account for assets held by the City as a trustee agent for individuals, private organizations, and other governments. These funds include the following:

**PENSION TRUST FUNDS**

**General Pension Fund** records the activity of the General Pension Plan, a defined benefit pension plan that covers 28 former City employees not covered by PERS, all of whom have retired.

**Police and Fireman's Pension Fund** records the activity of the Police and Fireman's Pension Plan, a defined benefit pension plan that covers 75 police and fire personnel employed prior to October 1964.

**Garfield Pension Fund** records the activity of the Garfield Pension Plan, a defined contribution pension plan that was set up for a retired police chief.

**PRIVATE-PURPOSE TRUST FUNDS**

**Pt. Molate Fund** is used to account for assets held by the City as an agent for the U.S. Navy and a private developer for the cleanup of Point Molate.

**Successor Agency to the Richmond Community Redevelopment Agency Fund** accounts for the activities of the Successor Agency to the former Redevelopment Agency.

CITY OF RICHMOND  
STATEMENT OF PENSION TRUST FUNDS NET POSITION  
JUNE 30, 2016

	General Pension	Police and Fireman's Pension	Garfield Pension	Total
ASSETS				
Pension plan cash and investments:				
City of Richmond investment pool	\$957,200	\$1,511,546	\$113,074	\$2,581,820
Local Agency Investment Fund			173,059	173,059
Mutual Fund Investments		11,121,486		11,121,486
Interest receivable		1	1	2
Total Assets	957,200	12,633,033	286,134	13,876,367
NET POSITION				
Restricted for employees' pension benefits	\$957,200	\$12,633,033	\$286,134	\$13,876,367

CITY OF RICHMOND  
PENSION TRUST FUNDS  
STATEMENT OF CHANGES IN PENSION TRUST FUNDS NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Pension</u>	<u>Police and Fireman's Pension</u>	<u>Garfield Pension</u>	<u>Total</u>
ADDITIONS				
Net investment income:				
Net increase (decrease) in the fair value of investments	(\$108)	(\$391,119)	(\$9)	(\$391,236)
Interest income	2,363	310,348	942	313,653
Investment management fees		(84,719)		(84,719)
Contributions to trust	<u>602,970</u>	<u>1,222,197</u>	<u>102,140</u>	<u>1,927,307</u>
Total Additions	<u>605,225</u>	<u>1,056,707</u>	<u>103,073</u>	<u>1,765,005</u>
DEDUCTIONS				
Pension benefits	<u>623,662</u>	<u>3,140,552</u>	<u>90,660</u>	<u>3,854,874</u>
Total Deductions	<u>623,662</u>	<u>3,140,552</u>	<u>90,660</u>	<u>3,854,874</u>
Net Increase (Decrease)	<u>(18,437)</u>	<u>(2,083,845)</u>	<u>12,413</u>	<u>(2,089,869)</u>
NET POSITION RESTRICTED FOR PENSIONS				
Beginning of year	<u>975,637</u>	<u>14,716,878</u>	<u>273,721</u>	<u>15,966,236</u>
End of year	<u>\$957,200</u>	<u>\$12,633,033</u>	<u>\$286,134</u>	<u>\$13,876,367</u>

CITY OF RICHMOND  
PRIVATE PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2016

	Pt. Molate	Successor Agency to the Richmond Community Redevelopment Agency	Total
<b>ASSETS</b>			
Cash and investments		\$10,373,652	\$10,373,652
Restricted cash and investments	\$5,001,024	24,025,765	29,026,789
Accounts receivable	400	190,520	190,920
Grants receivable		3,720,553	3,720,553
Loans receivable		1,920,000	1,920,000
Prepays and other assets		6,765,678	6,765,678
Capital assets:			
Nondepreciable		6,258,806	6,258,806
Total Assets	5,001,424	53,254,974	58,256,398
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities		2,582,627	2,582,627
Interest payable		1,498,473	1,498,473
Derivative instrument at fair value-liability		5,332,800	5,332,800
Long-term debt:			
Due within one year		6,885,191	6,885,191
Due in more than one year		104,598,719	104,598,719
Total Liabilities		120,897,810	120,897,810
<b>NET POSITION</b>			
Held in trust other governments	\$5,001,424	(\$67,642,836)	(\$62,641,412)

CITY OF RICHMOND  
PRIVATE PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Pt. Molate</u>	<u>Successor Agency to the Richmond Community Redevelopment Agency</u>	<u>Total</u>
<b>ADDITIONS</b>			
Property taxes		\$19,953,198	\$19,953,198
Licenses, permits and fees		200,000	200,000
Investment income	\$3,336	728,688	732,024
Intergovernmental revenue		6,474,204	6,474,204
Miscellaneous revenue		1,072,154	1,072,154
	<u>3,336</u>	<u>28,428,244</u>	<u>28,431,580</u>
<b>DEDUCTIONS</b>			
Community development		15,509,401	15,509,401
Payments in accordance with trust agreements	3,433,452		3,433,452
Depreciation		8,395	8,395
Interest and fiscal charges		5,639,617	5,639,617
	<u>3,433,452</u>	<u>21,157,413</u>	<u>24,590,865</u>
Change in net position before special item	(3,430,116)	7,270,831	3,840,715
<b>SPECIAL ITEM</b>			
Assets transferred to the City		(14,968,712)	(14,968,712)
Change in net position	(3,430,116)	(7,697,881)	(11,127,997)
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>8,431,540</u>	<u>(59,944,955)</u>	<u>(51,513,415)</u>
NET POSITION (DEFICIT), END OF YEAR	<u>\$5,001,424</u>	<u>(\$67,642,836)</u>	<u>(\$62,641,412)</u>

CITY OF RICHMOND  
SUBCOMBINING SCHEDULE OF NET POSITION OF THE  
SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY  
PRIVATE PURPOSE TRUST FUNDS  
JUNE 30, 2016

	<u>Redevelopment Property Tax Trust Fund</u>	<u>Administration</u>	<u>Capital Projects</u>	<u>Bond Funded Capital Projects</u>
<b>ASSETS</b>				
Cash and investments	\$10,355,968	\$17,607	\$77	
Restricted cash and investments			2,881,519	\$1,150,449
Accounts receivable			190,520	
Grants receivable			3,720,553	
Loans receivable			1,920,000	
Due from other funds	1,837,518			
Prepays and other assets			6,765,678	
Advances to other funds				
Capital assets:				
Nondepreciable			6,258,806	
Depreciable, net				
<b>Total Assets</b>	<u>12,193,486</u>	<u>17,607</u>	<u>21,737,153</u>	<u>1,150,449</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities		17,607	2,565,020	
Due to other funds			1,703,326	134,192
Interest payable				
Advances from other funds				
Derivative instrument at fair value-liability				
Long-term debt:				
Due within one year				
Due in more than one year				
<b>Total Liabilities</b>		<u>17,607</u>	<u>4,268,346</u>	<u>134,192</u>
<b>NET POSITION (DEFICIT)</b>				
Held in trust for other governments	<u>\$12,193,486</u>	<u>17,607</u>	<u>\$17,468,807</u>	<u>\$1,016,257</u>

<u>Bond Payments</u>	<u>Intra Fund Eliminations</u>	<u>Total</u>
		\$10,373,652
\$19,993,797		24,025,765
		190,520
		3,720,553
		1,920,000
	(\$1,837,518)	
		6,765,678
654,000	(654,000)	
		6,258,806
<u>20,647,797</u>	<u>(2,491,518)</u>	<u>53,254,974</u>
		2,582,627
	(1,837,518)	
1,498,473		1,498,473
654,000	(654,000)	
5,332,800		5,332,800
6,885,191		6,885,191
<u>104,598,719</u>		<u>104,598,719</u>
<u>118,969,183</u>	<u>(2,491,518)</u>	<u>120,897,810</u>
<u><u>(\$98,321,386)</u></u>		<u><u>(\$67,642,836)</u></u>

CITY OF RICHMOND  
SUBCOMBINING SCHEDULE OF CHANGES IN NET POSITION OF THE  
SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY  
PRIVATE PURPOSE TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Redevelopment Property Tax Trust Fund	Administration	Capital Projects	Bond Funded Capital Projects
ADDITIONS				
Property taxes	\$19,953,198			
Licenses, permits and fees			\$200,000	
Investment income			96,402	\$565
Intergovernmental revenue		\$417,635	6,056,569	
Transfers from other funds		577,726	5,055,693	
Miscellaneous revenue			1,072,154	
<b>Total Additions</b>	<b>19,953,198</b>	<b>995,361</b>	<b>12,480,818</b>	<b>565</b>
DEDUCTIONS				
Community development		995,361	14,314,040	
Depreciation			8,395	
Interest and fiscal charges				
Transfers to other funds	16,869,891		36,837	134,192
<b>Total Deductions</b>	<b>16,869,891</b>	<b>995,361</b>	<b>14,359,272</b>	<b>134,192</b>
Change in net position before special item	3,083,307		(1,878,454)	(133,627)
SPECIAL ITEM				
Assets transferred to the City			(14,968,712)	
Change in net position	3,083,307		(16,847,166)	(133,627)
NET POSITION (DEFICIT), BEGINNING OF YEAR	9,110,179		34,315,973	1,149,884
NET POSITION (DEFICIT), END OF YEAR	\$12,193,486		\$17,468,807	\$1,016,257

<u>Bond Payments</u>	<u>Intra Fund Eliminations</u>	<u>Total</u>
		\$19,953,198
		200,000
\$631,721		728,688
		6,474,204
11,407,501	(\$17,040,920)	1,072,154
<u>12,039,222</u>	<u>(17,040,920)</u>	<u>28,428,244</u>
200,000		15,509,401
		8,395
5,639,617		5,639,617
	<u>(17,040,920)</u>	
<u>5,839,617</u>	<u>(17,040,920)</u>	<u>21,157,413</u>
6,199,605		7,270,831
		<u>(14,968,712)</u>
6,199,605		(7,697,881)
<u>(104,520,991)</u>		<u>(59,944,955)</u>
<u>(\$98,321,386)</u>		<u>(\$67,642,836)</u>

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**CITY OF RICHMOND**  
**JUNE 30, 2016**

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<b>AGENCY FUNDS</b>
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**AGENCY FUNDS** account for assets held by the City as an agent for individuals, governmental entities, and non-public organizations. These funds include the following:

**Special Assessment Fund** accounts for the monies collected and disbursed for land-based debt, where the City is not obligated for the debt.

**General Agency Fund** accounts for assets held by the City as an agent for individuals, private organizations, and other governments.

**Johnson Library Fund** accounts for nonexpendable trust funds to be used to provide funding for special library projects.

**Senior Center Fund** accounts for assets held by the City in an agent capacity for programs benefiting the senior citizens residing within the City.

**JPFA Reassessment Fund** receives secured tax payments (from assessment rolls), and makes payments on the JPFA Revenue Reassessment Bonds Series 2003-1.

**Payroll Benefits Fund** accounts for accumulation of monies relating to employee and employer payroll liabilities.

**2006 A&B Reassessment District Fund** receives payments of principal and interest on prior assessment bonds, and makes payments on the JPFA Reassessment Revenue Bonds Series A and B.

**Richmond Promise Fund** accounts for assets belonging to the Richmond Promise non-profit organization held as an agent by the City.

CITY OF RICHMOND  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
<u>Special Assessment</u>				
Cash and investments	\$1,029,626	\$318,172	\$427,202	\$920,596
Restricted cash and investments	653,479		100,464	553,015
Interest receivable		451		451
Total Assets	<u>\$1,683,105</u>	<u>\$318,623</u>	<u>\$527,666</u>	<u>\$1,474,062</u>
Due to assessment district bondholders	<u>\$1,683,105</u>	<u>\$318,623</u>	<u>\$527,666</u>	<u>\$1,474,062</u>
<u>General Agency</u>				
Cash and investments	\$1,159,778	\$5,963	\$9,531	\$1,156,210
Interest receivable		576		576
Total Assets	<u>\$1,159,778</u>	<u>\$6,539</u>	<u>\$9,531</u>	<u>\$1,156,786</u>
Accounts payable and accrued liabilities	\$9,531	\$270	\$9,531	\$270
Refundable Deposits	1,150,247	6,269		1,156,516
Total Liabilities	<u>\$1,159,778</u>	<u>\$6,539</u>	<u>\$9,531</u>	<u>\$1,156,786</u>
<u>Johnson Library</u>				
Cash and investments	\$10,189	\$37		\$10,226
Interest receivable		5		5
Total Assets	<u>\$10,189</u>	<u>\$42</u>		<u>\$10,231</u>
Refundable deposits	<u>\$10,189</u>	<u>\$42</u>		<u>\$10,231</u>
<u>Senior Center</u>				
Cash and investments	\$51,805	\$11,247	\$2,548	\$60,504
Interest receivable		30		30
Total Assets	<u>\$51,805</u>	<u>\$11,277</u>	<u>\$2,548</u>	<u>\$60,534</u>
Accounts payable and accrued liabilities	\$2,548	\$250	\$2,548	\$250
Refundable Deposits	49,257	11,027		60,284
Total Liabilities	<u>\$51,805</u>	<u>\$11,277</u>	<u>\$2,548</u>	<u>\$60,534</u>

(Continued)

