

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Richmond Joint Powers Financing Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Series 2019B Bond for any period that such Series 2019B Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2019B Bonds or by a "related person" within the meaning of Section 147(f) of the Code. In the further opinion of Bond Counsel, interest on the Series 2019B Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2019B Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2019B Bonds. See "TAX MATTERS."

\$20,580,000

**RICHMOND JOINT POWERS FINANCING AUTHORITY POINT POTRERO  
LEASE REVENUE REFUNDING BONDS, SERIES 2019B**

**Dated: Date of Delivery****Due: May 1, as shown on the inside cover page**

This cover page contains certain information for general reference only. It is **not** intended to be a summary of this issue. Potential investors are advised to read entire Official Statement to obtain information essential to making an informed investment decision with respect to the Series 2019B Bonds. See also "CERTAIN RISKS TO BONDOWNERS." Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The Richmond Joint Powers Financing Authority (the "Authority") is issuing \$20,580,000 aggregate principal amount of Richmond Joint Powers Financing Authority Point Potrero Lease Revenue Refunding Bonds, Series 2019B (the "Series 2019B Bonds") pursuant to a Trust Agreement, dated as of August 1, 2019 (the "Trust Agreement") by and between the Authority and MUFJ Union Bank, N.A., as trustee (the "Trustee") and will be secured as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019B BONDS." The Series 2019B Bonds are being issued to: (i) defease and redeem on a current basis all of the Authority's \$26,830,000 outstanding Point Potrero Lease Revenue Bonds, Series 2009A and (ii) pay certain costs associated with the issuance of the Series 2019B Bonds. See "PLAN OF REFUNDING," "ESTIMATED SOURCES AND USES OF FUNDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019B BONDS—Series 2019B Reserve Account."

The Series 2019B Bonds are payable solely from, and secured solely by, Revenues of the Authority, consisting primarily of Base Rental Payments to be received by the Authority from the City under a Facility Lease, dated as of August 1, 2019 (the "Facility Lease"), by and between the City of Richmond (the "City") and the Authority, for the right to use and the possession of certain real property and facilities (the "Facilities"), consisting of Wharves No. 7 and 8 at the Point Potrero Marine Terminal of the Port of Richmond (the "Port") all as more fully described herein. The amount of the Base Rental Payments is calculated to be sufficient to pay principal of and interest on the Series 2019B Bonds when due.

As additional security for its Base Rental Payment obligation, the City pledges Net Port Revenues to the payment of the Base Rental Payments, *provided, however*, that if Net Port Revenues are insufficient to make any Base Rental Payment, such Base Rental Payment will be made from lawfully available funds in the General Fund of the City. Net Port Revenues consist of revenues from commercial activities at the Port, including rates and charges and other revenues, including amounts received pursuant to an AWC Operating Lease (the "AWC Operating Lease") between the City and Auto Warehousing Co. ("AWC") for an automobile transportation and processing facility (the "AWC Facility") at the Point Potrero Marine Terminal. Amounts received from AWC under the AWC Operating Lease include amounts received from American Honda Motor Co., Inc. ("American Honda") pursuant to a Minimum Annual Guaranty Agreement (the "Honda MAG Agreement"), by and among the City, American Honda and AWC and from other vehicle manufacturers using the AWC Facility. See "AWC FACILITY REVENUES." Pursuant to the AWC Operating Lease and the Facility Lease, AWC makes all payments under the AWC Operating Lease, including payments under the Honda MAG Agreement, directly to the Trustee for deposit in the Port Revenue Fund established under the Trust Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019B BONDS—Pledge of Net Port Revenues."

The City covenants in the Facility Lease to make all Base Rental Payments provided for therein to the Authority, subject to complete or partial abatement of such Base Rental Payments to the extent of substantial interference with use and occupancy by the City of all or any portion of the Facilities caused by material damage or destruction of the Facilities or condemnation thereof; provided, that no abatement shall occur to the extent that Net Port Revenues are available to pay Base Rental Payments. The City covenants in the Facility Lease to take such action as may be necessary to include such Base Rental Payments in its annual budgets and to make the necessary annual appropriations thereof. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019B BONDS."

The Series 2019B Bonds will be delivered as fully registered bonds without coupons, in book-entry only form, and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 2019B Bonds. Ownership interests in the Series 2019B Bonds will be available to the beneficial owners thereof in denominations of \$5,000 and any integral multiple thereof under the book-entry system maintained by DTC. Purchasers of Series 2019B Bonds will not receive physical certificates representing their ownership interest in the Series 2019B Bonds. So long as DTC or its nominee is the registered owner of the Series 2019B Bonds, payments of principal and interest with respect to the Series 2019B Bonds will be made by the Trustee directly to DTC or its nominee, which will in turn remit such payments to the beneficial owners of the Series 2019B Bonds. See APPENDIX G—"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Interest on the Series 2019B Bonds is payable on May 1 and November 1 of each year, commencing November 1, 2019.

**The Series 2019B Bonds are not subject to optional redemption prior to maturity. The Series 2019B Bonds are subject to extraordinary redemption as described herein.**

The Series 2019B Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof, solely from the Revenues as provided in the Trust Agreement, and the Authority is not obligated to pay them except from the Revenues. All the Series 2019B Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the Series 2019B Bonds as provided in the Trust Agreement. The Series 2019B Bonds are not a debt of the City, the State of California (the "State") or any of its political subdivisions, and neither the City, the State nor any of its political subdivisions is liable thereon, nor in any event shall the Series 2019B Bonds be payable out of any funds or properties other than those of the Authority as provided in the Trust Agreement. NEITHER THE FULL FAITH AND CREDIT OF THE AUTHORITY NOR THE CITY IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE SERIES 2019B BONDS AND NO TAX OR OTHER SOURCE OF FUNDS OTHER THAN THE REVENUES IS PLEDGED TO PAY THE INTEREST ON OR PRINCIPAL OF THE SERIES 2019B BONDS. NEITHER THE PAYMENT OF THE PRINCIPAL OF NOR INTEREST ON THE SERIES 2019B BONDS CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE CITY OR SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY, FORMERLY KNOWN AS THE RICHMOND REDEVELOPMENT AGENCY, THE PARTIES TO THE AGREEMENT CREATING THE AUTHORITY.

