

**NEW ISSUE—FULL BOOK-ENTRY**

**RATINGS:**

**Moodys: Aaa  
Standard & Poor's: AAA  
(See "RATINGS" herein)**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds is exempt from present State of California personal income taxes, although interest on the Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.*

**\$36,280,000**

**City of Richmond, California  
(Contra Costa County, California)  
Taxable Limited Obligation Pension Bonds,  
1999 Series A**

**Dated: Date of Delivery**

**Due: As shown below**

The Bonds are being issued in fully registered form in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Interest on the Bonds will be payable on February 1 and August 1 of each year, commencing August 1, 2000. DTC will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form, all as described herein. Payments of principal, premium, if any, and interest on the Bonds will be paid by U.S. Bank Trust National Association, as trustee (the "Trustee"), to DTC which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See "APPENDIX D—Book-Entry System" herein.

**The Bonds are not subject to optional prepayment, but are subject to mandatory sinking fund redemption as described herein.** See "THE BONDS" herein.

The City is obligated under Article XI of its Charter (the "Retirement Law") to make payments to the City of Richmond Police and Firemen's Pension Fund (the "Pension Fund") relating to pension benefits accruing to the Pension Fund's members, which payments are absolute and unconditional obligations imposed upon the City by law and enforceable against the City pursuant to the Retirement Law (as defined herein). The Bonds are being issued pursuant to a Trust Agreement, dated as of November 1, 1999 (the "Trust Agreement"), by and between the City and U.S. Bank Trust National Association, to fund a portion of the unfunded accrued actuarial liability in the Pension Fund, 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. The Bonds are payable from certain Pension Tax Override Revenues (as defined herein) received by the City from a special tax pursuant to City Council Ordinance 9-99 adopted by the City Council on March 30, 1999. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "PLAN OF FINANCE" and "CITY OF RICHMOND POLICE AND FIREMEN'S PENSION FUND" herein.

Payment of principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds.



THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED OR PERMITTED TO LEVY OR PLEDGE ANY FORM OF TAXATION OTHER THAN THE PENSION TAX OVERRIDE OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED OR WILL LEVY OR PLEDGE ANY OTHER FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS ON THE BONDS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

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**Maturity Schedule**

**(See the Inside Cover hereof)**

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*This cover page contains information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.*

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*The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Bond Counsel and certain other conditions. C.M. de Crinis & Co., Inc., Sausalito, California, is serving as Financial Advisor to the City in connection with the issuance of the Bonds. Brown & Wood LLP, San Francisco, California, is serving as Disclosure Counsel to the City. Certain matters will be passed upon for the City by the City Attorney. It is anticipated that the Bonds will be available for delivery through the DTC book-entry system in New York, New York, on or about November 18, 1999.*

**SUTRO & CO. INCORPORATED**

Dated: November 3, 1999.

**AMOUNTS, MATURITIES, INTEREST RATES AND YIELDS**

**MATURITY SCHEDULE**

**\$23,885,000 Serial Bonds**

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
February 1, 2001	\$3,240,000	6.37%	100%	August 1, 2007	\$1,660,000	7.09%	100%
August 1, 2001	1,680,000	6.52	100	August 1, 2008	1,620,000	7.14	100
August 1, 2002	1,700,000	6.66	100	August 1, 2009	1,570,000	7.19	100
August 1, 2003	1,715,000	6.82	100	August 1, 2010	1,505,000	7.24	100
August 1, 2004	1,720,000	6.92	100	August 1, 2011	1,435,000	7.29	100
August 1, 2005	1,710,000	7.02	100	August 1, 2012	1,360,000	7.34	100
August 1, 2006	1,690,000	7.04	100	August 1, 2013	1,280,000	7.39	100
	\$8,960,000	7.57%	Term Bond due August 1, 2020	Price 100%			
	\$3,435,000	7.62%	Term Bond due August 1, 2029	Price 100%			

**CITY OF RICHMOND**

**CITY COUNCIL MEMBERS**

Rosemary M. Corbin, *Mayor*  
Irma L. Anderson, *Vice Mayor*  
Nathaniel Bates  
Thomas K. Butt  
Alexander P. Evans, Jr.  
Richard L. Griffin  
John E. Marquez  
Donna R. Powers  
One Vacancy

**CITY OFFICERS**

Isaiah Turner, *City Manager*  
Malcolm Hunter, Esq., *City Attorney*  
Anna Vega, *Director of Finance*

**BOND COUNSEL**

Orrick, Herrington & Sutcliffe LLP  
San Francisco, California

**FINANCIAL ADVISOR**

C.M. de Crinis & Co., Inc.  
Sausalito, California

**TRUSTEE AND PAYING AGENT**

U.S. Bank Trust National Association  
San Francisco, California

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information or opinions set forth herein or in the affairs of the City since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

The information in this Official Statement has been provided by the City and sources the City considers reliable. The Underwriter and Financial Advisor make no representation as to the accuracy or sufficiency of the information contained in this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States *Private Securities Litigation Reform Act of 1995*, Section 21E of the United States *Securities Exchange Act of 1934*, as amended (the "Exchange Act"), and Section 27A of the United States *Securities Act of 1933*, as amended (the "Securities Act"). Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements may include, but are not limited to, certain statements contained in the information under the captions "DEBT SERVICE SCHEDULE AND PROJECTED PENSION TAX OVERRIDE REVENUES," "RISK FACTORS," "THE CITY OF RICHMOND" and "BOOK-ENTRY SYSTEM" in APPENDIX D of this Official Statement.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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**\$36,280,000**

**CITY OF RICHMOND, CALIFORNIA  
TAXABLE LIMITED OBLIGATION PENSION BONDS,  
1999 SERIES A**

**INTRODUCTION**

*This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the Bonds to potential investors is made only by means of the entire Official Statement. Terms used in this Introduction and not otherwise defined shall have the respective meanings assigned to them elsewhere in this Official Statement.*

**General**

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning the issuance and sale by the City of Richmond (the "City") of its Taxable Limited Obligation Pension Bonds, 1999 Series A (the "Bonds") in the aggregate initial principal amount of \$36,280,000. The Bonds are being issued pursuant to the City's Charter and a Trust Agreement, dated as of November 1, 1999 (the "Trust Agreement"), by and between the City and U.S. Bank Trust National Association, as trustee thereunder (the "Trustee"). U.S. Bank Trust National Association has also been appointed as paying agent (the "Paying Agent") for the Bonds pursuant to the Trust Agreement.

The City is obligated under Article XI of its Charter (the "Retirement Law") to make payments to the Police and Fireman's Pension Fund (the "Pension Fund") relating to pension benefits accruing to the Pension Fund's members. The City has determined, pursuant to an actuarial report dated January 25, 1999 performed by PricewaterhouseCoopers LLP (the "Actuarial Report"), that the Pension Fund had an unfunded accrued retirement liability as of July 1, 1998, in the amount of approximately \$45,036,380, the payment of which is an obligation imposed by the Retirement Law. Following payment of obligations of the Pension Fund of approximately \$4,709,670 in the period between July 1, 1998 and July 1, 1999, the approximate current unfunded accrued retirement liability is \$40,326,700. For the purpose of funding a portion of the City's obligations to the Pension Fund as determined by the Actuarial Report, together with the prepayment of certain pension benefit costs on behalf of the Beneficiaries (as defined below), the City has determined to issue the Bonds, all pursuant to and secured by the Trust Agreement. See "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS."

The City has levied and continues to levy an *ad valorem* property tax override at the rate of 0.14% of the assessed value of all taxable property within the City (the "Pension Tax Override") to pay for the obligations of the retirees and their eligible dependents who are part of the Pension Fund (the "Beneficiaries") and other pension obligations of the City approved by voters prior to July 1, 1978 (the "Prior Approved Pension Obligations"). Pursuant to Article XI of the City's Charter, as implemented by City Council Ordinance 5-98 N.S., funds received from the Pension Tax Override (the "Pension Tax Override Revenues") are required to be deposited into the Tax Override Pension Fund in order to pay the Prior Approved Pension Obligations, including the funding of pension benefits for the Beneficiaries. Pursuant to the Trust Agreement and a Resolution of the City Council of the City adopted on October 5, 1999, all of the Pension Tax Override Revenues and all moneys on deposit in the Bond Fund under the Trust Agreement are pledged to the punctual payment of the interest on and principal of the Bonds, and the Pension Tax Override Revenues, the Note (as defined below) and such other moneys will not be used

for any other purpose while any of the Bonds are outstanding, subject to the provisions of the Trust Agreement. In addition, pursuant to a Resolution adopted by the Pension Board on October 21, 1999, all moneys attributable to a promissory note to the Trustee dated as of November 18, 1999 (the "Note") executed and delivered by the City's Pension Board on behalf of the Pension Fund in the amount of \$4,600,000 are pledged to the payment of the principal of and interest on the Bonds. The Note is secured by a pledge of all assets in the Pension Fund. The foregoing pledge constitutes a first lien on the Pension Tax Override Revenues, the Note and such other moneys for the payment of the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Pursuant to a judgment rendered on May 10, 1999 (*City of Richmond v. All Persons Interested, etc.*, Case No. C99 01204) the Superior Court of the County of Contra Costa, State of California (the "Superior Court") validated the pledge by the City of the Pension Tax Override Revenues, the covenant of the City to levy and collect the Pension Tax Override, the issuance of the Bonds and all proceedings in connection with such issuance. Also, the Superior Court's judgment validated, among other matters, the Bonds as the valid and binding obligations of the City and the revenues derived from the Pension Tax Override as legally available to be used to pay principal of, premium, if any, and interest on the Bonds. The period for the filing of appeals with respect to the judgment has expired and the judgment is final and unappealable. The provisions of the Note and the obligations created by the Note were not the subject of the validation. See "VALIDATION" herein.

**PLAN OF FINANCE**

The Bonds are being issued to provide funds to retire a portion of the approximate current unfunded accrued actuarial liability in the Pension Fund (as described in the following paragraph) and to pay the costs of issuing the Bonds. Upon the issuance of the Bonds, the net proceeds after payment of costs of issuance thereof will be transferred to the City of Richmond Police and Fireman's Pension Board (the "Board"). The monies deposited with the Board are estimated to be equal to the principal amount of approximately 90% of the current unfunded accrued actuarial liability. Such proceeds will be invested by the Board in accordance with the investment policy adopted by the Board. See "CITY OF RICHMOND POLICE AND FIREMEN'S PENSION FUND" herein. Pursuant to the Note, the Board will make specified payments on the dates and in the amounts set forth in the following schedule, which will be deposited with the Trustee and applied to the payment of debt service on the Bonds.

**Note Payment Schedule**

<u>Date</u>	<u>Amount</u>
August 1, 2000	\$ 400,000
February 1, 2001	2,300,000
August 1, 2001	1,900,000

As a consequence of the transfer of a portion of proceeds to the Board, the City anticipates that it will be relieved of the current obligation to make annual payments to the Pension Fund with respect to a portion of its current unfunded accrued actuarial liability beginning December 1, 2000. The currently estimated schedule of such payments has a remaining term of 35 years and annual amounts ranging from approximately \$4,661,235 million in Fiscal Year 1999-00 to approximately \$333,278 in Fiscal Year 2033-34. The most recent actuarial analysis of the Pension Fund estimated the unfunded pension benefit liability to be approximately \$45,036,380 as of July 1, 1998, and assumed a 7.75% discount rate. Following payment of Pension Fund obligations of approximately \$4,709,670 in the period between July 1, 1998 and July 1, 1999, the approximate current unfunded pension benefit liability is \$40,326,700.

The portion of the proceeds of the Bonds transferred to the Board is anticipated to be sufficient to fund approximately \$35.5 million of the unfunded pension benefit liability. Any change in the actuarial assumptions underlying the calculations of the unfunded liability due to a lower actual reinvestment rate on the Pension Fund's investment portfolio could minimize or negate the advantages to the Pension Fund of prepayment of the portion of its unfunded pension benefit liability financed by the Bonds. In addition, the unfunded liability may be affected by certain other factors, including, without limitation, inflationary factors, changes in statutory provisions of the Retirement Law and changes in the levels of benefits provided or in the contribution rates of the City. Regardless of the accuracy of the assumptions, the payment of debt service on the Bonds is secured by a pledge of the Pension Tax Override Revenues and other funds under the Trust Agreement. As a consequence of such pledge, if at any time in the future the City is required to fund its pension obligations to Beneficiaries on a current basis, any such obligations will be paid from Pension Tax Override Revenues only after payment of debt service on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "RISK FACTORS" herein.

### SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the Bonds are set forth below (exclusive of accrued interest):

<u>Sources of Funds</u>	
Principal amount of Bonds	\$36,280,000
(Less Underwriter's Discount)	<u>(373,780)</u>
Total Sources	<u>\$35,906,200</u>
 <u>Uses of Funds</u>	
Transfer to Pension Board	\$35,455,000
Cost of Issuance Fund <sup>(1)</sup>	<u>451,220</u>
Total Uses	<u>\$35,906,220</u>

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(1) Includes bond counsel fees and expenses, disclosure counsel fees and expenses, fees of the financial advisor, fees of the Trustee, rating agency fees, printing costs, premium for municipal bond insurance and certain miscellaneous expenses.

### THE BONDS

#### General

The Bonds are being issued in the aggregate principal amount of \$36,280,000 and will bear interest at the rates and shall mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof.

Interest on the Bonds is payable semiannually on February 1 and August 1 of each year commencing August 1, 2000, to the person whose name appears on the Bonds registration books kept by the Trustee, such interest to be paid by check mailed to the registered owner thereof; provided that upon the written request of a Holder of \$1,000,000 or more in aggregate principal amount of Bonds received by the Trustee prior to the applicable Record Date (as defined herein), interest shall be paid by wire transfer in immediately available funds. Any such written request shall remain in effect until rescinded in writing by the Holder. Principal is payable when due upon surrender of the Bonds at the principal corporate trust office of the Trustee.

The Bonds will be issued in fully registered form, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Purchasers will not receive securities certificates representing their interests in the Bonds purchased. Payments of principal of and interest on the Bonds will be paid by the Trustee to DTC which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See "APPENDIX D — BOOK-ENTRY SYSTEM" herein.

**Redemption**

*Optional Redemption.* The Bonds are not subject to optional redemption prior to their Maturity.

*Mandatory Redemption.* The Bonds maturing on August 1, 2020 and August 1, 2029 upon notice as hereinafter described, shall be subject to mandatory sinking fund redemption prior to maturity, in part on August 1 of each year on and after August 1, 2014 (with respect to the Bonds maturing on August 1, 2020) and on and after August 1, 2021 (with respect to the Bonds maturing on August 1, 2029), by lot, from mandatory sinking account payments in the amounts set forth below at a redemption price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the redemption date.

Mandatory Sinking Account Payment Date (August 1)	Mandatory Sinking Account Payment
2014	\$1,190,000
2015	1,625,000
2016	1,570,000
2017	1,520,000
2018	1,375,000
2019	1,375,000
2020†	795,000
2021	710,000
2022	620,000
2023	540,000
2024	455,000
2025	375,000
2026	295,000
2027	220,000
2028	145,000
2029†	75,000

† Maturity.

**Selection of Bonds for Redemption**

If less than all Outstanding Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the Bonds of such maturity date to be redeemed in any manner that it deems appropriate and fair and shall promptly notify the City in writing of the certificate numbers of the Bonds so selected for redemption. For purposes of such selection, Bonds shall be deemed to be composed of \$5,000 multiples and any such multiple may be separately redeemed.

## **Notice of Redemption**

Notice of redemption shall be mailed by first-class mail by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the redemption date to (i) the respective Holders of the Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) one or more Information Services. Notice of redemption to the Securities Depositories and the Information Services shall be given by registered mail or overnight delivery or facsimile transmission. Each notice of redemption shall state the date of such notice, the redemption price, if any, (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Bonds of such maturity, to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the redemption price, if any, thereof and in the case of a Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice or any defect therein shall not invalidate any of the proceedings taken in connection with such redemption.

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

### **General**

As of July 1, 1978, the taxes previously levied by the City to pay pension obligations became the Pension Tax Override. The City has levied and continues to levy the Pension Tax Override to pay pension benefits to the Beneficiaries and other pension obligations of the City approved by voters prior to July 1, 1978 (the "Prior Approved Pension Obligations").

The City has pledged the Pension Tax Override Revenues as a sole source of payment for the Bonds, and in accordance with Article XIII A of Section 1(b)(1) of the California Constitution, that pledge is to be made and perfected in accordance with Section 5450 of the California Government Code. Pursuant to Article XI of the City's Charter, as implemented by City Council Ordinance 5-98 N.S., the Pension Tax Override Revenues are required to be deposited into the Tax Override Pension Fund in order to pay the Prior Approved Pension Obligations, including the funding of pension benefits for the Beneficiaries.

The City has covenanted pursuant to the Trust Agreement that all Pension Tax Override Revenues, together with any interest earned thereon, shall, so long as any Bonds are outstanding, be immediately transferred by the City from the Pension Fund for deposit to the Richmond Pension Special Fund (the "Special Fund") under the Trust Agreement. Upon receipt of the Pension Tax Override Revenues in the Special Fund, the Trustee shall transfer from the Special Fund to the Bond Fund an amount which, when added to any amounts then on deposit in the Bond Fund, is equal to Annual Debt Service on the Bonds for the then current Bond Year. After making the required transfer as required by the Trust Agreement, the Trustee shall transfer all remaining funds then on deposit in the Special Fund to the City and the City shall apply such funds as required in the Ordinance.

In addition, the City has pledged the Note to repayment of the Bonds. The Note is secured by a pledge of Pension Fund assets. Payments under the Note are transferred directly to the Trustee to be applied toward the payment of debt service on the Bonds. See the tables entitled "City of Richmond,

Taxable Limited Obligation Pension Bonds, 1999 Series A, Estimated Debt Service and Coverage Analysis" below.

The City has covenanted pursuant to the Trust Agreement that so long as any Bonds remain outstanding, the City will (i) annually levy the Pension Tax Override; (ii) take such steps as are lawfully permitted by the City to enforce the collection of the Pension Tax Override; provided, that so long as the County of Contra Costa acts as the collection agency with respect to property taxes in the City (including the Pension Tax Override), the City shall be deemed to be in compliance with this covenant unless the County fails to perform its duties to collect the Pension Tax Override; and (iii) the City Council will not amend, or permit the amendment by initiative of, any legislative action previously taken by the City Council in respect of the levy of the Pension Tax Override to reduce the rate at which the Pension Tax Override is levied or reduce the property or classes of property against which it is levied; and (iv) the City Council will not repeal or permit the repeal by initiative of the Pension Tax Override Ordinance.

### Historical Pension Tax Override Revenues

The following table represents the historical Pension Tax Override Revenues received in the fiscal years ending June 30, 1991 through June 30, 1999.

#### City of Richmond Historical Pension Tax Override Revenues and Police and Firemen's Pension Contributions

Fiscal Year (ending June 30)	Pension Tax Override Revenues	Police and Firemen's Pension Contributions	Surplus
1999	\$8,202,039	\$5,493,910 <sup>(1)</sup>	\$2,708,129
1998	8,408,628	4,762,993	3,645,635
1997	8,317,485	5,243,277	3,074,208
1996	8,086,278	4,865,586	3,220,692
1995	7,739,099	4,537,905	3,201,194
1994	7,584,340	4,771,931	2,812,409
1993	7,717,863	4,681,917	3,035,946
1992	7,144,079	4,443,443	2,700,636
1991	6,704,418	4,476,825	2,227,593

<sup>(1)</sup> Includes additional payments made for a retirement benefit cashout offered as an option to Beneficiaries.

Source: City of Richmond; County of Contra Costa.

For further discussion of the levy and collection of taxes such as the Pension Tax Override see "THE CITY OF RICHMOND— Property Taxation and Tax Rates" and "— Teeter Plan."

### ADDITIONAL BONDS

The City may from time to time issue additional series of bonds on a parity with the Bonds, but only subject to the provisions of the Trust Agreement, in order to (i) satisfy any obligation to make payments to the Pension Fund pursuant to the Retirement Law, or (ii) to defease all or any portion of the Bonds then outstanding. Among other conditions, the Trust Agreement requires that prior to the issuance of any additional bonds, the Trustee shall have received a Certificate of the City to the effect that, for the

Fiscal Year immediately preceding the Fiscal Year in which such additional bonds are being issued, the aggregate Pension Tax Override Revenues are at least equal to 2.0 times Maximum Annual Debt Service on the Bonds and such additional bonds.

Under the Trust Agreement the term "Maximum Annual Debt Service" means the largest Annual Debt Service during the period from the date of such determination through the final maturity date of any Outstanding Bonds.

#### **DEBT SERVICE SCHEDULE AND PROJECTED PENSION TAX OVERRIDE REVENUES**

Following are tables showing debt service coverage of the Pension Tax Override Revenues. The first table assumes no growth in Pension Tax Override Revenues. The second table assumes annual growth of 1.5% in Pension Tax Override Revenues. Debt service payments on the Bonds for the fiscal years ending June 30, 2000 and 2001 include proceeds received as repayment of the Note. The amount set forth below under "Tax Override" for Fiscal Year 1999-2000 is net of the amount of \$909,694 to be refunded to Chevron USA as the result of a property tax appeal brought by Chevron USA. See "RISK FACTORS — Concentration of Ownership; Tax Appeals."

**CITY OF RICHMOND**  
**Taxable Limited Obligation Pension Bonds, 1999 Series A**  
**Debt Service and Coverage Analysis**  
**(0% Growth in Pension Tax Override Revenues)**

Fiscal Year	Estimated Pension Tax Override	Debt Service			Note Repayment <sup>(2)</sup>	Coverage
		Principal	Interest	Total		
1999-00 <sup>(1)</sup>	\$7,750,291	\$0	\$0	\$0		
2000-01	8,659,985	3,240,000	3,125,301	6,365,301	(\$2,700,000)	1.78
2001-02	8,659,985	1,680,000	2,337,247	4,017,247	(1,900,000)	2.62
2002-03	8,659,985	1,700,000	2,225,869	3,925,869		2.21
2003-04	8,659,985	1,715,000	2,110,777	3,825,777		2.26
2004-05	8,659,985	1,720,000	1,992,784	3,712,784		2.33
2005-06	8,659,985	1,710,000	1,873,251	3,583,251		2.42
2006-07	8,659,985	1,690,000	1,753,742	3,443,742		2.51
2007-08	8,659,985	1,660,000	1,635,407	3,295,407		2.63
2008-09	8,659,985	1,620,000	1,518,726	3,138,726		2.76
2009-10	8,659,985	1,570,000	1,404,450	2,974,450		2.91
2010-11	8,659,985	1,505,000	1,293,528	2,798,528		3.09
2011-12	8,659,985	1,435,000	1,186,741	2,621,741		3.30
2012-13	8,659,985	1,360,000	1,084,523	2,444,523		3.54
2013-14	8,659,985	1,280,000	987,315	2,267,315		3.82
2014-15	8,659,985	1,190,000	894,978	2,084,978		4.15
2015-16	8,659,985	1,625,000	788,430	2,413,430		3.59
2016-17	8,659,985	1,570,000	667,499	2,237,499		3.87
2017-18	8,659,985	1,520,000	550,543	2,070,543		4.18
2018-19	8,659,985	1,375,000	440,967	1,815,967		4.77
2019-20	8,659,985	885,000	355,426	1,240,426		6.98
2020-21	8,659,985	795,000	291,838	1,086,838		7.97
2021-22	8,659,985	710,000	234,696	944,696		9.17
2022-23	8,659,985	620,000	184,023	804,023		10.77
2023-24	8,659,985	540,000	139,827	679,827		12.74
2024-25	8,659,985	455,000	101,918	556,918		15.55
2025-26	8,659,985	375,000	70,295	445,295		19.45
2026-27	8,659,985	295,000	44,768	339,768		25.49
2027-28	8,659,985	220,000	25,146	245,146		35.33
2028-29	8,659,985	145,000	11,240	156,240		55.43
2029-30	8,659,985	75,000	2,858	77,858		111.23
<b>TOTAL</b>	<b>\$267,549,841</b>	<b>\$36,280,000</b>	<b>\$29,334,104</b>	<b>\$65,614,104</b>		

<sup>(1)</sup> January - June 2000, and net of Chevron appeal of \$909,694. See "RISK FACTORS - Concentration of Property Ownership; Tax Appeals."

<sup>(2)</sup> Payable pursuant to Promissory Note.

**CITY OF RICHMOND**

**Taxable Limited Obligation Pension Bonds, 1999 Series A  
Debt Service and Coverage Analysis  
(1.5% Growth in Pension Tax Override Revenues)**

Fiscal Year	Estimated Pension Tax Override	Debt Service			Note Repayment <sup>(2)</sup>	Coverage
		Principal	Interest	Debt		
1999-00 <sup>(1)</sup>	\$7,750,291	\$0	\$0	\$0		
2000-01	8,789,885	3,240,000	3,125,301	6,365,301	(\$2,700,000)	1.80
2001-02	8,921,733	1,680,000	2,337,247	4,017,247	(1,900,000)	2.69
2002-03	9,055,559	1,700,000	2,225,869	3,925,869		2.31
2003-04	9,191,392	1,715,000	2,110,777	3,825,777		2.40
2004-05	9,329,263	1,720,000	1,992,784	3,712,784		2.51
2005-06	9,469,202	1,710,000	1,873,251	3,583,251		2.64
2006-07	9,611,240	1,690,000	1,753,742	3,443,742		2.79
2007-08	9,755,409	1,660,000	1,635,407	3,295,407		2.96
2008-09	9,901,740	1,620,000	1,518,726	3,138,726		3.15
2009-10	10,050,266	1,570,000	1,404,450	2,974,450		3.38
2010-11	10,201,020	1,505,000	1,293,528	2,798,528		3.65
2011-12	10,354,035	1,435,000	1,186,741	2,621,741		3.95
2012-13	10,509,346	1,360,000	1,084,523	2,444,523		4.30
2013-14	10,666,986	1,280,000	987,315	2,267,315		4.70
2014-15	10,826,991	1,190,000	894,978	2,084,978		5.19
2015-16	10,989,396	1,625,000	788,430	2,413,430		4.55
2016-17	11,154,237	1,570,000	667,499	2,237,499		4.99
2017-18	11,321,550	1,520,000	550,543	2,070,543		5.47
2018-19	11,491,374	1,375,000	440,967	1,815,967		6.33
2019-20	11,663,744	885,000	355,426	1,240,426		9.40
2020-21	11,838,700	795,000	291,838	1,086,838		10.89
2021-22	12,016,281	710,000	234,696	944,696		12.72
2022-23	12,196,525	620,000	184,023	804,023		15.17
2023-24	12,379,473	540,000	139,827	679,827		18.21
2024-25	12,565,165	455,000	101,918	556,918		22.56
2025-26	12,753,642	375,000	70,295	445,295		28.64
2026-27	12,944,947	295,000	44,768	339,768		38.10
2027-28	13,139,121	220,000	25,146	245,146		53.60
2028-29	13,336,208	145,000	11,240	156,240		85.36
2029-30	13,536,251	75,000	2,858	77,858		173.86
<b>TOTAL</b>	<b>\$337,710,975</b>	<b>\$36,280,000</b>	<b>\$29,334,104</b>	<b>\$65,614,104</b>		

(1) January - June 2000, and net of Chevron appeal of \$909,694. See "RISK FACTORS - Concentration of Property Ownership; Tax Appeals."

(2) Payable pursuant to Promissory Note.

## BOND INSURANCE

### The Insurance Policy

*The following information has been furnished by MBIA Insurance Corporation (the "Insurer") for use in this Official Statement. Reference is made to APPENDIX F for a specimen of the Insurer's Policy.*

The Insurer's Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the City to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on the Bonds as such payments shall become due but shall not be so paid; and (ii) the reimbursement of any such payment that is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's Policy does not insure against loss of any prepayment premium that may at any time be payable with respect to any Bond. The Insurer's Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory prepayment (other than mandatory sinking fund prepayments); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Insurer's Policy also does not insure against nonpayment of principal or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Trustee or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Trustee payment of the insured amounts due on such Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has two European branches, one in the Republic of France and the other in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is

required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

As of December 31, 1998, the Insurer had admitted assets of \$6.5 billion (audited), total liabilities of \$4.2 billion (audited), and total capital and surplus of \$2.3 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 1999, the Insurer had admitted assets of \$6.8 billion (unaudited), total liabilities of \$4.5 billion (unaudited), and total capital and surplus of \$2.3 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Furthermore, copies of the Insurer's year end financial statements prepared in accordance with statutory accounting practices are available without charge from the Insurer. A copy of the Annual Report on Form 10-K of the Company is available from the Insurer or the Securities and Exchange Commission. The address of the Insurer is 113 King Street, Armonk, New York 10504. The telephone number of the Insurer is (914) 273-4545.

### **Year 2000 Readiness Disclosure**

The Company is actively managing a high-priority Year 2000 ("Y2K") program. The Company has established an independent Y2K testing lab in its Armonk headquarters, with a committee of business unit managers overseeing the project. The Company has a budget of \$1.13 million for its 1998-2000 Y2K efforts. Expenditures are proceeding as anticipated, and the Company does not expect the project budget to materially exceed this amount. The Company has initiated a comprehensive Y2K plan that includes assessment, remediation, testing and contingency planning. This plan covers "mission-critical" internally developed systems, vendor software, hardware and certain third-party entities through which the Company conducts its business. Testing to date indicates that functions critical to the financial guarantee business, both domestic and international, were Y2K-ready as of December 31, 1998. Additional testing will continue throughout 1999.

### **RISK FACTORS**

*The following section describes certain risk factors affecting the payment of and security for the Bonds. The following information should be considered by prospective investors in evaluating the Bonds. However, it does not purport to be an exhaustive list of risks or other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. There can be no assurance that other risk factors will not become material in the future.*

### **Full Faith and Credit Not Pledged**

Although the City covenants to levy the Pension Tax Override annually to provide for Pension Tax Override Revenues, the City has not pledged its full faith and credit to the payment of the Bonds. The City may issue additional bonds under the Trust Agreement and growth in assessed valuation may not occur as expected; thus, there can be no assurances that the Pension Tax Override levy will at all times be sufficient to provide for payment of all debt service on the Bonds.