CITY OF RICHMOND  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>
<u>JPFA Reassessment</u>				
Cash and investments	\$2,301,326	\$908,587	\$804,763	\$2,405,150
Restricted cash and investments	634,198	25,450		659,648
Interest receivable		1,180		1,180
Investment in reassessment bonds	<u>3,635,000</u>		<u>680,000</u>	<u>2,955,000</u>
Total Assets	<u>\$6,570,524</u>	<u>\$935,217</u>	<u>\$1,484,763</u>	<u>\$6,020,978</u>
Due to assessment district bondholders	<u>\$6,570,524</u>	<u>\$935,217</u>	<u>\$1,484,763</u>	<u>\$6,020,978</u>
<u>Payroll Benefits</u>				
Cash and investments	\$879,268	\$227,672	\$1,111,582	(\$4,642)
Accounts receivable	<u>227,671</u>	<u>312,879</u>	<u>227,671</u>	<u>\$312,879</u>
Total Assets	<u>\$1,106,939</u>	<u>\$540,551</u>	<u>\$1,339,253</u>	<u>\$308,237</u>
Accounts payable and accrued liabilities	<u>\$1,106,939</u>	<u>\$540,551</u>	<u>\$1,339,253</u>	<u>\$308,237</u>
<u>2006 A&amp;B Reassessment District</u>				
Cash and investments	\$1,015,954	\$885,852	\$867,680	\$1,034,126
Restricted cash and investments	519,542	440		519,982
Interest receivable		499		499
Investment in reassessment bonds	<u>8,742,500</u>		<u>327,500</u>	<u>8,415,000</u>
Total Assets	<u>\$10,277,996</u>	<u>\$886,791</u>	<u>\$1,195,180</u>	<u>\$9,969,607</u>
Due to assessment district bondholders	<u>\$10,277,996</u>	<u>\$886,791</u>	<u>\$1,195,180</u>	<u>\$9,969,607</u>

(Continued)

CITY OF RICHMOND  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>
<u>Richmond Promise</u>				
Restricted cash and investments		\$7,924,196		\$7,924,196
Total Assets		<u>\$7,924,196</u>		<u>\$7,924,196</u>
Accounts payable		\$12,432		\$12,432
Refundable Deposits		7,911,764		7,911,764
Due to assessment district bondholders		<u>\$7,924,196</u>		<u>\$7,924,196</u>
<u>Total Agency Funds</u>				
Cash and investments	\$6,447,946	\$2,357,530	\$3,223,306	\$5,582,170
Restricted cash and investments	1,807,219	7,950,086	100,464	9,656,841
Investment in reassessment bonds	12,377,500		1,007,500	11,370,000
Accounts receivable	227,671	312,879	227,671	312,879
Interest receivable		2,741		2,741
Total Assets	<u>\$20,860,336</u>	<u>\$10,623,236</u>	<u>\$4,558,941</u>	<u>\$26,924,631</u>
Accounts payable and accrued liabilities	\$1,119,018	\$553,503	\$1,351,332	\$321,189
Refundable Deposits	1,209,693	7,929,102		9,138,795
Due to assessment district bondholders	<u>18,531,625</u>	<u>2,140,631</u>	<u>3,207,609</u>	<u>17,464,647</u>
Total Liabilities	<u>\$20,860,336</u>	<u>\$10,623,236</u>	<u>\$4,558,941</u>	<u>\$26,924,631</u>

**CITY OF RICHMOND**  
**JUNE 30, 2016**

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**STATISTICAL SECTION**

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

***Financial Trends***

These schedules contain trend information to help the reader understand how the City's financial performance and wellbeing have changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

***Revenue Capacity***

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Principal Property Tax Payers
4. Property Tax Levies and Collections
5. Utility Users Tax Collections
6. Utility Users Tax Direct Rates
7. Top Ten Utility Users Taxpayers

***Debt Capacity***

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Revenue Bond Coverage – 1999, 2006, 2008, 2010A & 2010B Wastewater Revenue Bonds
3. Revenue Bond Coverage – 1996, 1999, 2004, 2007 and 2009 Port Terminal Lease Revenue Bonds, Note and Point Potrero Lease Revenue Bonds.
4. Bonded Debt Pledged Revenue Coverage –Tax Allocation Bonds
5. General Bonded Debt – Pension Obligation Bonds
6. Computation of Direct and Overlapping Debt
7. Computation of Legal Bonded Debt Margin

***Demographic and Economic Information***

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

**CITY OF RICHMOND**  
**JUNE 30, 2016**

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***Operating Information***

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

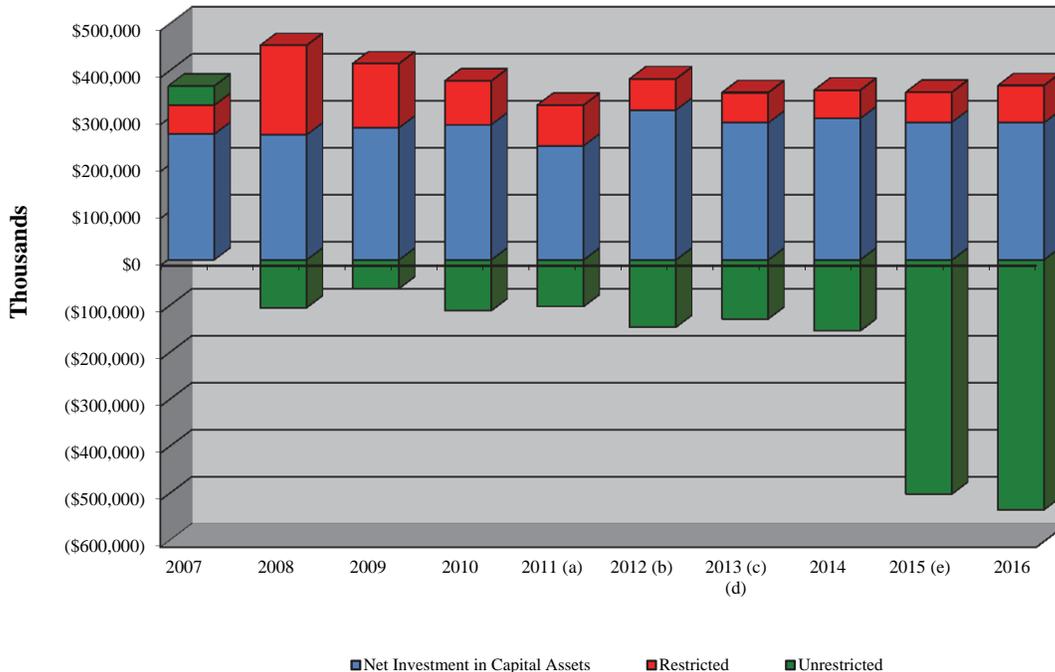
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

***Sources***

Unless otherwise noted, the information in these schedules is derived from the Annual Financial Reports for the relevant year.

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**CITY OF RICHMOND**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**



	<b>Fiscal Year Ended June 30</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011 (a)</b>
<b>Governmental activities</b>					
Net investment in capital assets	\$170,258,857	\$188,467,600	\$201,607,368	\$201,197,639	\$164,739,567
Restricted	60,271,169	188,950,882	135,801,179	72,114,985	78,105,002
Unrestricted	48,795,188	(101,295,871)	(57,236,422)	(66,103,671)	(83,013,306)
Total governmental activities net position	<u>\$279,325,214</u>	<u>\$276,122,611</u>	<u>\$280,172,125</u>	<u>\$207,208,953</u>	<u>\$159,831,263</u>
<b>Business-type activities</b>					
Net investment in capital assets	\$97,164,301	\$77,558,806	\$79,540,643	\$86,432,590	\$78,162,970
Restricted	1,427,804	1,526,840	612,613	21,150,740	8,334,722
Unrestricted	(8,084,756)	(519,625)	(3,963,417)	(42,004,396)	(16,389,951)
Total business-type activities net position	<u>\$90,507,349</u>	<u>\$78,566,021</u>	<u>\$76,189,839</u>	<u>\$65,578,934</u>	<u>\$70,107,741</u>
<b>Primary government</b>					
Net investment in capital assets	\$267,423,158	\$266,026,406	\$281,148,011	\$287,630,229	\$242,902,537
Restricted	61,698,973	190,477,722	136,413,792	93,265,725	86,439,724
Unrestricted	40,710,432	(101,815,496)	(61,199,839)	(108,108,067)	(99,403,257)
Total primary government net position	<u>\$369,832,563</u>	<u>\$354,688,632</u>	<u>\$356,361,964</u>	<u>\$272,787,887</u>	<u>\$229,939,004</u>

- (a) Balance was restated in fiscal year 2012. Years prior to 2011 have not been restated.  
 (b) Balance was restated in fiscal year 2013. Years prior to 2012 have not been restated.  
 (c) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".  
 (d) Balance was restated in fiscal year 2014. Years prior to 2013 have not been restated.  
 (e) The City implemented the provisions of GASB Statement No. 68 in fiscal year 2015. Years prior to 2015 have not been restated.

**Fiscal Year Ended June 30**

<u>2012 (b)</u>	<u>2013 (c) (d)</u>	<u>2014</u>	<u>2015 (e)</u>	<u>2016</u>
\$242,281,323	\$214,572,546	\$227,828,243	\$218,144,811	\$228,292,389
57,989,820	55,396,056	50,461,923	54,578,939	70,322,707
<u>(118,620,471)</u>	<u>(119,231,699)</u>	<u>(148,161,106)</u>	<u>(479,961,080)</u>	<u>(508,981,299)</u>
<u><u>\$181,650,672</u></u>	<u><u>\$150,736,903</u></u>	<u><u>\$130,129,060</u></u>	<u><u>(\$207,237,330)</u></u>	<u><u>(\$210,366,203)</u></u>
\$76,731,871	\$76,966,448	\$72,911,000	\$74,922,303	\$63,405,228
8,169,878	9,196,255	9,793,767	9,408,237	9,008,038
<u>(24,759,367)</u>	<u>(6,365,742)</u>	<u>(3,096,845)</u>	<u>(18,432,590)</u>	<u>(23,382,659)</u>
<u><u>\$60,142,382</u></u>	<u><u>\$79,796,961</u></u>	<u><u>\$79,607,922</u></u>	<u><u>\$65,897,950</u></u>	<u><u>\$49,030,607</u></u>
\$319,013,194	\$291,538,994	\$300,739,243	\$293,067,114	\$291,697,617
66,159,698	64,592,311	60,255,690	63,987,176	79,330,745
<u>(143,379,838)</u>	<u>(125,597,441)</u>	<u>(151,257,951)</u>	<u>(498,393,670)</u>	<u>(532,363,958)</u>
<u><u>\$241,793,054</u></u>	<u><u>\$230,533,864</u></u>	<u><u>\$209,736,982</u></u>	<u><u>(\$141,339,380)</u></u>	<u><u>(\$161,335,596)</u></u>