**This cover page contains certain information for general reference only. It is not a summary of this issue. Potential investors are advised to read this entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Series 2019B Bonds. See also "CERTAIN RISKS TO BONDOWNERS."**

The scheduled payment of principal of and interest on the Series 2019B Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2019B Bonds by Assured Guaranty Municipal Corp. See "BOND INSURANCE."



The Series 2019B Bonds are being offered by the Underwriter, as, when and if issued by the Authority and accepted by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the Authority and the City by the City Attorney and by Schiff Hardin LLP, San Francisco, California, Disclosure Counsel and for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California. It is expected that the Series 2019B Bonds will be available for delivery through the facilities of DTC on or about August 27, 2019.



Capital  
Markets

## MATURITY SCHEDULE

**\$20,580,000**

### **RICHMOND JOINT POWERS FINANCING AUTHORITY POINT POTRERO LEASE REVENUE REFUNDING BONDS, SERIES 2019B**

<b>Maturity Date (May 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP No.<sup>†</sup></b>
2020	\$4,205,000	4.000%	0.970%	102.040	764440 JW4
2021	3,945,000	4.000	0.980	105.012	764440 JX2
2022	4,100,000	4.000	1.000	107.906	764440 JY0
2023	4,270,000	5.000	1.010	114.368	764440 JZ7
2024	4,060,000	5.000	1.020	118.133	764440 KA0

<sup>†</sup> Copyright © 2019 CUSIP Global Services. CUSIP is a registered trademark of the American Bankers Association. CUSIP data are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Global Market Intelligence, and are provided for convenience of reference only. The CUSIP numbers listed above are being provided solely for the convenience of bondholders and neither the City nor the Underwriter makes any representation with respect to such numbers or undertake any responsibility for its accuracy. The CUSIP numbers are subject to being changed after the issuance of the Series 2019B Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2019B Bonds.

*No Offering May Be Made Except by this Official Statement.* 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 in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

*No Unlawful, Sales, Solicitations, or Offers.* 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 Series 2019B Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

*Use of this Official Statement.* This Official Statement is submitted in connection with the sale of the Series 2019B Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Series 2019B Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact.

*Effective Date.* This Official Statement speaks only as of its date. The information and expressions of opinions 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 affairs of the City or the Port since the date hereof. This Official Statement, including any supplement or amendment, is intended to be deposited with the Electronic Municipal Market Access site maintained by the Municipal Securities Rulemaking Board.

*Preparation of this Official Statement.* All descriptions and summaries of documents and statutes set forth do not purport to be comprehensive or definitive, and reference is made to each document and statute for complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each such document and statute. Certain capitalized terms used but not defined in this Official Statement are defined in APPENDIX D—"SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE TRUST AGREEMENT—DEFINITIONS."

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

*Stabilization of and Changes to Offering Prices.* In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the Series 2019B Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Series 2019B Bonds to certain dealers and others at prices lower than the initial public offering prices or at yields higher than the initial public offering yields set forth on the inside cover page and said initial offering prices or yields may be changed from time to time by the Underwriter.

The issuance and sale of the Series 2019B Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, and the Trust Agreement has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

*Website Information Not Incorporated by Reference.* The City maintains a website. Unless specifically indicated otherwise, the information presented on that website is not incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Series 2019B Bonds.

*Use of Estimates and Projections.* Certain statements contained in this Official Statement reflect not historical facts but forecasts and "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe," "plan," "budget," and similar expressions are intended to identify forward-looking statements. Projections, forecasts, assumptions, expressions of opinions, estimates and other forward statements are not to be construed as representations of fact and are qualified in their entirety by the cautionary statements set forth in 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 that 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 or do not occur.

Assured Guaranty Municipal Corp. makes no representation regarding the Series 2019B Bonds or the advisability of investing in the Series 2019B Bonds. In addition, Assured Guaranty Municipal Corp. has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty Municipal Corp. supplied by Assured Guaranty Municipal Corp. and presented under the heading "BOND INSURANCE" and APPENDIX H—"SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

**RICHMOND JOINT POWERS FINANCING AUTHORITY  
AND  
CITY OF RICHMOND**

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**GOVERNING BOARD AND CITY COUNCIL**

Tom Butt, *Mayor*  
Ben Choi, *Vice Mayor*  
Nathaniel Bates, *Councilmember*  
Eduardo Martinez, *Councilmember*  
Demnlus Johnson, *Councilmember*  
Jael Myrick, *Councilmember*  
Melvin Willis, *Councilmember*

**AUTHORITY AND CITY ADMINISTRATION**

Steven Falk, *Acting Executive Director of the Authority and Acting City Manager*  
Belinda Warner, *Treasurer/Auditor of the Authority and City Finance Director and Treasurer*  
Bruce Reed Goodmiller, *Authority General Counsel/ City Attorney*

**PORT OF RICHMOND**

James Matzorkis, *Port Director*

**PROFESSIONAL SERVICES**

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San Francisco, California  
*Bond Counsel*

MUFG Union Bank, N.A.  
San Francisco, California  
*Trustee*

Schiff Hardin LLP  
San Francisco, California  
*Disclosure Counsel*

Public Resources Advisory Group  
Oakland, California  
*Municipal Advisor*

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**\$20,580,000**  
**RICHMOND JOINT POWERS FINANCING AUTHORITY POINT POTRERO**  
**LEASE REVENUE REFUNDING BONDS, SERIES 2019B**

**INTRODUCTION**

*This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the Series 2019B Bonds to potential investors is made only by means of the entire Official Statement. All statements contained in this Introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. Capitalized terms used in this Official Statement and not defined elsewhere herein have the meanings given such terms under the Trust Agreement or the Facility Lease (both as defined herein). See APPENDIX D—“SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS.”*