Following repayment of the Note, and in the event that Pension Tax Override Revenues are insufficient to pay the principal of and interest on the Bonds, debt service will be payable by the Insurer pursuant to the Policy. See "BOND INSURANCE."

## **Limitation of Remedies**

The rights of the owners of the Bonds are subject to the limitations on legal remedies against cities in the State of California, including applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the enforcement of such remedies against public entities, such as the City, and to the application of general principles of equity. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy proceedings or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

## **Concentration of Property Ownership; Tax Appeals**

Approximately 30% of the assessed valuation of real property in the City is owned by Chevron USA. Chevron filed a number of tax appeals with the County and has been successful in reducing a portion of its assessed valuation in the City. On June 11, 1999, the Contra Costa County Appeals Board approved the reduction in assessed values for certain Chevron parcels. For tax year 1996/97, the assessed value reduction was from \$2,117,826,046 to \$1,812,860,817. In 1997/98, the assessed value reduction was from \$1,899,650,287 to \$1,751,559,065, and in 1998/99 from \$1,832,249,033 to \$1,685,453,977. The approved appeals and other adjustments to the assessed value of Chevron property have reduced the overall assessed value by \$432,372,069, or approximately 20% from 1996/97 through 1998/99.

The successful appeals by Chevron will result in a Countywide refund of approximately \$7.6 million, which includes the property tax refund plus interest. For the City, the \$7.6 million includes a refund of approximately \$909,694 in Pension Tax Override Revenues for the tax years 1996 through 1998. The refund will be deducted by the County on a one-time basis from Pension Override Revenues for tax year 1999/00. The County estimates 1999/00 Pension Override Revenues at \$8,659,985 before the refund, resulting in net payments of \$7,750,291. The City does not expect that the reduction in assessed valuation, or the refund due in tax year 1999/00, will impair its ability to make payments when due of the principal of and interest on the Bonds.

The assessed value for all Chevron property for 1999/00 is \$1,857,771,189. There can be no assurance that Chevron or any other large property owner will not file property tax appeals in the future.

For additional information on the largest property taxpayers in the City and the City's assessed valuation base, the "THE CITY OF RICHMOND—Assessed Valuation" and "—Largest Taxpayers."

## **Bankruptcy and Equitable Limitations**

In addition to the limitation on remedies contained in the Trust Agreement, the rights and remedies provided in the Trust Agreement may be limited by and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the Bonds, the Trust Agreement and other related documents, by bankruptcy, reorganization, moratorium, insolvency, fraudulent conveyance or other similar laws relating to or affecting the enforcement of creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitation on legal remedies against public agencies in the State.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code) which governs the bankruptcy proceedings for public agencies such as the District, there are no involuntary petitions in

bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners and the Trustee could be prohibited from taking any steps to enforce their rights under the Trust Agreement, and from taking any steps to collect amounts due from the City under the Trust Agreement.

### **Year 2000 Readiness Disclosure**

*Information in this section concerning year 2000 readiness of the Trustee has been furnished by the Trustee for use in this Official Statement. The City takes no responsibility for the accuracy or completeness of such information.*

*General.* The operations of the City, the Trustee and DTC, like those of many other business entities, may be impacted by the inability of certain computer programs and electronic systems with embedded microprocessor chips to recognize calendar dates beyond the year 1999. This is because date calculations that these programs perform use only the last two digits of the year. As a result, a computer program will assume that a date such as "04/21/01" refers to the year 1901 and not 2001. Unless such programs or microprocessors are modified or replaced, they may not function properly for periods after the year 1999.

*City.* Year 2000 compliance is being undertaken by the City's Information Technology Department. In terms of financial operations generally, the City's accounting, purchasing and budgeting software have been recently determined to be year 2000 compliant.

The City's Audit Department inquired into year 2000 compliance by its relevant contractors, including its various depository and safekeeping banks, as well as its retained primary dealers in Treasury Securities. Each of these institutions has advised the City that year 2000 compliance efforts are underway and that year 2000 compliance will be achieved.

The City is dependent upon the computer systems of third parties, including but not limited to the County (in the case of timely collection and deposit of the Pension Tax Override Revenues), the Trustee and DTC, for the timely receipt of Revenues and payment of the Bonds. For example, the Year 2000 problem could affect the computer applications of the County used to levy and collect property taxes, and the computer applications of the Trustee, DTC and DTC Participants used to account for ownership of the Bonds and payments to beneficial owners of the Series is no guarantee that the systems of third parties upon which the City's operations or systems rely will be timely converted and will not have an adverse effect on the City's operations. For year 2000 disclosure pertaining to DTC, see APPENDIX D — "BOOK-ENTRY SYSTEM."

*County.* Since 1995 the County has been pursuing a program to identify and correct affected systems and equipment. In addition to a large commitment of County staff time and the costs of replacement equipment and software, as of June 30, 1998, the County had contracts with consultants totaling 22,000 to assist in its year 2000 remediation project. The County's mission critical systems have been audited and validated as year 2000 compliant by an external consultant specializing in such audits, and the County is working with many of its business partners to define compatible external interfaces. Despite these measures, the County cannot guarantee that the County and all of its business partners will have addressed their year 2000 concerns by January 1, 2000. From January 1, 1996 through May 1, 1999, the County spent approximately \$19.1 million on year 2000 readiness. In addition, the County's Office of Emergency Services and various County departments have together developed a countywide contingency plan.

*Trustee.* The Trustee is actively pursuing necessary and appropriate efforts to ensure the readiness of its critical operating systems and software for the year 2000. Further, the Trustee will

comply in all material respects with the guidelines regarding Year 2000 efforts set forth in the Federal Financial Institution Examination Council Interagency Statements issued and revised from me to time, including without limitation, those Interagency Statements concerning the establishment and implementation of a year 2000 plan and the dates for implementing and completing its system testing. Although the Trustee believes that its year 2000 efforts will avoid significant problems and will enable it to rapidly address and correct any problems that do arise, there is no guarantee that these efforts will be successful. The Trustee places a high degree of reliance on computer systems of third parties, and although the Trustee is assessing the readiness of these third parties and is preparing contingency plans, there can be no guarantee that the failure of these third parties to modify their system in advance of December 31, 1999 would not have a material adverse effect on the ability of the Trustee to perform its duties under the Indenture. Additionally, the Trustee has no control over the consequences of the operations failures or business interruptions by third parties, including power distributors and local telephone companies, as well as entities with which funds are invested and obligors, such as the City.

*Bond Insurer.* For year 2000 readiness disclosure of the Bond Insurer, see "BOND INSURANCE — Year 2000 Readiness Disclosure."

## **CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS**

### **Article XIII A of the State Constitution**

Section 1(a) of Article XIII A of the State Constitution limits the maximum *ad valorem* tax on real property to one percent of full cash value (as defined in section 2), to be collected by the counties and apportioned according to law. Section 1(b) of Article XIII A provides that the one percent limitation does not apply to *ad valorem* taxes to pay interest or redemption charges on (1) indebtedness approved by the voters prior to July 1, 1978 or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition. Section 2 of Article XIII A defines "full cash value" to mean the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value" or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or reduction in the consumer price index or comparable data, or reduced in the event of declining property value caused by damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reassessment under Article XIII A. This amendment could serve to reduce the property tax revenues of the County. Other amendments permitted the State Legislature to allow persons over 55 or "severely disabled homeowners" who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence.

In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, provided that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster.

### **Article XIII B of the State Constitution**

Article XIII B of the State Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978/79 fiscal year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Appropriations subject to Article XIII B include generally authorizations to expend the proceeds of taxes levied by or for an entity of local government and the proceeds of State subventions, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to an entity of government from (1) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (2) the investment of tax revenues. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Article XIII B does not limit the appropriation of moneys to pay debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. Furthermore, in 1990, Article XIII B was amended to exclude from the appropriations limit "all qualified capital outlay projects, as defined by the Legislature" from proceeds of taxes. The Legislature has defined "qualified capital outlay project" to mean a fixed asset (including land and construction) with a useful life of ten or more years and a value which equals or exceeds \$100,000. As a result of this amendment, the appropriations to pay the lease payments on the City's long-term general fund lease obligations are generally excluded from the City's appropriations limit.

For the 1999-00 Fiscal Year, the City has calculated its appropriations limit to be \$174,611,398, and its appropriations subject to such limitation to be \$90,776,444.

### **Article XIII C and Article XIII D**

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination. The provisions of Proposition 218, as so interpreted and applied, may adversely affect the City's ability to meet certain of its obligations.

Proposition 218 (Article XIII C) requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. Further, any general purpose tax which the City imposed, extended or increased, without voter

approval, after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election which must be held within two years of November 5, 1996. The voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Proposition 218 (Article XIII D) also adds several new provisions making it generally more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that the assessment must confer a "special benefit," as defined in Article XIII D, over and above any general benefits conferred, and (iii) a majority protest procedure which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party. "Assessment" in Article XIII D is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. This would include maintenance assessments for open space areas, street medians, street lights and parks. If the City is unable to continue to collect assessment revenues for these programs, the programs might have to be curtailed and/or funded by amounts in the City's General Fund.

In addition, Proposition 218 (Article XIII D) adds several provisions affecting "fees" and "charges," defined for purposes of Article XIII D to mean "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and, after June 30, 1997, existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. This may require the City's General Fund to forego collecting some or all of the annual amounts it collects from the City's enterprise funds. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIII D, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

Proposition 218 (Article XIII C) also removes many of the limitations on the initiative power in matter of reducing or repealing any local tax, assessment, fee or charge. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. "Assessments," "fees" and "charges" are not defined in Article XIII C, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as for Article XIII D described above. If not, the scope of the initiative power under Article XIII C potentially could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

## Unitary Property

Recent changes to the Revenue and Taxation Code provide that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with fiscal year 1988-89, will be allocated as follows: (i) for revenues generated from the one percent tax rate, (a) each jurisdiction will receive a percentage up to 102% of its prior year State-assessed revenue; and (b) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula; and (ii) for revenue generated from the application of the debt service tax rate to county-wide unitary taxable value, each jurisdiction will receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes. These provisions apply to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

These provisions of the Revenue and Taxation Code do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, the Revenue and Taxation Code allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

## Proposition 62

On September 28, 1995, the California Supreme Court affirmed the lower court decision in *Santa Clara County Local Transportation Authority v. Guardino* (the "*Santa Clara Case*"). The action held invalid a half-cent sales tax to be levied by the Santa Clara County Local Transportation Authority because it was approved by a majority but not two-thirds of the voters in Santa Clara County voting on the tax. The California Supreme Court decided the tax was invalid under Proposition 62, a statutory initiative adopted at the November 4, 1986 election that (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities be approved by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the voters voting in an election on the tax within two years of November 5, 1986 or be terminated by November 15, 1988 and (g) requires a reduction of *ad valorem* property taxes allocable to the jurisdiction imposing a tax not in compliance with its provisions equal to one dollar for each dollar of revenue attributable to the invalid tax, for each year that the tax is collected.

In deciding the *Santa Clara Case* on Proposition 62 grounds, the Court disapproved the decision in *City of Woodlake v. Logan* ("*Woodlake*"), where the Court of Appeal had held portions of Proposition 62 unconstitutional as a referendum on taxes prohibited by the California Constitution. The California Supreme Court determined that the voter approval requirement of Proposition 62 is a condition precedent to the enactment of each tax statute to which it applies, while the term "referendum" refers to a process invoked only after a statute has been enacted. Numerous taxes to which Proposition 62 would apply were imposed or increased without any voter approval in reliance on *Woodlake*. The Court noted as apparently distinguishable, but did not confirm, the decision in *City of Westminster v. County of Orange*, that held unconstitutional the section of Proposition 62 requiring voter approval of taxes imposed during the "window period" of August 1, 1985 until November 5, 1986. Proposition 62 as an initiative statute

does not have the same level of authority as a constitutional initiative, but is akin to legislation adopted by the State Legislature.

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Proposition 62 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting City revenues or the City's ability to expend revenues.

### **VALIDATION**

The City, acting pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure, filed a complaint in the Superior Court of the State of California for the County of Contra Costa seeking judicial validation of the transactions relating to the issuance of the Bonds and certain other matters (*City of Richmond v. All Persons Interested, etc.*, Case No. C99-01204). On May 10, 1999, the Superior Court entered a default judgment to the effect, among other things, that the Bonds are valid, legal and binding obligations of the City and the Bonds are valid and in conformity with all applicable provisions of law. In addition, the judgment validated, among other matters the City's covenant to levy and collect the Pension Tax Override, and that the revenues from the Pension Tax Override are legally available to be used to pay principal of, interest on and premium with respect to the Bonds. Since the period for the filing of appeals with respect to the judgment has expired and no appeals have been filed the judgment is final and unappealable. In issuing its opinion as to the validity of the Bonds, Bond Counsel has relied upon the entry of the foregoing default judgment.

### **CITY OF RICHMOND POLICE AND FIREMEN'S PENSION FUND**

*The information in this section concerning the City of Richmond Police and Firemen's Pension Fund (the "Pension Fund") has been included to provide information concerning the Pension Fund, its intended use of proceeds of the sale of the Bonds and its investment policies. **Assets of the Pension Fund are pledged to repayment of the Note. Assets of the Pension Fund have not been directly pledged to nor are they available for (other than as a source of funds for repayment of the Note) the payment of the Bonds.***

Under the provisions of the Retirement Law, the City established the Pension Fund pursuant to an election held on November 3, 1936, and subsequent elections. The Pension Fund provides retirement, disability and death benefits to all officers and members of the City's Police and Fire Departments who were employed prior to October 16, 1964. The Pension Fund is governed by a seven-member Board which includes the Mayor, the City Manager, the Director of Finance, two members appointed by the City Council, one Police Department representative and one Fire Department representative. Benefits are based on specified percentages of final average salary and, in addition, in most cases, the Pension Fund provides annual cost-of-living adjustments ("COLA") after retirement. As of July 1, 1998, there were 133 retired members in the pension plan.

The unfunded actuarial accrued liability is the present value of accrued plan benefits determined under the actuarial funding method used by the Pension Fund to determine contributions. The unfunded actuarial accrued liability takes into account a member's service rendered to the calculation date and it includes the effect of COLA increases, if any. The unfunded actuarial accrued liability is the difference between the actuarial accrued liability and assets available to pay for the liability. As of July 1, 1998, the unfunded actuarial accrued liability for the City in the Pension Fund was estimated to be \$45,036,380. The unfunded actuarial accrued liability has been calculated on the basis of the Entry Age Normal

Funding Method, consistent with the funding method used by the Pension Fund to calculate County contributions to the Pension Fund. Following payment of Pension Fund obligations of approximately \$4,709,670 in the period between July 1, 1998 and July 1, 1999, the approximate current unfunded pension benefit liability is \$40,326,700.

The City is funding approximately \$35.5 million of the unfunded pension benefit liability with a portion of the proceeds of the Bonds, with the assumption that the investment of such proceeds at an 8% return will result in sufficient funds to fund actuarially expected pension obligations until the year 2019. To the extent that such investment assumptions are not realized, there may be no benefit to the Pension Fund of prepayment of the portion of the unfunded pension benefit liability funded by the Bonds. The City could be obligated to resume funding the City's pension obligations on a pay-as-you-go basis from Pension Tax Override Revenues; however, such payments would be subordinate to the Bonds. Significant assumptions used in the actuarial valuation include (a) an interest rate of 7.75% per year compounded annually, (b) projected COLA salary increase of 3.25% per year compounded annually, (c) post-retirement mortality based on the 1983 Group Annuity Mortality Table set back five years for females, and (d) pre-retirement demographic assumptions based on experience analysis.

Historically, the City's fulfilled its obligations under the Retirement Law on a pay-as-you-go basis. The City is in the process of engaging a professional pension fund management consultant to assist in managing the Pension Fund and formulating an appropriate investment policy. Proceeds of the Bonds which are deposited with the Board will be invested in accordance with the investment policy adopted by the Board. See, "CITY OF RICHMOND POLICE AND FIREMEN'S PENSION FUND—City of Richmond Police and Fireman's Pension Board's Investment Targets and Policy."

**The Pension Fund is directly pledged to secure the payment of the Note only. The Pension Fund is not pledged to the payment of the Bonds. Following repayment of the Note, the Bonds are secured by the Pension Tax Override Revenues and certain other funds under the Trust Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."**

#### **City of Richmond Police and Firemen's Pension Board's Investment Targets and Policy.**

The City and the City of Richmond Police and Firemen's Pension Board (the "Board") have undertaken steps to prepare for the prudent investment of Pension Fund assets. The initial funding of the Pension Fund's assets will be from proceeds of the Bonds. See "PLAN OF FINANCE."

In November 1998, the City engaged Callan Associates Inc. ("Callan") to provide consulting services on investment analysis and performance to the City and the Board. The scope of work to be performed by Callan included the preparation of an Asset Allocation and Liability study, assistance with defining goals and objectives for the Pension Fund to be embodied in a formal Investment Policy and Guidelines Statement, and the management of an Investment Manager search process to identify one or more money managers for the Pension Fund.

The Asset Allocation and Liability Study was presented to the City by Callan in March, 1999. In providing parameters to Callan for the study, the City noted that the Pension Plan is a closed retirement plan under which benefit requirements decline over time in tandem with declines in the number of beneficiaries. In addition, the City indicated that it could not access any surplus Pension Fund assets until the number of beneficiaries is reduced to zero. Thus, the City's principal objective for the study was to determine the most appropriate asset allocation for the Pension Fund that would simultaneously pay most, if not all, of the pension benefit requirements while minimizing any accumulated surplus of assets. Callan utilized standard investment analysis techniques to identify a number of potential asset allocations based upon various assumptions regarding rate of return and risk projections relative to the timing of the

liabilities of the Pension Plan and the City's desire to exceed the then-expected 6.50% interest rate on the proposed pension bonds. The recommended asset mix was comprised of 42% of broad domestic equities, 18% of international equities and 40% of domestic bonds, an allocation that was expected to have a long-run rate of return of 8% and a standard deviation of 10.5%.

Callan integrated the results of the study into a draft Investment Policy Statement that was presented to the Pension Board on May 19, 1999. At the same time, the Pension Board and City staff directed Callan to initiate and manage a search for an Investment Manager to invest the assets of the Pension Fund in the recommended asset mix. Following a national search, the Pension Board appointed Wellington Management Company ("Wellington") as Investment Manager. Wellington is currently assisting the Board and Callan with completion of the draft Investment Policy and Guidelines Statement. The Pension Board expects to review and adopt an Investment Policy and Guidelines Statement on or about November 10, 1999. The City and the Pension Board expect to continue to utilize an investment advisor such as Callan to provide ongoing investment oversight services, including tracking the performance of the Investment Manager and the periodic evaluation and/or adjustment of the appropriate asset allocation mix for the Pension Fund.

## **THE CITY OF RICHMOND**

### **General Information**

Certain economic and demographic information concerning the City is set forth in "APPENDIX A — ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND" hereto.

### **Financial Statement Summary**

For excerpts of the City's general purpose financial statements at June 30, 1998 and for the fiscal year then ended, see "APPENDIX B — AUDITED FINANCIAL STATEMENTS OF THE CITY OF RICHMOND FOR THE YEAR ENDED JUNE 30, 1998." KPMG LLP serve as independent auditors to the City and a copy of their report is attached hereto as Exhibit B. The City has not requested the consent of the auditors to the inclusion of their report to this Official Statement.

### **Assessed Valuation**

The City utilizes the facilities of the County for the assessment and collection of property related taxes for City purposes. City property related taxes are assessed and collected at the same time and on the same tax rolls as are county, school, and special district taxes.

Pursuant to Article XIII A of the California Constitution, annual increases in property valuations by the County Assessor are limited to a maximum 2% unless properties are improved or sold. Sold properties and improvements are assessed at 100% of full cash value. Therefore, the County tax rolls do not reflect values uniformly proportional to market values. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS."

Business inventories are exempt from property taxation and are not included in the values shown in the following tables. Also excluded is the first \$7,000 of the value of owner-occupied residences, pursuant to the homeowners' exemption under State law.

"Secured" property is real property which in the opinion of the County Assessor can serve as a lien to secure payment of taxes. "Utility" property is any property of a public utility which is assessed by the State Board of Equalization rather than the County Assessor, and which is also "secured" property.

Presented below are the 1995-96 through 1999-00 assessed valuations for the City.

**CITY OF RICHMOND  
HISTORY OF ASSESSED VALUATION  
1995-96 THROUGH 1999-00**

Total Fiscal Year	Assessed Valuation <sup>(1)</sup>
1995-96	\$6,194,419,914
1996-97	6,339,625,756
1997-98	6,124,468,401
1998-99	6,255,102,785
1999-00	6,495,468,334

<sup>(1)</sup> Based on full cash value. Valuations include secured and unsecured property and redevelopment agency increments, the taxes on which are payable to such agencies having project areas within the City.

Source: Contra Costa County Auditor-Controller.

**Largest Taxpayers**

Set forth below are the largest secured property taxpayers in the City for the 1998-1999 Fiscal Year.

**CITY OF RICHMOND  
LARGEST TAXPAYERS**

Property Owner	Primary Land Use	Assessed Valuation	Total
Chevron USA, Inc.	Industrial	\$1,685,453,977 <sup>(1)</sup>	30.31%
Berlex Laboratories, Inc.	Industrial	133,740,586	2.26
ICI Americas, Inc.	Industrial	80,547,081	1.36
Watch Holdings LLC	Apartments	50,898,000	0.86
Security Capital Pacific Trust	Apartments	40,342,588	0.68
Chronicle Publishing Company	Industrial	38,088,204	0.64
BPP/Hilltop	Shopping Center	37,186,367	0.63
California Fats & Oil, Inc.	Industrial	29,792,835	0.50
Atlantic Richfield Company	Industrial	28,463,842	0.48
Security Trust Company	Shopping Center	27,543,664	0.47

<sup>(1)</sup> Reflects the assessed valuation adjustment pursuant to a stipulation entered into on June 11, 1999. See "RISK FACTORS—Concentration of Ownership; Tax Appeals."

Source: Contra Costa County Auditor

## **Property Taxation and Tax Rates**

The County assesses real personal property values and collects and distributes secured and unsecured property taxes to the City, school districts and other special districts located within the City.

Taxes are levied for each fiscal year on taxable real and personal property that is situated in the City as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and property secured by a lien on real property which is sufficient, in the opinion of the Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1, and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared to be in default on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one and one half percent per month to the time of redemption. If taxes are unpaid for a period of five or more years, the tax-defaulted property is declared to be subject to the County's Treasurer-Tax Collector's power of sale and may be subsequently sold by the County's Treasurer-Tax Collector.

Legislation established the "supplemental roll" in 1984 which directs the Assessor to reassess real property, at market value, on the date property changes ownership or upon completion of construction. Property on the supplemental roll is eligible for billing 30 days after the reassessment and notification to the assessee. The resultant charge (or refund) is a one-time levy on the increase (or decrease) in value for the period between the date of the change in ownership or completion of construction and the date of the next regular tax roll upon which the assessment is entered.

Billings of supplemental assessments are made on a monthly basis and due on the date mailed. If mailed between the months of July through October, the first installment becomes delinquent on June 10th and the second on April 10th. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing. The second installment becomes delinquent on the last day of the fourth month following the date the first installment was delinquent.

State law exempts from assessed valuation \$7,000 of the full cash value of an owner-occupied residence, but this exemption does not result in any loss of revenue to local agencies, since an amount equivalent to the taxes which would have been payable on such exempt values is paid by the State. As of fiscal year 1984-85, the State reimbursement with respect to business inventory exemption, which formerly had been in the amount of 50%, then 100%, was repealed. This subvention for cities has been replaced by increased motor vehicle license fees.

Property taxes on the unsecured roll are due as of January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue beginning November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (i) by filing a civil action against the taxpayer; (ii) by filing a certificate in the office of the City Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (iii) by filing a certificate of delinquency for recordation in the County Recorder's office, in order to obtain a lien on certain property of the taxpayer; and (iv) by the seizure and sale of property, improvements or

possessory interest, belonging to the taxpayer. These collection methods can be used separately or jointly.

### **Teeter Plan**

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

Contra Costa County founded the Teeter Plan in 1949 when then-County Auditor-Controller Teeter designed the tax distribution system discussed below. The County has utilized the Teeter Plan continuously since its inception and has the longest track record of any county in administration of such a tax distribution system. Other California counties implemented their versions of the Teeter Plan in 1993 when the State offered financial incentives for a county to adopt the Teeter method.

Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes and assessments are distributed to taxing agencies within a county included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. The county then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided. In connection with the Teeter Plan, a county can advance to the participating taxing agencies an amount equal to 95% of the total then-prior years' delinquent secured property taxes and 100% of the total then-prior years' delinquent secured assessments, including the associated penalties and interest, and 100% of the then-current year's secured roll levy.

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

So long as the Teeter Plan remains in effect, the City's receipt of revenues with respect to the levy of *ad valorem* taxes will not be dependent upon actual collections of the *ad valorem* property taxes by the County. However, under the statute creating the Teeter Plan, the Board of Supervisors could under certain circumstances terminate the Teeter Plan in its entirety and, in addition, the Board of Supervisors could terminate the Teeter Plan if the delinquency rate for all *ad valorem* property taxes levied with the City in any year exceeds 3%. In the event that the Teeter Plan were terminated, the amount of the levy of *ad valorem* property taxes in the City would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the City.

Although the City does receive its entire secured tax levy amount each year under the Teeter Plan, an indication of tax collection can be obtained from the history of collections of all entities levying taxes within the City limits. A history of these collections since 1992-93 and the entire County tax levies with delinquencies and tax losses reserve balances for the same period are shown in the following table as reported annually by the County Auditor.

### **City Debt**

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics Inc. and dated October 1, 1999. The Debt Report is included for general informational purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith. The Debt Report generally includes long-term

obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the City in whole or in part. Column two shows the percentage of each overlapping agency's assessed value located within the boundaries of the City. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the City.

As of October 1, 1999 the City had outstanding direct long-term debt of \$27,492,772. For a detailed description of the City's long-term debt obligations, see Note 6 of "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CITY OF RICHMOND FOR PERIOD ENDING JUNE 30, 1998."

**Statement of Direct and Overlapping Debt**

**CITY OF RICHMOND  
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT  
As of October 1, 1999**

1998-99 Assessed Valuation: \$6,366,789,185  
 Redevelopment Incremental Valuation: 676,821,204  
 Adjusted Assessed Valuation: \$5,689,967,981

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/99</u>
West Contra Costa Unified School District	55.705%	\$11,018,449
East Bay Municipal Utility District	7.206	549,818
East Bay Municipal Utility District, Special District No. 1	0.848	390,970
East Bay Regional Park District	3.941	7,148,974
City of Richmond Community Facilities District No. 1998-1	100.	4,500,000
City of Richmond 1915 Act Bonds	100.	<u>24,970,000</u>
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT		\$48,578,211
Less: East Bay Municipal Utility District (100% self-supporting)		<u>549,818</u>
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT		\$48,028,393

<u>DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT:</u>		
Contra Costa County General Fund Obligations	8.812%	\$27,037,155
Contra Costa County Pension Obligations	8.812	27,598,303
Contra Costa County Board of Education Certificates of Participation	8.812	315,029
Alameda-Contra Costa Transit District Certificates of Participation	7.447	1,808,876
Contra Costa Community College District Certificates of Participation	8.818	133,152
West Contra Costa Unified School District Certificates of Participation	55.705	8,007,594
City of Richmond Port Terminal Authority	100.	16,870,000
City of Richmond General Fund Obligations	100.	10,622,772 (1)
Contra Costa County Mosquito Abatement District Certificates of Participation	8.812	<u>149,363</u>
TOTAL DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT		\$92,542,244

GROSS COMBINED TOTAL DEBT \$141,120,455 (2)  
 NET COMBINED TOTAL DEBT \$140,570,637

- (1) Excludes pension obligation bonds to be sold.  
 (2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 1998-99 Assessed Valuation:  
 Total Gross Overlapping Tax and Assessment Debt..... 0.76%  
 Total Net Overlapping Tax and Assessment Debt ..... 0.75%

Ratios to Adjusted Assessed Valuation:  
 Combined Direct Debt (\$27,492,772)..... 0.48%  
 Gross Combined Total Debt ..... 2.48%  
 Net Combined Total Debt..... 2.47%

## TAX MATTERS

### General

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon existing laws, regulations, rulings and court decisions, interest on the Bonds is exempt from State of California personal income taxes, although interest on the Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Certain requirements and procedures contained or referred to in the Trust Agreement and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Bond Counsel has rendered an opinion that interest on the Bonds is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondowner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondholder or the Bondowner's other items of income or deduction, and Bond Counsel expresses no opinion regarding any such other tax consequences. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix E hereto.

### CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery by the City of the Bonds are subject to the approval of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Brown & Wood LLP, San Francisco, California, is serving as Disclosure Counsel to the City. Certain matters will be passed upon for the City by the City Attorney.

### CONTINUING DISCLOSURE

The City has covenanted for the benefit of Bondholders to provide certain financial information and operating data relating to the City by not later than 240 days after the end of each fiscal year (which currently is June 30), commencing with the report for the 1998-99 fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if deemed by the City to be material. The Annual Report will be filed by the Trustee on behalf of the City with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by the Trustee on behalf of the City with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX G — FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"). There has been no failure on the part of the City to comply in any material way with prior undertakings under the Rule.

## **LITIGATION AND OTHER MATTERS**

To the best knowledge of the City there is no action, suit or proceeding known to be pending or threatened restraining or enjoining the execution or delivery of the Bonds or the Trust Agreement or any other document relating to the Bonds, or in any way contesting or affecting the validity of the foregoing.

There are a number of lawsuits and claims pending against the City. None of these seek damages in excess of the City's insurance limits. The aggregate amount to the liabilities of the City which may result from all suits and claims will not, in the opinion of the City Attorney, materially impair the City's ability to repay the Bonds.