**CITY OF RICHMOND**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

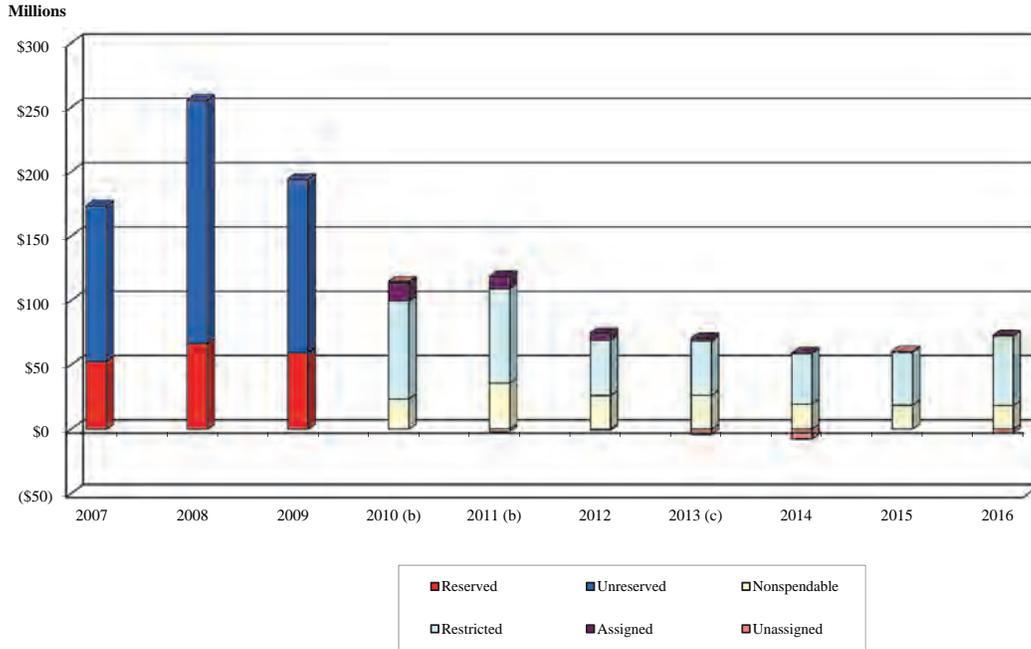
	Fiscal Year Ended June 30				
	2007	2008	2009	2010	2011
<b>Expenses</b>					
Governmental Activities:					
General Government	\$24,107,042	\$26,826,443	\$18,745,594	\$19,044,449	\$17,127,696
Public Safety	69,145,528	80,140,357	91,432,506	95,147,888	101,613,767
Public Works	25,265,766	31,252,681	43,289,943	43,342,529	41,004,033
Community Development	5,446,357	5,046,846	4,316,710	7,698,693	7,685,733
Cultural and Recreational	15,637,748	19,624,717	16,618,663	14,952,438	14,647,978
Housing and Redevelopment	11,338,512	17,471,811	19,209,243	18,014,624	15,524,912
Interest and Fiscal Charges	16,041,384	24,242,109	22,961,838	30,251,260	23,108,139
Total Governmental Activities Expenses	<u>166,982,337</u>	<u>204,604,964</u>	<u>216,574,497</u>	<u>228,451,881</u>	<u>220,712,258</u>
Business-Type Activities:					
Richmond Housing Authority	21,902,483	24,324,334	23,335,623	27,709,496	27,246,056
Port of Richmond	3,690,733	4,589,789	4,739,269	8,611,216	7,033,016
Richmond Marina	331,099	240,542	235,571	232,855	343,734
Municipal Sewer	12,236,185	15,084,727	14,290,536	13,611,098	14,193,822
Storm Sewer	3,590,975	4,685,796	4,466,645	2,527,838	2,670,397
Cable TV	798,758	853,646	898,370	991,506	961,059
Total Business-Type Activities Expenses	<u>42,550,233</u>	<u>49,778,834</u>	<u>47,966,014</u>	<u>53,684,009</u>	<u>52,448,084</u>
Total Primary Government Expenses	<u>\$209,532,570</u>	<u>\$254,383,798</u>	<u>\$264,540,511</u>	<u>\$282,135,890</u>	<u>\$273,160,342</u>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for Services:					
General Government	\$12,500,031	\$13,061,289	\$7,813,724	\$6,612,893	\$8,155,496
Public Safety	3,337,186	3,435,021	3,931,893	5,674,457	5,177,825
Public Works	1,641,139	952,330	1,669,681	1,656,353	3,741,601
Community Development	562,647	393,878	170,872	504,726	135,215
Cultural and Recreational	277,523	257,258	594,205	1,294,976	1,151,374
Housing and Redevelopment	320,165	1,037,112	7,000	222,459	
Operating Grants and Contributions	11,310,497	9,642,093	8,402,636	12,286,127	17,934,341
Capital Grants and Contributions	8,659,910	4,066,710	6,997,666	9,685,942	20,016,974
Total Government Activities Program Revenues	<u>38,609,098</u>	<u>32,845,691</u>	<u>29,587,677</u>	<u>37,937,933</u>	<u>56,312,826</u>
Business-Type Activities:					
Charges for Services:					
Richmond Housing Authority	1,630,745	1,776,252	3,096,831	2,100,519	1,916,352
Port of Richmond	5,392,626	5,900,126	5,095,840	3,882,153	6,329,914
Richmond Marina	448,630	484,212	476,588	417,679	220,858
Municipal Sewer	12,410,236	13,864,120	14,432,849	15,991,488	17,342,276
Storm Sewer	1,655,799	1,637,151	1,579,698	1,593,792	1,697,475
Cable TV	930,168	974,924	1,084,389	1,157,502	1,099,919
Convention Center	37,659				
Operating Grants and Contributions			18,683,329	21,549,967	23,332,167
Capital Grants and Contributions	23,789,008	24,675,667	50,027	2,429,709	2,685,479
Total Business-Type Activities Program Revenue	<u>46,294,871</u>	<u>49,312,452</u>	<u>44,499,551</u>	<u>49,122,809</u>	<u>54,624,440</u>
Total Primary Government Program Revenues	<u>\$84,903,969</u>	<u>\$82,158,143</u>	<u>\$74,087,228</u>	<u>\$87,060,742</u>	<u>\$110,937,266</u>
<b>Net (Expense)/Revenue</b>					
Governmental Activities	(\$128,373,239)	(\$171,759,273)	(\$186,986,820)	(\$190,513,948)	(\$164,399,432)
Business-Type Activities	3,744,638	(466,382)	(3,466,463)	(4,561,200)	2,176,356
Total Primary Government Net Expense	<u>(\$124,628,601)</u>	<u>(\$172,225,655)</u>	<u>(\$190,453,283)</u>	<u>(\$195,075,148)</u>	<u>(\$162,223,076)</u>
<b>General Revenues and Other Changes in Net Position</b>					
Governmental Activities:					
Taxes:					
Property Taxes:					
Current Collections	\$73,496,915	\$77,012,808	\$78,279,818	\$62,620,002	\$61,155,694
Sales Taxes	28,217,895	29,005,711	27,922,698	25,000,182	23,025,923
Utility user taxes	27,007,410	29,553,243	48,953,004	50,298,719	45,007,806
Document transfer taxes					
Other Taxes	12,042,215	8,802,995	7,959,683	6,092,050	3,361,146
Use of Money and Property	7,895,609	9,990,413	6,851,266	(7,618,093)	8,877,982
Unrestricted Intergovernmental	438,625	4,330,572	2,197,148	957,140	2,427,575
Miscellaneous	3,253,446	3,101,841	9,220,595	5,465,467	6,723,228
Gain on Sales of Capital Assets	3,113,487	4,008,197	5,000,000		
Pension stabilization revenue	4,240,135	4,256,500	5,292,746	2,728,314	2,728,314
Developer revenue sharing	591,051	201,270	51,767	138,454	101,739
Transfers	(2,346,906)	(1,706,880)	(692,391)	500,000	(85,629)
Special/extraordinary items:					
Swap termination					
Assets transferred to/liabilities assumed by Housing Successor/Successor Agency					
Total Government Activities	<u>157,949,882</u>	<u>168,556,670</u>	<u>191,036,334</u>	<u>146,182,235</u>	<u>153,323,778</u>
Business-Type Activities:					
Taxes:					
Property Taxes	10,576	10,382			
Use of Money and Property	1,618,432	919,679	390,189	(2,768,103)	1,657,791
Settlement				1,922,260	
Other		313,863	7,701	188,143	609,031
Gain (Loss) on Sales of Capital Assets	41,000				
Special Item		(14,425,750)			
Transfers	2,346,906	1,706,880	692,391	(500,000)	85,629
Extraordinary items					
Total Business-Type Activities	<u>4,016,914</u>	<u>(11,474,946)</u>	<u>1,090,281</u>	<u>(1,157,700)</u>	<u>2,352,451</u>
Total Primary Government	<u>\$161,966,796</u>	<u>\$157,081,724</u>	<u>\$192,126,615</u>	<u>\$145,024,535</u>	<u>\$155,676,229</u>
<b>Change in Net Position</b>					
Governmental Activities	\$29,576,643	(\$3,202,603)	\$4,049,514	(\$44,331,713)	(\$11,075,654)
Business-Type Activities	7,761,552	(11,941,328)	(2,376,182)	(5,718,900)	4,528,807
Total Primary Government	<u>\$37,338,195</u>	<u>(\$15,143,931)</u>	<u>\$1,673,332</u>	<u>(\$50,050,613)</u>	<u>(\$6,546,847)</u>

- (a) The Redevelopment Agency was dissolved effective January 31, 2012 and its net position transferred to a Successor Agency.  
(b) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".  
(c) The City implemented the provisions of GASB Statement No. 68 in fiscal year 2015. Years prior to 2015 have not been restated.

**Fiscal Year Ended June 30**

<b>2012</b>	<b>2013 (b)</b>	<b>2014</b>	<b>2015 (c)</b>	<b>2016</b>
\$32,549,754	\$35,272,517	\$36,119,297	\$28,879,074	\$32,197,941
100,403,365	97,136,602	102,664,551	102,732,652	107,380,286
42,747,958	46,011,618	46,403,830	43,363,799	44,410,102
5,845,968	4,909,158	4,618,101	4,771,875	5,003,045
14,583,687	12,129,962	10,808,931	10,492,020	11,021,226
19,768,765	2,816,094	1,984,908	2,751,290	2,051,898
19,633,486	15,411,831	19,439,248	17,219,905	18,902,831
<u>235,532,983</u>	<u>213,687,782</u>	<u>222,038,866</u>	<u>210,210,615</u>	<u>220,967,329</u>
30,989,229	28,992,229	29,771,151	28,049,474	26,385,133
7,868,918	9,337,252	9,530,693	9,923,282	11,132,997
1,681,461	266,918	253,190	235,054	237,129
14,655,752	16,964,175	16,298,623	15,965,608	16,446,626
2,744,775	2,815,541	3,210,678	3,282,406	2,465,929
1,037,142	990,802	890,846	948,426	2,114,436
58,977,277	59,366,917	59,955,181	58,404,250	58,782,250
<u>\$294,510,260</u>	<u>\$273,054,699</u>	<u>\$281,994,047</u>	<u>\$268,614,865</u>	<u>\$279,749,579</u>
\$8,496,532	\$11,596,612	\$16,917,113	\$11,107,654	\$12,468,525
5,075,588	5,400,290	6,217,749	10,466,292	7,271,472
2,596,312	3,090,211	4,160,804	3,609,577	3,936,242
361,706	234,836	405,404	1,385,689	1,069,767
1,118,777	516,499	584,475	475,091	1,128,267
				42,040
11,259,829	9,703,416	8,434,018	9,231,039	20,994,534
17,238,057	11,360,153	34,530,908	21,097,186	17,534,992
<u>46,146,801</u>	<u>41,902,017</u>	<u>71,250,471</u>	<u>57,372,528</u>	<u>64,445,839</u>
2,354,197	2,619,669	2,638,834	1,917,602	1,851,337
7,745,580	9,043,026	10,201,751	9,480,367	10,581,419
259,777	466,921	456,956	488,201	517,108
17,565,632	17,733,454	18,569,191	19,033,406	19,757,863
1,800,536	1,842,001	1,869,064	1,845,648	1,966,537
1,022,100	1,320,552	1,228,864	1,376,194	1,320,486
22,742,102	22,323,336	21,953,401	22,112,391	21,951,328
3,775,002	10,087,538	1,673,398	2,189,724	2,155,686
57,264,926	65,436,497	58,591,459	58,443,533	60,101,764
<u>\$103,411,727</u>	<u>\$107,338,514</u>	<u>\$129,841,930</u>	<u>\$115,816,061</u>	<u>\$124,547,603</u>
(\$189,386,182)	(\$171,785,765)	(\$150,788,395)	(\$152,838,087)	(\$156,521,490)
(1,712,351)	6,069,580	(1,363,722)	39,283	1,319,514
<u>(\$191,098,533)</u>	<u>(\$165,716,185)</u>	<u>(\$152,152,117)</u>	<u>(\$152,798,804)</u>	<u>(\$155,201,976)</u>
\$52,219,777	\$47,207,734	\$42,226,820	\$45,129,392	\$51,302,638
27,788,339	29,865,548	29,627,711	33,155,376	40,877,125
45,984,315	48,398,349	48,033,706	48,299,958	43,365,249
2,765,842	2,957,834	3,461,473	4,818,936	6,187,096
3,784,986	3,289,518	3,592,218	5,099,511	5,734,802
(22,064,295)	11,331,823	(1,164,987)	(4,752,198)	1,198,266
4,752,245	44,814		1,806,532	43,312
7,917,715	3,461,402	3,229,898	2,151,042	4,258,061
		174,874	268,927	262,667
2,544,175	2,549,922	998,839	954,202	915,860
55,958				
1,030,428	(590,394)		178,487	600,000
				(16,321,171)
84,426,106 (a)	(5,328,244)			14,968,712
<u>211,205,591</u>	<u>143,188,306</u>	<u>130,180,552</u>	<u>137,110,165</u>	<u>153,392,617</u>
(5,331,300)	4,054,073	(185,246)	(563,129)	(3,076,857)
				(14,510,000)
(1,030,428)	590,394		(178,487)	(600,000)
	9,023,704	1,359,929		
(6,361,728)	13,668,171	1,174,683	(741,616)	(18,186,857)
<u>\$204,843,863</u>	<u>\$156,856,477</u>	<u>\$131,355,235</u>	<u>\$136,368,549</u>	<u>\$135,205,760</u>
\$21,819,409	(\$28,597,459)	(\$20,607,843)	(\$15,727,922)	(\$3,128,873)
(8,074,079)	19,737,751	(189,039)	(702,333)	(16,867,343)
<u>\$13,745,330</u>	<u>(\$8,859,708)</u>	<u>(\$20,796,882)</u>	<u>(\$16,430,255)</u>	<u>(\$19,996,216)</u>

**CITY OF RICHMOND**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**



	Fiscal Year Ended June 30,									
	2007	2008	2009	2010 (b)	2011 (b)	2012	2013 (c)	2014	2015	2016
<b>General Fund</b>										
Reserved	\$22,090,540	\$27,048,978	\$24,682,489							
Unreserved	32,341,360	19,387,650	20,855,189							
Nonspendable				\$23,360,596	\$28,021,103	\$25,944,325	\$26,366,829	\$19,505,987	\$18,708,682	\$18,404,669
Assigned				1,009,480	380,999	377,181	219,646	56,786	23,934	4,460
Unassigned				14,836,337	12,077,471	11,036,847	10,238,862	7,979,055	9,949,120	10,988,266
<b>Total General Fund</b>	<b>\$54,431,900</b>	<b>\$46,436,628</b>	<b>\$45,537,678</b>	<b>\$39,206,413</b>	<b>\$40,479,573</b>	<b>\$37,358,353</b>	<b>\$36,825,337</b>	<b>\$27,541,828</b>	<b>\$28,681,736</b>	<b>\$29,397,395</b> (a)
<b>All Other Governmental Funds</b>										
Reserved	\$30,517,337	\$39,341,789	\$34,982,192							
Unreserved, reported in:										
Special revenue funds	23,291,973	21,732,666	10,128,026							
Debt service funds	11,101,399	28,551,466	26,219,974							
Capital project funds	54,143,312	119,382,544	77,066,114							
Nonspendable				\$19,160	\$7,666,605	\$174,067			\$484	\$550
Restricted				76,120,393	73,538,765	42,888,150	\$42,117,459	\$39,066,351	41,017,602	53,752,247
Assigned				12,925,706	8,925,705	5,147,506	1,734,260	428,766	430,083	431,867
Unassigned				(13,673,750)	(13,944,936)	(11,929,833)	(14,357,112)	(15,499,990)	(9,755,130)	(13,824,433)
<b>Total all other governmental funds</b>	<b>\$119,054,021</b>	<b>\$209,008,465</b>	<b>\$148,396,306</b>	<b>\$75,391,509</b>	<b>\$76,186,139</b>	<b>\$36,279,890</b>	<b>\$29,494,607</b>	<b>\$23,995,127</b>	<b>\$31,693,039</b>	<b>\$40,360,231</b> (a)

- (a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.
- (b) The City implemented the provisions of GASB Statement 54 in fiscal year 2010, and years prior to 2009 have not been restated to conform with the new regulations.
- (c) Balance was restated in fiscal year 2014. Years prior to 2013 have not been restated.