**General; Authorization**

The purpose of this Official Statement, which includes the cover, through the appendices hereto, is to provide information in connection with the issuance and sale by the Richmond Joint Powers Financing Authority (the “Authority”) of \$20,580,000 aggregate principal amount of Richmond Joint Powers Financing Authority Point Potrero Lease Revenue Refunding Bonds, Series 2019B (the “Series 2019B Bonds”). The Series 2019B Bonds are being issued to: (i) to defease and redeem, on a current basis, all \$26,830,000 outstanding of the Authority’s Point Potrero Lease Revenue Bonds, Series 2009A (the “Refunded 2009A Bonds”); and (ii) pay certain costs associated with the issuance of the Series 2019B Bonds. The Series 2019B Bonds are payable solely from Revenues of the Authority, consisting principally of Base Rental Payments paid to the Authority by the City of Richmond (the “City”) for use and occupancy of the facilities identified as Wharves No. 7 and 8 (the “Facilities”) at the Point Potrero Marine Terminal of the Port of Richmond (the “Port”) pursuant to a Facility Lease, dated as of August 1, 2019 (the “Facility Lease”), by and between the City and the Authority. The amount of the Base Rental Payments is calculated to be sufficient to pay principal of and interest on the Series 2019B Bonds when due. The Facilities are adjacent to the AWC Facility described below. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019B BONDS.”

The Series 2019B Bonds are special limited obligations of the Authority, issued pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California and a Trust Agreement, dated as of August 1, 2019 (the “Trust Agreement”), by and between the Authority and MUFG Union Bank, N.A., as trustee (the “Trustee”).

**Security and Sources of Payment for the Series 2019B Bonds**

The Authority has entered into a site lease dated as of July 1, 2009 (the “Site Lease”), pursuant to which the Authority leased certain real property, including the Facilities from the Richmond Surplus Property Authority. Simultaneously with the delivery of the Series 2019B Bonds, the Authority will enter into the Facility Lease with the City, pursuant to which the City will lease the Facilities from the Authority and covenants to make Base Rental Payments to the Authority for use and occupancy of the Facilities. Base Rental Payments are payable from Net Port Revenues of the City’s Port Enterprise, as defined in Ordinance No. 27-08 N.S., adopted by the City Council on November 25, 2008, amending and restating Ordinance No. 1-99 N.S., adopted by the City Council on January 12, 1999 (the “Ordinance”) and to the extent Net Port Revenues are insufficient to pay Base Rental Payments, from legally available

amounts in the General Fund of the City. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019B BONDS.” Net Port Revenues consist of revenues from commercial activities at the Port, including rates and charges and other revenues, including amounts received pursuant to an AWC Operating Lease (the “AWC Operating Lease”) between the City and Auto Warehousing Co. (“AWC”) for an automobile transportation and processing facility (the “AWC Facility”) at the Point Potrero Marine Terminal. Amounts received from AWC include amounts received from American Honda Motor Co., Inc. (“American Honda”) pursuant to a Minimum Annual Guaranty Agreement (the “Honda MAG Agreement”), by and among the City, American Honda and AWC and from other vehicle manufacturers using the AWC Facility. See “AWC FACILITY REVENUES” and “THE PORT.” Pursuant to the AWC Operating Lease and the Facility Lease, AWC makes all payments under the AWC Operating Lease, including payments made by American Honda, under the Honda MAG Agreement, directly to the Trustee for deposit in the Port Revenue Fund established under the Trust Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019B BONDS—Pledge of Net Port Revenues. The City expects Net Port Revenues to be sufficient to pay 100% of the Base Rental Payments to the Authority in order to pay the principal of and interest on the Series 2019B Bonds when due but no assurance can be given that the Net Port Revenues will be available at the times or in the amounts expected by the City. The obligation of the City to pay the Base Rental Payments is not contingent upon the receipt of Net Port Revenues.

The City covenants in the Facility Lease to make all Base Rental Payments provided for therein to the Authority, subject to complete or partial abatement of such Base Rental Payments in the event of substantial interference with use and occupancy by the City of all or a portion of the Facilities caused by material damage or destruction of the Facilities or condemnation thereof; provided, that abatement shall not occur to the extent that Net Port Revenues are available to pay Base Rental Payments. The City also covenants in the Facility Lease to take such action as may be necessary to include such Base Rental Payments in its annual budgets and to make the necessary annual appropriations therefor. See “SECURITY AND SOURCES OF PAYMENTS FOR THE SERIES 2019B BONDS—Facility Lease—*Abatement*.”

THE SERIES 2019B BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT DESCRIBED HEREIN), AND NONE OF THE CITY, THE STATE, OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT DESCRIBED HEREIN) IS LIABLE THEREFOR. IN NO EVENT SHALL THE SERIES 2019B BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY OR THE CITY AS SET FORTH IN THE TRUST AGREEMENT. THE AUTHORITY HAS NO TAXING POWER. THE SERIES 2019B BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

***Reserve Fund.*** The Trust Agreement establishes a Series 2019B Reserve Account within the Reserve Fund for the Series 2019B Bonds in an amount equal to the Series 2019B Reserve Account Requirement. The Series 2019B Reserve Account Requirement will be satisfied by the delivery to the Trustee, for credit to the Series 2019B Reserve Account, of a Municipal Bond Debt Service Reserve Insurance Policy (the “Series 2019B Reserve Account Policy”) issued by the Bond Insurer (defined below). See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019B BONDS—SERIES 2019B Reserve Account.”

## **No Optional Redemption**

The Series 2019B Bonds are not subject to optional redemption prior to maturity. However, the Series 2019B Bonds are subject to extraordinary redemption as described herein.