In October, 1999, Federal Bureau of Investigation ("FBI") and Internal Revenue Service agents interviewed several past and present City of Richmond officials and various political, business, labor and church leaders in the community. The United States Attorney's Office has subpoenaed numerous City records pertaining to individuals and businesses that have had dealings with the City and has issued subpoenas to individuals including one or more members of the City Council as well as the City Manager who has since testified before a federal grand jury. Both the FBI and United States Attorney's Office have declined comment as to the nature of the inquiries. However, the City is not aware of any circumstances connected with the inquiries which would adversely affect the security for the Bonds.

## **RATINGS**

Moody's Investors Service and Standard and Poor's, a division of The McGraw-Hill Companies, have assigned the Bonds the ratings of "Aaa" and "AAA," respectively, with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by the Insurer. Moody's Investors Service has assigned an underlying rating of "A3" to the Bonds. Such ratings reflect only the view of such organizations and explanations of the significance of such ratings may be obtained only from the respective organizations at: Moody's Investors Service, 99 Church Street, New York, New York 10007-2796, telephone number (212) 553-0317; and Standard and Poor's Ratings Group, 25 Broadway, New York, New York 10004, telephone number (212) 208-1002. There is no assurance that such ratings will continue for any given period or that they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

## **UNDERWRITING**

The Bonds are being purchased by Sutro & Co. Incorporated (the "Underwriter") pursuant to the terms of a Contract of Purchase, dated November 3, 1999 by and between the City and the Underwriter. The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at a price of \$35,906,200 (representing the principal amount of the Bonds, less underwriter's discount of \$373,780).

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page. The offering prices may be changed from time to time by the Underwriter. The Purchase Contract for the Bonds provides that the Underwriter thereunder will purchase all of the Bonds or, as the case may be, if any are purchased, the obligation to make such purchases being subject to certain terms and conditions set forth in the Purchase Contract.

**ADDITIONAL INFORMATION**

Brief descriptions of the Bonds, the City and the Trust Agreement are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Bonds and the Trust Agreement are qualified in their entirety by reference to the actual documents, or with respect to the Bonds, the forms thereof included in the Trust Agreement, copies of all of which are available for inspection at the offices of the Trustee and will be available upon request and payment of duplication costs from the Trustee.

Additional information regarding the City may be obtained from:

City of Richmond  
2600 Barrett Avenue  
Richmond, California 94804  
Attention: Director of Finance

**EXECUTION AND DELIVERY**

The execution and delivery of this Official Statement has been duly authorized by the City Council of the City.

**CITY OF RICHMOND**

By: \_\_\_\_\_  
Anna A. Vega  
Finance Director

## **APPENDIX A**

### **ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND**

#### **General**

The City of Richmond (the "City"), located 16 miles northeast of the city of San Francisco on the western shore of Contra Costa County (the "County"), occupies 33.7 square miles of land area and 22.3 square miles of water area on a peninsula bounded to the west by San Francisco Bay and to the north by San Pablo Bay and the Sacramento River Delta. Ranges of low hills divide the County's 480,000 acres into west, central and east County areas. The City is an important oil refining, industrial, commercial, transportation, shipping and government center. An active redevelopment program in the downtown and waterfront areas and commercial expansion in the City's Hilltop area, along both the I-80 and I-580 Interstate Freeway corridors and the new Richmond Parkway, are adding substantially to the tax base.

#### **Budget Process**

The fiscal year of the City begins on the first day of July of each year and ends on the thirtieth day of June the following year.

At such date as the City Manager determines, each department head must furnish to the City Manager an estimate of revenues and expenditures for such department for the ensuing two fiscal years, detailed in such manner as may be prescribed by the City Manager. In preparing the proposed budget, the City Manager reviews the estimates, holds conferences thereon with the respective department heads as necessary, and may revise the estimates as appropriate.

On the effective date of the budget, the several amounts stated as proposed expenditures become appropriated to the several departments, offices and agencies for the objects and purposes named, provided that the City Manager may transfer funds from one object or purpose to another within the same fund, department, office or agency. All appropriations lapse at the end of the budget period to the extent that they have not been expended or lawfully encumbered. At any public meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by the affirmative vote of at least a majority of the total members of the City Council.

The City Council employs, at the beginning of each fiscal year, an independent certified public accounting firm which, at such time or times as specified by the City Council, at least annually, at such other times as such firm shall determine, examines the books, records, inventories and reports of all officers and employees who receive, control, handle or disburse public funds and of all such other officers, employees or departments as the City Council may direct. As soon as practicable after the end of the fiscal year, a report is submitted by such firm to the City Council and a copy of the financial statements as of the close of the fiscal year is published.

## Budget Summary

A comparison of the City's adopted budget for the fiscal year 1998-99 and adopted budget for 1999-2000 is shown below:

**CITY OF RICHMOND**  
**Comparison of**  
**1998-99 Budget**  
**to**  
**1999-00 Budget**

	<u>Adopted Budget 1998-99</u>	<u>Adopted Budget 1999-00<sup>(1)</sup></u>
REVENUES:		
Property Taxes	\$21,071,534	\$26,795,294
Sales taxes	9,884,446	10,283,778
Utility user fees	17,093,741	17,093,741
Other taxes	3,820,683	6,032,295
Licenses and Permits	2,541,281	2,942,270
Fines, forfeitures and penalties	345,00	545,000
Interest	63,000	296,150
Intergovernmental	7,511,653	6,748,519
Charges for services	3,679,995	5,598,558
Rent	384,200	123,889
Other	<u>4,048,915</u>	<u>0</u>
Total Revenues	<u>\$70,444,448</u>	<u>\$80,353,994</u>
EXPENDITURES:		
Current:		
General Government	\$13,029,117	\$12,205,579
Public safety	38,131,020	37,394,271
Highways and streets	4,304,084	7,502,687
Community Development	1,799,597	3,672,197
Cultural and recreational	8,905,350	8,928,955
Capital outlay	398,999	0
Interfund transfers out	0	10,650,305
Total Expenditures	<u>\$66,568,167</u>	<u>\$80,353,994</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$3,876,281	0
FUND BALANCE, END OF YEAR		<u>\$46,063,674</u>

(1) Information from City Budget adopted June 29, 1999

Source: The City of Richmond.

## Comparative Financial Statements

The following table reflects the City's General Fund audited financial statements for fiscal years 1994-95 through 1997-98 and the unaudited figures for 1998-99.

### GENERAL FUND REVENUES AND EXPENDITURES 1994-95 THROUGH 1998-99 (000s)

	Audited 1994-95	Audited 1995-96	Audited 1996-97	Audited 1997-98	Unaudited 1998-99
<b>REVENUES</b>					
Property Taxes	\$20,347	\$17,544	\$21,931	\$17,265	\$22,142
Sales & Use Tax	9,027	9,407	8,742	9,697	10,510
Utility User Fees	16,869	16,985	17,300	17,354	18,141
Other Taxes	2,716	3,029	3,302	3,758	4,399
Licenses and Permits	1,992	2,020	2,087	2,155	2,502
Fines, Forfeitures and Penalties	506	232	218	206	830
Interest	1,769	2,309	3,225	9,285	707
Inter-Governmental	4,579	5,226	5,821	5,975	6,817
Charges for Services	3,458	3,860	3,591	2,978	3,240
Rent	--	352	251	415	352
Other Revenue	383	1,875	559	416	2,919
<b>Total Revenues</b>	<b>\$61,646</b>	<b>\$62,839</b>	<b>\$67,027</b>	<b>\$69,504</b>	<b>\$72,561</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
General Government	\$11,217	\$12,493	\$11,616	\$12,946	\$12,319
Public Safety	31,625	32,827	35,492	35,945	37,170
Highways and Streets	4,805	5,756	5,772	5,538	4,240
Community Development	1,496	1,397	991	1,277	1,783
Cultural and Recreational	6,961	6,511	7,070	7,785	124
Other	514	648	256	815	176
Capital Outlay	198	362	203	209	(437)
<b>Total Expenditures</b>	<b>\$56,816</b>	<b>\$59,994</b>	<b>\$61,400</b>	<b>\$64,515</b>	<b>\$63,375</b>
<b>EXCESS OF REVENUES OVER/UNDER EXPENDITURES</b>	<b>\$ 4,830</b>	<b>\$ 2,845</b>	<b>\$ 5,627</b>	<b>\$ 4,989</b>	<b>\$ 9,186</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Write-off of interfund receivable/payable	--	--	--	(1,620)	
Deferral of interfund interest	--	--	--	(16,725)	
Reduction of long-term, notes receivable reserve	--	--	(1,900)	--	
Operating Transfers in	\$ 997	\$ 5,160	\$ 1,239	\$ 5,320	1,896
Operating Transfers out	(6,461)	(7,000)	(7,288)	(18,771) <sup>(1)</sup>	(7,645)
<b>Net Other Financing Sources (uses)</b>	<b>\$(5,464)</b>	<b>\$(1,840)</b>	<b>\$(7,949)</b>	<b>\$(31,796)</b>	<b>\$(5,750)</b>
<b>REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>					
	\$ (634)	\$ 1,005	\$ (2,322)	\$ (26,807)	\$ 3,437
<b>RESIDUAL EQUITY TRANSFER</b>	<b>391</b>	<b>--</b>	<b>--</b>	<b>\$36,220<sup>(2)</sup></b>	
<b>BEGINNING FUND BALANCE</b>	<b>26,585</b>	<b>\$26,342</b>	<b>\$27,347</b>	<b>\$33,213</b>	<b>\$42,626</b>
<b>RESTATEd BEGINNING FUND BALANCE</b>	<b>--</b>	<b>-</b>	<b>\$35,535</b>	<b>-</b>	
<b>ENDING FUND BALANCE</b>	<b>\$26,342</b>	<b>\$27,347</b>	<b>\$33,213</b>	<b>\$42,626<sup>(3)</sup></b>	<b>\$46,063</b>

(1) Includes interest of \$12,200 paid to the City upon repayment by the Redevelopment Agency of a loan.

(2) Reflects transfer of City notes from the City's pension reserve trust fund.

(3) Undesignated deficit balance of \$1,270.

Source: Compiled from the City's audited financial statements for fiscal years ending June 30, 1995 through June 30, 1998 and from the unaudited statement for 1998-99; City Finance Department.

## Population

The City's population as of January 1, 1999 was 93,800, according to the most recent estimate of the California State Department of Finance. This is an increase of approximately 6.0% from the 1990 U.S. Census.

The tabulation below shows population data for the City and County as reported for the most recent U.S. Census periods and subsequent State of California estimates. The City's steady population increase since 1980 is due chiefly to the expanding economy in the Bay Area, with the City's location and access to public transportation resulting in a large number of new homes that have been built, principally in the El Sobrante, Hilltop, Brickyard Cove, Marina Bay and City Center/Downtown areas.

### POPULATION CITY AND COUNTY

Year	City of Richmond	Contra Costa County
1970	79,043	558,389
1980	74,676	656,331
1990	87,425	797,600
1995	90,900	863,350
1996	91,100	872,525
1997	92,100	879,200
1998	93,400	900,700
1999	93,800	916,400

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Source: U.S. Census Bureau; California State Department of Finance.

## Personal Income

Owing to the presence of relatively high-wage skilled jobs and wealthy residents, the County achieves high rankings among all California counties on a variety of income measurements. For example, as reported in the 1999 *Sales and Marketing Management Survey of Buying Power*, the County's median household effective buying income for the 1998 calendar year of \$49,645 was in the top five among all California counties. The median for the City was \$35,898, slightly higher than that of the United States and somewhat lower than that of California. Effective Buying Income (EBI) is defined as personal income less personal income tax and non-tax payments, such as fines, fees or penalties. The following table summarizes the total EBI and the median household EBI for the City, the County, the State and the nation over the past five years.

**PERSONAL INCOME**  
**For Years 1994 through 1998**

<u>Year and Area</u>	<u>Total Effective Buying Income</u>	<u>Median Household Effective Buying Income</u>
<b>1994</b>		
City of Richmond	\$1,492,587	\$38,256
Contra Costa County	19,391,942	51,814
California	552,074,838	40,969
United States	4,436,178,724	37,707
<b>1995<sup>(1)</sup></b>		
City of Richmond	\$1,249,212	\$32,706
Contra Costa County	17,251,252	45,119
California	477,640,503	34,533
United States	3,964,285,118	32,238
<b>1996<sup>(1)</sup></b>		
City of Richmond	\$1,262,176	\$33,655
Contra Costa County	17,773,391	46,468
California	492,516,991	32,216
United States	4,161,512,384	33,482
<b>1997<sup>(1)</sup></b>		
City of Richmond	\$1,414,870	\$35,431
Contra Costa County	19,079,564	48,476
California	524,439,600	36,483
United States	4,399,998,035	34,618
<b>1998<sup>(1)</sup></b>		
City of Richmond	\$1,494,162	\$35,898
Contra Costa County	20,180,064	49,645
California	551,999,317	37,091
United States	4,621,491,738	35,377

<sup>(1)</sup> 1995 through 1998 data not strictly comparable to previous years due to changes in methods of calculation.

Source: *Sales & Marketing Management Magazine* "Survey of Buying Power 1998."

## **Economic Structure**

### *Overview of the Richmond Economy*

The economy of the City of Richmond includes heavy and light manufacturing, distribution facilities, service industry, commercial centers, and a multi-terminal shipping port on San Francisco Bay. Richmond also serves as a government center for the operations of Contra Costa County in the western portion of the County.

*Employment and Labor Information*

The following table shows estimates and projections of employment by major economic sector in Richmond and its "sphere of influence area<sup>(1)</sup>," prepared by the Association of Bay Area Governments ("ABAG"). ABAG's projections indicate that the services sector will expand steadily in the Richmond economy from 1995 to the year 2020, relative to the other economic sectors, while the manufacturing and retail sectors will each constitute a gradually shrinking proportional share of all jobs in Richmond's economy over the same 25 years. These estimates are derived from economic indicators, other economic information, and local policy surveys of local jurisdictions. There can be no assurance that these estimates and projections have been or will be accurate. Actual employment may substantially differ from these figures.

**JOBS BY MAJOR ECONOMIC SECTORS IN  
RICHMOND SPHERE-OF-INFLUENCE AREA<sup>(1)</sup>  
1995, 2000, 2010 AND 2020**

	1995		2000		2010		2020	
	<u>Jobs</u>	<u>%</u>	<u>Jobs</u>	<u>%</u>	<u>Jobs</u>	<u>%</u>	<u>Jobs</u>	<u>%</u>
Services	13,540	36.0	18,040	39.8	22,350	41.6	27,110	44.4
Mfg. & Wholesale	7,050	18.7	7,210	15.9	8,680	16.2	9,450	15.5
Retail Trade	5,000	13.3	6,390	14.1	6,700	12.5	6,770	11.1
Agricultural/Mining	520	1.4	480	1.1	470	0.9	410	0.6
Other <sup>(2)</sup>	<u>11,500</u>	<u>30.6</u>	<u>13,230</u>	<u>29.2</u>	<u>15,520</u>	<u>28.9</u>	<u>17,370</u>	<u>28.4</u>
TOTAL	37,610	100.0	45,350	100.0	53,720	100.0	61,110	100.0

<sup>(1)</sup> The City's sphere of influence includes territory immediately adjacent, but outside of the City limits, which may potentially be annexed to the City, and which has been identified as such by the County Local Agency Formation Commission. These areas include: County portion of North Richmond, El Sobrante and East Richmond Heights.

<sup>(2)</sup> Finance/insurance/real estate, government, transportation/communications/utilities, and construction.

Source: ABAG, Projections 98, December 1997.

The following table lists the major employers in the City.

### MAJOR EMPLOYERS IN RICHMOND, CALIFORNIA

Employers	Employment <sup>(1)</sup>	Products
Chevron U.S.A., Inc. Refinery	1,646	Petrochemicals
West Contra Costa Unified School District	1,271	Public schools
Social Security Payment Center	1,260	Federal government
City of Richmond	1,189	City government
Chevron Research & Technology	1,061	Petrochemicals research
U.S. Postal Service Bulk Mail Center	1,007	Bulk mail
United Parcel Service (UPS)	950	Mailing distribution center
Berlex Laboratories, Inc.	466	Pharmaceutical products
U.C. Berkeley Field Station	440	Research/education
Kaiser Permanente Medical Group	437	Medical services
Pixar	353	Computer animation
Bio-Rad Laboratories, Inc.	312	Biotechnology
Safeway Stores, Inc.	300	Grocery/distribution
PG&E Richmond Service Center	299	Gas and electric utilities
Zeneca, Inc.	289	Biotechnology
Veriflo Corporation	260	Valves/regulators
Burlington Northern Santa Fe Railway	250	Railroad terminal
MSC/Pinole Point Steel Inc./Pre-finish Metals Inc.	243	Steel fabrication
Macy's Hilltop	240	Department store
Ford Motor Co.	194	Auto parts

<sup>(1)</sup> Employment figures are from City business license records current as of March 1999 and (for public and other non-licensed employers) from a telephone survey in October 1997. Numbers represent total workforce in Richmond and include full-time and part-time employees.

Source: Richmond Finance Department, March 1999.

The following table sets forth the civilian labor force unemployment data for the resident population, age 16 and over, of the City, the State of California and the United States for the years 1992 to 1998.

**LABOR FORCE UNEMPLOYMENT RATES  
RICHMOND, STATE OF CALIFORNIA AND UNITED STATES  
1992-98**

Year	Richmond	California	United States
1992	12.2%	9.3%	7.5%
1993	12.1	9.4	6.9
1994	11.6	8.6	6.1
1995	10.8	7.8	5.6
1996	9.3	7.2	5.4
1997	7.9	6.3	4.9 <sup>(1)</sup>
1998	6.9	5.9	4.5 <sup>(2)</sup>

(1) Not strictly comparable with data for prior years.

(2) Beginning in January 1998, data are not strictly comparable with data for 1997 and earlier years because of the introduction of new estimation procedures and revised population controls used in the household survey.

(3) Source: State of California, Employment Development Department, Labor Market Information Division.

*Industrial Activity*

Until recently, Richmond has been viewed as a distribution center and a city of heavy industry, largely because of the visible presence of a major oil refiner (Chevron USA Richmond Refinery) and a few other major industries: Zeneca, Inc. (formerly ICI Americas, Inc. that was formerly Stauffer Chemical), Chevron USA, Bio-Rad Laboratories, Pinole Point/Marwais Steel, and the bulk liquid terminals in the Port of Richmond.

The Richmond economy is experiencing growth in light and high technology companies and new business parks that accommodate both light industrial and "office/flex" type commercial buildings. Growth in these sectors is adding diversity to Richmond's historically heavy industrial base. At the same time, the major manufacturers are continuing to upgrade their Richmond facilities, making major investments in modernization and expansion.

Chevron refinery completed its \$660 million Clean Fuels Project by the end of 1995. The project upgrades and modified the refinery to meet 1995 U.S. Clean Air Act standards for cleaner-burning gasoline ("reformulated gasoline"). The project also upgraded the fluidized catalytic cracking (FCC) unit, thereby allowing the refinery to increase gasoline production by about 13 percent. Even with such plant upgrading and expansion, it is possible that there may be a decrease in employment in the manufacturing and petroleum sectors at some future time.

"High tech" light industrial firms, research and development companies, biotechnology, and business park developments are growing industrial sectors in Richmond. Biotechnology, medical instruments, and computer software in particular are emerging sectors in Richmond's economy.

In 1992 Berlex Biosciences, a division of the German pharmaceutical giant Schering AG, moved to Richmond thereby consolidating its Northern California and East Coast USA operations in one location. Berlex' new corporate campus in Richmond will function as headquarters for Schering AG's U.S. operations. Berlex is occupying an existing 260,000 square feet of space on 53 acres purchased from Chevron Chemical Company. The company has committed to a \$200 million investment in Richmond that eventually will include 720,000 square feet of additional space and several hundred new jobs at full buildout. Berlex moved into its new clinical production facility (Phase IIA of the Berlex expansion) in 1996. The timing of other phases in Berlex's expansion is dependent on developments in the biosciences field generally.

Several other new biotech firms have located in Richmond since 1992 including Onyx Pharmaceuticals, LXR Biotechnology, and Neurobiological Technologies. These three companies have all expanded, tripling employment and doubling their space occupancy in the first 3 years since locating in Richmond.

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

1. 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;
2. Availability of fairly extensive vacant or under-utilized land areas zoned for industrial use;
3. Relatively lower land costs than elsewhere in the Bay Area;
4. Richmond's central location in western Contra Costa County, within a short distance of San Francisco, Oakland and other East Bay cities, Marin County, and a relatively easy commute to the State's capitol, Sacramento;
5. Proximity to the University of California at Berkeley, one of the major scientific universities and library systems in the world;
6. Good access and transportation systems including two Interstate freeways and rail and water transportation facilities, such as Southern Pacific and Santa Fe Railroads, the Santa Fe western terminal, and the Port of Richmond; and
7. Availability of affordable housing for employees in a variety of neighborhoods, housing types and price ranges.

Completion of the John T. Knox Freeway (Interstate 580 extension from Interstate 80 at Albany to the Richmond-San Rafael Bridge) has spurred new industrial and commercial development along the freeway corridor throughout Richmond's South Shoreline area. Another major roadway expected to generate new development is the Richmond Parkway, which links the northern edge of Richmond (Interstate 80 at Hilltop) and the City's southwest corner (the I-580 freeway) and the Richmond-San Rafael Bridge. The Parkway was completed in the end of 1996 and has opened up a large industrially zoned area in northwest Richmond for development that has remained largely underdeveloped due to poor access.

#### *Summary of Major Industrial/Commercial Investments in Richmond since 1995*

Major new industrial and commercial investments in the City totaled approximately \$104 million in 1995-1999, representing 1,051,000 square feet of new building space and 139,000 of rehabilitated space (see following table).

**MAJOR INDUSTRIAL/COMMERCIAL INVESTMENTS  
IN RICHMOND, CALIFORNIA 1995-1999<sup>(1)</sup>**

Project	Sector	Investment (In Millions)	Square Footage
Hilltop Plaza Burnham Pacific	Retail	\$27	200,000
Catellus Development Corporation	R&D, Light Manufacturing	15	130,000
Marina Westshore Partners	Offices	15	100,000
Pacific East Mall <sup>(2)</sup> (developed by Pacific Infinity Comp. Inc.)	Commercial Retail	13	139,000
Pinole Point Properties	Industrial/Warehouse	12	200,000
Tech Center/II Wareham Development	R&D/Offices	9	162,000
Costco	Retail	4	147,000
General Chemical Oleum Risk Reduction	Chemical Manufacturing	4	N/A
Storage Pro	Self-Storage	3	80,000
Silicon Valley Group-Tinsely Division	Biotechnology Manufacturing	<u>2</u>	<u>32,000</u>
Total		<u>\$104</u>	<u>\$1,190,000</u>

<sup>(1)</sup> Does not include housing investments.

<sup>(2)</sup> \$5 million shell rehabilitation, \$2 million food market tenants improvements and \$6 million other tenant improvements. Square feet represents rehabilitated space.

Source: Richmond Planning Department.

*Major Construction and Development Projects in the City.*

The Hilltop Mall shopping center is Richmond's principal retail center. Since its opening in 1976, Hilltop has developed into a regional retail center. According to Hilltop's own sources, between 3,000 and 5,000 persons are employed at the shopping center, most of whom are in retail trade employment. Hilltop is anchored by three large department stores: Macy's, J.C. Penney's and Sears. A supermarket, Lucky Stores and an auto plaza are also located near the shopping mall. The new 200,000 square foot Hilltop Plaza Shopping Center is directly east of Hilltop Mall and is adjacent to the new Richmond Parkway Interchange at I-80.

Hilltop Mall regional shopping center represents one portion of the 950-acre master planned Hilltop community being developed. Other components in the master planned community include a hotel, a 1.1 million square foot office park, an industrial park, and extensive residential areas. More than 1,640 homes and an estimated 600,000 square feet of light industrial/business park space have been built at Hilltop. Currently another 688 new homes are planned for construction during 1998-99 at Hilltop in two separate developments (Park Ridge, 645 units, and Hilltop Lake Overlook, 43 units). Park Ridge, currently in the project approval process, represents the first stages of development in the Hilltop West Area. The retail and office commercial buildout potential is estimated at over 700,000 square feet, and the office/industrial flex potential is estimated at 175,000 square feet.

Marina Bay on Richmond's South Shoreline is the site of another large-scale master planned development. A planned community with an eventual 2,000 housing units and 4,000 to 5,000 residents, it is being developed around a sheltered water basin holding a large pleasure boat marina. The area started its transformation from a shipyard and industrial site in 1980 with the construction of a 500 berth marina and a formal esplanade and shoreline beach park. As of June 1996, approximately 1,700 residential units had been constructed at Marina Bay, as well as 300,000 square feet of commercial office/business park space and 775 boat berths. Upon completion, expected around the year 2000, Marina Bay will include 1,400 boat berths, 2,000 homes, 650,000 to 700,000 square feet of commercial space, a yacht club,

several parks, more than four miles of trails, and the esplanade. Total investment is estimated at \$350 million, of which an estimated 80% will have come from private funds.

Also near the I-580 Freeway, the Point Richmond Tech Center I and II, consisting of approximately 225,000 square feet of office/research and development space have been constructed. In addition, the Point Richmond Business Park (Simeon Properties) consisting of 95,000 square feet was has been completed on Canal Boulevard, south of Cutting Boulevard and the I-580 Freeway.

Development activity in Richmond's South Shoreline and Marina Bay areas accelerated in 1997. Catellus Development Corporation, the real estate arm of Santa Fe Railroad, inaugurated Phase One of its 50-acre Regatta Center development at Marina Bay in October 1997. The property, formerly the 23rd Street rail yards, is located on the north side of Regatta Boulevard. Upon completion, Regatta Center will contain over 300,000 square feet of office/flex and research and development space.

Lincoln Property Company financed over \$500,000 in improvements to the 340,000 square foot former Costco site on Regatta Boulevard. In 1997, Shoe Pavilion, Inc. moved its corporate headquarters and distribution center from Bellevue, Washington into the former Costco facility. Marina Westshore Partners, LLC, the nominee of the Penterra Company, the Marina Bay master developer, has taken out permits for the Marina Bay West Shore office/commercial and light industrial development, consisting of approximately 10.6 acres and over 200,000 square feet of new building space. The City and the Penterra Company are developing a joint marketing study for the Marina Bay Northshore area, focusing on its potential for marina oriented commercial development.

Also on the South Shoreline, the City issued a Request for Proposal (RFP) in 1997 for the 13+ acre former Port Terminal No. 1 facility at Brickyard Cove, south of Point Richmond. The City has completed plans for development of the 500,000 square foot former Ford Motor Company Assembly Plant facility on Harbour Way South which will turn the historic plant into 246 live-work lofts and 200,000 square feet of commercial space.

Finally, Costco Wholesale, a major warehouse retailer located on Central Avenue in Richmond's Pt. Isabel area, announced plans in January 1998 for a 20,000 square foot expansion in their facility, expected to produce a 25 to 40% increase in sales volume.

#### *Residential Construction Activity*

The City estimates that it had 36,881 housing units as of January 1, 1999. This represents a 6.8% overall increase in the City's housing stock over the 1990 Census number. Single family detached homes were estimated to be 63.3% of the total units as of January 1, 1999. The table below provides historical data on residential building permits and valuations for the period from 1994 through 1998.

**CITY OF RICHMOND**  
**BUILDING PERMITS ACTIVITY: UNITS AND VALUATIONS**

	1994	1995	1996	1996	1998
<b>RESIDENTIAL UNITS:</b>					
Single Unit	15	112	80	137	39
Two Units	4	4	2	2	2
Three-Four Units	0	8	0	0	9
Five or More Units	0	36	45	0	18
Total Residential Units	19	160	127	139	68
 <b>VALUATIONS (in Thousands of Dollars):</b>					
Residential <sup>(1)</sup>					
Single Unit	\$1,966	\$15,988	\$11,708	\$19,083	\$6,321
Multiple Units	247	4,882	3,872	179	2,950
Total Residential	\$2,213	\$20,870	\$15,580	\$19,261	\$9,271

<sup>(1)</sup> Excludes alterations and additions; totals may not add due to independent rounding.  
Source: Economic Sciences Corporation.

**Commercial Activity**

The following table summarizes the taxable transactions of the City from 1993 to 1997. The City accounted for approximately 8.4% of total County taxable transactions in 1997.

**CITY OF RICHMOND**  
**Taxable Transactions**  
**1993 to 1997**  
(in thousands)

	1993	1994	1995	1996	1997
Apparel stores	\$30,757	\$30,478	\$30,659	\$31,348	\$32,796
General merchandise stores	167,925	146,869	149,277	146,064	149,693
Drug stores	647	2,139	2,485	2,870	-- <sup>(1)</sup>
Food stores	23,767	24,636	24,281	28,079	28,094
Package liquor stores	4,592	3,822	3,340	2,690	-- <sup>(2)</sup>
Eating/drinking places	30,651	33,365	33,898	35,252	33,767
Home furnishings and appliances	9,429	5,930	5,125	7,076	16,866
Building materials and farm implements	39,304	54,810	55,301	55,365	59,838
Auto dealers/supplies	100,348	106,746	111,784	125,352	141,906
Service stations	97,666	98,619	143,515	83,681	98,017
Other retail stores	<u>39,228</u>	<u>42,531</u>	<u>41,299</u>	<u>41,808</u>	<u>51,072</u>
Total Stores	\$544,314	\$549,945	\$600,964	\$559,585	\$612,049
All Other Outlets	<u>152,591</u>	<u>175,460</u>	<u>159,143</u>	<u>148,536</u>	<u>168,458</u>
Total All Outlets	\$696,905	\$725,405	\$760,107	\$708,121	\$780,507

<sup>(1)</sup> Data merged with "General Merchandise Stores" Group.

<sup>(2)</sup> Data merged with "Other Retail Stores" Group.