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**CITY OF RICHMOND**  
**Changes in Fund Balance of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
<b>Revenues</b>					
Property taxes	\$73,983,141	\$77,764,608	\$79,047,050	\$63,858,143	\$57,113,666
Sales taxes	28,217,895	29,005,711	27,922,698	25,000,182	23,025,923
Utility user fees	27,007,410	29,553,243	48,953,004	40,298,719	50,007,806
Other taxes	12,042,215	8,342,809	7,959,683	6,092,050	7,824,181
Licenses, permits and fees	8,379,660	8,164,006	6,415,896	7,598,407	7,495,563
Developer revenue sharing	591,051	201,270	51,767	138,454	101,739
Fines, forfeitures and penalties	312,723	312,706	359,870	481,264	474,889
Use of money and property	6,879,814	10,360,029	5,278,605	1,849,884	1,031,746
Intergovernmental	24,439,246	18,092,672	15,753,684	21,627,513	38,605,526
Private grants					
Charges for services	4,488,092	6,026,165	5,585,383	8,517,238	9,425,484
Pension stabilization revenue	4,240,135	4,256,500	5,292,746	2,728,314	2,728,314
Rent	605,207	336,617	312,096	766,017	960,661
Other	3,009,820	3,407,481	11,685,170	4,766,408	6,686,908
<b>Total Revenues</b>	<b>194,196,409</b>	<b>195,823,817</b>	<b>214,617,652</b>	<b>183,722,593</b>	<b>205,482,406</b>
<b>Expenditures</b>					
Current:					
General government	22,646,791	26,022,760	19,044,304	14,412,971	15,053,928
Public safety	72,869,340	86,716,916	93,507,626	95,989,053	94,269,101
Public works	12,207,805	18,121,576	20,513,373	20,997,847	23,144,011
Community development	5,449,106	5,196,860	4,334,599	7,692,545	7,655,697
Cultural and recreational	15,142,703	20,814,698	16,796,528	15,137,648	14,559,213
Housing and redevelopment	11,345,178	22,828,774	22,049,876	12,098,783	11,767,304
SERAF				10,118,826	2,083,288
Capital outlay	34,281,457	62,742,853	80,466,151	25,142,692	27,189,722
Debt service:					
Principal repayment	9,079,459	6,300,998	9,684,582	171,714,191	14,879,506
Interest and fiscal charges	10,129,575	15,612,543	14,038,265	21,418,597	14,559,340
Swap termination payment					
<b>Total Expenditures</b>	<b>193,151,414</b>	<b>264,357,978</b>	<b>280,435,304</b>	<b>394,723,153</b>	<b>225,161,110</b>
Excess (deficiency) of revenues over (under) expenditures	1,044,995	(68,534,161)	(65,817,652)	(211,000,560)	(19,678,704)
<b>Other Financing Sources (Uses)</b>					
Transfers in	33,071,479	184,513,795	79,414,731	49,963,245	62,507,821
Transfers out	(31,800,296)	(185,857,975)	(80,148,188)	(43,560,606)	(55,482,457)
Sale of property	4,747,114	4,287,517	5,040,000	23,300	
Payment to refund bond escrow agent		(32,897,515)			
Issuance of long-term debt		172,962,622		121,076,391	14,721,130
Bond issuance premium					
<b>Total other financing sources (uses)</b>	<b>6,018,297</b>	<b>143,008,444</b>	<b>4,306,543</b>	<b>127,502,330</b>	<b>21,746,494</b>
<b>Special and Extraordinary Items</b>					
Assets transferred to/liabilities assumed by Housing Successor/Successor Agency					
Interfund advance restructuring					
Total Special and Extraordinary Items					
<b>Net Change in fund balances</b>	<b>\$7,063,292</b>	<b>\$74,474,283</b>	<b>(\$61,511,109)</b>	<b>(\$83,498,230)</b>	<b>\$2,067,790</b>
Debt service as a percentage of noncapital expenditures					
	11.9%	10.7%	11.1%	51.9%	14.5%

**NOTE:**

(a) Debt service in 2010 includes the current refunding of the 2007 Tax Allocation Bonds of \$64,275,000.

(b) The Redevelopment Agency was dissolved effective January 31, 2012 and its net assets transferred to a Successor Agency.

**Fiscal Year Ended June 30,**

<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
\$51,964,005	\$48,518,328	\$43,559,305	\$46,498,061	\$52,714,540
27,788,339	29,865,548	29,627,711	33,131,486	40,877,125
50,984,315	48,398,349	48,033,706	48,299,958	43,365,249
6,550,828	6,247,352	7,053,691	9,918,447	11,628,519
9,393,833	11,830,426	7,713,634	12,409,625	12,235,483
55,958				
536,510	617,509	821,411	1,353,518	901,838
932,393	557,936	153,958	225,529	212,787
36,121,561	19,995,922	17,078,035	19,228,997	14,440,543
				12,971,138
9,204,016	9,350,051	20,022,968	13,607,840	13,462,270
2,544,175	2,549,922	998,839	954,202	915,860
793,144	681,141	708,626	809,113	768,753
7,142,854	2,703,133	2,845,117	1,977,688	4,300,150
<u>204,011,931</u>	<u>181,315,617</u>	<u>178,617,001</u>	<u>188,414,464</u>	<u>208,794,255</u>
30,303,614	33,251,610	32,005,878	29,786,089	31,819,369
87,286,248	87,573,539	91,676,955	90,219,981	94,774,545
25,555,928	26,065,996	26,363,885	25,806,437	25,690,663
5,643,542	4,709,478	4,357,885	4,586,333	4,843,687
12,183,399	11,175,362	10,223,708	10,021,481	10,551,337
6,267,418	3,089,640	2,266,265	2,625,533	3,038,135
28,721,772	15,704,486	14,365,888	8,178,649	8,566,563
14,312,544	8,691,629	6,775,769	7,842,830	9,148,909
11,393,091	7,504,922	10,989,996	13,407,604	12,503,442
				28,554,000
<u>221,667,556</u>	<u>197,766,662</u>	<u>199,026,229</u>	<u>192,474,937</u>	<u>229,490,650</u>
<u>(17,655,625)</u>	<u>(16,451,045)</u>	<u>(20,409,228)</u>	<u>(4,060,473)</u>	<u>(20,696,395)</u>
38,456,022	21,145,031	20,145,264	12,879,975	12,124,166
(33,437,663)	(19,666,470)	(20,859,344)	(13,815,569)	(12,091,206)
188,489	53,618	174,874	268,927	262,667
3,214,243	2,621,558	6,165,445	11,175,436	28,390,000
109,701	106,740		82,880	1,393,619
<u>8,530,792</u>	<u>4,260,477</u>	<u>5,626,239</u>	<u>10,591,649</u>	<u>30,079,246</u>
(33,902,636) (b)				
	745,119			
<u>(33,902,636)</u>	<u>745,119</u>			
<u>(\$43,027,469)</u>	<u>(\$11,445,449)</u>	<u>(\$14,782,989)</u>	<u>\$6,531,176</u>	<u>\$9,382,851</u>
12.3%	8.7%	9.4%	11.4%	22.6%

**CITY OF RICHMOND**  
**ASSESSED AND ESTIMATED ACTUAL**  
**VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
*(In Thousands)*

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>ASSESSED VALUE <sup>(1)</sup></b>										
Land	\$4,039,890	\$4,514,200	\$4,498,812	\$3,541,992	\$3,427,021	\$3,329,164	\$3,216,147	\$3,218,339	\$3,781,609	\$4,186,239
Improvements	7,862,708	8,395,671	8,995,536	8,071,718	6,721,515	7,413,276	9,268,934	7,181,567	8,187,280	8,683,770
Total Real Property	11,902,598	12,909,871	13,494,348	11,613,710	10,148,536	10,742,440	12,485,081	10,399,906	11,968,889	12,870,009
Personal Property	572,948	333,505	632,670	683,995	671,258	681,204	795,573	53,195	460,661	669,634
<b>TOTAL</b>	<b>\$12,475,546</b>	<b>\$13,243,376</b>	<b>\$14,127,018</b>	<b>\$12,297,705</b>	<b>\$10,819,794</b>	<b>\$11,423,644</b>	<b>\$13,280,654</b>	<b>\$10,453,101</b>	<b>\$12,429,550</b>	<b>\$13,539,643</b>
<b>EXEMPTIONS <sup>(2)</sup></b>										
Homeowners <sup>(a)</sup>	\$111,746	\$113,417	\$113,296	\$111,793	\$110,280	\$107,571	\$104,144	\$100,680	\$98,456	\$96,539
Other <sup>(b)</sup>	332,611	338,751	364,531	432,140	473,917	495,344	519,976	527,179	587,350	641,475
<b>TOTAL</b>	<b>\$444,357</b>	<b>\$452,168</b>	<b>\$477,827</b>	<b>\$543,933</b>	<b>\$584,197</b>	<b>\$602,915</b>	<b>\$624,120</b>	<b>\$627,859</b>	<b>\$685,806</b>	<b>\$738,014</b>
<b>ASSESSED VALUE</b>										
(Net of Exemptions)	\$12,031,189	\$12,791,208	\$13,649,191	\$11,753,772	\$10,235,597	\$10,820,729	\$12,656,534	\$9,825,242	\$11,743,744	\$12,801,629
<b>Less:</b>										
<b>Redevelopment Tax</b>										
<b>    Increments<sup>(3)</sup></b>	1,982,930	2,333,771	2,404,325	1,736,546	1,594,287	1,578,082	1,558,233	1,595,033	1,799,831	2,055,811
<b>NET ASSESSED</b>										
<b>VALUE</b>	<b>\$10,048,259</b>	<b>\$10,457,437</b>	<b>\$11,244,866</b>	<b>\$10,017,226</b>	<b>\$8,641,310</b>	<b>\$9,242,647</b>	<b>\$11,098,301</b>	<b>\$8,230,209</b>	<b>\$9,943,913</b>	<b>\$10,745,818</b>
<b>NET INCREASE</b>										
<b>(DECREASE)</b>	\$10,048,259	\$409,178	\$787,429	(\$1,227,640)	(\$1,375,916)	\$601,337	\$1,855,654	(\$2,868,092)	\$1,713,704	\$801,905
<b>% OF INCREASE</b>										
<b>(DECREASE)</b>	6.43%	4.07%	7.53%	-10.92%	-13.74%	6.96%	20.08%	-25.84%	20.82%	8.06%
<b>Total Direct Tax Rate<sup>(4)</sup></b>	0.53811%	0.42849%	0.43216%	0.40770%	0.41395%	0.40618%	0.38653%	0.41948%	0.41930%	0.43781%

<sup>(1)</sup> Assessed value (full cash value) of taxable property represents all property within the City. For the fiscal year 1981-82 and thereafter, the assessed value is 100% of the full cash value in accordance with State legislation. The maximum tax rate is 1% of the full cash value or \$1/\$100 of the assessed value, excluding the tax rate for debt service.

<sup>(2)</sup> Exemptions are summarized as follows:  
(a) Homeowners' exemption arises from Article XIII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3)(k).  
(b) Other exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).

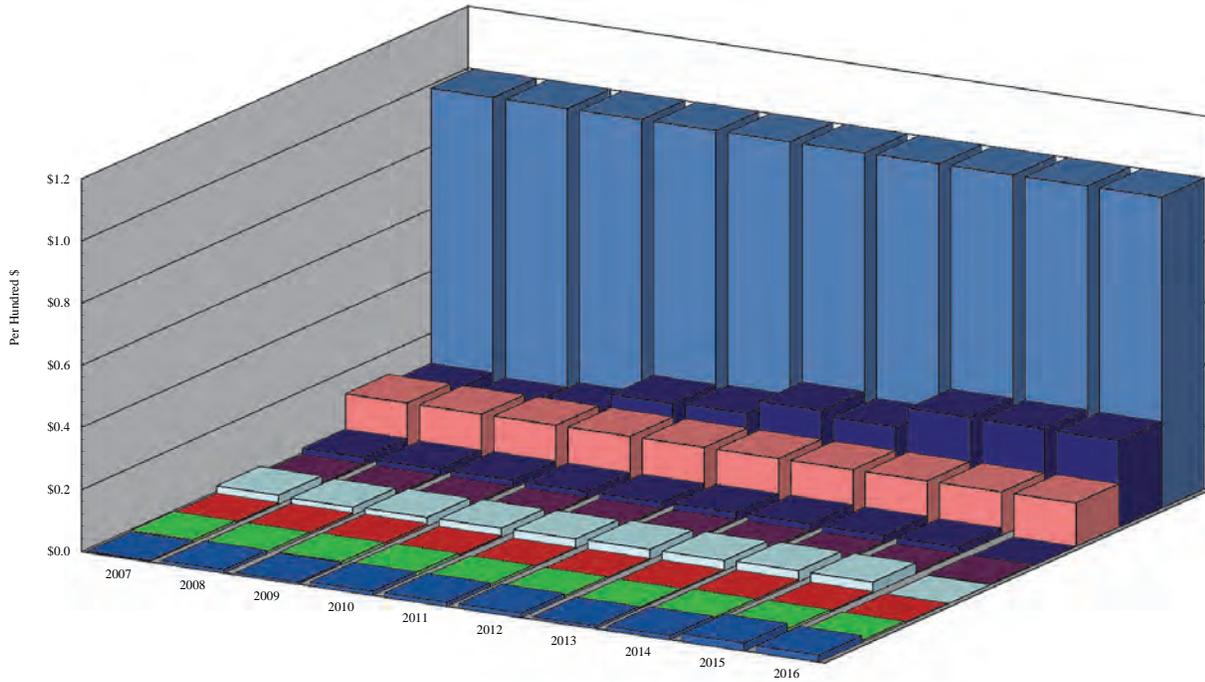
<sup>(3)</sup> Tax increments are allocations made to the Redevelopment Agency under authority of California Constitution, Article XVI.

<sup>(4)</sup> California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area. The City of Richmond encompasses more than 92 tax rate areas. See Property Tax Rates statistics for additional information.