## **Bond Insurance**

The scheduled payment of principal of and interest on the Series 2019B Bonds when due will be guaranteed under an insurance policy (the “Bond Insurance Policy”) to be issued concurrently with the delivery of the Series 2019B Bonds by Assured Guaranty Municipal Corp. (the “Bond Insurer”). See “BOND INSURANCE” and APPENDIX H—“SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

## **Risks to Bondowners**

An investment in the Series 2019B Bonds involves risk. Investors are advised to read the entire Official Statement to obtain information essential to making an informed decision to invest in the Series 2019B Bonds. For a discussion of certain investment considerations and risk factors that should be considered by prospective purchasers of the Series 2019B Bonds, in addition to the other matters presented in this Official Statement, see “CERTAIN RISKS TO BONDOWNERS.”

## **Continuing Disclosure**

The City has covenanted to provide, or cause to be provided, in accordance with Securities Exchange Commission Rule 15c2-12(b)(5) (the “Rule”), certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with the Rule. See “CONTINUING DISCLOSURE.”

## **References to Documents**

This Official Statement contains brief descriptions of, among other things, the Series 2019B Bonds, the Ordinance, the Site Lease, the Facility Lease, the Trust Agreement, the Continuing Disclosure Agreement, dated the date of delivery of the Series 2019B Bonds (the “Continuing Disclosure Agreement”) between the City and Willdan Financial Services, as dissemination agent, the Honda MAG Agreement and the AWC Operating Lease (each as defined herein). Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by reference to such documents, and references to the Series 2019B Bonds are qualified in their entirety by reference to the forms of the Series 2019B Bonds included in the Trust Agreement. Copies of the Trust Agreement, the Site Lease, the Facility Lease, the Continuing Disclosure Agreement, the Honda MAG Agreement, the AWC Operating Lease and other documents described in this Official Statement may be obtained from the Trustee, 350 California Street, 11th Floor, San Francisco, California 94104.

Capitalized terms used herein and not otherwise defined shall have the meaning given in the Trust Agreement and the Facility Lease. For a summary of the Trust Agreement and the Facility Lease, see APPENDIX D—“SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”

For information concerning the City and the Port, including selected financial and operating information and information incorporated by reference, see APPENDIX A—“CERTAIN DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION REGARDING THE CITY OF RICHMOND” and APPENDIX C—“THE PORT OF RICHMOND.”

## Additional Information

The City regularly prepares a variety of publicly available reports, including audits, budgets and related documents. Any Series 2019B Bondholder may obtain a copy of any such report, as available, from the Trustee or the City. Additional information regarding this Official Statement may be obtained by contacting the Trustee or Belinda Warner, Finance Director and Treasurer, City of Richmond, Richmond City Hall, 450 Civic Center Plaza, Richmond, California 94804.

## PLAN OF REFUNDING

The Series 2019B Bonds are being issued to provide funds to: (i) redeem and defease on a current basis all of the Authority's \$26,830,000 outstanding principal amount of Point Potrero Lease Revenue Bonds, Series 2009A (the "Refunded Bonds"); and (ii) pay costs associated with the issuance of the Series 2019B Bonds.

The Refunded Bonds are expected to be redeemed in full on the date of delivery of the Series 2019B Bonds.

## ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the financing are set forth in the following table:

<b>Sources of Funds</b>	
Principal Amount of Series 2019B Bonds	\$20,580,000.00
<i>Plus:</i> Original Issue Premium	1,957,364.80
<i>Plus:</i> Refunded Bonds Reserve Fund	4,718,857.84
<i>Plus:</i> Refunded Bonds Revenue Fund	323,861.98
<i>Plus:</i> Series 2009A/B Bonds Project Fund	89,942.57
TOTAL SOURCES	<u>\$27,670,027.19</u>
<b>Uses of Funds</b>	
Payment of Refunded Bonds <sup>(1)</sup>	\$27,090,847.22
Costs of Issuance <sup>(2)</sup>	579,179.97
TOTAL USES	<u>\$27,670,027.19</u>

<sup>(1)</sup> See "PLAN OF REFUNDING."

<sup>(2)</sup> Includes fees and expenses of Bond Counsel, Disclosure Counsel and the Municipal Advisor, the Underwriter's discount, premiums for the Bond Insurance Policy and the Series 2019B Reserve Account Policy, initial fees of the Trustee, title company fees, rating agency fees, printing costs and other miscellaneous costs. For details regarding the Underwriter's discount for each of the Series 2019B Bonds, see "UNDERWRITING."

**DEBT SERVICE SCHEDULE**

Set forth below are the principal, interest and total debt service requirements for the Series 2019B Bonds.

<b>Payment Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Annual Debt Service</b>
November 1, 2019	–	\$161,155.56	\$161,155.56	–
May 1, 2020	\$4,205,000	453,250.00	4,658,250.00	\$4,819,405.56
November 1, 2020	–	369,150.00	369,150.00	–
May 1, 2021	3,945,000	369,150.00	4,314,150.00	4,683,300.00
November 1, 2021	–	290,250.00	290,250.00	–
May 1, 2022	4,100,000	290,250.00	4,390,250.00	4,680,500.00
November 1, 2022	–	208,250.00	208,250.00	–
May 1, 2023	4,270,000	208,250.00	4,478,250.00	4,686,500.00
November 1, 2023	–	101,500.00	101,500.00	–
May 1, 2024	4,060,000	101,500.00	4,161,500.00	4,263,000.00
<b>TOTAL</b>	<b>\$20,580,000</b>	<b>\$2,552,705.56</b>	<b>\$23,132,705.56</b>	<b>\$23,132,705.56</b>

**THE SERIES 2019B BONDS**

**General**

The Series 2019B Bonds will be issued in the aggregate principal amount of \$20,580,000. The Series 2019B Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, and will be dated the date of delivery thereof and will mature on May 1 of the years and in the amounts set forth on the inside cover page hereof. Interest on the Series 2019B Bonds is payable from their dated date, at the rates set forth on the inside cover page hereof, on May 1 and November 1 of each year, commencing November 1, 2019.