Source: State Board of Equalization

## Community Facilities

Richmond area residents have access to some of the Bay Area's most modern health care facilities. The County hospital in Martinez recently completed a state-of-the-art renovation and refurbishing. In addition, the Richmond area has three general hospitals, Kaiser Permanente in Richmond, Doctors Hospital in San Pablo and Doctors Hospital in Pinole - both next door to Richmond. All three hospitals offer 24 hour emergency care. Richmond also has several convalescent hospitals.

The Richmond area offers a variety of leisure, recreational and cultural resources, from boating, fishing and hiking, to live theater, golf, tennis and team athletics. Three regional parks are on the shoreline: Point Pinole, George Miller Jr./John T. Knox, Ferry Point and Point Isabel. The City operates a public marina (775 boat berths at Marina Bay), four large community parks (Point Molate Beach Park, Hilltop Lakeshore Park, Nicholl Park, and Marina Park and Green), 25 neighborhood parks ranging in size from one to 22 acres, many playlots and mini-parks, and seven community centers.

In addition, the City operates a disabled people's recreation center, an instrumental sports facility, two senior centers (Richmond Senior Center and Richmond Annex Senior Center), the Richmond Museum, the Richmond Municipal Natatorium, the John F. Kennedy Swim Center, the Washington Fieldhouse, the Veterans Memorial Auditorium, and the Richmond Public Library. The Richmond Art Center, a privately funded arts organization, is partly supported by the City of Richmond.

Also in Richmond are several private yacht harbors, golf and country clubs, and community theaters. Within 30-45 minutes by BART or car are the cultural resources of other cities in the East Bay and Bay Area, including Oakland, Berkeley and San Francisco.

East Bay Regional Park District (EBRPD) maintains one Regional Park, Four Regional Shorelines, and one Regional Preserve within Richmond:

	<u>Acres</u>
Wildcat Canyon Regional Park	2,428
Brooks Island Regional Shoreline	373
George Miller Jr./John T. Knox Regional Shoreline	300
Point Isabel Regional Shoreline	21
Point Pinole Regional Shoreline	2,315
Sobrante Ridge Regional Preserve	<u>277</u>
TOTAL	5,714 Acres

One additional park land facility, the 214-acre Kennedy Grove Regional Recreation Area, is located in an unincorporated area of the County bordering on the City of Richmond at the eastern end of El Sobrante Valley.

The four regional shorelines presently owned and maintained by EBRPD represents a substantial portion of Richmond's shoreline. The regional shorelines and Wildcat Canyon Park are used not only by residents of Richmond but also by the general public within the Bay Area region.

## Transportation

The City is a central transportation hub in the Bay Area, offering convenient access throughout the region and well into central California. The City's port facilities, railroads and proximity to international airports are complemented by a network of freeways and public transportation services.

The City is situated near major metropolitan cities and major new growth areas. San Francisco is within 35 minutes from the City by freeway; Oakland is within 20 minutes; San Jose is approximately one hour's drive to the south; the state capitol, Sacramento, is approximately 90 minutes to the east. Central Marin County is approximately 15 minutes from the City over the Richmond-San Rafael Bridge. The freeway system provides access to major new growth areas along Interstate 80 to Vallejo, Fairfield and Sacramento, and to the central Contra Costa and Alameda County urban corridor along Interstate 680, stretching from Concord to Pleasanton. The population within a 70-mile radius of the City is approximately 7.8 million, and within a 30-mile radius the population is over 3.7 million.

#### *Port and Rail*

The City's deep-water port is California's third largest in annual tonnage, handling more than 20.8 million metric tons of general, liquid and dry bulk commodities each year, over 90% of which is in bulk liquids. The Port of Richmond contains seven City-owned terminals, 5 dry-docks and 11 privately owned terminals. Private terminals are responsible for almost 95% of the Port's annual tonnage. On-dock rail service is provided to many port terminals by the Burlington Northern Santa Fe ("BNSF") and the Union Pacific Southern Pacific railroads. The Port, together with the BNSF operations, serve as a highly developed international rail facility. The John T. Knox Freeway has enhanced truck access to the Port.

The Port handles a widely varied assortment of cargos, although over 90% of the annual tonnage is in liquid bulk cargo, most of which is shipped through the Chevron Terminal. Principal liquid bulk cargos are petroleum and petroleum products, chemicals and petrochemicals, coconut oil and other vegetable oils, tallow and molasses. Dry bulk commodities include coal, gypsum, iron, ore, cement, logs and various mineral products. Automobiles, agricultural vehicles, steel products, scrap metals, and other diversified break-bulk cargos are also a significant part of the Port's business.

#### *Regional Airports*

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

#### *Freeway Network*

Existing and new highways have made travel to and through the City more efficient and convenient. Interstate 80, which passes through Richmond, is a direct route to Oakland, San Francisco and Sacramento. The John T. Knox Freeway (I-580) provides continuous freeway access from Richmond's South Shoreline area to East Bay communities and to Marin County and is stimulating new commercial, industrial and residential development along the City's South Shoreline. Similarly, completion in 1996 of the Richmond Parkway through North Richmond, improves vehicular access between Marin and communities to the north and east on I-80, while opening major tracts of land along the City's north shoreline for new development.

#### *Public Transit*

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

## Utilities

Utility services to the City are supplied by the following:

Electric power:	Pacific Gas & Electric Co. ("PG&E")
Natural gas:	Pacific Gas & Electric Co.
Telephone:	Pacific Bell
Water:	East Bay Municipal Utility District ("EBMUD")
Sewer:	West Contra Costa Sanitary District, Richmond Municipal Sewer District, and Stege Sanitary District

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**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE CITY  
OF RICHMOND FOR THE YEAR ENDED JUNE 30, 1998**

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CITY OF RICHMOND, CALIFORNIA

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CITY OF RICHMOND, CALIFORNIA

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## **Independent Auditors' Report**

**The Honorable Mayor and Members of the City Council  
City of Richmond, California:**

We have audited the accompanying general-purpose financial statements of the City of Richmond, California (the City) as of and for the year ended June 30, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2 (a) to the general-purpose financial statements, the City has not maintained adequate accounting records for fixed assets. It was, therefore, not practical to conduct our auditing procedures sufficient to satisfy ourselves as to the fairness of the amounts reported in the accompanying general-purpose financial statements for the City's general fixed assets account group or its enterprise fund fixed assets and related depreciation and accumulated depreciation.

The general-purpose financial statements referred to above do not include financial data of the Richmond Housing Authority, which should be included as a special revenue fund in order to conform with generally accepted accounting principles. As described in Note 1 (b), the Richmond Housing Authority prepares its financial statements on a comprehensive basis of accounting other than generally accepted accounting principles. Therefore the effect of the omission of the Richmond Housing Authority on the accompanying general-purpose financial statement is not reasonably determinable. In addition, the City's general-purpose financial statements do not disclose all required information about the City-administered pension plans, including annual pension cost for the two preceding years, the net pension obligation at the end of the year, information about actuarial methods and assumptions used and significant accounting policies related to the pension trust funds. In our opinion, disclosure of this information is required by generally accepted accounting principles.



In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the information applicable to the general fixed assets account group or the enterprise fund fixed assets and related depreciation and accumulated depreciation, and except for the effect on the general-purpose financial statements of the omission of the information described in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Richmond, California, as of June 30, 1998, and the results of its operations and the changes in net assets of its pension trust funds, and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in note 3 to the general-purpose financial statements, the City adopted Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

The schedule of funding progress and the Year 2000 information on pages 49 and 50, respectively, are not a required part of the general-purpose financial statements, but are supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. We have applied to the schedule of funding progress certain limited procedures prescribed by professional standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the schedule. We were unable to apply certain of these limited procedures to the Year 2000 information because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the City is or will become Year 2000 compliant, that the City's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City does business are or will become Year 2000 compliant. The City has not presented the schedule of funding progress for its City-administered pension trust funds that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining, individual fund, and account group statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose financial statements taken as a whole.

KPMG LLP

July 27, 1999

**CITY OF RICHMOND, CALIFORNIA**  
 Combined Balance Sheet - All Fund Types and Account Groups  
 June 30, 1998  
 (in thousands)

Assets and Other Debits	Government Fund Types			Proprietary Fund Types		Fiduciary Fund Types - Trust and Agency	Account Groups		Total (memorandum only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise		Internal Service	General Fixed Assets (Unaudited)	
Cash, cash equivalents and investments									
Restricted:									
Cash and cash equivalents									
Investments									
Receivables:									
Accounts									
Interest									
Special assessments									
Due from other funds									
Advances to other funds									
Notes from other funds									
Notes									
Leases									
Inventories									
Prepays and other assets									
Fixed assets (unaudited) - net of accumulated depreciation for proprietary fund types									
Other debits:									
Amount available in debt service fund									
Amount to be provided for retirement of general long-term obligations									
<b>Total assets and other debits</b>	<b>\$ 63,894</b>	<b>14,056</b>	<b>42,408</b>	<b>45,994</b>	<b>28,570</b>	<b>36,681</b>	<b>378,684</b>	<b>141,616</b>	<b>755,935</b>

**CITY OF RICHMOND, CALIFORNIA**  
 Combined Balance Sheet - All Fund Types and Account Groups - (Continued)  
 June 30, 1998  
 (in thousands)

	Government Fund Types			Proprietary Fund Types		Fiduciary Fund Types - Trust and Agency	Account Groups		Total (memorandum only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise		Internal Service	General Fixed Assets (Unaudited)	
<b>Liabilities, Fund Equity (Deficit) and Other Credits</b>									
Liabilities:									
Accounts payable and accrued liabilities	2,799	590	73	1,237	34				8,056
Accrued claims liabilities						15,662			15,662
Refundable deposits					81				227
Due to other funds	63	2,771	320	8,759					12,112
Advances from other funds	134	115							249
Deferred compensation									25,055
Notes payable to other funds					15,114			46,385	25,055
Compensated absences					24,184			15,794	61,499
Long-term debt				670				82,437	15,794
Deferred revenue	18,272	5,101	26,078						106,621
Total liabilities	21,268	8,577	26,471	10,666	39,413	15,662		144,616	50,121
Fund equity (deficit) and other credits									295,396
Investment in general fixed assets (unaudited)							378,684		378,684
Accumulated deficit					(10,843)	(14,630)			(25,473)
Fund balances (deficit) reserved for:									
Employees' retirement benefits									7,958
Inventories	136	438							574
Encumbrances	894	2,646		14,359					17,999
Long-term receivables	42,866	1,088		612					44,566
Debt service			15,937						15,937
Program obligations				2,253					2,253
Bond insurance costs				42					42
Unreserved:									
Designated for self-insurance		624							624
Undesignated (deficit)	(1,270)	683		17,962					17,375
Total fund equity (deficit) and other credits	42,626	5,479	15,937	35,328	(10,843)	(14,630)	378,684		460,539
Total liabilities, fund equity and other credits	63,894	14,056	42,408	45,994	28,570	1,032	378,684	144,616	755,935

See accompanying notes to financial statements.

**CITY OF RICHMOND, CALIFORNIA**

**Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances (Deficit) – All Governmental Fund Types**

Year ended June 30, 1998  
(in thousands)

	General	Special Revenue	Debt Service	Capital Projects	Total (memorandum only)
<b>Revenues:</b>					
Property taxes	\$ 17,265	122	4,455	5,983	27,825
Sales taxes	9,697	—	—	—	9,697
Utility user fees	17,354	—	—	—	17,354
Other taxes	3,758	2,194	—	—	5,952
Licenses, permits and fees	2,155	—	—	—	2,155
Fines, forfeiture and penalties	206	105	—	—	311
Investment income	9,285	362	791	1,939	12,377
Intergovernmental	5,975	4,737	—	5,777	16,489
Charges for services	2,978	9,346	—	1,763	14,087
Rent	415	1,738	—	143	2,296
Other	416	1,216	189	33	1,854
<b>Total revenues</b>	<b>69,504</b>	<b>19,820</b>	<b>5,435</b>	<b>15,638</b>	<b>110,397</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	12,946	5,395	—	—	18,341
Public safety	35,945	210	—	—	36,155
Highway and streets	5,538	877	—	—	6,415
Health and sanitation	—	5,225	—	—	5,225
Community development	1,277	5,163	—	—	6,440
Cultural and recreational	7,785	496	—	—	8,281
Housing and redevelopment	—	2,422	—	3,455	5,877
Other	815	495	1,163	30	2,503
Capital outlay	209	1,895	—	18,976	21,080
<b>Debt service:</b>					
Principal retirement	—	—	10,985	—	10,985
Interest and fiscal charges	—	—	14,830	—	14,830
<b>Total expenditures</b>	<b>64,515</b>	<b>22,178</b>	<b>26,978</b>	<b>22,461</b>	<b>136,132</b>

**CITY OF RICHMOND, CALIFORNIA**

Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances (Deficit) – All Governmental Fund Types - (Continued)  
Year ended June 30, 1998  
(in thousands)

	General	Special Revenue	Debt Service	Capital Projects	Total (memorandum only)
Excess (deficiency) of revenues over (under) expenditures	\$ 4,989	(2,358)	(21,543)	(6,823)	(25,735)
Other financing sources (uses):					
Proceeds from sale of land	—	—	—	1,551	1,551
Payment to refund bond escrow agent	—	—	(6,336)	—	(6,336)
Proceeds of bonds	—	—	20,236	1,561	21,797
Bond issuance costs	—	—	(661)	—	(661)
Write-off of interfund receivable/payable	(1,620)	—	—	—	(1,620)
Deferral of interfund interest (note 4)	(16,725)	—	—	—	(16,725)
Operating transfers in	5,320	4,122	14,181	23,866	47,489
Operating transfers out	(18,771)	(2,233)	(6,462)	(17,531)	(44,997)
Net other financing sources (uses)	(31,796)	1,889	20,958	9,447	498
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(26,807)	(469)	(585)	2,624	(25,237)
Residual equity transfer (note 4)	36,220	—	—	—	36,220
Fund balances (deficit), July 1, 1997 (as previously reported)	33,213	5,948	18,215	(23,173)	34,203
Prior period adjustments (note 7b)	—	—	(1,693)	55,877	54,184
Fund equity, July 1, 1997 (as restated)	33,213	5,948	16,522	32,704	88,387
Fund equity, June 30, 1998	\$ 42,626	5,479	15,937	35,328	99,370

See accompanying notes to financial statements.

CITY OF RICHMOND, CALIFORNIA

Combined Statement of Revenues, Expenditures, and Other Financing Sources (Uses) — Budget and Actual — General and Special Revenue Funds  
 Year ended June 30, 1998  
 (in thousands)

	General		Variance — favorable (unfavorable)	Special Revenue		Variance — favorable (unfavorable)
	Budget	Actual		Budget	Actual	
<b>Revenues:</b>						
Property taxes	\$ 22,735	17,265	(\$ 5,470)	120	122	2
Sales taxes	9,306	9,697	391	—	—	—
Utility user fees	16,940	17,354	414	—	—	—
Other taxes	3,069	3,758	689	2,083	2,194	111
Licenses, permits and fees	1,923	2,155	232	—	—	—
Fines, forfeitures and penalties	240	206	(34)	15	105	90
Investment income	3,113	9,285	6,172	97	362	265
Intergovernmental	6,554	5,975	(579)	16,774	4,737	(12,037)
Charges for services	2,751	2,978	227	9,945	9,346	(599)
Rent	379	415	36	1,730	1,738	8
Other	2,154	416	(1,738)	729	1,216	487
<b>Total revenues</b>	<b>69,164</b>	<b>69,504</b>	<b>340</b>	<b>31,493</b>	<b>19,820</b>	<b>(11,673)</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	13,227	12,946	281	6,153	5,395	758
Public safety	36,382	35,945	437	276	210	66
Highways and streets	5,280	5,538	(258)	1,021	877	144
Health and sanitation	—	—	—	5,055	5,225	(170)
Community development	1,242	1,277	(35)	10,378	5,163	5,215
Cultural and recreational	8,245	7,785	460	388	496	(108)
Housing and redevelopment	—	—	—	8,473	2,422	6,051
Other	—	815	(815)	426	495	(69)
Capital outlay	260	209	51	3,536	1,895	1,641
Debt service:						
Principal retirement	—	—	—	94	—	94
Interest and fiscal charges	—	—	—	150	—	150
<b>Total expenditures</b>	<b>64,636</b>	<b>64,515</b>	<b>121</b>	<b>35,950</b>	<b>22,178</b>	<b>13,772</b>
<b>Other financing sources (uses):</b>						
Proceeds from sale of land	—	—	—	—	—	—
Bond issuance costs	—	—	—	—	—	—
Payment to refund bond escrow agent	—	—	—	—	—	—
Proceeds of bonds	—	(1,620)	(1,620)	—	—	—
Write-off of interfund receivable/payable	—	(16,725)	(16,725)	—	—	—
Deferral of interfund interest (note 4)	1,442	5,320	3,878	3,447	4,122	675
Operating transfers in	(5,443)	(18,771)	(13,328)	(1,757)	(2,233)	(476)
Operating transfers out	(4,001)	(31,796)	(27,795)	1,690	1,889	199
<b>Net other financing sources (uses)</b>						
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ 527</b>	<b>(36,807)</b>	<b>(27,334)</b>	<b>(2,767)</b>	<b>(469)</b>	<b>2,298</b>

CITY OF RICHMOND, CALIFORNIA

Combined Statement of Revenues, Expenses and  
 Changes in Accumulated Deficit/Net Assets Held in Trust for Pension Benefits -  
 All Proprietary Fund Types and Pension Trust Funds

Year ended June 30, 1998  
 (in thousands)

	Proprietary Fund Types Enterprise	Internal Service	Fiduciary Fund Type - Pension Trusts	Total Total (memorandum only)
Operating revenues:				
Port facilities:				
Rental	1,029	--	--	1,029
Dockage and wharfage	1,769	--	--	1,769
Marina berth rentals	848	--	--	848
Charges for services	--	3,168	--	3,168
Incremental property taxes	--	--	7,987	7,987
Pension contributions	--	--	340	340
Other	1,419	1,514	--	2,933
Total operating revenues	5,065	4,682	8,327	18,074
Operating expenses:				
Salaries and wages	948	--	--	948
General and administrative	1,471	--	--	1,471
Depreciation (unaudited)	1,574	--	--	1,574
Claims losses	--	4,698	--	4,698
Pension benefits	--	--	5,576	5,576
Other	--	694	701	1,395
Total operating expenses	3,993	5,392	6,277	15,662
Operating income (loss)	1,072	(710)	2,050	2,412
Nonoperating revenue (expense):				
Investment income	43	77	1,105	1,225
Interest expense	(1,492)	--	--	(1,492)
Amortization of bond issuance costs	(80)	--	--	(80)
Net nonoperating revenue (expense)	(1,529)	77	1,105	(347)
Income (loss) before operating transfers	(457)	(633)	3,155	2,065
Operating transfers in	1,138	--	4,763	5,901
Operating transfers out	--	--	(8,393)	(8,393)
Net income (loss)	681	(633)	(475)	(427)
Residual equity transfer (note 4)	--	--	(36,220)	(36,220)
Retained deficit/net assets held in trust for pension benefits, July 1, 1997	(11,524)	(13,997)	44,653	19,132
Retained deficit/net assets held in trust for pension benefits, June 30, 1998	(10,843)	(14,630)	7,958	(17,515)

See accompanying notes to financial statements.

CITY OF RICHMOND, CALIFORNIA

Combined Statement of Cash Flows -  
All Proprietary Fund Types

Year ended June 30, 1998  
(in thousands)

	Enterprise	Internal Service	Total (memorandum only)
Cash flows from operating activities:			
Operating income (loss)	\$ 1,072	(710)	362
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:			
Depreciation (unaudited)	1,574	—	1,574
Effect of changes in assets and liabilities:			
Accounts receivable	149	(39)	110
Due from other funds	128	—	128
Notes	200	—	200
Prepays and other assets	38	—	38
Accounts payable and accrued liabilities	(559)	—	(559)
Accrued claims liabilities	(128)	19	(109)
Cash provided by (used in) operating activities	2,474	(730)	1,744
Cash flows provided by noncapital financing activities:			
Operating transfer in	1,138	—	1,138
Cash flows from capital and related financing activities:			
Acquisition of property, plant and equipment	(7,261)	—	(7,261)
Retirement of notes payable	(312)	—	(312)
Retirement of notes payable to other funds	(108)	—	(108)
Retirement of revenue bonds	(195)	—	(195)
Retirement of revenue refunding bonds	(1,275)	—	(1,275)
Interest paid on long-term debt	(1,004)	—	(1,004)
Cash used in capital and related financing activities	(10,155)	—	(10,155)
Cash flows from investing activities:			
Proceeds from sale of restricted investments	6,500	—	6,500
Investment income received	43	77	120
Cash provided by investing activities	6,543	77	6,620
Net decrease in cash and cash equivalents	—	(653)	(653)
Cash and cash equivalents, July 1, 1997	825	1,515	2,340
Cash and cash equivalents, June 30, 1998	\$ 825	862	1,687
Noncash capital and related financing activities:			
Increase in notes payable due to accrued interest not paid	\$ 488	—	488

See accompanying notes to financial statements.

**CITY OF RICHMOND, CALIFORNIA**  
**FIDUCIARY FUNDS**

Combined Statement of Net Assets – All Pension Trust Funds  
 June 30, 1998  
 (in thousands)

		<b>Pension Trust Funds</b>
<b>Assets</b>		
Cash, cash equivalents and investments	\$	3,906
Restricted investments		4,906
Receivables:		
Accounts		8
Interest		48
Due from other funds		175
Total assets		9,043
<b>Liabilities and Net Assets Held in Trust for Pension Benefits</b>		
Accounts payable and accrued liabilities		910
Due to other funds		175
Total liabilities		1,085
Net assets held in trust for pension benefits	\$	7,958

See accompanying notes to financial statements.

**CITY OF RICHMOND, CALIFORNIA**

Fiduciary Funds

Combined Statement of Changes in Net Assets – All Pension Trust Funds

Year ended June 30, 1998  
(in thousands)

	<u>Pension Trust Funds</u>
Contributions:	
Incremental property taxes	\$ 7,987
Pension contributions	340
Total contributions	<u>8,327</u>
Deductions:	
Pension benefits	5,576
Other	701
Total deductions	<u>6,277</u>
Excess of contributions over deductions	<u>2,050</u>
Other financing sources:	
Investment income	1,105
Net increase before operating transfers	<u>3,155</u>
Operating transfers in	4,763
Operating transfers out	(8,393)
Net decrease	<u>(475)</u>
Residual equity transfer (note 4)	<u>(36,220)</u>
Net assets held in trust for pension benefits – July 1, 1997	44,653
Net assets held in trust for pension benefits – June 30, 1998	<u>\$ 7,958</u>

See accompanying notes to financial statements.

## CITY OF RICHMOND, CALIFORNIA

Notes to General-Purpose Financial Statements

June 30, 1998

### (1) Organization and Reporting Entity

The City of Richmond, California (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 port and marina enterprises, a housing authority, a redevelopment agency, a joint powers financing authority, and a parking authority.

As required by generally accepted accounting principles, these general-purpose financial statements present the financial activities of the City and its component units: the Richmond Redevelopment Agency, the Richmond Joint Powers Financing Authority, the Richmond Parking Authority and the Hilltop F. Refunding Series AF, Atlas Road West, Cutting/Canal and Atlas Interchange Special Assessment Districts. A component unit is defined to be an entity for which the City is considered to be financially accountable.

#### (a) *Blended Component Units*

The following component units, although legally separate entities, either have governing boards substantively the same as the governing board of the City or provide services entirely, or almost entirely, to the City and are therefore "blended" into the City's general-purpose financial statements. The data of the component units are combined with the data of the City's operations.

- The Richmond Redevelopment Agency (the "Redevelopment Agency") was formed in October 1949 as a separate legal entity under the provisions of the Community Redevelopment Law (California Health and Safety Code, commencing with Section 33000). The Redevelopment Agency was established primarily to assist in the clearance and rehabilitation of areas determined to be in a blighted condition in the City. Since that time various Project Area Plans (the "Plans") have been developed to provide an improved physical, social and economic environment, in various Project Areas. The Redevelopment Agency is authorized to finance redevelopment through various sources, including assistance from the City, the State, the federal government, incremental property taxes, interest income, the issuance of Redevelopment Agency notes and bonds, and sale and rental of real property acquired with these funds. Although the Redevelopment Agency is a separate legal entity from the City, it is an integral part of the City. The City exercises significant financial and management control over the Redevelopment Agency, and members of the City Council serve as the governing board of the Redevelopment Agency. Separate financial statements for the Redevelopment Agency may be obtained by contacting the Office of Finance, City of Richmond, 2600 Barrett Avenue, Richmond, California 94804.

## CITY OF RICHMOND, CALIFORNIA

### Notes to General-Purpose Financial Statements

June 30, 1998

- The Richmond Joint Powers Financing Authority (the "JPFA") is a joint exercise of powers authority formed on December 1, 1989 by and between the City and the Agency. The JPFA was created to assist the City, the Agency and other local public agencies in financing and refinancing, through the issuance of bonds or other instruments of indebtedness, capital improvements and working capital pursuant to the Marks-Roos Local Bond Pooling Act of 1985. The JPFA is authorized to purchase at public or negotiated sale any bond, note, commercial paper, lease-purchase agreement, certificate of participation, floating rate, and variable maturity securities of the City, the Agency and other local public agencies. Although the JPFA is a separate legal entity from the City, it is an integral part of the City. The City exercises significant financial and management control over the JPFA, and members of the Board of Directors are appointed by City Council. Separate financial statements for the JPFA may be obtained by contacting the Office of Finance, City of Richmond, 2600 Barrett Avenue, Richmond, California 94804.
- The Richmond Parking Authority (the "Parking Authority") was formed in 1975 pursuant to the provisions of California statutes for the purpose of financing the construction of off-street parking facilities. One such facility has been built to date and has been leased to the City. Although the Parking Authority is a separate legal entity from the City, 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. Separate financial statements for the Parking Authority are not required or issued.
- The Hilltop F Refunding Series AF, Atlas Road West, Cutting/Canal and Atlas Interchange Special Assessment Districts (the "Districts") have issued revenue bonds which have been financed entirely by the JPFA. Although these Districts are separate legal entities, they are an integral part of the City. The City exercises significant financial and management control over the Districts, and members of the City Council serve as the governing board of the Districts. Separate financial statements for the Districts are not required or issued.

#### *(b) Richmond Housing Authority*

The Richmond Housing Authority (the "Housing Authority") was 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. The Housing Authority also generates proceeds from renting refurbished housing, and evaluates and determines local low income housing needs. Under State laws, the Housing Authority is subject to California Health and Safety Code Sections 34200-34606. Although the Housing Authority is a separate legal entity from the City, it is an integral part of the City. The City exercises significant financial and management control over the Housing Authority, and members of the City Council serve as the governing board of the Housing Authority. However, the Housing Authority prepares its financial statements on a basis of accounting prescribed or permitted by HUD which is a comprehensive basis of accounting other than Generally Accepted

**CITY OF RICHMOND, CALIFORNIA**

Notes to General-Purpose Financial Statements

June 30, 1998

Accounting Principals, and those statements have been excluded from the accompanying general-purpose financial statements. 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. Summary financial information on the basis of accounting prescribed or permitted by HUD as of and for the year ended June 30, 1998 is presented as follows (in thousands) (not covered by independent auditors' report):

Total assets	\$ 63,935
Total liabilities	3,355
Total equity	<u>60,580</u>
Total revenues	2,198
Total expenses	(13,434)
Total other credits	<u>1,628</u>
Net loss before annual contributions from HUD	\$ <u>(9,608)</u>

(2) Summary of Significant Accounting Policies

(a) *Basis of Presentation*

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, equity, revenues, and expenditures or expenses and transfers, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The City's funds and account groups are organized as follows:

CITY OF RICHMOND, CALIFORNIA

Notes to General-Purpose Financial Statements

June 30, 1998

- *Governmental fund types* account for those activities through which most governmental functions of the City are financed. The measurement focus is based upon determination of changes in financial position, rather than upon net income. The following are the City's governmental fund types:
  - *General fund* is used to account for all financial resources except those required to be accounted for in other funds and is the general operating fund of the City.
  - *Special revenue funds* account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.
  - *Debt service funds* account for the accumulation of financial resources for, and the payment of, general long-term obligation principal, interest, and related costs.
  - *Capital projects funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary fund types).
- *Proprietary fund types* account for the City's ongoing organizations and activities which are similar to those found in the private sector. The measurement focus is based upon cost of services, determination of net income and capital maintenance. The following are the City's proprietary fund types:
  - *Enterprise funds* account for port and marina activities that are financed and operated in a manner similar to private business enterprises. Because of the absence of significant accounting records, fixed assets and related depreciation expenses have not been audited in the enterprise funds.
  - *Internal service funds* account for the financing of self-insurance services provided to other departments or agencies of the City.
- *Fiduciary fund types* account for assets held by the City, a trustee capacity or as an agent for individuals or other entities. The following are the City's fiduciary fund types:
  - Pension trust funds are accounted for in essentially the same manner as proprietary funds types.
  - Agency funds are custodial in nature, do not involve measurement of results of operations and are accounted for in essentially the same manner as governmental fund types.

CITY OF RICHMOND, CALIFORNIA

Notes to General-Purpose Financial Statements

June 30, 1998

- *Account groups* are used to establish accounting control and accountability for the City's governmental fund type fixed assets and long-term obligations. The following are the City's account groups:
  - *General Fixed Assets (unaudited)* — Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in the governmental fund types. Fixed asset purchases by government fund types are recorded as expenditures at the time of acquisition. Such amounts are then included in the general fixed assets account group. Because of the absence of significant accounting records for fixed assets, amounts in the City's General Fixed Assets Account Group have not been audited.
  - *General Long-Term Obligations* — Long-term liabilities and obligations, including vested obligations for compensated absences, that are expected to be financed by governmental fund types are accounted for in the general long-term obligations account group.

(b) *Basis of Accounting*

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements include increases (e.g., revenues) and decreases (e.g., expenses) in the determination of net assets.