Source: County of Contra Costa, Office of the Auditor-Controller  
HdL reports

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**CITY OF RICHMOND  
PROPERTY TAX RATES  
ALL OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**



Fiscal Year	Basic County Wide Levy (1)	City of Richmond 1981 Pension Liability (2)	BART	East Bay Regional Parks District	Acalanes Union	East Bay MUD Dist. 1 Bond	Orinda Elementary	West Contra Costa Unified	Contra Costa Community College	Total Direct & Overlapping Tax Rates (3)
2007	\$1.00000	\$0.14000	\$0.00500	\$0.00850	\$0.02920	\$0.00680	\$0.02590	\$0.11430	\$0.00430	\$1.33400
2008	1.00000	0.14000	0.00760	0.00800	0.02590	0.00650	0.02370	0.10350	0.01080	1.32600
2009	1.00000	0.14000	0.00900	0.01000	0.02890	0.00640	0.02470	0.12300	0.00660	1.34860
2010	1.00000	0.14000	0.00570	0.01080	0.02980	0.00650	0.02360	0.18280	0.01260	1.41180
2011	1.00000	0.14000	0.00310	0.00840	0.03110	0.00670	0.02440	0.18690	0.01330	1.41390
2012	1.00000	0.14000	0.00410	0.00710	0.03330	0.00670	0.02740	0.23220	0.01440	1.46520
2013	1.00000	0.14000	0.00430	0.00510	0.03330	0.00680	0.02730	0.21570	0.00870	1.44120
2014	1.00000	0.14000	0.00750	0.00780	0.03610	0.00660	0.02550	0.28180	0.01330	1.51860
2015	1.00000	0.14000	0.00450	0.00850	0.03500	0.00470	0.02320	0.28030	0.02520	1.52140
2016	1.00000	0.14000	0.00260	0.00670	0.00000	0.00340	0.00000	0.27810	0.02200	1.45280

**NOTES:**

- (1) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
- (2) Voter approved debt.
- (3) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.
- (4) City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest next taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.
- (5) RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California state statute. RDA direct and overlapping rates are applied only to the incremental property values.
- (6) Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes the rates reported, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

Source: County of Contra Costa, Office of the Auditor-Controller

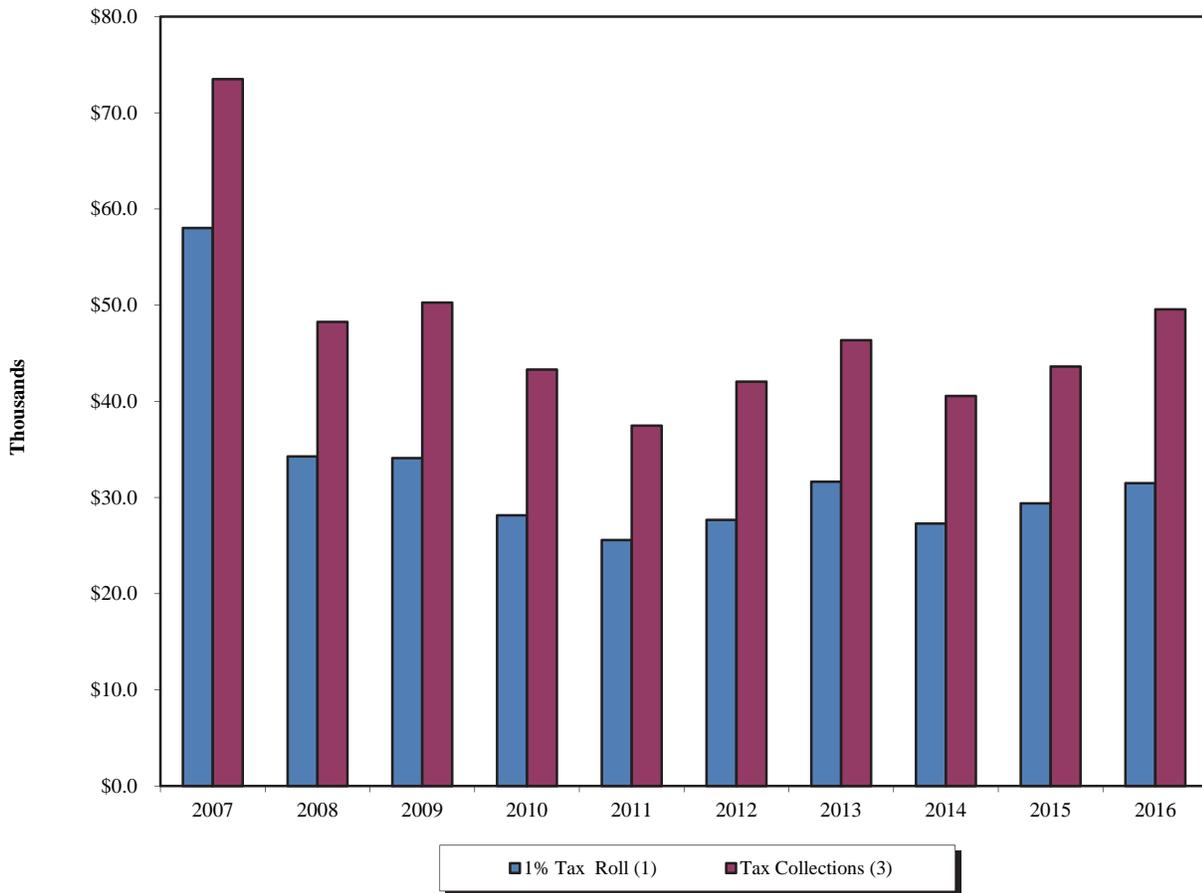
<b>City's Share of 1% Levy Per Prop 13 (4)</b>	<b>General Obligation Debt Rate</b>	<b>Redevelopment Rate (5)</b>	<b>Total Direct Rate (6)</b>
\$0.28784	\$0.14000	\$1.14850	\$0.53811
0.28784	0.14000	1.14800	0.42849
0.28784	0.14000	1.15000	0.43216
0.28784	0.14000	1.15080	0.40770
0.28784	0.14000	1.14840	0.41395
0.28784	0.14000	1.14710	0.40618
0.28784	0.14000	0.00000	0.38653
0.28784	0.14000	0.00000	0.41948
0.28784	0.14000	0.00000	0.41930
0.28784	0.14000	0.00000	0.43781

**CITY OF RICHMOND**  
**Principal Property Tax Payers**  
**Current Year and Nine Years Ago**  
**(In Thousands)**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2015-2016</u>			<u>2006-2007</u>		
		<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Chevron USA	Industrial	\$3,514,616,371	1	27.45%	\$2,986,540,231	1	24.82%
Guardian KW Hilltop LLC	Residential	150,112,542	2	1.17%			
Lennar Emerald Marina Bay LLC	Residential	92,625,257	3	0.72%			
Kaiser Foundation Health Plan	Industrial	77,561,308	4	0.61%	44,071,212	10	0.37%
Richmond Essex LP	Residential	74,326,827	5	0.58%	65,190,429	5	0.54%
Dicon Fiberoptics	Industrial	41,307,604	6	0.32%			
US Bank National Association Trust	Commercial	40,545,369	7	0.32%			
Ford Point LLC	Industrial	39,780,255	8	0.31%			
BRE Piper MF Tides CA LLC	Residential	38,668,807	9	0.30%			
DDRM Hilltop Plaza LP	Commercial	37,490,000	10	0.29%	49,167,707	8	0.41%
Berlex Laboratories Inc	Industrial				162,744,992	2	1.35%
Lennar Emerald	Residential				127,646,779	3	1.06%
Richmond Parkway Associates	Commercial				118,083,979	4	0.98%
Richmond Associates LLC	Industrial				63,284,300	6	0.53%
Janine E Patterson	Residential				54,398,225	7	0.45%
Cherokee Simeon Venture I LLC	Residential				45,018,536	9	0.37%
Subtotal		<u>\$4,107,034,340</u>		<u>32.08%</u>	<u>\$3,716,146,390</u>		<u>30.89%</u>
Total Net Assessed Valuation:							
Fiscal Year 2015-2016		\$12,801,629,000					
Fiscal Year 2006-2007		\$12,031,189,000					

Source: Contra Costa County Assessor Fiscal Year Combined Tax Rolls and the SBE Non Unitary Tax Roll

**CITY OF RICHMOND  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(In Thousands)**

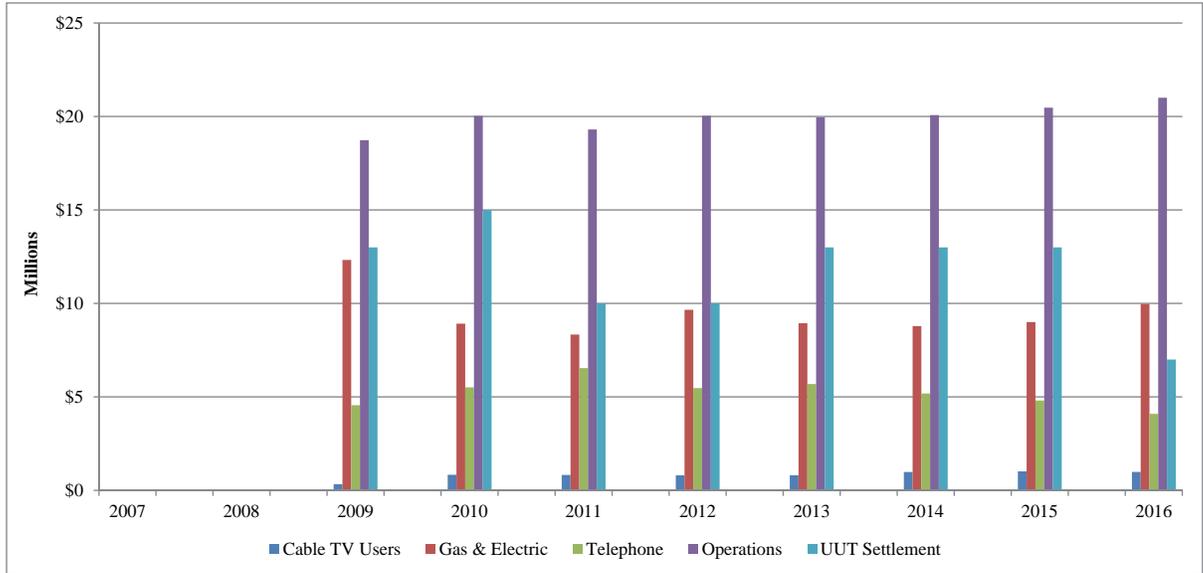


<b>Fiscal Year</b>	<b>1% Tax Roll (1)</b>	<b>Voter Approve Debt Tax Rolls (2)</b>	<b>Total Tax Collections (3)</b>	<b>Percent of Total Tax Collections to Tax Levy</b>
2007	\$58,024	\$15,473	\$73,497	100%
2008	34,269	13,983	48,252	100%
2009	34,096	16,172	50,268	100%
2010	28,147	15,155	43,302	100%
2011	25,573	11,900	37,473	100%
2012	27,669	14,377	42,046	100%
2013	31,638	14,718	46,356	100%
2014	27,289	13,267	40,556	100%
2015	29,392	14,225	43,617	100%
2016	31,490	18,071	49,561	100%

Source: City of Richmond Records

- NOTES: (1) The maximum tax rate is 1% of the assessed value or \$1/\$100 of the assessed value, excluding the tax rate for debt.
- (2) Voter approved tax roll for debt is in addition to the 1% rate shown in note (1).
- (3) During fiscal year 1995, the County began providing the City 100% of its tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.

**CITY OF RICHMOND  
UTILITY USERS TAX COLLECTIONS  
LAST TEN FISCAL YEARS**



	Fiscal Year Ended June 30									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Cable TV Users			\$334,347	\$835,226	\$824,723	\$810,755	\$809,972	\$983,465	\$1,016,552	\$988,547
Gas & Electric			12,326,977	8,919,561	8,336,362	9,660,557	8,943,183	8,787,715	9,003,928	9,966,642
Telephone			4,558,009	5,510,933	6,539,983	5,473,445	5,688,505	5,183,418	4,807,499	4,093,128
Operations			18,733,671	20,032,999	19,306,738	20,039,558	19,956,689	20,079,108	20,471,979	21,004,080
UUT Settlement			13,000,000	15,000,000	10,000,000	10,000,000	13,000,000	13,000,000	13,000,000	7,000,000
Prepaid Wireless										312,852
Combined (A)	\$27,007,410	\$29,553,243								
	<u>\$27,007,410</u>	<u>\$29,553,243</u>	<u>\$48,953,004</u>	<u>\$50,298,719</u>	<u>\$45,007,806</u>	<u>\$45,984,315</u>	<u>\$48,398,349</u>	<u>\$48,033,706</u>	<u>\$48,299,958</u>	<u>\$43,365,249</u>

NOTES:

(A) Components of collections by type are not available, therefore amount represents total UUT collections for the fiscal year, and these amounts have been excluded from the graph

SOURCE: City of Richmond, Finance Department (Revenue)

**CITY OF RICHMOND  
UTILITY USERS TAX DIRECT RATES  
ON CHARGES FOR SERVICES  
LAST TEN FISCAL YEARS (A)**

	<u>2015</u>	<u>2016</u>
Cable TV Users	5%	5%
Gas & Electric	10%	10%
Telephone	9.50%	9.50%
Operations	(B)	(B)
UUT Settlement	(C)	(C)

NOTES:

- (A) Historical information prior to 2015 is not available.
- (B) Based on the Cap Provision in the City of Richmond Municipal Code  
Section 13.52.100 - Maximum Tax Payable
- (C) Annual amount is per agreement signed by a Major Taxpayer and the City in 2010.