The Series 2019B Bonds will be dated the date of delivery thereof and will mature on the dates and in the amounts set forth on the inside cover page hereof. Interest on the Series 2019B Bonds is payable from their dated date. The Series 2019B Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC,” and together with any successor securities depository, the “Securities Depository”). DTC will act as Securities Depository for the Series 2019B Bonds so purchased. Individual purchases will be made only in book-entry form. Purchasers will not receive physical certificates representing their beneficial ownership interest in the Series 2019B Bonds. So long as the Series 2019B Bonds are registered in the name of Cede & Co., payment of the principal of, premium, if any, and interest on the Series 2019B Bonds will be payable to DTC or its nominee. DTC in turn will remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX G—“DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

THE SERIES 2019B BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT DESCRIBED HEREIN), AND NONE OF THE CITY, THE STATE, OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT DESCRIBED HEREIN) IS LIABLE THEREFOR. IN NO EVENT SHALL THE SERIES 2019B BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY OR THE CITY

AS SET FORTH IN THE TRUST AGREEMENT. THE AUTHORITY HAS NO TAXING POWER. THE SERIES 2019B BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

### **Redemption Provisions**

*No Optional Redemption of the Series 2019B Bonds.* The Series 2019B Bonds are not subject to optional redemption prior to their respective maturities.

*Extraordinary Redemption.* The Series 2019B Bonds are subject to extraordinary redemption by the Authority on any date prior to their respective stated maturities, upon notice as provided in the Trust Agreement, as a whole or in part by lot within each stated maturity in denominations of \$5,000 or any integral multiple thereof, from prepayments made by the City pursuant to the Facility Lease from the proceeds of insurance or condemnation awards as provided in the Facility Lease, at a redemption price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the date fixed for redemption. If less than all of the Outstanding Bonds are to be redeemed on any one date, the Trustee is required to select, in accordance with written directions from the Authority, the Bonds to be redeemed in part from the Outstanding Bonds so that the aggregate annual principal amount of, and interest on, Bonds which will be payable after such redemption date will be as nearly proportional as practicable to the aggregate annual principal amount of, and interest on, Bonds Outstanding prior to such redemption date.

### **Redemption Procedures**

*Selection of Series 2019B Bonds for Redemption.* The Authority shall designate, in writing, which maturities of Bonds and the principal amount of Bonds which are to be redeemed (other than Bonds subject to redemption pursuant to the Trust Agreement). If less than all Outstanding Bonds of the same Series 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 by lot and shall promptly notify the Authority in writing of the numbers of the Bonds so selected for redemption. For purposes of such selection, Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed. In the event Term Bonds are designated for redemption, the Authority may designate which sinking account payments are allocated to such redemption.

*Notice of Redemption; Cancellation; Effect of Redemption.* Notice of redemption shall be mailed by first-class mail by the Trustee, not less than 20 nor more than 60 days prior to the redemption date to the respective Bondholders of the Bonds designated for redemption at their addresses appearing on the registration books of the Trustee. Each notice of redemption shall state the date of such notice, the date of issue of the Bonds, the Series, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity date 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 thereof, 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 shall not invalidate any of the proceedings taken in connection with such redemption.

The Trustee may give a conditional notice of redemption prior to the receipt of all funds or satisfaction of all conditions necessary to effect the redemption, provided that redemption shall not occur unless and until all conditions have been satisfied and the Trustee has on deposit and available or, if applicable, has received, all of the funds necessary to effect the redemption; otherwise, such redemption shall be cancelled by the Trustee and the Trustee shall mail notice of such cancellation to the recipients of the notice of redemption being cancelled.

The Authority may, at its option, on or prior to the date fixed for redemption in any notice of redemption, rescind and cancel such notice of redemption by Written Request to the Trustee and the Trustee shall mail notice of such cancellation to the recipients of the notice of redemption being cancelled.

If notice of redemption has been duly given as aforesaid and money for the payment of the Redemption Price of the Bonds called for redemption plus accrued interest to the redemption date is held by the Trustee, then on the redemption date designated in such notice Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on such Bonds shall cease to accrue, and the Bondholders of such Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof plus accrued interest to the Redemption Date.

## **THE FACILITIES**

### **General**

The Authority will lease the Facilities to the City pursuant to the Facility Lease. The City covenants in the Facility Lease to use the Facilities for public purposes and for the purposes for which the Facilities are customarily used.

The Facilities consist of Wharves No. 7 and 8 located at Terminal No. 7 at the Point Potrero Marine Terminal. Each wharf comprises a designated area within a concrete wharf structure, which was constructed in 1943, and consists of both the surface and the related pilings. The aggregate surface area of the Wharves No. 7 and 8 is approximately 192,000 square feet. These wharves are adjacent to the AWC Facility but is not a part of that facility and are not part of the property subject to the AWC Operating Lease. See “–Map of the AWC Facility and the Facilities.” See also APPENDIX C–“THE PORT OF RICHMOND–Facilities.”

### **Valuation**

The City has assigned a value to the Facilities of \$41 million based upon its current insured value.

### **Changes from Preliminary Official Statement**

The Preliminary Official Statement dated August 5, 2019 relating to the Series 2019B Bonds described the Facilities as Wharves No. 6A, 6B, 6C and 7. The change to Wharves No. 7 and 8 is made to accurately reflect the designations of such wharfage areas to those historically used by the Port. While this change represents a minor reduction of water frontage, the square footage and valuation of the Facilities are not materially altered.

## **SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019B BONDS**

### **General**

The Series 2019B Bonds (together with all Additional Bonds of the Authority authorized by and at any time Outstanding pursuant to the Trust Agreement, the “Bonds”) are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof solely from and secured by the Revenues pledged therefor in the Trust Agreement, together with other amounts (including proceeds of the sale of the Bonds) held in the funds and accounts held by the Trustee (other than the Rebate Fund). Revenues consist primarily of Base Rental Payments made by the City to the Authority for the use and occupancy of the Facilities, which Base Rental Payments will be paid from Net Port Revenues, and, if such amounts are insufficient, from legally available amounts in the City’s General Fund. See also “–Pledge of Net Port Revenues” and “CERTAIN RISKS TO BONDOWNERS– Limited Recourse to the City’s General Fund.”