**CITY OF RICHMOND, CALIFORNIA**  
Notes to General-Purpose Financial Statements

June 30, 1998

The Governmental Fund Types are maintained on the modified accrual basis of accounting wherein:

- Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property and other taxes as available if they are collected during the current period. The primary revenue sources susceptible to accrual are property tax, sales tax, licenses, rent and investment income, grants and certain other intergovernmental revenues. Permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.
- Expenditures are recognized when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt, which are recognized when due, and accrued vacation and sick leave, which are recorded in the General Long-Term Debt Account Group and recognized as expenditures when paid.

The Proprietary Fund Types are maintained on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred. For its proprietary-type activities, the City has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period, such as for certain long-term notes receivable. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenues is removed from the balance sheet and revenue is recognized.

(c) ***Budgets and Budgetary Accounting***

The City annually adopts a budget 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.

**CITY OF RICHMOND, CALIFORNIA**

Notes to General-Purpose Financial Statements

June 30, 1998

An operating budget is adopted each fiscal year for the general fund and special revenue funds. Public hearings are conducted on the proposed budgets to review all appropriations and sources of financing. Capital projects are budgeted by the Mayor and City Council over the term of the individual projects. Since capital projects are not budgeted on an annual basis, they are not included in the budgetary data.

Expenditures are controlled on the object group level for all budgeted departments within the City. This is the level at which expenditures may not legally exceed appropriations. Budgeted amounts for the Combined Statement of Revenues, Expenditures and Other Financing Sources (Uses) — Budget and Actual include budget amendments approved by the City Council. The budgets are adopted on a basis consistent with generally accepted accounting principles.

Any amendments or transfers of appropriations between object group levels within the same department must be authorized by the City Manager. Any amendments to the total level of appropriations for a fund or transfers between funds must be approved by the City Council. Supplemental appropriations financed by unanticipated revenues during the year must be approved by the City Council.

**(d) Encumbrances**

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 automatically reappropriated the following year. Unencumbered and unexpended appropriations lapse at year-end.

**(e) Cash and Investments**

Investments held by the Deferred Compensation fund, certain other agency funds, and the Pension Trust Funds and restricted investments held by bond trustee are maintained in separate accounts. Cash and investments managed by the City Treasurer are commingled in an investment pool. Investments are stated at fair value or amortized cost, depending upon the type of such investments in accordance with the provisions of GASB Statement No. 31 (as described below in note 3). Investment income earned on the investment pool is distributed to the appropriate funds based on average month-end balances.

**CITY OF RICHMOND, CALIFORNIA**  
Notes to General-Purpose Financial Statements

June 30, 1998

**(f) Cash Equivalents**

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a remaining maturity of three months or less when purchased to be cash equivalents. The proprietary funds' "deposits" in the investment pool money market and mutual funds have been determined to be cash equivalents for purposes of the statement of cash flows.

**(g) Inventories**

Inventories are valued at cost (using the weighted average method). Inventories of the general fund and special revenue funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure in the funds at the time individual inventory items are consumed rather than when purchased.

**(h) Fixed Assets (Unaudited)**

Fixed assets (unaudited) are valued at historical cost or, for donated fixed assets, at their estimated fair value on the date donated. Detailed records of the general fixed assets of the City are not maintained. Certain assets, for which actual historical costs are not available, have been valued using methods to approximate their historical costs. Governmental fund type outlays for fixed assets are recorded as expenditures in the fund used to acquire or construct them, and are included in the general fixed assets account group. Public domain infrastructure (general fixed assets consisting of certain improvements other than buildings) is not capitalized and is not included in the general fixed assets account group. These assets include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar assets. Such assets normally are immovable and of value only to the City; therefore, stewardship for capital expenditures is satisfied without recording such assets. No depreciation is provided on general fixed assets.

Proprietary fund type fixed assets are capitalized in the appropriate proprietary fund. Depreciation is charged as an expense against their operations and accumulated depreciation is netted against fixed assets on the proprietary fund balance sheet. Depreciation has been provided over the assets' estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Container terminal facility	25 years
Improvements	10-30 years
Buildings and marina berths	10-30 years
Machinery and equipment	5-10 years

**CITY OF RICHMOND, CALIFORNIA**

Notes to General-Purpose Financial Statements

June 30, 1998

**(i) Land Held for Conveyance**

The City, through the Redevelopment Agency, holds certain parcels of land intended for ultimate sale or other means of conveyance for redevelopment related projects. Proceeds, if any, from conveyance of such property (net of related disposition costs) are recorded when the conveyance is consummated.

**(j) Compensated Absences**

Compensated absences are charged to operating expenditures or expenses when paid. Vacation and related benefits fully vest as earned and are paid in full upon termination. Vested vacation obligations are recorded in the general long-term obligations account group as accrued compensated absences until paid. The City is not liable for payment to employees for accrued sick leave and no related liability is recorded in the accompanying general-purpose financial statements.

**(k) Property Tax Levy, Collection and Maximum Rates**

The State of California Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value except for voter approved incremental property taxes adopted prior to the passage of Article XIII A and any additional amount for general obligation debt approved by voters subsequent to the passage of Article XIII A. Assessed value is calculated at 100 percent of market value as defined by Article XIII A and may be adjusted by no more than two percent per year unless the property is modified, sold or transferred. The State Legislature has determined the method of distribution of receipts from a one percent tax levy among the counties, cities, school districts and other districts.

**CITY OF RICHMOND, CALIFORNIA**

Notes to General-Purpose Financial Statements

June 30, 1998

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

	<b>Secured</b>	<b>Unsecured</b>
Valuation/lien dates	March 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.

**(l) Claims Liabilities**

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 include incurred but not reported claims, and are recorded in the Internal Service Funds.

**(m) Fund Equity Reserves and Designations**

Fund balance reserves are created when the City enters into a contractual agreement with an outside party or when certain assets do not represent expendable available resources. Fund balance designations result from City Council or management action and may therefore be changed by future City Council or management action.

**CITY OF RICHMOND, CALIFORNIA**  
Notes to General-Purpose Financial Statements  
June 30, 1998

(ii) *Use of Estimates*

In preparing general-purpose financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of June 30, 1998 and the reported amount of revenues, expenditures and expenses during the year then ended. Actual results could differ from those estimates.

(iii) *“Total (Memorandum Only)”*

“Total (Memorandum Only)” columns on the accompanying combined financial statements do not present consolidated financial information. They are not necessary for a fair presentation of the general-purpose financial statements, but are presented as additional analytical data. Interfund eliminations have not been made in the aggregation of this data.

(3) **Cash and Investments**

Cash and investments as of June 30, 1998, were as follows in (thousands):

Cash and investments	\$ 42,183
Restricted:	
Cash and cash equivalents	8,480
Investments	43,358
Total cash and investments	\$ 94,021

Restricted cash and investments primarily consist of funds held by trustees on behalf of the City, or its agencies and special assessment districts, for debt service, capital projects and investments of the Deferred Compensation Fund.

CITY OF RICHMOND, CALIFORNIA

Notes to General-Purpose Financial Statements

June 30, 1998

During fiscal 1998, the City implemented the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which require governmental entities to report certain investments at fair value on the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurs. In accordance with GASB Statement No. 31, the City has reported applicable investments at fair value based upon quoted market information obtained from fiscal agents or other sources.

In determining the change in fair value of its investments, the City used the aggregate method of calculation, where the portfolio of the applicable investments was valued at the beginning and the end of the period and the change in fair value reported, adjusted by any purchases and sales during the period. The cumulative effect of the implementation as of July 1, 1997, was not material to the accompanying financial statements.

(a) *Deposits*

As of June 30, 1998, the carrying amount of the City's cash deposits (including amounts in checking accounts and nonnegotiable certificates of deposit) was \$839,689 while the bank balance was \$2,951,000. The difference was due to deposits in transit and outstanding checks. The City's cash deposits are categorized below to indicate the level of custodial risk assumed by the City:

- Category 1 includes deposits that are insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 includes deposits that are collateralized with securities held by a bank's trust department or agent in the City's name.
- Category 3 includes deposits that are uncollateralized or deposits that are collateralized with securities held by a bank, or by its trust department or agent but not in the City's name.

The bank balance as of June 30, 1998, includes \$227,000 covered by federal depository insurance, which is risk Category 1, and \$2,724,000 either uncollateralized or collateralized with securities held by a bank not in the City's name, which is risk Category 3. Both the City's risk Categories 1 and 3 deposits are secured by pooled collateral agreements where the bank pledges collateral, usually government securities, totaling a minimum of 110% of all local agency deposits held by the bank, or first deed mortgage notes totaling a minimum of 150% of all local agency deposits held by the bank.

**CITY OF RICHMOND, CALIFORNIA**

Notes to General-Purpose Financial Statements

June 30, 1998

**(b) Investments**

The California Government Code (Code) and the City's investment policy authorize investments in obligations of the U.S. Treasury, its agencies, negotiable certificates of deposit, collateralized time deposits, certain commercial paper, bankers' acceptances, medium-term corporate notes, repurchase agreements and mutual funds meeting criteria prescribed in the Code, Section 53600 and related legislation, and the State of California Local Agency Investment Fund.

The City's investments as of June 30, 1998, are categorized below to give an indication of the level of custodial risk assumed by the City.

- Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.
- Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.
- Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name.

**CITY OF RICHMOND, CALIFORNIA**  
Notes to General-Purpose Financial Statements

June 30, 1998

The City's investments at June 30, 1998 were as follows (in thousands):

	Category			Reported amount
	1	2	3	
U.S. government and agency securities	\$ 10,356	—	—	10,456
Medium-term corporate notes	—	755	100	1,008
Common stock	—	474	—	474
Corporate bonds	—	754	—	754
	<u>\$ 10,356</u>	<u>1,983</u>	<u>353</u>	<u>12,692</u>
Investment in Local Agency Investment Fund				39,168
Guaranteed investment contracts				2,210
Mutual funds				39,051
Repurchase agreement				60
Total investments				<u>93,181</u>
Deposits				840
Total cash and investments				<u>\$ 94,021</u>

The highest level of investment in repurchase agreements during fiscal year 1998 was \$3,000,000. The City did not invest in any reverse repurchase agreements during fiscal year 1998.

**CITY OF RICHMOND, CALIFORNIA**

Notes to General-Purpose Financial Statements

June 30, 1998

**(4) Interfund Receivables and Payables**

Due From/To Other Funds at June 30, 1998 are summarized as follows (in thousands):

	Due from other funds	Due to other funds
General fund	67	63
\$		
Special revenue funds:		
Redevelopment Agency Operating	13	—
General Purpose	—	295
Community Development Block Grant	—	1,902
Job Training Partnership Act	—	574
	13	2,771
Debt service funds:		
Joint Powers Financing Authority	—	17
General Debt Service	—	303
	—	320
Capital projects funds:		
Atlas Road Improvements	—	61
General Capital Improvements	9,753	4,656
Municipal Sewer Improvements	131	—
Redevelopment Agency	—	13
Harbor Navigation	—	2,080
Port Remediation	1,949	1,949
	11,833	8,759

**CITY OF RICHMOND, CALIFORNIA**  
Notes to General-Purpose Financial Statements  
June 30, 1998

	Due from other funds	Due to other funds
<b>Pension trust funds:</b>		
Pension Reserve	175	—
General Pension	—	88
Garfield Pension	—	87
	175	175
<b>Agency funds:</b>		
Senior Center	24	—
Richmond Zhousman	—	24
	24	24
	\$ 12,112	12,112

Advances To/From Other Funds at June 30, 1998 are summarized as follows (in thousands):

	Advances to other funds	Advances from other funds
General fund	—	134
Capital projects fund – Redevelopment Agency	249	—
Special revenue funds – Redevelopment Agency Operating	—	115
	\$ 249	249

**CITY OF RICHMOND, CALIFORNIA**

Notes to General-Purpose Financial Statements

June 30, 1998

Notes Receivable from/Payable to Other Funds at June 30, 1998 are summarized as follows (in thousands).

Receivable fund	Payable fund	Interest rate	Amount
General Fund	Redevelopment Agency Capital Projects	0%	\$ 6,673
	Redevelopment Agency Operating Special Revenue	Variable	86
	Redevelopment Agency Downtown Capital Projects	Variable	16,108
	Redevelopment Agency Eastshore Capital Projects	Variable	163
	Redevelopment Agency Neighborhood Capital Projects	Variable	445
	Redevelopment Agency Potrero Capital Projects	Variable	159
	Redevelopment Agency Various Capital Projects	Variable	6,703
	Redevelopment Agency Pilot Capital Projects	Variable	29
	Redevelopment Agency Harbour Capital Projects	Variable	14,050
	Port of Richmond Enterprise	7%	997
	Port of Richmond Enterprise	Variable	14,117
			<u>59,530</u>
Special revenue funds			
Redevelopment Agency Operating	Redevelopment Agency Harbour Capital Projects	10%	795
	Redevelopment Agency I-580 Capital Projects	10%	1,174
			<u>1,969</u>
			<u>\$ 61,499</u>

The fund balances reserved for long-term receivables included amounts related to interfund debt of \$42,866,000 in the General Fund and \$1,088,000 in the Redevelopment Agency Special Revenue Fund. Included in deferred revenues are amounts relating to accumulated interest on interfund debt of \$16,661,000 in the General Fund and \$881,000 in the Redevelopment Agency Special Revenue Fund.

**CITY OF RICHMOND, CALIFORNIA**  
Notes to General-Purpose Financial Statements

June 30, 1998

The corresponding interfund debt is recorded as follows in the accompanying financial statements (in thousands):

Governmental fund interfund debt in General Long-Term Obligations	\$ 46,385
Account Group	15,114
Port Enterprise interfund debt	\$ 61,499

Generally, interfund notes have no definite repayment schedule (see note 6). Interest is charged on principal and is compounded on accrued interest. Notes receivable from/payable to other funds include principal and accrued interest.

During 1998, the City General Fund assumed loans originally made by the Pension Reserve Fund to the Redevelopment Agency and the Port. The amount transferred was \$36,220,000 including accumulated interest of \$16,725,000, which has been deferred. The loans, which are recorded in the general long-term obligations account group, had been originally funded several years ago from accumulated excess monies transferred to the Pension Reserve Fund from the General Fund.

**(5) Fixed Assets (Unaudited)**

A summary of changes in general fixed assets for the year ended June 30, 1998 follows (in thousands):

	Balance July 1, 1997	Additions	Retirements	Balance June 30, 1998
Land	\$ 38,896	—	—	38,896
Buildings and building improvements	31,745	287	—	32,032
Improvements other than buildings	264,285	13,142	—	277,427
Machinery and equipment	28,699	1,866	(236)	30,329
	<u>\$ 363,625</u>	<u>15,295</u>	<u>(236)</u>	<u>378,684</u>

**CITY OF RICHMOND, CALIFORNIA**

Notes to General-Purpose Financial Statements

June 30, 1998

A summary of enterprise funds fixed assets at June 30, 1998 follows (in thousands):

Land	\$ 4,385
Container terminal facility	19,794
Improvements	14,382
Buildings and marina berths	14,707
Machinery and equipment	3,577
	<hr/>
	56,845
	<hr/>
Less accumulated depreciation	29,887
	<hr/>
	\$ 26,958
	<hr/>

**(6) Debt Obligations**

Long-term debt at June 30, 1998 follows (in thousands):

Type and description	Maturity	Interest rates	Original issue	Outstanding June 30, 1998
<b>ENTERPRISE FUNDS</b>				
Notes - Richmond Marina Fund - State of California Department of Boating and Waterways (a)	August 1, 2018	4.5%-5.5%	\$ 9,427	7,134
Port of Richmond Fund Port Terminal Lease Revenue Bonds Series 1996 (b)	September 1, 2016	5.55-6.60	6,500	6,305
Revenue Refunding Bonds - Port of Richmond Fund - Port Terminal Lease Revenue Refunding Bonds, Series 1994 (b)	September 1, 2004	Variable	13,050	10,745
			\$	<hr/>
				24,184
				<hr/>

**CITY OF RICHMOND, CALIFORNIA**

Notes to General-Purpose Financial Statements

June 30, 1998

Type and description	Maturity	Interest rates	Original Issue	Outstanding June 30, 1998
<b>GENERAL LONG-TERM DEBT</b>				
Notes:				
Richmond Redevelopment Agency:				
Marina Center	June 1, 2000	10	1,806	1,485
University of California Regents	March 29, 2009	8	5,476	1,814
City of Richmond:				
Richmond Associates	April 1, 2007	Variable	1,500	1,321
State of California, Department of Transportation (f)	September 1, 2031	8.13	1,468	1,425
				<u>6,045</u>
Revenue Bonds:				
City of Richmond:				
Parking Authority Lease Revenue Bonds Series A (d)	October 1, 1999	5.1-6.5	1,100	175
JPFA Revenue Bond Issue of 1995 - Series A (c)	May 15, 2013	4.00-5.75	1,580	1,410
JPFA Revenue Bond Issue of 1995 - Series A (e)	May 15, 2013	4.00-5.75	2,443	2,182
JPFA Revenue Bond Issue of 1995 - Series A (g)	May 15, 2013	4.00-5.75	4,855	4,335
Richmond Redevelopment Agency:				
JPFA Revenue Bond Issue of 1995 - Series B (c)	May 15, 2013	4.1-5.5	5,335	4,730
Joint Powers Financing Authority:				
JPFA Revenue Bond Issue of 1995 - Series A (e)	May 15, 2013	4.00-5.75	3,713	3,315
JPFA Revenue Bond Issue of 1995 - Series A (c)	May 15, 2013	4.00-5.75	4,729	4,223
				<u>20,370</u>
Refunding Bonds - Richmond Redevelopment Agency Harbour				
Redevelopment Project, 1998 Tax Allocation (c)	July 1, 2023	3.5-5.5	21,863	21,863
Redevelopment Project, 1991 Tax Allocation (c)	July 1, 2009	3.75-7.00	11,465	3,160
				<u>25,023</u>
State Revolving Fund Loan - City of Richmond State Water Resources Control Board (f)	April 15, 2013	3	6,650	5,509

**CITY OF RICHMOND, CALIFORNIA**

Notes to General-Purpose Financial Statements

June 30, 1998

Type and description	Maturity	Interest rates	Original Issue	Outstanding June 30, 1998
Special Assessment Debt with Governmental Commitment (h):				
Hilltop F Refunding Series AF	September 2, 2007	9.04	3,430	2,295
Cutting/Canal Improvement District No. 852	September 2, 2010	7.0-7.7	7,040	5,850
Atlas Road West and Interchange District No. 855	September 2, 2019	4.0-6.6	15,705	15,130
Harbor Navigation District No. 1	September 2, 2016	7.25	2,640	2,215
				<u>25,490</u>
Total general long-term debt			\$	<u>82,437</u>

Debt service payments are generally made from the following sources:

- (a) Operating revenues of the Richmond Marina Enterprise Fund.
- (b) Operating revenues of the Port of Richmond Enterprise Fund.
- (c) Incremental property tax revenues and other operating revenues recorded in the Redevelopment Agency Debt Service Fund.
- (d) Parking Authority lease repayments recorded in the Parking Authority Debt Service Fund.
- (e) Proceeds of investment activities recorded in the JPPFA Capital Projects Fund.
- (f) Sewer service charges collected by the Municipal Sewer District # 1 Fund.
- (g) Gas tax revenues received by the General Fund.
- (h) Tax levy revenues recorded in the Special Assessment Debt Service Fund.

**CITY OF RICHMOND, CALIFORNIA**

Notes to General-Purpose Financial Statements

June 30, 1998

Debt service requirements for enterprise funds' long-term debt including interest payments (except interest on the Port Terminal Lease bonds which contain a variable interest rate) as follows (in thousands):

Year ending June 30:	Notes	Revenue bonds	Total
1999	648	1,909	2,557
2000	648	1,974	2,622
2001	648	2,042	2,690
2002	648	2,105	2,753
2003	648	2,178	2,826
Thereafter	7,012	11,412	18,424
Less amounts representing interest	(3,118)	(4,570)	(7,688)
	<u>7,134</u>	<u>17,050</u>	<u>24,184</u>

CITY OF RICHMOND, CALIFORNIA

Notes to General-Purpose Financial Statements

June 30, 1998

A summary of the changes in long-term obligations for the year ended June 30, 1998 follows (in thousands):

	Notes	Revenue bonds	Re-funding bonds	State revolving fund loan	Special assessment debt	Total general long-term debt	Notes payable to other funds (note 4)	Compensated absences	Total general long-term obligations
Balance at June 30, 1997	\$ 6,634	21,337	9,510	5,796	26,895	70,172	61,592	15,955	147,719
Additions	--	--	21,863	--	--	21,863	2,606	--	24,469
Principal retirement	(589)	(967)	(530)	(287)	(1,405)	(3,778)	(7,207)	--	(10,985)
Payment of accrued interest	--	--	--	--	--	--	(10,453)	--	(10,453)
Advance refunding	--	--	(5,820)	--	--	(5,820)	--	--	(5,820)
Forgiveness of notes payable to other funds	--	--	--	--	--	--	(153)	--	(153)
Net change in compensated absences	--	--	--	--	--	--	--	(161)	(161)
Balance at June 30, 1998	\$ 6,045	20,370	25,023	5,509	25,490	82,437	46,385	15,794	144,616

On March 2, 1998, there was prepayment of Harbor Navigation District 1 Bonds of \$425,000 by certain property owners in that district.

**CITY OF RICHMOND, CALIFORNIA**

Notes to General-Purpose Financial Statements

June 30, 1998

Debt service requirements for general long-term debt follow (in thousands):

Year ending June 30:	Notes	Revenue Bonds	Refunding bonds	State revolving fund loan	Special assessment debt	Total
1999	\$ 1,923	2,091	1,394	461	2,624	8,493
2000	915	2,095	1,239	461	2,611	7,321
2001	636	1,989	1,228	461	2,603	6,917
2002	637	1,980	1,236	461	2,603	6,917
2003	447	1,986	1,236	461	2,592	6,722
Thereafter	571	19,864	49,056	5,145	31,362	105,998
Less amounts representing interest	(509)	(9,635)	(30,366)	(1,941)	(18,905)	(61,356)
California Department of Transportation	4,620	20,370	25,023	5,509	25,490	81,012
Balance, June 30, 1998	\$ 6,045	20,370	25,023	5,509	25,490	82,437

Annual debt requirements to maturity for the bonds, exclude interest payments for the Richmond Associates note payable which contains a variable interest rate. Amounts due to the State of California, Department of Transportation (\$1,425,000) have indefinite repayment schedules.

**CITY OF RICHMOND, CALIFORNIA**

Notes to General-Purpose Financial Statements

June 30, 1998

**(a) 1998 Tax Allocation Refunding Bonds**

On February 17, 1998, the City issued \$21.9 million in Tax Allocation Refunding Bonds with an average interest rate of 4.155 percent. A portion of the bond proceeds were used to advance refund \$5.8 million of outstanding 1991 Tax Allocation bonds with interest rates ranging from 3.75 to 7 percent. The net proceeds of \$21.2 million (after payment of \$0.7 million in underwriting fees, insurance, and other issuance costs) plus an additional \$1.1 million of other Redevelopment Agency monies transferred to the trustee, were used as follows (in thousands):

Deposit amounts to partially defease 1991 Tax Allocation Bonds	\$	6,336
Retirement of notes payable to other funds		12,200
Finance additional redevelopment activities		1,562
Deposited with fiscal agent		2,186
	\$	22,284

The portion of the proceeds relating to the refunding of the 1991 Tax Allocation Bonds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments of \$5.8 million of the 1991 Tax Allocation bonds. As a result, \$5.8 million of the 1991 Tax Allocation bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

The City advance refunded the 1991 Tax Allocation bonds to reduce its total debt service payments over the next 12 years by approximately \$0.5 million, to extend the life of the debt, and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$0.4 million.

**(b) Prior Year Defeasance of Debt**

In prior years, the City defeased certain tax allocation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 1998, \$25.4 million of bonds outstanding including the amount defeased during the year are considered defeased.

**CITY OF RICHMOND, CALIFORNIA**

Notes to General-Purpose Financial Statements

June 30, 1998

In addition to the long-term obligations discussed above, the following long-term obligations have been issued in the name of special assessment districts or agencies of the City. Neither the City, nor its agencies, are obligated in any manner for the repayment of these obligations. The City acts as an agent to property owners for the collection and repayment of special assessment debt. The outstanding balances, which are not reported in the accompanying general-purpose financial statements, are as follows:

	<u>Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding at June 30, 1998</u>
Hilltop Area Development Assessment District A Series S	7-02-99	\$ 3,921	600
Hilltop Area Development Assessment District B Series T	7-02-99	3,710	565
Hilltop Area Development Assessment District C Series U	7-02-99	3,774	580
Hilltop Area Development Assessment District D Series V	7-02-99	3,097	420
Hilltop Area Development Assessment District E Series W	7-02-02	5,279	1,550
Assessment District 812 Point Richmond Project J Series Z	7-02-98	104	8
Richmond Assessment District 816 Seaport Area	7-15-00	335	95
City of Richmond Refunding Revenue Bonds Series 1996 - YMCA of the East Bay, Richmond Project	6-01-17	5,185	5,100
San Pablo Avenue Street Lighting District No. 854	9-02-09	327	280

**(7) Fund Balances**

Fund balances consist of reserved and unreserved amounts. Reserved fund balance represents that portion of a fund balance which is not appropriate for expenditure or is legally segregated for a specific future use. The remaining portion is unreserved fund balance. Portions of unreserved fund balance may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans or intent are subject to change and may never be legally authorized or result in expenditures.

**CITY OF RICHMOND, CALIFORNIA**

Notes to General-Purpose Financial Statements

June 30, 1998

**(a) Deficit Fund Balances**

The Community Development Block Grant Special Revenue Fund reflects a deficit of \$1,422,000 which will be recovered through the reimbursement of grant-related expenditures from HUD. The Job Training Partnership Act Special Revenue Fund reflects a deficit of \$92,000 which will be recovered through the reimbursement of grant-related expenditures from the Department of Labor. The General Debt Service Fund reflects a deficit of \$303,000 which will be recovered through fees collected from the Department of Motor Vehicles.

The Port of Richmond Enterprise Fund reflects a deficit of \$11,812,000 which will be recovered through future operating revenues. The Workers' Compensation and General Liability Internal Service Funds reflect deficits of \$11,823,000 and \$2,807,000, respectively, which will be recovered through future charges for services to other funds.

**(b) Prior Period Adjustments**

The following adjustments have been reflected in the accompanying financial statements to restate the fund balances at July 1, 1997.

*Interfund Debt* — The beginning fund balance in the Redevelopment Agency Capital Projects Fund has been restated to reflect the reclassification of \$61.6 million in long term inter-fund liabilities to the General Long-Term Obligations Account Group.

*Prior Year Debt Refunding* — In 1997, \$1.1 million of excess bond proceeds from the 1994 Series B Revenue Bonds (the 1994 Bonds) were placed in an irrevocable trust along with proceeds from the Limited Obligation Refunding Improvement Bonds Reassessment District No. 855 that were issued in April of 1997 to provide for the future debt service payments of the 1994 Bonds. As a result, the 1994 Bonds were considered to be defeased and the liability for those bonds was removed from the general long-term debt account group. However, while the 1994 Bonds had been appropriately removed from the general long-term debt account group, the investment of \$1.1 million in excess bond proceeds was not removed from the Joint Powers Financing Authority's Debt Service Fund. The beginning fund balance of the Joint Powers Financing Authority Debt Service Fund has been restated to eliminate the \$1.1 million investment as of June 30, 1997.

## CITY OF RICHMOND, CALIFORNIA

### Notes to General-Purpose Financial Statements

June 30, 1998

*Proceeds from Port Terminal Lease Revenue Bonds Series 1996* — In fiscal year 1997, the Joint Powers Finance Authority (JPFA) issued \$6.5 million in Port Terminal Lease Revenue Bonds Series 1996 (the Bonds), the proceeds of which were recognized in the debt service fund of the JPFA. The proceeds had been subsequently transferred to the Harbor Navigation Capital Projects Fund of the City. The transaction was eliminated within the general-purpose financial statements in 1997 and the corresponding debt and bond proceeds were recorded in the Port's financial statements, since it is ultimately responsible for the debt service. However, while the debt itself was eliminated, the corresponding proceeds and subsequent transfer to the Harbor Navigation Capital Projects Fund was not eliminated. As such the cash as reported in the June 30, 1997 general-purpose financial statements was overstated by \$6.3 million representing the net proceeds from the issuance of the Bonds reported in the Joint Powers Financing Authority Debt Service Fund of which \$5.7 million was subsequently transferred to the Harbor Navigation Capital Projects Fund. The beginning fund balances of the Harbor Navigation Capital Projects Fund and the Joint Powers Financing Authority Debt Service Fund as of July 1, 1997 have been restated to eliminate the effect of the \$5.7 million transfer to the Harbor Navigation Capital Projects Fund and the remaining cash reserve in the Joint Powers Financing Authority Debt Service Fund of \$0.6 million.

#### (8) Employee Retirement Plan

##### (a) Plan Description and Provisions

The City participates in the California Public Employees' Retirement System (PERS), an agent multiple employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within California. PERS provides retirement, disability, and death benefits based on the employee's years of service, age and highest year of compensation. Employees vest after five years of PERS-credited service and normally receive retirement benefits at age 50. These benefit provisions and all other requirements are established by state statute and City ordinance.

Copies of PERS' annual financial report may be obtained from their Executive Office – 400 P Street, Sacramento, CA 95814.

##### (b) Funding Policy

Participants have no obligation to contribute to the fund. The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members and the City are established and may be amended by PERS. The City, due to a collective bargaining agreement, also has a legal obligation to contribute an additional 9% of payroll on behalf of safety employees and 7% for other covered employees.