SOURCE: City of Richmond, Finance Department (Revenue)

**CITY OF RICHMOND  
TOP TEN UTILITY USERS TAXPAYERS  
(ALPHABETICAL ORDER)  
Current Year (A)**

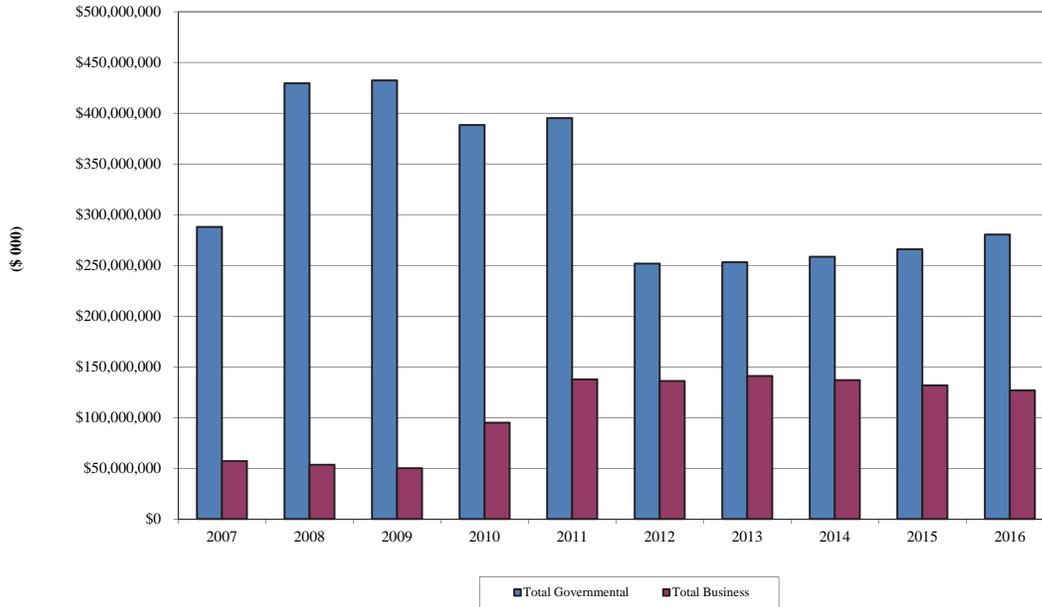
<b>Taxpayer</b>	<b>Type of Business (B)</b>
Chevron	Industrial
COMCAST	Cable
GTE Mobilnet of California	Telecommunications
Marin Clean Energy	Utility
Metro PCS	Telecommunications
New Cingular Wireless	Telecommunications
Pacific Bell Telephone Co	Telecommunications
PG & E	Utility
Sprint Spectrum	Telecommunications
T-Mobile	Telecommunications

NOTES:

- (A) Information for 2007 is not available
- (B) Revenue base information by taxpayer is confidential.

SOURCE: City of Richmond, Finance Department (Revenue)

**CITY OF RICHMOND**  
**Ratio of Outstanding Debt by Type**  
**Last Ten Fiscal Years**



<b>Governmental Activities</b>						
<b>Fiscal Year</b>	<b>Tax Allocation Bonds</b>	<b>Pension Obligation Bonds</b>	<b>Revenue Bonds</b>	<b>Loans and Notes Payable</b>	<b>Capital Leases</b>	<b>Total</b>
2007	\$95,079,118	\$143,575,313	\$33,630,000	\$10,518,963	\$5,111,871	\$287,915,265
2008	168,838,368	146,453,616	99,619,143	10,578,390	3,964,298	429,453,815
2009	165,200,399	150,493,392	97,750,000	10,544,185	8,300,966	432,288,942
2010	130,953,999	152,059,727	88,271,545	10,460,463	6,536,310	388,282,044
2011	125,899,530	153,589,314	87,906,545	20,723,084	7,022,284	395,140,757
2012	(B)	155,060,554	87,526,545	635,646 (B)	8,523,072	251,745,817
2013	(B)	156,483,676	87,121,545	1,231,880	8,269,494	253,106,595
2014	(B)	157,555,624	87,121,545	2,631,887	11,186,685	258,495,741
2015	(B)	156,491,679	87,121,545	12,970,813	9,295,123	265,879,160
2016	(B)	155,070,539	115,218,619	2,143,560	7,944,891	280,377,609

<b>Business-Type Activities</b>							
<b>Fiscal Year</b>	<b>Wastewater Revenue Bonds</b>	<b>Port Lease Revenue Bonds</b>	<b>Loans and Notes Payable</b>	<b>Total</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income (A)</b>	<b>Per Capita (A)</b>
2007	\$41,857,327	\$7,782,675	\$7,419,009	\$57,059,011	\$344,974,276	14.20%	\$3,376
2008	42,152,480	5,933,813	5,427,429	53,513,722	482,967,537	18.98%	4,675
2009	41,934,902	3,203,312	4,971,846	50,110,060	482,399,002	18.70%	4,643
2010	41,416,658	49,015,199	4,501,732	94,933,589	483,215,633	19.08%	4,620
2011	84,893,408	48,683,747	4,016,617	137,593,772	532,734,529	21.12%	5,043
2012	84,246,892	48,252,294	3,516,009	136,015,195	387,761,012	15.26%	3,697
2013	90,096,593 (C)	47,834,187	3,007,372	140,938,152	394,044,747	15.06%	3,733
2014	89,012,056	44,944,399	2,935,889	136,892,344	395,388,085	14.54%	3,725
2015	86,867,520	41,984,610	2,861,189	131,713,319	397,592,479	14.68%	3,737
2016	84,637,983	39,354,875	2,783,127	126,775,985	407,153,594	14.84%	3,689

Notes: Debt amounts exclude any premiums, discounts, or other amortization amounts.

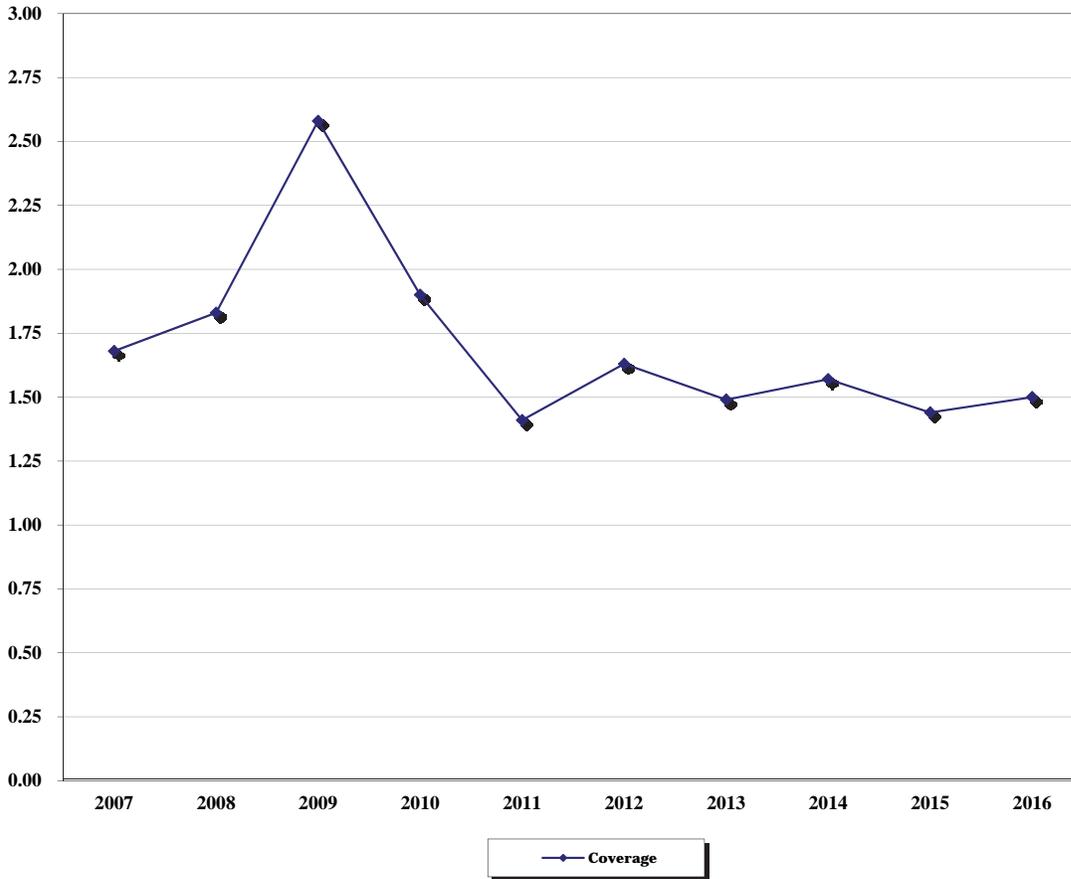
(A) See Demographic Statistics for personal income and population data.

(B) Due to the dissolution of the Redevelopment Agency, the Tax Allocation Bonds and the Loans and Notes Payable that were related to the Redevelopment Agency were transferred to the Successor Agency as of February 1, 2012 and are no longer governmental commitments.

(C) With the implementation of GASB Statement No. 65, the deferred amount on refunding previously reported as a component of the long-term debt balance is not reported as a deferred inflows of resources.

Sources: City of Richmond  
 State of California, Department of Finance (population)  
 U.S. Department of commerce, Bureau of the Census (income)

**CITY OF RICHMOND  
REVENUE BOND COVERAGE  
1999, 2006, 2008, 2010A AND 2010B WASTEWATER REVENUE BONDS  
LAST TEN FISCAL YEARS**

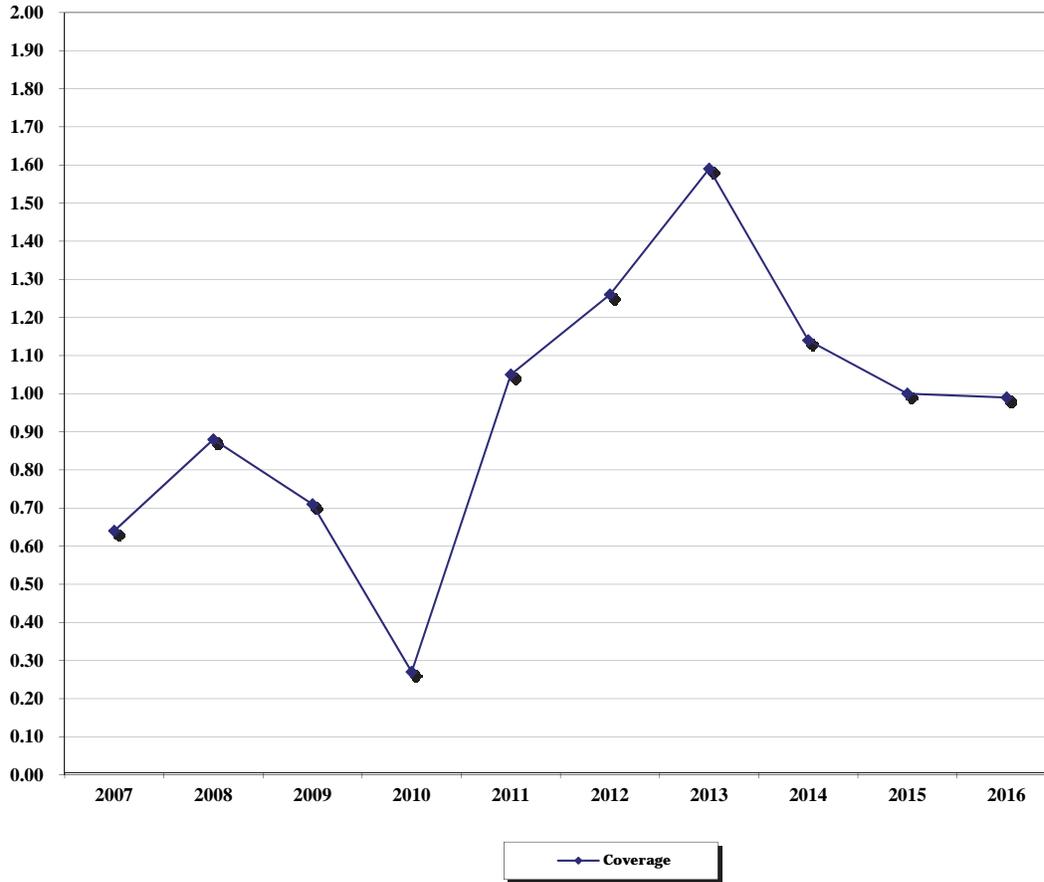


Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2007	\$13,687,290	\$8,799,108	\$4,888,182	\$1,480,000	\$1,422,950	\$2,902,950	1.68
2008	14,421,345	9,991,039	4,430,306		2,414,409	2,414,409	1.83
2009	14,498,712	8,287,431	6,211,281		2,403,307	2,403,307	2.58
2010	16,075,782	10,362,653	5,713,129	865,000	2,146,974	3,011,974	1.90
2011	17,399,624	9,154,788	8,244,836	905,000	4,943,042	5,848,042	1.41
2012	17,697,208	8,956,411	8,740,797	975,000	4,399,406	5,374,406	1.63
2013	17,840,042	9,447,236	8,392,806	1,005,000	4,613,635	5,618,635	1.49
2014	18,569,191	9,734,277	8,834,914	1,055,000	4,560,528	5,615,528	1.57
2015	19,098,835	9,524,878	9,573,957	2,115,000	4,536,302	6,651,302	1.44
2016	19,843,677	9,954,037	9,889,640	2,200,000	4,393,375	6,593,375	1.50

Notes: (1) Includes all Municipal Sewer Operating Revenues and Non-operating Interest Revenue excluding Derivative Investment Interest  
(2) Includes all Municipal Sewer Operating Expenses less Depreciation and Pension Expense related to GASB Statement 68.