NEITHER THE FULL FAITH AND CREDIT OF THE AUTHORITY NOR THE CITY OF RICHMOND IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE BONDS AND NO TAX OR OTHER SOURCE OF FUNDS OTHER THAN THE REVENUES IS PLEDGED TO PAY THE INTEREST ON OR PRINCIPAL OF THE BONDS. NEITHER THE PAYMENT OF THE PRINCIPAL OF NOR INTEREST ON THE BONDS CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE CITY OF RICHMOND OR SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY, FORMERLY KNOWN AS THE RICHMOND REDEVELOPMENT AGENCY, THE PARTIES TO THE AGREEMENT CREATING THE AUTHORITY.

### **Pledge of Revenues**

“Revenues” are defined in the Trust Agreement to mean (i) all Base Rental Payments and other payments paid by the City and received by the Authority pursuant to the Facility Lease (but not Additional Payments), and (ii) all interest or other income from any investment, pursuant to the Trust Agreement, of any money in any fund or account (other than the Rebate Fund).established pursuant to the Trust Agreement or the Facility Lease.

All Revenues, any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund), and any other amounts (excluding Additional Payments) received by the Authority in respect of the Facilities are irrevocably pledged and assigned to the payment of the interest and premium, if any, on and principal of the Bonds (and Related Obligations as defined in the Trust Agreement) as provided in the Trust Agreement, and the Revenues and other amounts pledged under the Trust Agreement are not permitted to be used for any other purpose while any of the Bonds (and Related Obligations) remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted in the Trust Agreement. The pledge of Revenues under the Trust Agreement constitutes a pledge of and charge and first lien upon the Revenues, all other amounts pledged under the Trust Agreement and all other moneys on deposit in the funds and accounts established under the Trust Agreement (other than amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the Bonds (and Related Obligations) in accordance with the terms of the Trust Agreement and the Bonds.

## Deposit of Revenues; Funds and Accounts

Under the Trust Agreement, the Authority assigns to the Trustee for the benefit of the Holders of the Bonds all Revenues held in any fund or account established under the Trust Agreement for deposit in the Revenue Fund. All money in the Revenue Fund is required to be disbursed, allocated, and applied by the Trustee solely for the uses and purposes set forth in the Trust Agreement.

**Allocation of Revenues.** The Trustee is required under the Trust Agreement to set aside the moneys in the Revenue Fund in the following respective accounts or funds in the following order of priority:

First:	Interest Account
Second:	Principal Account
Third:	Reserve Fund

**Interest Account.** On or before each Interest Payment Date, the Trustee is required to set aside from the Revenue Fund and deposit in the Interest Account that amount of money that is equal to the amount of interest coming 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 and available to pay interest on the Bonds is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Series 2019B Bonds on such Interest Payment Date.

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

**Principal Account.** On each May 1, commencing May 1, 2020, the Trustee is required to set aside from the Revenue 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 May 1 into the respective sinking fund accounts for all Outstanding Term Bonds and the principal amount of all Outstanding Serial Bonds maturing on such May 1. On or before each Redemption Date, the Trustee will set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the Redemption Price required to be paid on such Redemption Date.

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

All money in the Principal Account is required to be used and withdrawn by the Trustee solely for the purpose of paying the principal or Redemption Price of the Bonds as it becomes due and payable, whether at maturity or redemption, except that any money in any Sinking Account created under the Trust Agreement will be used and withdrawn by the Trustee only to redeem or to pay Term Bonds for which such Sinking Account was created.

**Reserve Fund.** After making the transfers from the Revenue Fund to the Interest Account and the Principal Account, funds remaining in the Revenue Fund are required to be deposited in the Reserve Fund to the extent necessary to increase the amount therein to the Reserve Requirement. See also “–Reserve Fund” and APPENDIX D–“SUMMARIES OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL

DOCUMENTS–TRUST AGREEMENT–Establishment and Maintenance of Accounts for Use of Money in the Reserve Fund–Reserve Fund.”

### **Series 2019B Reserve Account**

Within the Reserve Fund, the Trustee will establish, maintain and hold in trust a separate account designated the “Series 2019B Reserve Account,” which will be available to pay only the principal of and interest on the Series 2019B Bonds. Upon issuance of the Series 2019B Bonds, the Authority will satisfy the Series 2019B Reserve Account Requirement with the deposit with the Trustee of the Series 2019B Reserve Account Policy for the credit of the Series 2019B Reserve Account pursuant to the Trust Agreement. The term “Series 2019B Reserve Account Requirement” means, as of the date of issuance of the Series 2019B Bonds, an amount equal to \$2,253,736.48 (which is 10% of the proceeds from the sale of the Series 2019B Bonds), and as of any date of calculation thereafter (calculated on a Bond Year basis), an amount equal to the lesser of: (i) maximum annual Debt Service on all Outstanding Series 2019B Bonds; (ii) 125% of average annual debt service on all Outstanding Series 2019B Bonds; or (iii) 10% of the proceeds from the sale of the Series 2019B Bonds. The Trust Agreement permits the Reserve Fund to be funded with cash, a surety bond, an insurance policy, or a letter of credit, or any combination thereof, as described therein.

All money in the Series 2019B Reserve Account will be used and withdrawn by the Trustee for the purpose of replenishing the Interest Account or the Principal Account, in that order, in the event of any deficiency at any time in either of such accounts with respect to the Series 2019B Bonds, except that so long as the Authority is not in default under the Trust Agreement, any cash amounts in the Series 2019B Reserve Account in excess of the Series 2019B Reserve Account Requirement will be withdrawn from the Series 2019B Reserve Account and deposited in the Revenue Fund, on or before each Interest Payment Date for the Series 2019B Bonds. See APPENDIX D–“SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–TRUST AGREEMENT–Establishment and Maintenance of Accounts for Use of Money in the Reserve Fund–Reserve Fund.”