**CITY OF RICHMOND, CALIFORNIA**

Notes to General-Purpose Financial Statements

June 30, 1998

**(c) Actuarially Determined Contribution Requirements and Contributions**

For fiscal 1998, the City's annual pension cost for PERS was equal to the City's required and actual contributions. The required contributions were determined as part of the June 30, 1997 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.75% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

**(d) Trend Information**

Three-year historical trend information relative to contributions is presented below:

Fiscal year ended	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
1996	\$ 8,580,000	100%	\$ —
1997	9,420,000	100%	—
1998	9,532,000	100%	—

CITY OF RICHMOND, CALIFORNIA

Notes to General-Purpose Financial Statements

June 30, 1998

(9) City Administered Single-Employer Retirement Plans

(a) *Plan Description and Contribution Information*

The City maintains three single-employer, defined benefit pension plans which are funded entirely by City contributions: 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 49 former City employees not covered by PERS, all of whom have retired. The Police and Firemen's Pension Plan, a defined benefit pension plan, covers 133 police and fire personnel employed prior to October 1964. The City has also established a separate defined contribution pension plan (the "Garfield Pension Plan") 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. No stand-alone financial statements are issued.

*General Pension Plan* — Retirement and other benefits are paid from the assets of the Plan, and from related investment earnings. The City is required to contribute the remaining amounts necessary to fund the Plan using the entry age-normal actuarial method as specified by ordinance.

*Police and Firemen's Pension Plan* — Funding for the Plan is provided from the Pension Reserve Trust 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 to contribute the remaining amounts necessary to fund the Plan using the entry age-normal actuarial method as specified by ordinance. The City established the Pension Reserve Trust Fund to which proceeds of a special incremental property tax levy voted by the citizens of Richmond are credited for the payment of benefits under the Plan.

*Garfield Pension Plan* — Retirement and other benefits are paid from the assets of the Plan, and from related investment earnings. In the current year the City was not required to make any contributions to fund this plan.

**CITY OF RICHMOND, CALIFORNIA**

Notes to General-Purpose Financial Statements

June 30, 1998

**(b) Funding Status and Progress**

*General Pension Plan* — The City made its actuarially determined contribution to the Plan during 1998 of \$340,000. As of July 1, 1998, the date of the most recent actuarial valuation available, the actuarial present value of pension benefits under the Plan was \$7,482,000 and the assets of the Plan at market value were \$4,263,000. In computing the actuarial valuation, Plan assets were assumed to yield an 7.75% return and mortality was based on the 1983 Group Annuity Mortality Table for Males with an additional five-year setback for females. Assumptions for retirement age, disability, withdrawal and salary increases were not meaningful as substantially all of the participants had retired.

*Police and Firemen's Pension Plan* — The City established the Pension Reserve Trust Fund to which proceeds of a special incremental property tax levy voted by the citizens of Richmond are credited for the payment of benefits under the Plan. The incremental property tax revenue received for the year ended June 30, 1998 was \$7,987,000. Contributions to the Plan approximated the actuarially determined annual required contribution. Benefit payments of \$4,763,000 were funded from a transfer from the Pension Reserve Trust Fund. The actuarial present value of future pension liabilities under the Plan at July 1, 1998, the date of the most recent actuarial valuation, was approximately \$53,643,000, representing principally prior service costs. Assets of the Plan were \$0. Actuarial assumptions included an assumed rate of return of 7.75% and mortality rates based on the 1983 Group Annuity Mortality Table for Males with an additional five year setback for females. Benefit payments were assumed to increase 5% annually. Assumptions for retirement age, disability, withdrawal and salary increases have an insignificant effect on the valuation as substantially all of the participants had retired.

**(10) Other Postemployment Benefits**

In addition to the pension benefits described in Notes 8 and 9, the City provides postretirement health care benefits, in accordance with City ordinances, to all employees who retire from the City on or after attaining retirement age (50 for policemen, 50 for firemen, and 55 for all other employees) and who have at least 10 years of service ( 15 for firemen). At June 30, 1998, 209 retirees met those eligibility requirements. The City funds these benefits on a pay-as-you-go basis. During fiscal year 1998, expenditures of \$399,000 were recognized for postemployment health care benefits.

**CITY OF RICHMOND, CALIFORNIA**

Notes to General-Purpose Financial Statements

June 30, 1998

**(11) Segment Information for Enterprise Funds**

The City maintains accounts for the activities of the Port of Richmond and the Richmond Marina in the Enterprise Funds. Segment information for the year ended June 30, 1998 was as follows (in thousands):

	<u>Port of Richmond</u>	<u>Richmond Marina</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 4,151	914	5,065
Depreciation expense (unaudited)	1,144	430	1,574
Operating income (loss)	1,404	(332)	1,072
Operating transfers in	446	692	1,138
Net income	388	293	681
Fixed asset acquisitions	7,261	—	7,261
Long-term debt	17,050	7,134	24,184
Net working capital	1,283	214	1,497
Total assets	20,431	8,139	28,570
Retained earnings (deficit)	(11,812)	969	(10,843)

There were no operating grants, tax revenues, shared revenues or capital contributions for the year ended June 30, 1998.

**CITY OF RICHMOND, CALIFORNIA**

Notes to General-Purpose Financial Statements

June 30, 1998

**(12) Joint Venture**

The West County Agency (the "WCA") was formed as a joint exercise of powers authority by the City and the West Contra Costa Sanitary District (the "WCCSD"). The WCA was formed to build sewage lines and a burn plant for the mutual advantage of the governments. Two members of the board of directors for the joint venture are appointed by each government. The City and the WCCSD have no budgetary control over the activities of the WCA. The board of the WCA provides formal oversight responsibility. The member shares for operating and capital budgets varied by project, of which there were 13. Summary financial information as of and for the year ended June 30, 1998, is presented as follows (in thousands) (not covered by independent auditors' report):

Total assets	\$ 86
Total liabilities	86
Total equity	—
	\$ 86
Total revenues	193
Total expenses	(193)
	—
	\$ —

Complete financial statements of the joint venture can be obtained from the Office of Finance, City of Richmond, 2600 Barrett Avenue, Richmond, California 94804.

**(13) Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with California Government Code Section 53212 and Internal Revenue Code Section 457. The plan, available to all permanent City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. At June 30, 1998, total plan assets amounted to approximately \$25 million.

**CITY OF RICHMOND, CALIFORNIA**

Notes to General-Purpose Financial Statements

June 30, 1998

During August 1996, Congress passed the *Small Business Job Protection Act of 1996*, which requires the City to set up trusts to hold assets and income of the Plan for the exclusive benefit of the participants and their beneficiaries by January 1, 1999. Prior to this act, all amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights remain the City's, subject only to the claims of the City's general creditors, until made available to the participant or other beneficiary.

Subsequent to year-end, the City amended its plan to comply with the new regulations. Beginning in fiscal year 1999, the City will no longer report these balances in the general-purpose financial statements.

**(14) Risk Management**

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

<u>Type of coverage</u>	<u>Self-insurance</u>	<u>Commercial insurance carrier</u>
General and Auto Liability	\$0-\$250,000 per claim	\$250,000-\$10,000,000 per claim
Workers' Compensation for Public Safety Employees	0-400,000 per claim	400,000-10,000,000 per claim
Workers' Compensation for General Employees	0-300,000 per claim	300,000-10,000,000 per claim

Losses greater than \$10 million per claim are not insured. Property damage risks are covered on an occurrence basis up to \$25,000,000 by commercial insurance purchased from independent third parties. All properties are insured at full replacement values. During the fiscal year ended June 30, 1998, there were no significant reductions in any of the City insurance coverage and no settlement amounts exceeded the self-insurance coverage.

The unpaid claims liabilities included in each of the self-insurance internal service funds are based on case reserves and include amounts for claims incurred but not reported (IBNR).

**CITY OF RICHMOND, CALIFORNIA**

Notes to General-Purpose Financial Statements

June 30, 1998

At June 30, 1998, the estimated claims payable of \$15,662,000, consisting of reserves for both reported and IBNR losses, as well as allocated loss adjustment expenses, has been recorded in the Internal Service Funds. Changes in the claims liabilities for the years ended June 30, 1998 and 1997 were as follows (in thousands):

	<u>1998</u>	<u>1997</u>
Claims liabilities, beginning of year	\$ 15,643	15,630
Claims and changes in estimates	5,411	5,095
Claim payments	(4,698)	(4,531)
Legal administrative and other expenses	<u>(694)</u>	<u>(551)</u>
	\$ <u>15,662</u>	\$ <u>15,643</u>

**(15) Commitments and Contingencies**

**(a) Federal Grant Programs**

The City participates in a number of federally assisted grant programs, principal of which are the Section 8 Housing Assistance and Community Development Block Grants programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for the year ended June 30, 1998 have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at the completion of these audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

**(b) Construction in Progress**

The City has committed to spend approximately \$148,627,000 on a number of capital improvement projects as described in the City's Five Year Capital Improvement Plan for 1996-2001, the latest plan available.

## CITY OF RICHMOND, CALIFORNIA

### Notes to General-Purpose Financial Statements

June 30, 1998

The City has a master development agreement with Penterra Company for a 363-acre mixed use development at Marina Bay. Under the agreement the City has paid \$43,574,000 through June 30, 1998 and is committed to finance up to an additional \$300,000 of public improvements over the development period which is projected to be through the year ending June 30, 1999. The City also shares in the revenue generated from land sales and private commercial activities in the project.

**(c) *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 financial position.

**(d) *Environmental Remediation***

The City and the Redevelopment Agency, pursuant to a consent order issued by the California Environmental Protection Agency, are in the process of coordinating remedial actions related to environmental contamination at certain real property sites owned by the City. Investigation is still ongoing as to the ultimate cost of such remediation to be shared by the City, its insurers, past or current tenants on the sites and their insurers. These costs are currently estimated to be within a range of \$7 million to \$10.5 million in total. The share of these costs, if any, to be ultimately borne by the City or the Redevelopment Agency is not currently determinable and as such no amount has been accrued in the accompanying general-purpose financial statements.

**(16) *Subsequent Events***

On October 6, 1998, the Richmond Redevelopment Agency issued "Community Facilities District No. 1998-1" (Marina Westshore Development Project) Special Tax Bonds, Series 1998 in the amount of \$4,500,000. The bonds were issued to provide funds to acquire and construct certain public improvements, to service property and complete soil remediation within the Richmond Redevelopment Agency Community Facilities District No. 1998-1, fund the Bond Reserve Fund, capitalize a portion of the interest on the bonds and pay cost of issuance of the bonds. The bonds are secured by a pledge of Special Tax Revenues received by the Agency, and certain other funds held by the trustee. The bonds comprise Term Bonds in the amount of \$930,000, at 5.25%, due October 1, 2018 and the amount of \$2,360,000, at 5.40%, due October 1, 2028, and serial bonds of \$1,210,000 with maturity dates ranging from October 1, 2001 to October 1, 2012 with interest rates ranging from 4.10% to 5.15%.

**CITY OF RICHMOND, CALIFORNIA**

Notes to General-Purpose Financial Statements

June 30, 1998

In April 1999, the Richmond Joint Powers Financing Authority issued Port Terminal Lease Revenue Refunding Bonds Series 1999 (the Bonds) in the amount of \$10,955,000. The bonds are limited obligations of the Richmond Joint Powers Financing Authority and are issued to refund the Authority's Port Terminal Lease Revenue Refunding Bonds, Series 1994. The bonds are payable solely from revenues of the Authority, consisting of base rental payments paid to the Authority by the City for its use and occupancy of a portion of Marina Terminal No. 3 pursuant to a Facilities Lease. Base rental payments are payable from Net Revenues of the City's Port Enterprise. The bonds are serial bonds with maturity dates ranging from June 1, 2001 to June 1, 2009 with interest rates ranging from 3.70% to 4.60%.

On July 20, 1999, the Richmond Joint Powers Financing Authority issued Revenue Refunding Bonds, 1999 Series A in the amount of \$7,310,000. The bonds were issued to advance refund \$7,780,000 of the Authority's Revenue Bonds, 1990 Series A. Funds utilized totaled \$8,421,258 which consist of bond proceeds in the amount of \$7,310,000 and \$1,228,218 from existing bond accounts less the Underwriter's Discount of \$116,960. Proceeds in the amount of \$8,300,401 were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments of the refunded bonds. The bonds have maturity dates ranging from October 1, 2000 to October 1, 2010 and interest rates from 4.20% to 5.50%.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF RICHMOND, CALIFORNIA**

**Required Supplementary Information**

**Unaudited --- Schedule of Funding Progress (a)**

**Last Three Fiscal Years**

<b>Valuation date</b>	<b>Actuarial accrued liability</b>	<b>Actuarial value of assets</b>	<b>Unfunded accrued liability (UAAL)</b>	<b>Funded ratio</b>	<b>Annual covered payroll</b>	<b>UAAL as a percent of payroll</b>
<b>Miscellaneous Plan City of Richmond:</b>						
6/30/95	\$ 112,128,490	105,741,069	6,387,421	94.3%	26,246,150	24.337%
6/30/96	128,995,049	119,901,604	9,093,445	93.0%	26,102,160	34.838%
6/30/97	132,025,257	138,290,650	(6,265,393)	104.7%	26,809,933	(23.370)%
<b>Safety Plan of the City of Richmond:</b>						
6/30/95	\$ 123,520,508	124,252,896	(732,388)	100.6%	17,757,164	(4.124)%
6/30/96	147,417,393	140,405,446	7,011,947	95.2%	19,518,258	35.925%
6/30/97	156,768,842	161,922,727	(5,153,885)	103.3%	19,847,558	(25.967)%

(a) Amounts presented reflect the City's portion of the California Public Employees' Retirement System.

**CITY OF RICHMOND, CALIFORNIA**

Required Supplementary Information

Unaudited --- Year 2000 Issues

June 30, 1998

**(a) Internal Mission Critical Systems**

The City of Richmond began planning for Year 2000 during the 1997-98 fiscal year. The City has identified all internal mission critical systems. These mission critical systems are expected to be complete by the end of the third quarter of 1999. The City's internal financial systems are ninety-five percent compliant, and are in the validation and testing phase. The remaining five percent is expected to be completely compliant by the end of the third quarter of 1999.

**(b) City-used Imbedded Systems**

A technical review committee chaired by the Office of Emergency Services (O.E.S.) and Information Technology, consisting of all City Departments, has been formed to review City-used imbedded systems.

This technical review committee is charged with completing a full inventory of possible Citywide imbedded Year 2000 systems problems, identifying usable and practical solutions, and contingency plans as needed.

A Year 2000 strategy checklist and vulnerability analysis form has been issued to all departments. The City is in the assessment phase related to City-used imbedded systems. Year 2000-compliant replacements are being completed as problems are identified.

**(c) Community Awareness**

The City is in the awareness stage related to imbedded systems for which the City is not directly responsible but upon which the City's residents are dependent to conduct their daily lives (e.g., utility company systems, banking infrastructure, etc.). The technical review committee is working with various experts and interested parties such as a former computer industry executive to make presentations and community awareness. O.E.S. is distributing information to the community at their disaster drill on April 24, 1999, as well as forming a cache of volunteers to help implement a public awareness campaign.

**(d) Resources Committed**

The City of Richmond's planned computer replacement is in progress to replace 330 desktop computers by the end of this year with a lease purchase cost of \$450,000. This replacement schedule coincides with the remediation of the year 2000 compliance issues.

**SUPPLEMENTAL COMBINING AND ACCOUNT GROUP FINANCIAL STATEMENTS**

**CITY OF RICHMOND, CALIFORNIA**  
 Combining Balance Sheet - All Special Revenue Funds  
 June 30, 1998  
 (in thousands)

	Redevelopment Agency Operating	State Gas Tax	General Purpose	Wastewater Maintenance	Paratransit Operations	Community Development Block Grant	Parks, Recreation and Environment	Job Training Partnership Act	Police and Crime Prevention	Total
<b>Assets</b>										
Cash, cash equivalents and investments	1,126	1,364		1,929	141		410		729	5,699
Restricted:										
Cash and cash equivalents						502				502
Accounts			375	59			33	683		1,150
Interest						65				65
Due from other funds	13									13
Notes from other funds	1,969									1,969
Notes						4,220				4,220
Inventories			438							438
<b>Total assets</b>	<b>3,108</b>	<b>1,364</b>	<b>813</b>	<b>1,988</b>	<b>141</b>	<b>4,787</b>	<b>443</b>	<b>683</b>	<b>729</b>	<b>14,056</b>
<b>Liabilities and Fund Equity (Deficit)</b>										
<b>Liabilities:</b>										
Accounts payable and accrued liabilities	12	19	125	48	25	87	54	201	19	590
Due to other funds			295			1,902		574		2,771
Advances from other funds	115									115
Deferred revenue	881					4,220				5,101
<b>Total liabilities</b>	<b>1,008</b>	<b>19</b>	<b>420</b>	<b>48</b>	<b>25</b>	<b>6,209</b>	<b>54</b>	<b>775</b>	<b>19</b>	<b>8,577</b>
<b>Fund equity (deficit):</b>										
Reserved for:										
Inventories			438							438
Encumbrances		277	158	14		1,756	174	179	80	2,646
Long-term receivables	1,088									1,088
Unreserved:										
Designated for self-insurance			(203)	615		9				624
Undesignated (deficit)	1,012	1,068		1,311	108	(3,187)	215	(271)	630	683
<b>Total fund equity (deficit)</b>	<b>2,100</b>	<b>1,345</b>	<b>393</b>	<b>1,940</b>	<b>116</b>	<b>(1,422)</b>	<b>389</b>	<b>(92)</b>	<b>710</b>	<b>5,479</b>
<b>Total liabilities and fund equity (deficit)</b>	<b>3,108</b>	<b>1,364</b>	<b>813</b>	<b>1,988</b>	<b>141</b>	<b>4,787</b>	<b>443</b>	<b>683</b>	<b>729</b>	<b>14,056</b>

CITY OF RICHMOND, CALIFORNIA

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances (Deficit)--All Special Revenue Funds  
Year ended June 30, 1998  
(in thousands)

	Redevelopment Agency Operating	State Gas Tax	General Purpose	Wastewater Maintenance	Paratransit Operations	Community Development Block Grant	Parks, Recreation and Environment	Job Training Partnership Act	Police and Crime Prevention	Total
<b>Revenues:</b>										
Property taxes	--	1,740	454	122	--	--	--	--	--	122
Fines, forfeiture and penalties	--	--	16	--	--	--	--	89	--	2,194
Investment income	61	88	--	115	9	18	--	71	89	105
Intergovernmental	--	--	365	599	310	250	--	2,703	510	362
Charges for services	--	--	1,821	7,194	8	--	323	--	--	4,737
Rent	--	--	1,738	--	--	--	--	--	--	9,346
Other	--	--	272	230	--	623	91	--	--	1,738
Total revenues	61	1,828	4,666	8,260	327	891	414	2,703	670	19,820
<b>Expenditures:</b>										
Current:										
General government	--	--	4,587	639	--	--	169	--	--	5,395
Public safety	--	--	--	--	--	--	--	--	210	210
Highways and streets	--	877	--	--	--	--	--	--	--	877
Health and sanitation	--	--	--	5,225	--	--	--	--	--	5,225
Community development	--	--	862	--	--	1,237	--	3,064	--	5,163
Cultural and recreational	--	--	415	--	--	--	81	--	--	496
Housing and redevelopment	120	--	--	934	--	1,368	--	--	--	2,422
Other	--	--	182	7	280	--	24	--	9	495
Capital outlay	--	459	796	--	--	9	--	268	356	1,895
Debt service:										
Principal retirement	--	--	--	--	--	--	--	--	--	--
Interest and fiscal charges	--	--	--	--	--	--	--	--	--	--
Total expenditures	120	1,336	6,842	6,805	280	2,614	274	3,332	575	22,178
Excess (deficiency) of revenues over (under) expenditures	(59)	492	(2,176)	1,455	47	(1,723)	140	(629)	95	(2,358)
<b>Other financing sources (uses):</b>										
Operating transfers in	--	--	3,402	492	69	--	159	--	--	4,122
Operating transfers out	--	(424)	(1,534)	(275)	--	--	--	--	--	(2,233)
Net other financing sources (uses)	--	(424)	1,868	217	69	--	159	--	--	1,889
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(59)	68	(308)	1,672	116	(1,723)	299	(629)	95	(469)
Fund equity, July 1, 1997	2,159	1,277	701	268	--	301	90	537	615	5,948
Fund equity (deficit), June 30, 1998	2,100	1,345	393	1,940	116	(1,422)	389	(92)	710	5,479

**CITY OF RICHMOND, CALIFORNIA**

Combining Balance Sheet – All Debt Service Funds  
 June 30, 1998  
 (in thousands)

<b>Assets</b>	<b>Redevelopment Agency</b>	<b>Parking Authority</b>	<b>Joint Powers Financing Authority</b>	<b>General Debt Service</b>	<b>Special Assessments</b>	<b>Total</b>
Cash, cash equivalents and investments Restricted:	\$ 2,761	—	—	—	2,850	5,611
Cash and cash equivalents	7,632	269	—	—	—	7,901
Investments	—	—	896	—	2,482	3,378
Receivables:						
Interest	—	—	28	—	—	28
Special assessments	—	—	—	—	25,490	25,490
Total assets	\$ 10,393	269	924	—	30,822	42,408
<b>Liabilities and Fund Equity (Deficit)</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	37	—	36	—	—	73
Due to other funds	—	—	17	303	—	320
Deferred revenue	—	—	588	—	25,490	26,078
Total liabilities	37	—	641	303	25,490	26,471
<b>Fund equity (deficit):</b>						
Reserved for debt service	10,356	269	283	(303)	5,332	15,937
Total fund equity (deficit)	10,356	269	283	(303)	5,332	15,937
<b>Total liabilities and fund equity (deficit) \$</b>	\$ 10,393	269	924	—	30,822	42,408

**CITY OF RICHMOND, CALIFORNIA**

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances (Deficit) – All Debt Service Funds  
Year ended June 30, 1998  
(in thousands)

	Redevelopment Agency	Parking Authority	Joint Powers Financing Authority	General Debt Service	Special Assessments	Total
<b>Revenues:</b>						
Property taxes	1,387	—	—	—	3,068	4,455
Investment income	598	14	32	—	147	791
Other	—	111	55	23	—	189
<b>Total revenues</b>	<b>1,985</b>	<b>125</b>	<b>87</b>	<b>23</b>	<b>3,215</b>	<b>5,435</b>
<b>Expenditures:</b>						
Current:						
Other	—	—	—	—	1,163	1,163
Debt service:						
Principal retirement	8,395	81	—	1,104	1,405	10,985
Interest and fiscal charges	11,631	31	—	1,164	2,004	14,830
<b>Total expenditures</b>	<b>20,026</b>	<b>112</b>	<b>—</b>	<b>2,268</b>	<b>4,572</b>	<b>26,978</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(18,041)</b>	<b>13</b>	<b>87</b>	<b>(2,245)</b>	<b>(1,357)</b>	<b>(21,543)</b>
<b>Other financing sources (uses):</b>						
Payment to refund bond escrow agent	(6,336)	—	—	—	—	(6,336)
Proceeds of bonds	20,236	—	—	—	—	20,236
Bond issuance costs	(661)	—	—	—	—	(661)
Operating transfers in	10,825	—	41	1,807	1,508	14,181
Operating transfers out	(4,914)	—	—	—	(1,548)	(6,462)
<b>Net other financing sources (uses)</b>	<b>19,150</b>	<b>—</b>	<b>41</b>	<b>1,807</b>	<b>(40)</b>	<b>20,958</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>1,109</b>	<b>13</b>	<b>128</b>	<b>(438)</b>	<b>(1,397)</b>	<b>(585)</b>
Fund equity, July 1, 1997 (as previously reported)	9,247	256	1,848	135	6,729	18,215
Prior period adjustment	—	—	(1,693)	—	—	(1,693)
Fund equity, July 1, 1997 (as restated)	9,247	256	155	135	6,729	16,522
Fund equity (deficit), June 30, 1998	10,356	269	283	(303)	5,332	15,937

CITY OF RICHMOND, CALIFORNIA

Combining Balance Sheet - All Capital Projects Funds

June 30, 1998  
(in thousands)

Assets	Atlas Road Improvements	General Capital Improvements	Municipal Sewer Improvements	Redevelopment Agency	Parking Authority	Joint Powers Financing Authority	Measure C	Auditorium	Harbor Navigation	Port Remediation	Total
Cash, cash equivalents and investments	2,304	3,423	472	14,565	16	2,253	1,983	49	---	---	22,796
Restricted:											
Investments	3,952	1	---	---	---	---	---	---	61	---	77
Receivables:									3,784	---	9,990
Accounts:									---	---	---
Interest	---	---	---	2	---	---	3	---	---	---	5
Due from other funds	---	9,753	131	10	---	---	---	---	---	---	10
Advances to other funds	---	---	---	249	---	---	---	---	---	1,919	11,833
Notes	---	---	---	907	---	---	---	---	---	---	249
Leases	---	---	---	---	127	---	---	---	---	---	907
	---	---	---	---	---	---	---	---	---	---	127
<b>Total assets</b>	<b>6,236</b>	<b>13,177</b>	<b>603</b>	<b>15,733</b>	<b>143</b>	<b>2,253</b>	<b>1,986</b>	<b>49</b>	<b>3,845</b>	<b>1,949</b>	<b>45,994</b>
<b>Liabilities and Fund Equity (Deficit)</b>											
<b>Liabilities:</b>											
Accounts payable and accrued liabilities	32	89	31	594	---	---	362	---	129	---	1,237
Due to other funds	61	4,656	---	13	---	---	---	---	2,080	1,949	8,759
Notes payable to other funds	---	---	---	---	---	---	---	---	---	---	---
Deferred revenue	---	---	---	543	127	---	---	---	---	---	---
	---	---	---	---	---	---	---	---	---	---	---
<b>Total liabilities</b>	<b>93</b>	<b>4,745</b>	<b>31</b>	<b>1,150</b>	<b>127</b>	<b>---</b>	<b>362</b>	<b>---</b>	<b>2,209</b>	<b>1,949</b>	<b>670</b>
<b>Fund equity (deficit):</b>											
Reserved for:											
Encumbrances	7,099	1,281	442	3,623	---	---	1,433	---	488	93	14,459
Long-term receivables	---	---	---	612	---	---	---	---	---	---	612
Program obligations	---	---	---	---	---	2,253	---	---	---	---	2,253
Bond issuance cost	(936)	7,109	130	10,348	16	---	191	49	1,148	(93)	17,262
Unreserved - undesignated (deficit)	6,163	8,432	572	14,583	16	2,253	1,624	49	1,636	---	35,328
<b>Total fund equity</b>	<b>6,236</b>	<b>13,177</b>	<b>603</b>	<b>15,733</b>	<b>143</b>	<b>2,253</b>	<b>1,986</b>	<b>49</b>	<b>3,845</b>	<b>1,949</b>	<b>45,994</b>
<b>Total liabilities and fund equity</b>											

CITY OF RICHMOND, CALIFORNIA

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances (Deficit) - All Capital Projects Funds  
Year ended June 30, 1998  
(in thousands)

	Atlas Road Improvements	General Capital Improvements	Municipal Sewer Improvements	Redevelopment Agency	Parking Authority	Joint Powers Financing Authority	Measure C	Auditorium	Harbor Navigation	Port Renewal	Total
<b>Revenues:</b>											
Property taxes	209	10	--	5,983	1	173	119	--	315	--	5,983
Investment income	--	4,170	--	1,112	--	--	1,607	--	--	--	1,939
Intergovernmental	1,125	605	31	--	--	--	--	--	1	--	5,777
Charge for services	--	--	--	114	--	--	29	--	--	--	1,763
Rent	--	--	--	33	--	--	--	--	--	--	143
Other	--	--	--	--	--	--	--	--	--	--	33
<b>Total revenues</b>	<b>1,334</b>	<b>4,785</b>	<b>31</b>	<b>7,242</b>	<b>1</b>	<b>173</b>	<b>1,756</b>	<b>--</b>	<b>316</b>	<b>--</b>	<b>15,638</b>
<b>Expenditures:</b>											
Current:											
Housing and redevelopment	--	--	--	3,455	--	--	--	--	--	--	3,455
Other	926	2,397	1,578	4,335	--	29	6,036	--	1,755	1,949	18,926
Capital outlay	926	2,398	1,578	7,790	--	29	6,036	--	1,755	1,949	22,461
<b>Total expenditures</b>	<b>408</b>	<b>2,387</b>	<b>(1,547)</b>	<b>(548)</b>	<b>1</b>	<b>144</b>	<b>(4,280)</b>	<b>--</b>	<b>(1,439)</b>	<b>(1,949)</b>	<b>(6,823)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>926</b>	<b>2,398</b>	<b>1,578</b>	<b>7,790</b>	<b>--</b>	<b>29</b>	<b>6,036</b>	<b>--</b>	<b>1,755</b>	<b>1,949</b>	<b>18,815</b>
<b>Other financing sources (uses):</b>											
Proceeds from sale of land	--	--	--	1,551	--	--	--	--	--	--	1,551
Proceeds of bonds	--	12,869	--	4,087	--	--	4,961	--	--	1,949	1,561
Operating transfers in	--	(4,038)	--	(9,998)	--	--	(1,080)	--	(2,395)	--	21,866
Operating transfers out	--	8,811	--	(2,799)	--	--	3,881	--	(2,395)	1,949	(17,511)
<b>Net other financing sources (uses)</b>	<b>--</b>	<b>8,811</b>	<b>--</b>	<b>(2,799)</b>	<b>--</b>	<b>--</b>	<b>3,881</b>	<b>--</b>	<b>(2,395)</b>	<b>1,949</b>	<b>9,447</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>408</b>	<b>11,198</b>	<b>(1,557)</b>	<b>(3,147)</b>	<b>1</b>	<b>144</b>	<b>(399)</b>	<b>--</b>	<b>(1,834)</b>	<b>--</b>	<b>2,624</b>
<b>Fund equity (deficit), July 1, 1997 (as previously reported)</b>	<b>5,755</b>	<b>(2,766)</b>	<b>2,119</b>	<b>(43,662)</b>	<b>15</b>	<b>2,109</b>	<b>2,023</b>	<b>40</b>	<b>11,185</b>	<b>--</b>	<b>(21,173)</b>
<b>Prior period adjustment</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>61,502</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(3,213)</b>	<b>--</b>	<b>55,877</b>
<b>Fund equity (deficit), July 1, 1997 (as restated)</b>	<b>5,755</b>	<b>(2,766)</b>	<b>2,119</b>	<b>17,910</b>	<b>15</b>	<b>2,109</b>	<b>2,023</b>	<b>40</b>	<b>5,470</b>	<b>--</b>	<b>32,704</b>
<b>Fund equity, June 30, 1998</b>	<b>6,163</b>	<b>8,432</b>	<b>572</b>	<b>14,583</b>	<b>16</b>	<b>2,253</b>	<b>1,624</b>	<b>40</b>	<b>1,636</b>	<b>--</b>	<b>35,128</b>