Source: City of Richmond Annual Financial Statements

**CITY OF RICHMOND  
REVENUE BOND COVERAGE  
1996, 1999, 2004, 2007 AND 2009 PORT TERMINAL LEASE REVENUE BONDS, NOTE  
AND POINT POTRERO LEASE REVENUE BONDS  
LAST TEN FISCAL YEARS**

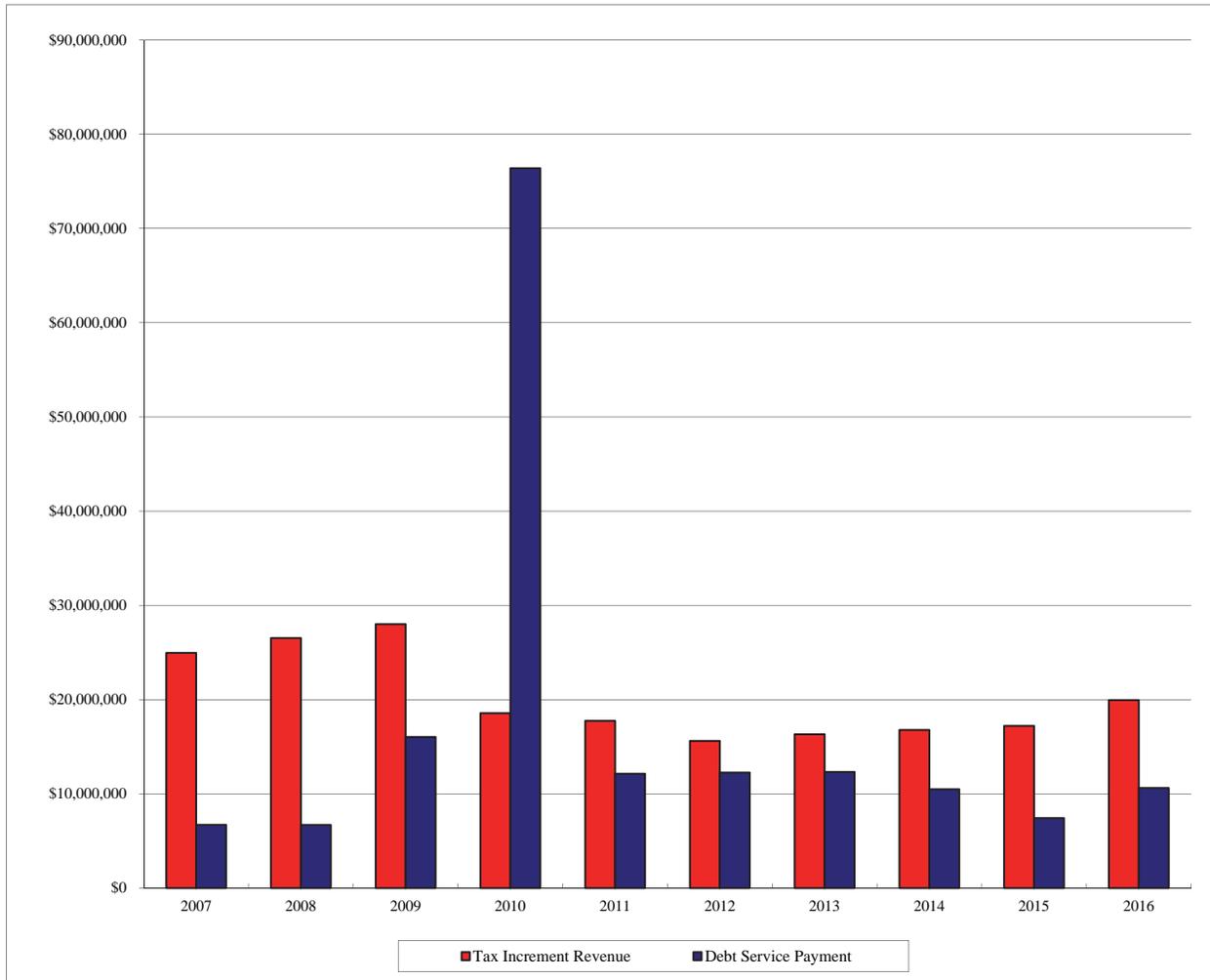


Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2007	\$5,621,400	\$2,106,307	\$3,515,093	\$4,823,787	\$643,463	\$5,467,250	0.64
2008	6,061,660	3,024,733	3,036,927	3,094,865	362,194	3,457,059	0.88
2009	5,292,289	3,129,349	2,162,940	2,745,000	292,367	3,037,367	0.71
2010	4,334,422	3,007,455	1,326,967	3,270,000	1,671,265	4,941,265	0.27
2011	6,357,466	2,035,968	4,321,498	405,000	3,728,541	4,133,541	1.05
2012	7,822,496	2,931,799	4,890,697	505,000	3,381,546	3,886,546	1.26
2013	9,138,193	2,964,060	6,174,133	525,000	3,348,154	3,873,154	1.59
2014	10,280,894	3,189,866	7,091,028	2,955,000	3,255,221	6,210,221	1.14
2015	9,481,315	3,380,916	6,100,399	3,025,000	3,077,165	6,102,165	1.00
2016	10,081,074	4,533,796	5,547,278	2,723,455	2,869,343	5,592,798	0.99

- Notes: (1) Includes all Port of Richmond Operating Revenues and Non-operating Interest Revenue excluding Derivative Investment Interest  
(2) Includes all Port of Richmond Operating Expenses, less Depreciation and Pension Expense related to GASB Statement 68.

Source: City of Richmond Annual Financial Statements

**CITY OF RICHMOND  
 BONDED DEBT PLEDGED REVENUE COVERAGE  
 TAX ALLOCATION BONDS AND REFUNDING BONDS (1)  
 LAST TEN FISCAL YEARS**

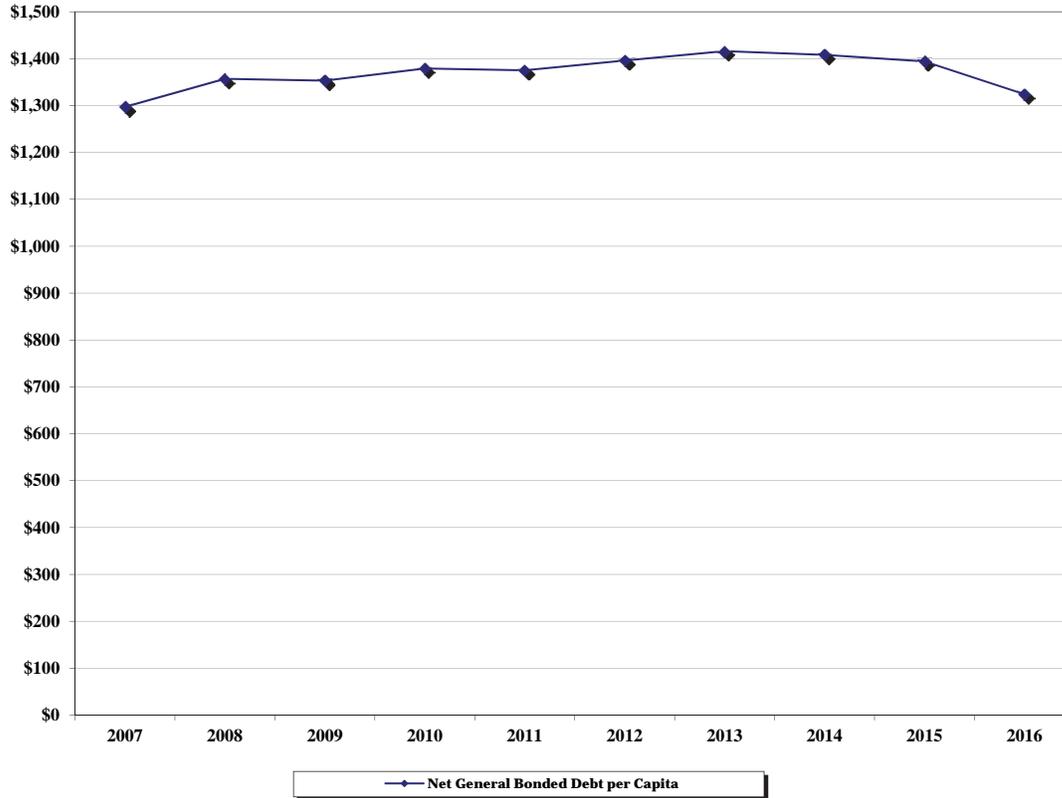


Fiscal Year	Tax Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2007	\$24,953,805	\$2,250,000	\$4,463,106	\$6,713,106	3.72
2008	26,535,184	2,345,000	4,359,236	6,704,236	3.96
2009	28,012,195	6,450,000	9,589,715	16,039,715	1.75
2010	18,559,284	69,170,000 (2)	7,220,349	76,390,349	0.24
2011	17,743,295	6,225,000	5,905,703	12,130,703	1.46
2012	15,619,530 (3) (4)	6,285,000	5,972,529	12,257,529	1.27
2013	16,320,481 (4)	6,565,000	5,754,825	12,319,825	1.32
2014	16,776,169 (4)	5,030,000	5,461,989	10,491,989	1.60
2015	17,206,306 (4)	2,930,000	4,500,409	7,430,409	2.32
2016	19,953,198 (4)	6,180,000	4,445,674	10,625,674	1.88

- Note: (1) Includes the 1991, 1998, 2000, 2003, 2004, 2007, 2010 and 2014 Bonds.  
 (2) Includes current refunding of the 2007 Bonds of \$64,275,000  
 (3) The Redevelopment Agency was dissolved effective January 31, 2012, and its liabilities were assumed by a Successor Agency. Amounts reported here include tax revenue and debt service of both the former Redevelopment Agency and the Successor Agency.  
 (4) Beginning in fiscal year 2012, tax increment reported in this table is the amount calculated by the County Auditor-Controller. Under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations.

Source: City of Richmond Annual Financial Statements

**CITY OF RICHMOND  
GENERAL BONDED DEBT  
PENSION OBLIGATION BONDS (1)  
LAST TEN FISCAL YEARS**



<b>Fiscal Year</b>	<b>Bonds Outstanding</b>	<b>Restricted Cash and Investments (2)</b>	<b>Net Bonds Outstanding</b>	<b>Net Assessed Value of Property</b>	<b>Ratio of General Bonded Debt to Net Assessed Value of Property</b>	<b>Net General Bonded Debt per Capita</b>
2007	\$143,575,313	\$11,013,589	\$132,561,724	\$10,048,259,000	1.32%	\$1,297
2008	146,453,616	6,291,336	140,162,280	10,457,437,000	1.34%	1,357
2009	150,493,392	9,916,755	140,576,637	11,244,866,000	1.25%	1,353
2010	152,059,727	7,841,951	144,217,776	10,017,226,000	1.44%	1,379
2011	153,589,314	8,314,362	145,274,952	8,641,310,346	1.68%	1,375
2012	155,060,554	8,617,952	146,442,602	9,242,647,000	1.58%	1,396
2013	156,483,676	7,054,942	149,428,734	11,098,301,000	1.35%	1,416
2014	157,555,624	8,089,647	149,465,977	8,230,209,000	1.82%	1,408
2015	156,491,679	8,148,121	148,343,558	9,943,913,000	1.49%	1,394
2016	155,070,539	8,936,523	146,134,016	10,745,818,000	1.36%	1,324

Note: (1) Includes the 1999 Bonds issued in fiscal year 2000, and the 2005 Bonds issued in fiscal year 2006.  
(2) Restricted cash is being held with the City's fiscal agent, Union Bank, and is restricted for the payment of the bonds.

Source: City of Richmond Annual Financial Statements

**CITY OF RICHMOND  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
JUNE 30, 2016**

2015-2016 Assessed Valuation: \$12,898,167,822

	Total Debt June 30, 2016	% Applicable (1)	City's Share of Debt June 30, 2016
<b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>			
Bay Area Rapid Transit District	\$527,065,000	2.142%	\$11,289,732
Contra Costa Community College District	432,135,000	7.511%	32,457,660
West Contra Costa Unified School District	1,095,051,809	48.308%	528,997,628
West Contra Costa Healthcare District Parcel Tax Obligations	58,040,000	44.918%	26,070,407
East Bay Municipal Utility District, Special District No. 1	7,345,000	0.677%	49,726
East Bay Regional Park District	149,945,000	3.281%	4,919,695
City of Richmond Community Facilities District No. 1998-1	2,860,000	100%	2,860,000
City of Richmond 1915 Act Bonds	12,225,000	100%	12,225,000
California Statewide Community Development Authority 1915 Act Bonds	1,820,592	100%	1,820,592
<b>TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>620,690,440</b>
<b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			
Contra Costa County General Fund Obligations	\$253,715,570	7.483%	\$18,985,536
Contra Costa County Pension Obligations	212,765,000	7.483%	15,921,205
Alameda-Contra Costa Transit District Certificates of Participation	21,285,000	6.347%	1,350,959
Contra Costa Community College District Certificates of Participation	525,000	7.511%	39,433
West Contra Costa Unified School District Certificates of Participation	6,250,000	48.308%	3,019,250
<b>City of Richmond General Fund Obligations</b>	<b>153,470,000</b>	<b>100%</b>	<b>153,470,000</b>
<b>City of Richmond Pension Obligations</b>	<b>92,313,825</b>	<b>100%</b>	<b>92,313,825</b>
<b>City of Richmond Loans Payable</b>	<b>2,143,560</b>	<b>100%</b>	<b>2,143,560</b>
<b>City of Richmond Leases Payable</b>	<b>7,944,891</b>	<b>100%</b>	<b>7,944,891</b>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>			<b>295,188,659</b>
Less: Contra Costa County general fund obligations supported by revenue funds			5,136,409
<b>City of Richmond obligations supported by port revenues</b>			<b>39,756,066</b>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>			<b>\$250,296,184</b>
<b>OVERLAPPING TAX INCREMENT DEBT (Successor Agency)</b>	<b>\$85,203,605</b>	<b>100%</b>	<b>\$85,203,605</b>
<b>TOTAL GROSS DIRECT DEBT</b>			<b>\$255,872,276</b>
<b>TOTAL NET DIRECT DEBT</b>			<b>\$216,116,210</b>
<b>TOTAL GROSS OVERLAPPING DEBT</b>			<b>\$745,210,428</b>
<b>TOTAL NET OVERLAPPING DEBT</b>			<b>\$740,074,019</b>
<b>GROSS COMBINED TOTAL DEBT</b>			<b>\$1,001,082,704 (2)</b>
<b>NET COMBINED TOTAL DEBT</b>			<b>\$956,190,229</b>