### **Port Revenue Fund**

Pursuant to the Trust Agreement, the Trustee is required to establish and maintain a Port Revenue Fund for the purpose of receiving and applying AWC Payments and payments made by American Honda under the Honda MAG Agreement in accordance with the Facility Lease. Amounts in the Port Revenue Fund shall be applied in the following order of priority:

(i) Upon request of the City, the Trustee will withdraw amounts from the Port Revenue Fund to pay Expenses of the Enterprise (as defined in the Ordinance); provided that the City certifies that other Revenues (as defined in the Ordinance) are not sufficient therefor and provided that the City certifies that the Expenses of the Enterprise as defined in the Ordinance.

(ii) On each May 1 and November 1, commencing on November 1, 2019, the Trustee will withdraw an amount from the Port Revenue Fund equal to the lesser of (A) the amount on deposit therein or (B) the amount of interest and principal, if any, on the Series 2019B Bonds payable on such date and transfer such amount to the Revenue Fund. Notwithstanding the foregoing, in the event that additional Port Obligations (as defined in the Ordinance) are issued on a parity with the Facility Lease, the Trustee will only apply amounts pursuant to this subsection (ii) to the extent that the City or any fiduciary for such parity Port Obligations has not notified the Trustee in writing that they are not otherwise payable to satisfy such parity Port Obligations.

(iii) On each May 2, commencing May 2, 2020, the Trustee will transfer any amounts remaining in the Port Revenue Fund to the City for its use pursuant to the Ordinance.

### **Prepayment From Insurance and Eminent Domain Proceeds**

The Facility Lease requires that the City prepay on any date from insurance (including proceeds of title insurance) and eminent domain proceeds, provided, however, that in the event of partial damage to or destruction of the Facilities caused by perils covered by insurance, if in the judgment of the Authority the insurance proceeds are sufficient to repair, reconstruct or replace the damaged or destroyed portion of the Facilities, such proceeds will be held by the Trustee and applied as set forth in the Facility Lease, all or any part of Base Rental Payments then unpaid so that the aggregate annual amounts of Base Rental Payments which will be payable after such prepayment date and which is required to be as nearly proportional as practicable to the aggregate annual amounts of Base Rental Payments unpaid prior to the prepayment date (taking into account the reduction in Base Rental allocable to future interest on the Bonds that are redeemed), at a prepayment amount equal to the redemption payment of the maximum amount of Bonds, including the principal thereof and the interest thereon to the date of redemption, plus any applicable premium redeemable from such proceeds.

Before making any prepayment of Base Rental Payments pursuant to the Facility Lease, the City is required, within five days following the event creating such right or obligation to prepay, give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be made, which date will be not less than 45 days from the date such notice is given.

### **Additional Bonds**

Pursuant to the Trust Agreement, the Authority may at any time issue Additional Bonds pursuant to a supplemental trust agreement, subject to satisfaction of certain provisions contained in the Trust Agreement, including among other requirements, that the City certifies in writing that, for each of the three Fiscal Years following the issuance of such Additional Bonds, Net Port Revenues are projected to equal at least 115% of average annual debt service on all Outstanding Bonds. Additional Bonds will be payable from the Revenues as provided in the Trust Agreement and secured by a pledge of and charge and lien upon the Revenues as provided in the Trust Agreement equal to the pledge, charge and lien securing the Outstanding Bonds theretofore issued under the Trust Agreement, but only subject to the specific conditions precedent in the Trust Agreement to the issuance of any such Additional Bonds. Additional Bonds may or may not be secured by a debt service reserve account, including a common debt service reserve account for more than one issuance of Additional Bonds. See APPENDIX D—"SUMMARIES OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—TRUST AGREEMENT—Additional Bonds."

### **Facility Lease**

*General.* Pursuant to the Facility Lease, the City leases the Facilities from the Authority.

Pursuant to the Trust Agreement, the Authority assigns certain of its rights under the Facility Lease to the Trustee for the benefit of the Owners of the Bonds, including its rights to receive Base Rental Payments and the net proceeds of title insurance or condemnation award thereunder, and its rights to exercise all the rights and remedies conferred on the Authority under the Facility Lease. The obligation of the City to make Base Rental Payments is payable from annual appropriations of the City from funds lawfully available therefor.

THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE FACILITY LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, OR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED TO MAKE BASE RENTAL PAYMENTS UNDER THE FACILITY LEASE.

***Appropriations Covenant.*** Pursuant to the Facility Lease, the City covenants to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its annual budgets, and to make the necessary annual appropriations for all such Base Rental Payments and Additional Payments as shall be required to provide funds in such year for such Base Rental Payments and Additional Payments. The City is required to deliver to the Authority and the Trustee within 60 days of adoption of the initial City budget, copies of the portion of such budget as adopted which appropriates all moneys necessary for the payment of Base Rental Payments and Additional Payments under the Facility Lease. The covenants on the part of the City under the Facility Lease are deemed and construed to be duties imposed by law, and it is the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform such covenants.

The Authority and the City understand and intend that the obligation of the City to pay Base Rental Payments and Additional Payments under the Facility Lease constitutes a current expense of the City and shall not in any way be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, nor shall anything contained in the Facility Lease constitute a pledge of the general tax revenues, funds or moneys of the City.

***Base Rental Payments.*** As rental for the use and occupancy of the Facilities, the City covenants under the Facility Lease to pay the Authority annual rental payments comprised of the principal components and semi-annual interest components, all in accordance with the Base Rental Payments Schedule attached as an Exhibit to the Facility Lease. Base Rental Payments will be calculated on an annual basis, and each annual Base Rental shall be divided into two interest components, due on May 1 and November 1, and one principal component, due on May 1, except that the first Rental Payment Period commences on the date of recordation of the Facility Lease and ends on May 1, 2020. Each Base Rental Payment installment is payable 15 days before its due date. Each Base Rental Payment shall be for the use of the Facilities for the 12-month period commencing on the May 2 of the period in which such installments are payable.