**CITY OF RICHMOND, CALIFORNIA**

Combining Balance Sheet – All Enterprise Funds

June 30, 1998  
(in thousands)

Assets	Port of Richmond	Richmond Marina	Total
Cash and cash equivalents	575	250	825
Restricted investments	29	—	29
Receivables:			
Accounts	424	—	424
Prepays and other assets	334	—	334
Fixed assets (unaudited) – net of accumulated depreciation	19,069	7,889	26,958
Total assets	<u>20,431</u>	<u>8,139</u>	<u>28,570</u>
<b>Liabilities and Retained Earnings (Deficit)</b>			
Liabilities:			
Accounts payable and accrued liabilities	23	11	34
Refundable deposits	56	25	81
Notes payable to other funds	15,114	—	15,114
Long-term debt	17,050	7,134	24,184
Total liabilities	32,243	7,170	39,413
Retained earnings (deficit)	<u>(11,812)</u>	<u>969</u>	<u>(10,843)</u>
Total liabilities and retained earnings (deficit)	<u>20,431</u>	<u>8,139</u>	<u>28,570</u>

**CITY OF RICHMOND, CALIFORNIA**

Combining Statement of Revenues, Expenses and  
 Changes in Retained Earnings (Deficit) – All Enterprise Funds  
 Year ended June 30, 1998  
 (in thousands)

	Port of Richmond	Richmond Marina	Total
Operating revenues:			
Port facilities:			
Rental	\$ 1,029	—	1,029
Dockage and wharfage	1,769	—	1,769
Marina berth rentals	—	848	848
Other	1,353	66	1,419
Total operating revenues	4,151	914	5,065
Operating expenses:			
Salaries and wages	538	410	948
General and administrative	1,065	406	1,471
Depreciation (unaudited)	1,144	430	1,574
Total operating expenses	2,747	1,246	3,993
Operating income (loss)	1,404	(332)	1,072
Nonoperating income (expenses)			
Nonoperating income – investment income	43	—	43
Nonoperating expenses – interest	(1,425)	(67)	(1,492)
Amortization of bond issuance costs	(80)	—	(80)
Total operating income (expenses)	(1,462)	(67)	(1,529)
Loss before operating transfers	(58)	(399)	(457)
Operating transfers in	446	692	1,138
Net income	388	293	681
Retained earnings (deficit), July 1, 1997	(12,200)	676	(11,524)
Retained earnings (deficit), June 30, 1998	\$ (11,812)	969	(10,843)

**CITY OF RICHMOND, CALIFORNIA**

Combining Statement of Cash Flows – All Enterprise Funds

Year ended June 30, 1998  
(in thousands)

	Port of Richmond	Richmond Marina	Total
Cash flows from operating activities:			
Operating income (loss)	1,404	(332)	1,072
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:			
Depreciation (unaudited)	1,144	430	1,574
Effect of changes in assets and liabilities:			
Accounts receivable	(104)	253	149
Due from other funds	128	—	128
Notes	200	—	200
Prepays and other assets	38	—	38
Accounts payable and accrued liabilities	(273)	(286)	(559)
Due to other funds	—	(128)	(128)
Cash provided by (used in) operating activities	<u>2,537</u>	<u>(63)</u>	<u>2,474</u>
Cash flows provided by noncapital financing activities:			
Operating transfer in	446	692	1,138
Cash flows from capital and related financing activities:			
Acquisition of property, plant and equipment	(7,261)	—	(7,261)
Retirement of notes payable	—	(312)	(312)
Retirement of revenue bonds	(108)	—	(108)
Retirement of revenue refunding bonds	(195)	—	(195)
Interest paid on long-term debt	(1,275)	—	(1,275)
	(937)	(67)	(1,004)
Cash used by capital and related financing activities	<u>(9,776)</u>	<u>(379)</u>	<u>(10,155)</u>
Cash flows from investing activities:			
Proceeds from sale of restricted investments	6,500	—	6,500
Investment income received	43	—	43
Cash provided by investing activities	<u>6,543</u>	<u>—</u>	<u>6,543</u>
Net increase (decrease) in cash and cash equivalents	(250)	250	—
Cash and cash equivalents, July 1, 1997	825	—	825
Cash and cash equivalents, June 30, 1998	<u>575</u>	<u>250</u>	<u>825</u>
Noncash capital and related financing activities:			
Increase in notes payable due to accrued interest not paid	488	—	488

**CITY OF RICHMOND, CALIFORNIA**

Combining Balance Sheet – All Internal Service Funds

June 30, 1998  
(in thousands)

<b>Assets</b>	<u>Workers' Compensation</u>	<u>General Liability</u>	<u>Total</u>
Cash, cash equivalents and investments	\$ 109	753	862
Accounts receivable	152	18	170
Total assets	<u>\$ 261</u>	<u>771</u>	<u>1,032</u>
<b>Liabilities and Accumulated Deficit</b>			
Liabilities – accrued claims liabilities	12,084	3,578	15,662
Accumulated deficit	<u>(11,823)</u>	<u>(2,807)</u>	<u>(14,630)</u>
Total liabilities and retained deficit	<u>\$ 261</u>	<u>771</u>	<u>1,032</u>

**CITY OF RICHMOND, CALIFORNIA**

Combining Statement of Revenues, Expenses and  
 Changes in Accumulated Deficit – All Internal Service Funds  
 Year ended June 30, 1998  
 (in thousands)

	Workers' Compensation	General Liability	Total
Operating revenues:			
Charges for services	2,260	908	3,168
Other	588	926	1,514
Total operating revenues	2,848	1,834	4,682
Operating expenses:			
Claims losses	2,236	2,462	4,698
Other	540	154	694
Total operating expenses	2,776	2,616	5,392
Operating income (loss)	72	(782)	(710)
Nonoperating revenue – interest	5	72	77
Net income (loss)	77	(710)	(633)
Accumulated deficit, July 1, 1997	(11,900)	(2,097)	(13,997)
Accumulated deficit, June 30, 1998	\$ (11,823)	(2,807)	\$ (14,630)

**CITY OF RICHMOND, CALIFORNIA**

Combining Statement of Cash Flows – All Internal Service Funds

Year ended June 30, 1998  
(in thousands)

	Workers' Compensation	General Liability	Total
Cash flows from operating activities:			
Operating income (loss)	\$ 72	(782)	(710)
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:			
Effect of changes in assets and liabilities:			
Accounts receivable	(21)	(18)	(39)
Accrued claims liabilities	21	(2)	19
	72	(802)	(730)
Cash provided by (used in) operating activities			
Cash flows provided by investing activities:			
Investment income received	5	72	77
Net increase (decrease) in cash and cash equivalents	77	(730)	(653)
Cash and cash equivalents, July 1, 1997	32	1,483	1,515
Cash and cash equivalents, June 30, 1998	\$ 109	753	862

CITY OF RICHMOND, CALIFORNIA

FIDUCIARY FUNDS

Combining Balance Sheet — All Trust and Agency Funds

June 30, 1998  
(in thousands)

Assets	Pension Trust Funds	Agency Funds	Total
Cash, cash equivalents and investments	3,906	2,484	6,390
Restricted investments	4,906	25,055	29,961
Receivables:			
Accounts	8	75	83
Interest	48	—	48
Due from other funds	175	24	199
Total assets	\$ 9,043	27,638	36,681
<b>Liabilities</b>			
Liabilities:			
Accounts payable and accrued liabilities	910	2,413	3,323
Refundable deposits	—	146	146
Due to other funds	175	24	199
Deferred compensation	—	25,055	25,055
Total liabilities	1,085	27,638	28,723
<b>Fund Equity</b>			
Fund equity:			
Reserved for employees' retirement benefits	7,958	—	7,958
Total fund equity	7,958	—	7,958
Total liabilities and fund equity	\$ 9,043	27,638	36,681

**CITY OF RICHMOND, CALIFORNIA**

**FIDUCIARY FUNDS**

**Combining Statement of Net Assets - All Pension Trust Funds**

June 30, 1998  
(in thousands)

	<b>Pension Trust Funds</b>			
	<b>Pension Reserve</b>	<b>General Pension</b>	<b>Garfield Pension</b>	<b>Total</b>
<b>Assets</b>				
Cash, cash equivalents and investments	\$ 3,906	—	—	3,906
Restricted investments	—	4,311	595	4,906
Receivables:				
Accounts	—	—	8	8
Interest	—	48	—	48
Due from other funds	175	—	—	175
Total assets	\$ 4,081	4,359	603	9,043
<b>Liabilities and Net Assets Held in Trust for Pension Benefits</b>				
Accounts payable and accrued liabilities	910	—	—	910
Due to other funds	—	88	87	175
Total liabilities	910	88	87	1,085
Net assets held in trust for pension benefits	\$ 3,171	4,271	516	7,958

**CITY OF RICHMOND, CALIFORNIA**  
**FIDUCIARY FUNDS**

Combining Statement of Changes in Net Assets —  
 All Pension Trust Funds  
 Year ended June 30, 1998  
 (in thousands)

	Pension Trust Funds				
	Pension Reserve	General Pension	Police and Firemen's Pension	Garfield Pension	Total
Contributions:					
Incremental property taxes	\$ 7,987	—	—	—	7,987
Pension contributions	—	340	—	—	340
Total contributions	\$ 7,987	340	—	—	8,327
Deductions:					
Pension benefits	—	749	4,763	64	5,576
Other	701	—	—	—	701
Total deductions	701	749	4,763	64	6,277
Excess (deficiency) of contributions over (under) deductions	\$ 7,286	(409)	(4,763)	(64)	2,050
Other financing sources (uses):					
Investment income	233	829	—	43	1,105
Net increase (decrease) before operating transfers	7,519	420	(4,763)	(21)	3,155
Operating transfers in	—	—	4,763	—	4,763
Operating transfers out	(8,393)	—	—	—	(8,393)
Net increase/(decrease)	(874)	420	—	(21)	(475)
Residual equity transfer	(36,220)	—	—	—	(36,220)
Net assets held in trust for pension benefits — July 1, 1997	40,265	3,851	—	537	44,653
Net assets held in trust for pension benefits — June 30, 1998	\$ 3,171	4,271	—	516	7,958

**CITY OF RICHMOND, CALIFORNIA**

Combining Statement of Changes in Assets and Liabilities --  
All Agency Funds

June 30, 1998  
(in thousands)

	Balance July 1, 1997	Net Additions (Deductions)	Balance June 30, 1998
<b>Special Assessment</b>			
<b>ASSETS</b>			
Cash, cash equivalents and investments	\$ 582	1,577	2,159
Accounts receivable	—	51	51
<b>TOTAL ASSETS</b>	\$ 582	1,628	2,210
<b>LIABILITIES — Accounts payable and accrued liabilities</b>			
	\$ 582	1,628	2,210
<b>Deposits</b>			
<b>ASSETS — Cash, cash equivalents and investments</b>	\$ 145	1	146
<b>LIABILITIES — Refundable deposits</b>			
	\$ 145	1	146
<b>Deferred Compensation</b>			
<b>ASSETS — Restricted investments</b>	\$ 20,858	4,197	25,055
<b>LIABILITIES — Deferred compensation</b>			
	\$ 20,858	4,197	25,055
<b>Cafeteria Option</b>			
<b>ASSETS — Cash, cash equivalents and investments</b>	\$ 27	48	75
<b>LIABILITIES — Accounts payable and accrued liabilities</b>			
	\$ 27	48	75
<b>Johnson Library</b>			
<b>ASSETS — Cash, cash equivalents and investments</b>	\$ 7	—	7
<b>LIABILITIES — Accounts payable and accrued liabilities</b>			
	\$ 7	—	7

**CITY OF RICHMOND, CALIFORNIA**

Statement of Changes in Assets and Liabilities  
All Agency Funds

June 30, 1998  
(in thousands)

	Balance July 1, 1997	Net Additions (Deductions)	Balance June 30, 1998
<b>Senior Center</b>			
ASSETS:			
Cash, cash equivalents and investments	\$ 62	(4)	58
Due from other funds	24	—	24
<b>TOTAL ASSETS</b>	\$ 86	(4)	82
LIABILITIES — Accounts payable and accrued liabilities	\$ 86	(4)	82
<b>Shimada Sister City</b>			
ASSETS — Cash, cash equivalents and investments	\$ 21	(2)	19
LIABILITIES — Accounts payable and accrued liabilities	\$ 21	(2)	19
<b>Moffitt Study</b>			
ASSETS — Cash, cash equivalents and investments	\$ 3	2	5
LIABILITIES — Accounts payable and accrued liabilities	\$ 3	2	5
<b>Richmond Zhoushan</b>			
ASSETS — Accounts receivable	\$ 24	—	24
LIABILITIES — Due to other funds	\$ 24	—	24
<b>General Agency</b>			
ASSETS — Cash, cash equivalents and investments	\$ 14	1	15
LIABILITIES — Accounts payable and accrued liabilities	\$ 14	1	15
<b>Total Agency Funds</b>			
ASSETS			
Cash, cash equivalents and investments	861	1,623	2,484
Restricted investments	20,858	4,197	25,055
Accounts receivable	24	51	75
Due from other funds	24	—	24
<b>TOTAL ASSETS</b>	\$ 21,767	5,871	27,638
LIABILITIES			
Accounts payable and accrued liabilities	740	1,673	2,413
Refundable deposits	145	1	146
Due to other funds	24	—	24
Deferred compensation	20,858	4,197	25,055
<b>TOTAL LIABILITIES</b>	\$ 21,767	5,871	27,638

**CITY OF RICHMOND, CALIFORNIA**

Combining Balance Sheet – General Long-Term Obligations Account Group

June 30, 1998  
(in thousands)

	Redevelopment Agency	Parking Authority	Joint Powers Financing Authority	General Long-Term Debt	Special Assessments Debt	Total
<b>ASSETS</b>						
Amount available in debt service fund	\$ 10,356	269	283	(303)	5,332	15,937
Amount to be provided for retirement of long term debt obligations	64,351	(94)	19,912	24,352	20,158	128,679
<b>TOTAL ASSETS</b>	<u>74,707</u>	<u>175</u>	<u>20,195</u>	<u>24,049</u>	<u>25,490</u>	<u>144,616</u>
<b>LIABILITIES</b>						
Notes payable to other funds	46,385	---	---	---	---	46,385
Compensated absences	---	---	---	15,794	---	15,794
Long-term debt	28,322	175	20,195	8,255	25,490	82,437
<b>TOTAL LIABILITIES</b>	<u>\$ 74,707</u>	<u>175</u>	<u>20,195</u>	<u>24,049</u>	<u>25,490</u>	<u>144,616</u>

**APPENDIX C**  
**SUMMARY OF THE TRUST AGREEMENT**

Definitions

“Annual Debt Service” means, for each Bond Year, the sum of (1) the interest falling due on all outstanding Bonds in such Bond Year, assuming that all outstanding Bonds are retired or redeemed from the Sinking Account, as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds), (2) the principle amount of the Outstanding Bonds, if any, maturing by their terms in such Bond Year, and (3) the minimum amount of such Outstanding Bonds required to be paid or called and redeemed in such Bond Year.

“Annual Debt Service” shall not include principle and interest allocable to that portion of the proceeds of any Bonds required to remain unexpended and to be held in escrow pursuant to the terms of a Supplemental Trust Agreement, provided that (i) projected interest earnings on such proceeds, plus such amounts, if any, deposited by the City in the Interest Account, are sufficient to pay the interest due on such portion of the Bonds so long as it is required to be held in escrow and (ii) the conditions of release of such proceeds from escrow are substantially similar to those for the issuance of additional Bonds. “Average Annual Debt Service” means the average Bond Year Annual Debt Service over all the Bond Years. “Maximum Annual Debt Service” means the largest Annual Debt Service during the period from the date of such determination through the final maturity date of any Outstanding Bonds.

“Bond Fund” means the Bond Fund established in Section 4.01(c) of the Trust Agreement.

“Bond Ordinance” means Ordinance No. 9-99, adopted by the City Council on March 30, 1999 authorizing the issuance and sale of the Bonds.

“Bonds” means the 1999 Series A Bonds and all Additional Bonds. “1999 Series A Bonds” means all bonds of the City authorized by and at any time Outstanding pursuant to and executed, issued and delivered in accordance with Article II of the Trust Agreement. “Additional Bonds” means all bonds of the City authorized by and at any time Outstanding pursuant to and executed, issued and delivered in accordance with Article III of the Trust Agreement. “Serial Bonds” means Bonds for which no sinking fund payments are provided. “Term Bonds” means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

“Bond Year” means the twelve-month period ending on August 1 of each year to which reference is made; provided that the first Bond Year shall commence on the date the 1999 Series A Bonds are originally delivered and shall end on August 1, 2000.

“Business Day” means any day other than a Saturday or Sunday or day upon which the Trustee is authorized by law to remain closed.

“Certificate of the City” means an instrument in writing signed by the Mayor, City Manager or Director of Finance of the City, or a designee of any such officer or by any other officer of the City duly authorized by the City Council of the City in writing to the Trustee for that purpose. If and to the extent required by the provisions of Section 10.07, each Certificate of

the City shall include the statements provided for in Section 10.07.

“Charter” means the Charter of the City of Richmond originally effective on July 1, 1909 and as it has been amended from time to time.

“City” means the City of Richmond, a chartered city and municipal corporation duly organized and existing under its Charter and the Constitution of the State.

“Closing Date” means the date on which the 1999 Series A Bonds are delivered to the original purchaser of the 1999 Series A Bonds.

“Code” means the Internal Revenue Code of 1986.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement between the City and the Trustee dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Corporate Trust Office” means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the City, initially being San Francisco, California. The Trustee may designate in writing to the City and the Holders such other office or agency from time to time for purposes of registration, transfer, exchange, payment or redemption of Bonds.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City and related to the 1999 Series A Bonds, including, but not limited to, costs of preparation and reproduction of documents, bond insurance premiums, if any, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the 1999 Series A Bonds, and any other cost, charge or fee in connection with the original execution and delivery of the 1999 Series A Bonds.

“Costs of Issuance Fund” means the Costs of Issuance Fund established in Section 2.11(c).

“Financial Newspaper” means The Wall Street Journal or The Bond Buyer, or any other newspaper or journal printed in the English language, publishing financial news and selected by the Trustee, who shall be under no liability by reason of such selection.

“Fiscal Year” means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the City as its Fiscal Year in accordance with applicable law.

“Holder” means any person who shall be the registered owner of any Outstanding Bond. Independent Certified Public Accountant.

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the City, and who, or each of whom --

(1) is in fact independent according to the Statement of Auditing Standards No. 1 and not

under the domination of the City;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and

(3) is not connected with the City as a member, officer or employee of the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the City.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 17302, Attention: Editor; Kenny Information Services’ “Called Bond Service,” 55 Broad Street, 28th Floor, New York, New York 10004; Moody’s Investors Service’s “Municipal and Government,” 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and Standard & Poor’s Corporation’s “Called Bond Service,” 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds, or such services as the City may designate in a Certificate of the City delivered to the Trustee.

“Interest Account” means the account by that name established in Section 4.02.

#### Interest Payment Date

“Interest Payment Date” means a date on which interest is due on the Bonds, being February 1 and August 1 of each year to which reference is made, commencing on August 1, 2000.

“Mandatory Sinking Account Payments” means those payments made Pursuant to Section 2.03(b) of the Trust Agreement on August 1 of each year on and after August 1, 2014 (with respect to the Bonds maturing on August 1, 2020) and on and after August 1, 2021 (with respect to the Bonds maturing on August 1, 2029).

“Note” means that certain promissory note to the Trustee, dated as of November 18, 1999 and due August 1, 2001, executed and delivered by the Chair of the Pension Board on behalf of the Pension Fund in the amount of \$4,600,000.

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the City.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 7.02) all Bonds except

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds paid or deemed to have been paid within the meaning of Section 9.01; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the City pursuant to the Trust Agreement.

“Participating Underwriter” has the meaning ascribed thereto in the Continuing Disclosure Agreement.

“Pension Board” means the Pension Board of the City of Richmond, California established under Section 1 of Article XI of the Charter.

“Pension Fund” means the City of Richmond Police and Fireman’s Tax Override

Pension Fund established under Article XI of the Charter.

“Pension Tax Override” means the *ad valorem* tax override annually levied at the rate of 0.14% of the assessed value of all taxable property within the City pursuant to Article XIII A, Section 1(b)(1) of the California Constitution.

“Pension Tax Override Ordinance” means Ordinance No. 5-98 N.S., as amended by Ordinance No. 9-99 N.S. adopted by the City Council on March 30, 1999.

“Pension Tax Override Revenues” means all of the revenues received by or payable to the City from the Pension Tax Override.

“Permitted Investments” means any of the following to the extent permitted by the laws of the State:

- (1) United States Treasury notes, bonds, bills, or certificates of indebtedness, or obligations for which the faith and credit of the United States of America are pledged for the payment of principal and interest (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America and securities which represent an undivided interest in such direct obligations), and also any securities now or hereafter authorized, the timely payment of both the principal of and interest on which is guaranteed fully and directly by the full faith and credit of the United States of America;
- (2) Bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act and bonds of any federal home loan bank established under said act; bonds, debentures, participation certificates or other obligations of the Government National Mortgage Pension Fund or the Federal National Mortgage Pension Fund established under the National Housing Act, as amended;
- (3) Demand deposits, time certificates of deposit or negotiable certificates of deposit issued by a state or nationally chartered bank or trust company, including the Trustee, or a state or national savings and loan association, provided that such certificates of deposit shall be (i) continuously and fully insured by the Federal Deposit Insurance Corporation or (ii) issued by any bank or trust company organized under the laws of any state of the United States, or any national banking association (including the Trustee), having a combined capital and surplus of at least \$500,000,000, whose non-guaranteed senior debt is rated in one of the two highest long-term rating categories by the Rating Agencies and such certificates shall have maturities of six months or less;
- (4) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States (including domestic branches of foreign banks and including the Trustee) or any national banking association or government bond dealer reporting to, trading with and recognized as a primary dealer by, the Federal Reserve Bank of New York, which agreement is secured at all times by collateral security described in clause (1) or (2) of the definition and in which the Trustee has a perfected security interest, and which collateral (a) is held by the Trustee or a third party agent, (b) is not subject to liens or claims of third parties, (c) has a market value determined as frequently and in an amount sufficient to satisfy the collateralization levels required by the Rating Agencies, and (d) failure to maintain the requisite collateral level will require the liquidation of the collateral;
- (5) Bankers’ acceptances which are issued by a bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee)

rated in one of the two highest long-term rating categories by the Rating Agencies; provided, that such banker's acceptances may not exceed 270 days' maturity;

(6) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by the Rating Agencies, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of five hundred million dollars (\$500,000,000) and whose debentures, other than commercial paper, are rated in one of the two highest long-term rating categories by the Rating Agencies; provided that purchases of eligible commercial paper may not exceed one hundred eighty (180) days' maturity nor represent more than ten percent (10%) of the outstanding commercial paper of an issuer corporation;

(7) Bonds, notes, warrants or other evidence of indebtedness of any of the states of the United States or of any political subdivision or public agency thereof which are rated in the highest short-term or one of the two highest long-term rating categories by the Rating Agencies;

(8) Government money market portfolios or money market funds, which portfolios shall have an "AAA" or equivalent rating by the Rating Agencies, including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services;

(9) Tax exempt securities rated "AAA" or equivalent by the Rating Agencies, for which the interest and principal has been provided by an escrow deposit which, in the opinion of an Independent Certified Public Accountant, is fully sufficient to pay the principal of and interest and redemption premium, if any, on such tax exempt securities at their stated maturity or redemption date;

(10) Guaranteed investment contracts with entities the unsecured debt securities of which are rated in one of the two highest long-term rating categories by the Rating Agencies or the equivalent of such ratings by virtue of guarantees or insurance arrangements;

(11) The Local Agency Investment Fund (as that term is defined in Section 16429.1 of the Government Code of the State, as such Section may be amended or recodified from time to time); and

(12) Any other investment authorized by the City which does not adversely affect the then current rating on the Bonds.

"Principal Account" means the account by that name established in Section 4.02.

"Rating Agencies" means Moody's Investors Service and Standard and Poor's, a division of the McGraw-Hill Companies or, in the event that Moody's Investors Service and Standard and Poor's no longer maintain ratings on the Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Bonds, but, in each instance, only so long as Moody's Investors Service, Standard and Poor's or other nationally recognized rating agency then maintains a rating on the Bonds.

"Record Date" means, with respect to an Interest Payment Date, the first day (whether or not such day is a Business Day) of the month in which such Interest Payment Date occurs.

"Representation Letter" means the blanket letter of representations of the City to The Depository Trust Company, New York, New York.

"Retirement Law" means Article XI of the Charter and Section 53215 and following of

the California Government Code.

“Securities Depositories” means: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification 440 South LaSalle Street, Chicago, Illinois 60605, Fax-(312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Fax-(215) 496-5058; or such other addresses and/or such other securities depositories as the City may designate to the Trustee.

“Special Fund” means the Richmond Pension Special Fund created in Section 4.01 (a) of the Trust Agreement.

“State” means the State of California.

“Surplus Account” means the account by that name established in Section 4.02.

“Supplemental Trust Agreement” means any trust agreement then in full force and effect which has been duly executed and delivered by the City and the Trustee amendatory of or supplemental to the Trust Agreement; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

“Trust Agreement” means that Trust Agreement, dated as of November 1, 1999, between the City and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions thereof.

“Trustee” means U.S. Bank Trust National Association or any other association or corporation which may at any time be substituted in its place as provided in Section 6.01.

“Written Request of the City” means an instrument in writing signed by the Mayor, City Manager or Director of Finance of the City, or a designee of any such officer, or by any other officer of the City duly authorized by the City Council of the City in writing to the Trustee for that purpose.

#### Trust Agreement Constitutes Contract.

In consideration of the acceptance of the Bonds by the Holders thereof, the Trust Agreement shall be deemed to be and shall constitute a contract among the City, the Trustee and the Holders from time to time of all Bonds authorized, executed, issued and delivered under the Trust Agreement and then Outstanding to provide for the payment of the interest on and principal of and redemption premiums, if any, on all Bonds which may from time to time be authorized, executed, issued and delivered under the Trust Agreement, subject to the agreements, conditions, covenants and provisions contained therein; and all agreements and covenants set forth in the Trust Agreement to be performed by or on behalf of the City shall be for the equal and proportionate benefit, protection and security of all Holders of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, sale, execution, issuance or delivery thereof or for any cause whatsoever, except as expressly provided in the Trust Agreement or therein.

#### Conditions for the Issuance of Additional Bonds.

The City may at any time issue Additional Bonds on a parity with the 1999 Series A

Bonds, but only subject to the following specific conditions, which are conditions precedent to the issuance of any such Additional Bonds:

The City shall be in compliance with all agreements and covenants contained in the Trust Agreement.

The issuance of such Additional Bonds shall have been authorized pursuant to an ordinance of the City and shall have been provided for by a Supplemental Trust Agreement, which shall specify the following:

The purpose for which such Additional Bonds are to be issued; provided that such Additional Bonds shall be applied solely for (i) the purpose of satisfying any obligation to make payments to the Pension Fund pursuant to the Retirement Law relating to pension benefits accruing to the Pension Fund's members, and/or for payment of all costs incidental to or connected with the issuance of Additional Bonds for such purpose, and/or (ii) the purpose of refunding any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding;

The authorized principal amount and designation of such Additional Bonds;

The date and the maturity dates of and the sinking fund payment dates, if any, for such Additional Bonds;

The Interest Payment Dates for such Additional Bonds;

The denomination or denominations of and method of numbering such Additional Bonds;

The redemption premiums, if any, and the redemption terms, if any, for such Additional Bonds;

The amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in the Interest Account hereinafter referred to; and

Such other provisions (including the requirements of a book-entry Bond registration system, if any) as are necessary or appropriate and not inconsistent with provisions of the Trust Agreement.

The Trustee shall have received a Certificate of the City to the effect that, for the Fiscal Year immediately preceding the Fiscal Year in which such Additional Bonds are being issued, the aggregate Pension Tax Override Revenues are at least equal to 2.0 times the Maximum Annual Debt Service on the Bonds and such Additional Bonds.

Procedure for the Issuance of Additional Bonds.

At any time after the sale of any Additional Bonds in accordance with the Retirement Law, the City shall execute such Additional Bonds for issuance under the Trust Agreement and shall deliver them to the Trustee, and thereupon such Additional Bonds shall be delivered by the Trustee to the purchaser thereof upon the Written Request of the City, but only upon receipt by the Trustee of the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Additional Bonds by the Trustee:

An executed copy of the Supplemental Trust Agreement providing for a Resolution authorizing the issuance of such Additional Bonds;

A Written Request of the City as to the delivery of such Additional Bonds;

An Opinion of Counsel to the effect that (1) the City has executed and delivered the Supplemental Trust Agreement, and the Supplemental Trust Agreement is valid and binding upon the City and (2) such Additional Bonds are valid and binding obligations of the City, and

such Additional Bonds have been duly and validly issued in accordance with the Retirement Law and with the Trust Agreement;

A Certificate of the City stating that all requirements of Article III have been complied with and containing any other such statements as may be reasonably necessary to show compliance with the conditions for the issuance of such Additional Bonds contained in the Trust Agreement;

Such further documents, money or securities as are required by the provisions of the Supplemental Trust Agreement providing for the issuance of such Additional Bonds.