- (1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2015-16 Assessed Valuation:

Total Net Overlapping Tax and Assessment Debt 4.81%

Ratios to Adjusted Assessed Valuation:

**Gross Combined Direct Debt (\$255,872,276) 1.98%**  
**Net Combined Direct Debt (\$216,116,210) 1.68%**  
 Combined Total Debt 7.76%  
 Net Combined Total Debt 7.41%

Ratios to Successor Agency Redevelopment Incremental Valuation (\$2,055,810,543):

Total Overlapping Tax Increment Debt 4.14%

Source: HdL Coren & Cone, Contra Costa County Assessor and Auditor, City of Richmond Finance Department

**CITY OF RICHMOND  
COMPUTATION OF LEGAL BONDED DEBT MARGIN  
JUNE 30, 2016**

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	\$12,801,629,000
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BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$480,061,088
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AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$0
Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	0
Amount of debt subject to limit	0

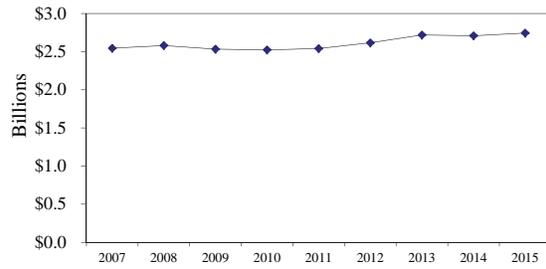
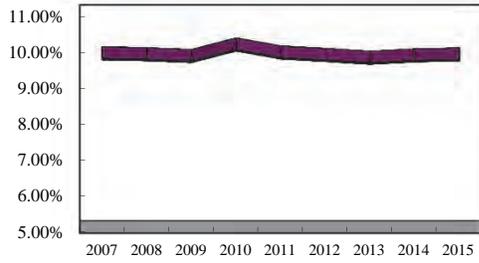
LEGAL BONDED DEBT MARGIN	\$480,061,088
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Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2007	\$451,169,588	\$0	\$451,169,588	0.00%
2008	479,670,300	0	479,670,300	0.00%
2009	511,844,663	0	511,844,663	0.00%
2010	440,766,450	0	440,766,450	0.00%
2011	383,834,888	0	383,834,888	0.00%
2012	405,777,338	0	405,777,338	0.00%
2013	474,620,025	0	474,620,025	0.00%
2014	368,446,575	0	368,446,575	0.00%
2015	440,390,400	0	440,390,400	0.00%
2016	480,061,088	0	480,061,088	0.00%

NOTE:

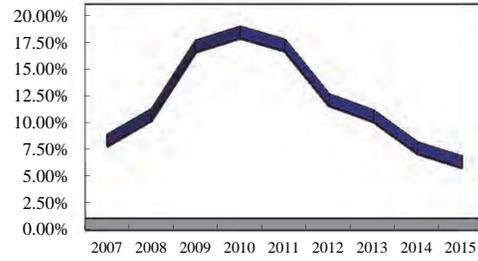
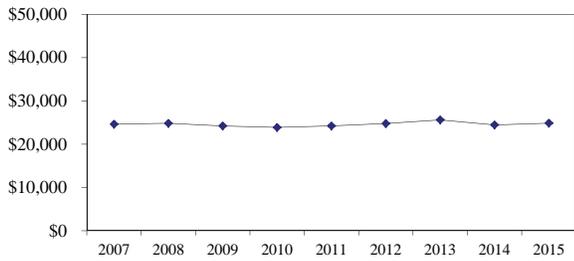
- (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

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



Series1

Series1



Per Capita Personal Income

Series1

Calendar Year	City Population	Total Personal Income	Per Capita Personal Income	Unemployment Rate (%)	Contra Costa County Population	City Population % of County
2006	102,182	\$2,429,855,000	\$23,780	7.2%	1,042,341	9.80%
2007	103,306	2,544,898,000	24,635	7.8%	1,051,674	9.82%
2008	103,895	2,579,939,000	24,832	10.2%	1,060,435	9.80%
2009	104,602	2,532,776,000	24,213	16.6%	1,073,055	9.75%
2010	105,630	2,522,550,000	23,881	17.9%	1,049,025	10.07%
2011	104,887	2,540,888,000	24,225	16.7%	1,065,117	9.85%
2012	105,562	2,615,932,000	24,781	11.6%	1,079,597	9.78%
2013	106,138	2,718,619,000	25,614	10.1%	1,094,205	9.70%
2014	106,388	2,707,894,000	24,453	7.1%	1,089,291	9.77%
2015	110,378	2,743,560,000	24,856	5.8%	1,126,745	9.80%

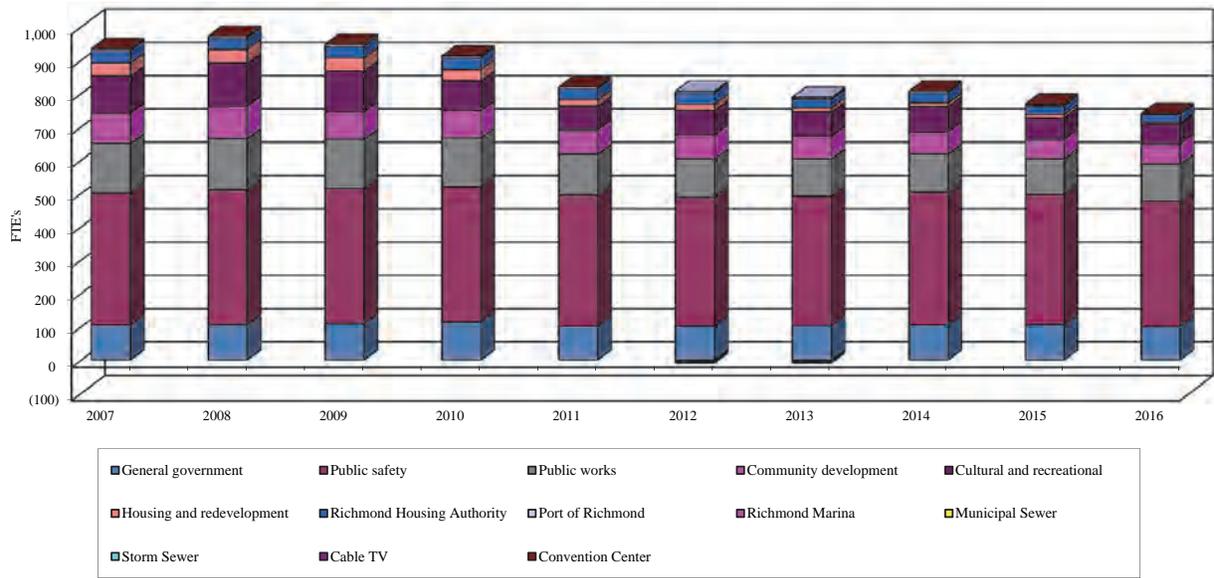
Source: HdL, Coren & Cone

**CITY OF RICHMOND**  
**Principal Employers**  
**Current Year and Nine Years Ago**

<u>Employer</u>	<u>2015-2016</u>			<u>2006-2007</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Chevron Refinery	3,456	1	3.5%	2,461	1	2.5%
West Contra Costa Unified School District	1,689	2	1.7%			
Social Security Administration	1,259	3	1.3%			
Blue Apron, Inc.	1,200	4	1.2%			
U.S. Postal Service	1,047	5	1.1%			
Contra Costa County	844	6	0.9%			
City of Richmond	842	7	0.9%			
The Permanente Medical Group	732	8	0.7%	786	2	0.8%
Kaiser Foundation Hospitals	506	9	0.5%			
Costco Wholesale #482	405	10	0.4%	278	4	0.3%
Wal-Mart Store 3455				350	3	0.4%
California Autism Foundation, Inc.				250	5	0.3%
Macy's Hilltop				242	6	0.2%
The Home Depot #643				209	7	0.2%
Veriflo Division				185	8	0.2%
Sealy Mattress Co.				184	9	0.2%
TPMG Regional Laboratory				176	10	0.2%
Subtotal	<u>11,980</u>		<u>12.2%</u>	<u>5,121</u>		<u>5.3%</u>
Total City Day Population	<u>98,236</u>			<u>97,391</u>		

Source: City of Richmond Community Development Department

**CITY OF RICHMOND**  
**Full-Time Equivalent City Government Employees by Function**  
**Last Ten Fiscal Years**



**Adopted for Fiscal Year Ended June 30,**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Function</b>										
General government	104.0	105.5	107.2	113.2	100.2	101.7	102.9	104.4	105.2	99.8
Public safety	396.5	405.0	406.0	407.0	394.0	386.0	388.0	398.0	390.0	375.5
Public works	150.0	154.0	149.0	146.0	123.0	116.0	113.0	116.0	109.0	112.0
Community development	88.0	96.0	80.0	80.0	72.0	71.0	66.0	64.0	56.0	59.5
Cultural and recreational	113.2	130.4	124.4	91.2	72.2	73.8	73.2	76.8	66.0	59.0
Housing and redevelopment	39.0	41.0	40.0	34.0	19.0	19.6	13.0	12.0	10.0	5.9
Richmond Housing Authority and RHA Properties	36.5	33.0	33.0	33.0	32.0	32.0	25.0	29.0	25.0	23.0
Port of Richmond	6.0	6.0	7.0	7.0	6.0	6.0	6.0	6.0	6.0	4.0
Richmond Marina	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Municipal Sewer	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Storm Sewer	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Cable TV	(1)	(1)	(1)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Convention Center	(2)	(2)	(2)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
<b>Total</b>	<b>933.2</b>	<b>970.9</b>	<b>946.6</b>	<b>911.4</b>	<b>818.4</b>	<b>806.1</b>	<b>787.1</b>	<b>806.2</b>	<b>767.2</b>	<b>738.7</b>

Source: City of Richmond Budget

Notes:

- (1) These services are provided by outside contractors.
- (2) Convention Center closed during renovation and staff moved under cultural and recreational.
- (3) Staff that perform these functions are included under General Government and Cultural and Recreational.

**CITY OF RICHMOND**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Public safety:</b>										
<b>Fire:</b>										
Fire calls for service	11,006	10,677	9,861	11,723	12,237	12,770	12,868	12,988	13,670	14,497
Primary fire inspections conducted	9,795	5,581	6,201	5,752	5,055	1,071	2,716	3,000	1,569	1,134
Number of firefighters	99	99	98	109	83	85	93	85	94	91
Number of firefighters and civilians per thousand population	1.0	1.0	1.1	1.0	1.2	0.8	0.8	0.8	0.8	0.8
<b>Police:</b>										
Number of police officers per thousand population	1.7	1.7	1.7	1.9	1.7	1.8	1.8	1.7	1.8	1.7
Number of sworn officers	179	187	176	200	188	191	195	186	196	185
<b>Water</b>										
Daily average consumption in gallons per family	250	250	250	250	250	250	250	250	250	250

**Source:** City of Richmond

**CITY OF RICHMOND**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Function/Program</b>										
Public safety:										
Fire stations	7	7	7	7	7	7	7	7	7	7
Police stations	6	6	6	6	4	4	4	4	4	4
Library (#) of Locations	1	3 *	3	3	3	3	3	3	3	3
(* two branch library sites were refurbished and opened in January 2008)										
Public works										
Miles of streets	280	280	280	280	280	280	280	280	280	280
Street lights	7,000	7,000	7,000	7,000	7,000	7,000	7,000	6,543	8,343	8,543
Urban Forest (trees) (a)	40,200	40,200	40,200	40,757	41,293	41,562	26,000	21,609	22,009	35,620
Culture and recreation:										
Community services:										
City parks	55	55	55	55	55	55	55	55	55	55
City parks acreage	336.6	336.6	336.6	336.6	336.6	336.6	336.6	336.6	336.6	336.6
Open Space & Public Landscapes acreage	510.0	510.0	510.0	510.0	510.0	510.0	510.0	510.0	510.0	510.0
Lawn bowling	1	1	1	1	1	1	1	1	1	1
Recreation centers	8	8	8	8	8	8	8	8	8	8
Auditorium/Theater	1	1	1	1	1	1	1	1	1	1
Gymnasiums	3	3	3	3	3	3	3	3	3	3
Senior centers	2	2	2	2	2	2	2	2	2	2
Headstart centers/day cares	6	6	6	6	6	6	6	6	6	6
Putting green	1	1	1	1	1	1	1	1	1	1
Basketball courts	28	28	28	28	28	28	28	28	28	28
Swimming pools	1	1	1	1	2	2	2	2	2	2
Tennis courts	20	20	20	20	20	20	20	20	20	20
Baseball/softball diamonds	26	26	26	26	26	26	26	26	26	26
Soccer/football fields	17	17	17	17	17	17	17	17	17	17
Cricket fields	2	2	2	2	2	2	2	2	2	2
Water										
Fire hydrants	3,153	3,153	3,153	3,153	3,153	3,153	3,153	3,153	3,153	3,153
Wastewater										
Miles of sanitary sewers	230	230	230	230	230	230	230	230	230	230
Miles of storm sewers	310	310	310	310	310	310	310	310	310	310
Land Area (square miles)	33.7	33.7	33.7	33.7	33.7	33.7	33.7	33.7	33.7	33.7
Miles of waterfront	32	32	32	32	32	32	32	32	32	32

Source: City of Richmond

(a) Trees managed by the City for 2013 to present.

Data Prior to 2013 includes trees managed by other entities, such as East Bay Regional Park District, National Parks and Privately owned.