Pledge of Pension Tax Override Revenues; Special Fund and Bond Fund; Deposits to Special Fund and Bond Fund.

All the Pension Tax Override Revenues, all money in the Bond Fund and the Note are irrevocably pledged to the punctual payment of the interest on and principal of and redemption premiums, if any, on the Bonds, and the Pension Tax Override Revenues, the Note and such other money shall not be used for any other purpose while any of the Bonds remain Outstanding; subject to the provisions of the Trust Agreement permitting application thereof for the purpose and in accordance with the terms and conditions set forth therein. This pledge shall constitute a first lien on the Pension Tax Override Revenues, the Note and such other money for the payment of the Bonds in accordance with the terms thereof. All the Pension Tax Override Revenues, together with any interest earned thereon, shall, so long as any Bonds shall be Outstanding, be transferred by the City immediately upon receipt to the Trustee for deposit in the "Richmond Pension Special Fund" (hereinafter called the "Special Fund"), which is created by the City and which fund the City covenants and agrees to maintain with the Trustee so long as any Bonds shall be Outstanding. Notwithstanding the foregoing, there shall not be deposited with the Trustee in the Special Fund any Pension Tax Override Revenues in an amount in excess of that amount which, together with all money then on deposit with the Trustee in the Special Fund and the accounts therein, shall be sufficient to discharge all Outstanding Bonds as provided in Section 9.01.

The City covenants and agrees that all Pension Tax Override Revenues, when and as received, will be received by the City in trust and will be immediately transferred by the City for deposit into the Special Fund and will be accounted for through and held in trust in the Special Fund, and the City shall have no beneficial right or interest in any of such money, except only as provided in the Trust Agreement. All such Pension Tax Override Revenues, whether received by the City in trust or deposited with the Trustee, all as provided in the Trust Agreement, shall nevertheless be disbursed, allocated and applied solely to the uses and purposes herein or therein set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the City.

The City creates a Bond Fund; which fund the Trustee covenants and agrees to maintain so long as any Bonds shall be Outstanding under the Trust Agreement. Upon receipt of Pension Tax Override Revenues in the Special Fund, the Trustee shall transfer from the Special Fund to the Bond Fund an amount which, when added to any amounts then on deposit in the Bond Fund, and taking into account the scheduled payments on the Note during the current Bond Year, if any, is equal to the Annual Debt Service on the Bonds for the current Bond Year. After making the transfer required by subsection (c), the Trustee shall transfer all remaining funds then on deposit in the Special Fund to the City and the City shall apply such funds as provided in the Pension Tax Override Ordinance.

The Trustee shall deposit amounts received from payment of the Note in the Bond Fund.

Allocation of Moneys in Bond Fund.

The Trustee shall transfer from the Bond Fund, in immediately available funds, for deposit into the following respective accounts (each of which is created by the Trust Agreement and which the Trustee shall maintain in trust separate and distinct from the other funds and accounts established under the Trust Agreement), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of funds sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any account subsequent in priority:

- (a) Interest Account,
- (b) Principal Account, and
- (c) Surplus Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in the Trust Agreement.

Interest Account.

On or before each Interest Payment Date, the Trustee shall set aside from the Bond Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Principal Account.

Commencing February 1, 2001 and thereafter on or before each August 1, the Trustee shall set aside from the Bond Fund and deposit in the Principal Account an amount of money equal to the amount of all sinking fund payments required to be made on such date into the respective sinking fund accounts for all Outstanding Term Bonds and the principal amount of all Outstanding Serial Bonds maturing on such August 1.

No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such August 1 plus the aggregate amount of all sinking fund payments required to be made on such date for all Outstanding Term Bonds.

The Trustee shall establish and maintain within the Principal Account a separate subaccount for the Term Bonds of each series and maturity, designated as the "Sinking Account" (the "Sinking Account"), inserting therein the series and maturity (if more than one such account is established for such series) designation of such Bonds. With respect to each Sinking Account, on each mandatory sinking account payment date established for such Sinking Account, the Trustee shall

apply the mandatory sinking account payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the series and maturity for which such Sinking Account was established, upon the notice and in the manner provided in Article II; provided that, at any time prior to giving such notice of such redemption, the Trustee may upon the Written Request of the City, apply moneys in such Sinking Account to the purchase for cancellation of Term Bonds of such series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account), as may be directed by the City, except that the purchase price (excluding accrued interest) shall not exceed the redemption price that would be payable for such Bonds upon redemption by application of such Mandatory Sinking Account Payment. If, during the twelve-month period immediately preceding said mandatory sinking account payment date, the Trustee has purchased Term Bonds of such series and maturity with moneys in such Sinking Account, such Bonds so purchased shall be applied, to the extent of the full principal amount thereof to reduce said mandatory sinking account payment.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as they shall become due and payable, whether at maturity or redemption, except that any money in any sinking fund account shall be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such sinking fund account was created.

The Trustee shall establish and maintain within the Principal Account separate accounts for the Term Bonds maturing on August 1, 2020 and August 1, 2029 designated as the Term Bonds Sinking Account. Subject to the terms and conditions set forth in this Section and Section 2.03(b), the Term Bonds maturing on August 1, 2020 shall be subject to mandatory sinking fund redemption prior to maturity, in part on August 1 of each year on and after August 1, 2014 by lot, from mandatory sinking account payments in the amounts set forth below at a redemption price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the redemption date. Subject to the terms and conditions set forth in this Section and Section 2.03(b), the Term Bonds maturing on August 1, 2029 shall be subject to mandatory sinking fund redemption prior to maturity, in part on August 1 of each year on and after August 1, 2021 by lot, from mandatory sinking account payments in the amounts set forth below at a redemption price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the redemption date.

Term Bonds Sinking Account

Mandatory Sinking Account Payment Date (August 1)	Mandatory Sinking <u>Account Payment</u>
2014	\$1,190,000
2015	1,625,000
2016	1,570,000
2017	1,520,000

2018	1,375,000
2019	1,375,000
2020*	795,000
2021	710,000
2022	620,000
2023	540,000
2024	455,000
2025	375,000
2026	295,000
2027	220,000
2028	145,000
2029*	75,000

\*maturity

Surplus Account.

Following the payments required by subsections (a) and (b) above on each August 1, any moneys remaining in the Bond Fund shall be deposited by the Trustee in the Surplus Account. Moneys deposited in the Surplus Account, including any earnings thereon, shall be transferred by the Trustee to the City and shall be applied by the City in accordance with the Pension Tax Override Ordinance. Any moneys remaining in the Surplus Account after the final payment of the Bonds is made on August 1, 2029 shall be transferred to the City and shall be applied by the City in accordance with the Pension Tax Override Ordinance.

Deposit and Investments of Money in Accounts and Funds.

All money held by the Trustee in any of the accounts or funds established pursuant to the Trust Agreement shall be invested in Permitted Investments at the Written Request of the City filed with the Trustee. If the Trustee has not received instructions within ten (10) days of receipt of funds or within ten (10) days of the maturity of funds held according to previously received instructions, the Trustee shall notify the City that it has no instructions on file. If no Written Request of the City is received, the Trustee shall invest funds held by it in Permitted Investments described in clause 8 of the definition thereof. Such investments shall, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement. All interest, profits and other income received from any money so invested shall be deposited in the Bond Fund. The Trustee shall have no liability or responsibility for any loss resulting from any investment made or sold in accordance with the provisions of this Article IV, except for any loss due to the negligence or willful misconduct of the Trustee. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charge therefor.

## Covenants of the City

### Punctual Payment and Performance.

The City will punctually pay the interest on and the principal of and redemption premiums, if any, to become due on every Bond issued under the Trust Agreement in strict conformity with the terms of the Trust Agreement and of the Bonds, and will faithfully observe and perform all the agreements and covenants to be observed or performed by the City contained in the Trust Agreement and in the Bonds.

### Extension of Payment of Bonds.

The City shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Trust Agreement, to the benefits of the Trust Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the City to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

### Additional Debt.

The City expressly reserves the right to enter into one or more other agreements or indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

### Power to Issue Bonds.

The City is duly authorized pursuant to law to issue the Bonds and to enter into the Trust Agreement. The Bonds and the provisions of the Trust Agreement are the legal, valid and binding obligations of the City in accordance with their terms. The Bonds constitute obligations imposed by law. In the event the City fails to deposit with the Trustee the amounts required to pay principal of, premium, if any, and interest on the Bonds by an Interest Payment Date, in accordance with the Pension Override Tax Ordinance, the Director of Finance shall forthwith transfer funds from the Pension Tax Override Revenues to the Trustee to the extent necessary to pay the principal of, premium, if any, and interest coming due on the Bonds on such Interest Payment Date.

### Accounting Records and Reports.

The Trustee will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of moneys on deposit in the funds and accounts established under the Trust Agreement and will provide such reports to the City on a quarterly basis or as requested by the City.

### Prosecution and Defense of Suits.

The City will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent involving the failure of the City to fulfill its obligations

under the Trust Agreement; provided that the Trustee or any affected Holder at its election may appear in and defend any such suit, action or proceeding. The City, to the extent permitted by law, will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the City, and will indemnify and hold harmless the Trustee against any attorney's fees or other expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions under the Trust Agreement, except for any loss, cost, damage or expense resulting from the active or passive negligence, willful misconduct or breach of duty by the Trustee. Notwithstanding any contrary provision thereof, this covenant shall remain in full force and effect even though all Bonds secured thereby may have been fully paid and satisfied.

#### Further Assurances.

Whenever and so often as reasonably requested to do so by the Trustee or any Holder, the City will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Holders all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Trust Agreement.

#### Waiver of Laws.

The City shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Trust Agreement or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the City to the extent permitted by law.

#### Continuing Disclosure

The City and the Trustee covenant and agree that they will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Trust Agreement, failure of the City or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an event of default; however, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% of the aggregate principal amount of Outstanding Bonds, shall) or any Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Trustee, as the case may be, to comply with its obligations under this Section.

#### Continuation and Collection of Pension Tax Override

The City covenants that, so long as any Bonds remain outstanding under the Trust Agreement, the City will comply with the following requirements:

The City will annually levy the Pension Tax Override;

The City will take such steps as are lawfully permitted by the City to enforce the collection of the Pension Tax Override; provided, that so long as the County of Contra Costa acts as the collection agency for property taxes in the City (including the Pension Tax Override), the City shall be deemed to be in compliance with this subsection (b) unless the County fails to perform its duties to collect the Pension Tax Override;

The City Council will not amend, or permit the amendment by initiative of, any legislative action heretofore taken by the City Council in respect of the levy of the Pension Tax Override to reduce the rate at which the Pension Tax Override is levied or reduce the property or classes of property against which it is levied; and

The City Council will not repeal, or permit the repeal by initiative of, the Pension Tax Override Ordinance.

### The Trustee

U.S. Bank Trust National Association, shall serve as the Trustee for the Bonds for the purpose of receiving all money which the City is required to deposit with the Trustee and for the purpose of allocating, applying and using such money as provided in the Trust Agreement and for the purpose of paying the interest on and principal of and redemption premiums, if any, on the Bonds presented for payment at the Corporate Trust Office of the Trustee with the rights and obligations provided in the Trust Agreement. The City agrees that it will at all times maintain a Trustee having a corporate trust office in California.

The City may at any time, unless there exists any event of default as defined in Section 8.01, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor shall be a bank or trust company doing business and having a corporate trust office in California, having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000) and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the City and by mailing to the Holders notice of such resignation. Upon receiving such notice of resignation, the City shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If, within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by the Trust Agreement.

The Trustee is authorized to pay or redeem the Bonds when duly presented for payment at maturity or on redemption prior to maturity. The Trustee shall cancel all Bonds upon payment thereof or upon the surrender thereof by the City and shall destroy such Bonds and a certificate of destruction shall be delivered to the City. The Trustee shall keep accurate records of all Bonds paid and discharged and cancelled by it.

The Trustee shall, prior to an event of default, and after the curing of all events of default that may have occurred, perform such duties and only such duties as are specifically set forth in the Trust Agreement and no implied duties or obligations shall be read into the Trust Agreement. The Trustee shall, during the existence of any event of default (that has not been cured), exercise

such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

#### Liability of Trustee.

The recitals of facts, agreements and covenants in the Trust Agreement and in the Bonds shall be taken as recitals of facts, agreements and covenants of the City, and the Trustee assumes no responsibility for the correctness of the same or makes any representation as to the sufficiency or validity of the Trust Agreement or of the Bonds, or shall incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it in the Trust Agreement, in the Bonds or in law or equity. The Trustee shall not be liable in connection with the performance of its duties under the Trust Agreement except for its own negligence, willful misconduct or breach of duty.

The Trustee shall not be bound to recognize any person as the Holder of a Bond unless and until such Bond is submitted for inspection, if required, and such Holder's title thereto satisfactorily established, if disputed.

The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Trust Agreement.

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request, order or direction of any of the Bondholders pursuant to the provisions of the Trust Agreement unless such Bondholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that may be incurred therein or thereby. The Trustee has no obligation or liability to the Holders for the payment of interest on, principal of or redemption premium, if any, with respect to the Bonds from its own funds; but rather the Trustee's obligations shall be limited to the performance of its duties under the Trust Agreement.

The Trustee shall not be deemed to have knowledge of any event of default unless and until an officer at the Trustee's Corporate Trust Office responsible for the administration of its duties under the Trust Agreement shall have actual knowledge thereof or the Trustee shall have received written notice thereof at its Corporate Trust Office. The Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in the Trust Agreement or of any of the documents executed in connection with the Bonds, or as to the existence of a default or event of default thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

The Trustee may execute any of the trusts or powers under the Trust Agreement or perform any duties thereunder either directly or by or through attorneys-in-fact, agents or receivers, shall not be answerable for the negligence or misconduct or any such attorney-in-fact, agent or receiver appointed by it in accordance with the standards specified above. The Trustee shall be entitled to

advice of counsel and other professionals concerning all matters of trust and its duty the Trust Agreement.

The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions of the Trust Agreement.

Whether or not therein expressly so provided, every provision of the Trust Agreement, or related documents relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article.

The Trustee shall be protected in acting upon any notice, resolution, requisition, request (including any Written Request of the City), consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Trust Agreement in good faith and in accordance therewith.

Whenever in the administration of its rights and obligations under the Trust Agreement the Trustee shall deem it necessary or desirable that a matter be established or proved prior to taking or suffering any action under the Trust Agreement, such matter (unless other evidence in respect thereof be therein specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the City, which certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

No provision of the Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties thereunder, or in the exercise of its rights or powers. The Trustee shall be entitled to interest on all amounts advanced by it thereunder at its prime rate plus two percent.

The Trustee shall have no responsibility, opinion, or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

All immunities, indemnifications and releases from liability granted in the Trust Agreement to the Trustee shall extend to the directors, employees, officers and agents thereof.

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall meet the requirements set forth in Section 6.01 of the Trust Agreement, shall be the successor to the Trustee thereunder and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor thereunder, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Amendment of the Trust Agreement.

The Trust Agreement and the rights and obligations of the City and of the Holders may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 7.02, are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, or extend the time of payment on any Bond without the express written consent of the Holder of such Bond, or (2) reduce the percentage of Bonds required for the written consent to any such amendment.

The Trust Agreement and the rights and obligations of the City and of the Holders may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Holders, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel, for any purpose that will not materially adversely affect the interests of the Holders, including (without limitation) for any one or more of the following purposes --

to add to the agreements and covenants required to be performed by the City other agreements and covenants thereafter to be performed by the City, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved in the Trust Agreement to or conferred therein on the City;

to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement and in any Supplemental Trust Agreement or in regard to questions arising under the Trust Agreement which the City may deem desirable or necessary and not inconsistent therewith;

to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in Article III (which shall be deemed not to adversely affect Holders);

to modify, amend or add to the provisions in the Trust Agreement or in any Supplemental Trust Agreement to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statutes hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by such statute or similar statute; or

to modify, amend or supplement the Trust Agreement and any Supplemental Trust Agreement in any manner that does not materially adversely affect the interest of Holders of Bonds.

The Trustee shall not be required to enter into or consent to any supplemental trust agreement which, in the sole judgment of the Trustee, may adversely affect the rights, obligations, powers, privileges, indemnities and immunities provided the Trustee in the Trust Agreement.

#### Disqualified Bonds.

Bonds owned or held by or for the account of the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in this article, and shall not be entitled to consent to or take any other action provided in this article.

#### Endorsement or Replacement of Bonds After Amendment.

After the effective date of any action taken as hereinabove provided, the City may determine that the Bonds may bear a notation by endorsement in form approved by the City as to

such action, and in that case upon demand of the Holder of any Outstanding Bonds and presentation of his Bond for such purpose at the office of the Trustee a suitable notation as to such action shall be made on such Bond. If the City shall so determine, new Bonds so modified as, in the opinion of the City, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Holder of any Outstanding Bond a new Bond or Bonds shall be exchanged at the office of the Trustee without cost to each Holder for its Bond or Bonds then Outstanding upon surrender of such Outstanding Bonds.

Amendment by Mutual Consent.

The provisions of this article shall not prevent any Holder from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

Attorney's Opinion Regarding Supplemental Agreements.

The Trustee may obtain an opinion of counsel that any amendments or supplements to the Trust Agreement complies with the provisions of this Article VII and the Trustee may conclusively rely upon such opinion.

Events of Default and Acceleration of Maturities.

If one or more of the following events (herein called "events of default") shall happen, that is to say:

if default shall be made by the City in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

if default shall be made by the City in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

if default shall be made by the City in the performance of any of the agreements or covenants required to be performed by the City, and such default shall have continued for a period of sixty (60) days after the City shall have been given notice in writing of such default by the Trustee or the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding, specifying such default and requiring the same to be remedied, provided, however, if the default stated in the notice can be corrected, but not within the applicable period, the Trustee and such Holders shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected.

if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such event of default the Trustee may, and upon the written request of the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding shall, by notice in writing to the City,

declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become due and payable, anything contained in the Trust Agreement or in the Bonds to the contrary notwithstanding. The Trustee shall promptly notify all Holders of any such event of default which is continuing.

This provision, however, is subject to the condition that if at any time after the principal of the Bonds then Outstanding shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the City shall deposit with the Trustee a sum sufficient to pay all matured interest on all of the Bonds and all principal of the Bonds matured prior to such declaration, with interest at the rate borne by such Bonds on such overdue interest and principal, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of interest on and principal of the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding, by written notice to the City and to the Trustee, may on behalf of the Holders of all the Bonds then Outstanding, rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

#### Application of Funds Upon Acceleration.

All moneys in the accounts and funds provided in Sections 2.11, 4.01 and 4.02 upon the date of the declaration of acceleration by the Trustee as provided in Section 8.01 and all amounts in the funds and accounts thereafter received by the City under the Trust Agreement shall be transmitted to the Trustee and shall be applied by the Trustee in the following order--

First, to the payment of the costs and expenses of the Trustee in providing for the declaration of such event of default, including reasonable compensation to its accountants and counsel, and any outstanding fees and expenses of the Trustee; and

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with (to the extent permitted by law) interest on the overdue interest and principal at the rate borne by such Bonds, and in case such money shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and (to the extent permitted by law) interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

#### Institution of Legal Proceedings by Trustee.

If one or more of the events of default shall happen and be continuing, the Trustee may, and upon the written request of the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Holders of Bonds under the Trust Agreement by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained therein, or in aid of the execution of any power therein

granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties under the Trust Agreement.

Non-Waiver.

Nothing in this article or in any other provision of the Trust Agreement or in the Bonds shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Holders of the Bonds at the respective dates of maturity or upon prior redemption, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Trust Agreement and in the Bonds.

A waiver of any default or breach of duty or contract by the Trustee or any Holder shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee or any Holder to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Holders by the Retirement Law or by this Article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Holders.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the City, the Trustee and any Holder shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Actions by Trustee as Attorney-in-Fact.

Any action, proceeding or suit which any Holder shall have the right to bring to enforce any right or remedy under the Trust Agreement may be brought by the Trustee for the equal benefit and protection of all Holders, whether or not the Trustee is a Holder, and the Trustee is appointed (and the successive Holders, by taking and holding the Bonds issued under the Trust Agreement, shall be conclusively deemed to have so appointed it) the true and lawful attorney-in-fact of the Holders for the purpose of bringing any such action, proceeding or suit and for the purpose of doing and performing any and all acts and things for and on behalf of the Holders as a class or classes as may be advisable or necessary in the opinion of the Trustee as such attorney-in-fact.

Remedies Not Exclusive.

No remedy in the Trust Agreement conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given thereunder or now or hereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Retirement Law or any other law.

Limitation on Holders' Right to Sue.

No Holder of any Bond issued under the Trust Agreement shall have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Trust

Agreement, unless (a) such Holder shall have previously given to the Trustee written notice of the occurrence of an event of default as defined in Section 8.01; (b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) said Holders shall have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Trust Agreement; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Trust Agreement, except in the manner therein provided, and that all proceedings at law or in equity to enforce any provision of the Trust Agreement shall be instituted, had and maintained in the manner therein provided and for the equal benefit of all Holders of the Outstanding Bonds.

#### Defeasance

#### Discharge of Bonds.

If the City shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated herein and therein, and shall pay or provide for the payment of all fees and expenses of the Trustee, then all agreements, covenants and other obligations of the City to the Holders of such Bonds under the Trust Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, the Trustee shall pay over or deliver to the City all money or securities held by it pursuant thereto which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the City shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with Section 2.03, (2) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) Permitted Investments of the type described in clause (1) of the definition of Permitted Investments and which are not subject to redemption prior to maturity (including any such Permitted Investments issued or held in book-entry form on the books of the City or the Treasury of the United States of America) or tax exempt obligations of a state or political subdivision thereof which have been defeased under irrevocable escrow instructions by the deposit of such money or Permitted Investments and which are then rated in the highest rating category by the Rating Agencies, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Independent Certified Public Accountant, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and

redemption premiums, if any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the City shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

#### Unclaimed Money.

Anything contained in the Trust Agreement to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds or interest thereon which remains unclaimed for two (2) years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such Bonds have become due and payable, shall be repaid by the Trustee to the City as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Holders shall not look to the Trustee for the payment of such Bonds; provided, however, that before being required to make any such payment to the City, the Trustee may, and at the request of the City shall, at the expense of the City, cause to be published once a week for two (2) successive weeks in a Financial Newspaper of general circulation in Los Angeles and in San Francisco, California and in the same or a similar Financial Newspaper of general circulation in New York, New York a notice that such money remains unclaimed and that, after a date named in such notice, which date shall not be less than thirty (30) days after the date of the first publication of each such notice, the balance of such money then unclaimed will be returned to the City.

#### Miscellaneous

##### Benefits of the Trust Agreement Limited to Parties.

Nothing contained in the Trust Agreement, expressed or implied, is intended to give to any person other than the City, the Trustee and the Holders any right, remedy or claim under or by reason thereof. Any agreement or covenant required therein to be performed by or on behalf of the City or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee and the Holders.

##### Waiver of Personal Liability.

No member, officer or employee of the City shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds by reason of their issuance, but nothing contained in the Trust Agreement shall relieve any such member, officer or employee from the performance of any official duty provided by the Retirement Law or any other applicable provisions of law or thereby.

##### Accounts and Funds; Business Days.

Any account or fund required to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or

statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Holders. Any action required to occur on a day which is not a Business Day shall be required to occur on the next succeeding Business Day.

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## APPENDIX D

### BOOK-ENTRY SYSTEM

*The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds, and other Bonds-related transactions by and between DTC, Participants and Beneficial Owners, is based on information furnished by DTC which the City believes to be reliable, but the City takes no responsibility for the completeness or accuracy thereof.*

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will issued for each maturity of Bonds, in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants ("Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchase of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of these purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners.

The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bonds documents. Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the securities within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of securities as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer or agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (or its nominee), the City, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

THE CITY, THE UNDERWRITER AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT, OR ANY INDIRECT PARTICIPANT, (II) THE DELIVERY OF ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE BONDOWNERS UNDER THE INDENTURE, (III) THE SELECTION BY DTC OR ANY

PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF A BOND, (IV) THE PAYMENT BY ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THE BONDS, (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE BONDOWNER OF THE BONDS, OR (VI) ANY OTHER MATTER.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY-ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY.

### **DTC's Year 2000 Efforts**

DTC management is aware that some computer applications, systems, and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "Year 2000 problems." DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to securityholders, book-entry deliveries, and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information of the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being year 2000 compliant; and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

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APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

City of Richmond  
Richmond, California

City of Richmond  
Taxable Limited Obligation Pension Bonds, 1999 Series A  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Richmond (the "Issuer") of \$36,280,000 aggregate principal amount of City of Richmond Taxable Limited Obligation Pension Bonds, 1999 Series A (the "Bonds"), issued pursuant to Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California (the "Act") and a trust agreement, dated as of October 1, 1999 (the "Trust Agreement"), between the Issuer and U.S. Bank Trust National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, certificates of the Issuer, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Trust Agreement and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, including the default judgment rendered on December 9, 1998 by the Superior Court of the City of Richmond in the action entitled The City of Richmond v. All Persons Interested, etc., Contra Costa County Superior Court Case No. C-99-01204, filed March 31, 1999, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof.

We have not undertaken to determine, or to inform any person, whether such actions are taken or omitted or events do occur or any facts come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer, including (without limitation) due authentication of the Bonds by the Trustee as required by the Indenture. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement. We call attention to the fact that the rights and obligations under the Bonds and the Trust Agreement, and their enforceability, may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of California (the "State"). We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding obligations of the Issuer.
2. The Trust Agreement has been duly executed and delivered by, and (assuming due authorization and execution thereof by the Trustee) constitutes the valid and binding obligation of, the Issuer.
3. The Bonds do not constitute a debt of the Issuer or the State or any political subdivision thereof within the meaning of any constitutional debt limit or restriction, and do not constitute an obligation for which the Issuer or the State is obligated to levy or pledge any form of taxation or for which the Issuer or the State has levied or pledged any form of taxation. The Bonds are not a debt of the State, and said State is not liable for the payment thereof.

4. Interest on the Bonds is exempt from State personal income taxes. We observe that interest on the Bonds is not excludable from gross income for federal income tax purposes. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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**APPENDIX F**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

BIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby conditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Insurer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

SPECIMEN

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## APPENDIX G

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Richmond (the "City") in connection with the issuance of its Taxable Limited Obligation Pension Bonds, 1999 Series A (the "Bonds"). The Bonds are being issued pursuant to a Trust Agreement, dated as of November 1, 1999 (the "Trust Agreement"), by and between the City and U.S. Bank Trust National Association, as trustee. The City covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean initially the City, or any successor Dissemination Agent designated in writing by the City (which may be the City) and which has filed with the City a written acceptance of such designation.

"Holders" shall mean registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit B.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 240 days after the end of the City's fiscal year (presently ending June 30), commencing with the report for the 1998-99 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the City that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report in a format suitable for reporting to the Repositories to the Dissemination Agent (if other than the City). If the City is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the City shall send a notice to each Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repositories of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the City stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the City for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The City's annual budget for the then current fiscal year, prepared in accordance with general accounting principles applicable to public entities.

(c) The aggregate assessed valuation of taxable property in the City for the then-current fiscal year and the amount of property taxes delinquent for the prior fiscal year if and to the extent not included in the audited financial statements of the City.

(d) Historical Pension Tax Override Revenues similar to the table in the section of the Official Statement entitled "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Historical Pension Tax Override Revenues."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is

a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) To the extent applicable and pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) principal and interest payment delinquencies.
- (ii) non-payment related defaults.
- (iii) modifications to rights of Bondholders.
- (iv) optional, contingent or unscheduled bond calls.
- (v) defeasances.
- (vi) rating changes.
- (vii) adverse tax opinions or events affecting the tax-exempt status of the Bonds.
- (viii) unscheduled draws on the debt service reserves reflecting financial difficulties.
- (ix) unscheduled draws on the credit enhancements reflecting financial difficulties.
- (x) substitution of the credit or liquidity providers or their failure to perform.
- (xi) release, substitution or sale of property securing repayment of the Bonds.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly file a notice of such occurrence with the Repositories or provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Trust Agreement. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the City's determination of materiality pursuant to Section 5(b).

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor

Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the City. Upon such resignation, the City shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the City. The City shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the City; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the City has not provided an information report in format suitable for filing with the Repositories. The Dissemination Agent shall not be required to monitor or enforce the City's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: November \_\_, 1999

CITY OF RICHMOND

By: \_\_\_\_\_

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Richmond, California

Name of Issue: Taxable Limited Obligation Pension Bonds, 1999 Series A

Date of Issuance: November \_\_, 1999

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. [The City anticipates that the Annual Report will be filed by City].

Dated: \_\_\_\_\_

CITY OF RICHMOND

By: [form only; no signature required]\_\_\_\_\_

EXHIBIT B

For purposes of the Securities and Exchange Commission Rule 15c2-12(b)(5), under the Securities Exchange Act of 1934, the following is a list of Nationally Recognized Municipal Securities Information Repositories as of the date of this agreement:

**Bloomberg Financial Market**

Municipal Repositories  
P.O. Box 840  
Princeton, NJ 08542-0840  
E-Mail: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)  
Telephone: (609) 279-3200  
Facsimile: (609) 279-5962

**Kenny Information Systems, Inc.**

Attn: Kenny Repository Service  
65 Broadway, 16th Floor  
New York, NY 10006  
Telephone: (212) 770-4595  
Facsimile: (212) 797-7994

**Thomson NRMSIR**

Attn: Municipal Disclosure  
395 Hudson Street, 3rd Floor  
New York, NY 10014  
E-Mail: [Disclosure@Muller.com](mailto:Disclosure@Muller.com)  
Telephone: (212) 807-5001 or  
(800) 689-8466  
Facsimile: (212) 989-2078

**DPC Data Inc.**

One Executive Drive, Suite 105  
Fort Lee, NJ 07024  
E-Mail: [NRMSIR@dpdata.com](mailto:NRMSIR@dpdata.com)  
Telephone: (201) 346-0701  
Facsimile: (201) 947-0107

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