Base Rental Payments made by the City are payable from Net Port Revenues and, to the extent such amounts are insufficient therefor, from the City's General Fund. The City expects Net Port Revenues to be sufficient to pay 100% of the Base Rental Payments to the Authority in order to pay the principal of and interest on the Series 2019B Bonds when due but no assurance can be given that Net Port Revenues will be available at the times or in the amounts expected by the City. The obligation of the City to pay the Base Rental Payments is not contingent upon the receipt of Net Port Revenues.

For information as to Net Port Revenues, see "--Pledge of Net Port Revenues" and APPENDIX C--"THE PORT OF RICHMOND." For certain financial information relating to the City, see APPENDIX A--"CERTAIN DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION REGARDING THE CITY OF RICHMOND." For the audited financial statements of the City, APPENDIX B--"CITY OF RICHMOND CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018." See also "CERTAIN RISKS TO BONDOWNERS" for a discussion of certain risks inherent in the Facility Lease.

***Abatement.*** Base Rental Payments and Additional Payments shall be abated proportionately during any period in which, by reason of any material damage or destruction or defect in title (other than by condemnation which is otherwise addressed in the Facility Lease) there is substantial interference with the use and occupancy of the Facilities by the City in the proportion in which the cost of that portion of the Facilities rendered unusable bears to the cost of the whole of the Facilities. Such abatement shall continue from the period commencing with such damage, destruction or defect in title and ending with the substantial completion of the work of repair or reconstruction or resolution of defect. In the event of any such damage or destruction, the Facility Lease shall continue in full force and effect and shall be extended pursuant to the Facility Lease, and the City waives the benefits of the California Civil Code Section 1932(2) and 1933(4) and of Title 11 of the United States Code, Section 365(h) and any and all other rights to terminate the Facility Lease by virtue of any such damage, destruction or defect. Notwithstanding the foregoing, to the extent that moneys are available for the payment of Base Rental Payments from Net Port Revenues (including payments made by American Honda under the American Honda MAG Agreement or by AWC) or in any of the funds and accounts established under the Trust Agreement (except the Reserve Fund), Base Rental Payments will not be abated as described above but, rather, will be payable by the City as a special obligation payable solely from said funds and accounts. See APPENDIX D–“SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–FACILITY LEASE–Rental Payments; Use of Proceeds–Rental Abatement.”

***Insurance.*** The Facilities will be insured to the extent set forth in the Facility Lease. See APPENDIX D–“SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–FACILITY LEASE–Fire and Extended Coverage–Liability Insurance,” “–Liability Insurance,” “–Rental Interruption or Use and Occupancy Insurance” and “–Worker’s Compensation,” and “–Evidence of Title Insurance.”

**Fire and Extended Coverage Insurance.** The Facility Lease requires the City to procure and maintain or cause to be procured and maintained, throughout the term of the Facility Lease, insurance against loss or damage to any structures constituting any part of the Facilities by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance and sprinkler system leakage insurance, flood insurance, but only with respect to such portions of the Facilities that are situated in any zone designated by the U.S. Government as a flood zone, and earthquake insurance, if available on the open market from reputable insurance companies at a reasonable cost, as determined by the City.

The extended coverage insurance will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Facilities, excluding the cost of excavations, of grading and filling, and of land (except that such insurance may be subject to a deductible clause for any one loss of not to exceed \$100,000 or comparable amount adjusted for inflation or more in the case of earthquake insurance), or, in the alternative, shall be in an amount and in a form sufficient (together with moneys held under the Trust Agreement), in the event of total or partial loss, to enable the City to prepay the Base Rental Payments then unpaid, and to redeem all Outstanding Bonds. The City may provide self-insurance for such risks. The proceeds of all property insurance must be used to repair, reconstruct or replace the Facilities or any portion thereof which is destroyed or damaged, or to redeem the Bonds. For information regarding the City’s insurance coverage generally, see APPENDIX A–“CERTAIN DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION REGARDING THE CITY OF RICHMOND.”

**Liability Insurance.** The Facility Lease requires the City to procure and maintain or cause to be procured and maintained, throughout the term of the Facility Lease, a standard comprehensive general liability insurance policy or policies in protection of the Authority and its members, directors, officers, agents and employees, and the Trustee, insuring said parties against all direct or contingent loss or

liability for damages for personal injury, death or property damage occasioned by reason of the operation of the Facilities, with minimum liability limits of \$1,000,000 per occurrence and \$3,000,000 covering all such risks in aggregate. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks in aggregate. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the City. The City may provide self-insurance for this risk.

Rental Interruption or Use and Occupancy Insurance. The Facility Lease requires the City to procure and maintain or cause to be procured and maintained, rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Facilities as the result of any of the hazards covered by the Fire and Extended Coverage Insurance described above (provided with respect to earthquake insurance, only if available on the open market from reputable insurance companies at a reasonable cost, as determined by the City, and provided further that such rental interruption insurance coverage may not be provided by a plan of self-insurance), in an amount sufficient to pay the part of the total rent under the Facility Lease attributable to the portion of the Facilities rendered unusable (determined by reference to the proportion which the cost of such portion bears to the cost of the Facilities) for a period of at least two years, except that such insurance may be subject to a deductible clause of not to exceed \$250,000 or a comparable amount adjusted for inflation (or more in the case of earthquake coverage).

Worker's Compensation. The Facility Lease requires the City to maintain worker's compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure its employees against liability for compensation under the California Labor Code, as applicable to cities, or any act hereafter enacted as an amendment or supplement thereto. As an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the City. Such insurance may be maintained by the City in the form of self-insurance.

Title Insurance. The City obtained the title insurance on the Facilities in an amount equal to the aggregate principal amount of the Series 2019B Bonds, subject only to Permitted Encumbrances.

***Eminent Domain Proceeds.*** So long as any of the Bonds shall be Outstanding, any award made in eminent domain proceedings for taking the Facilities or any portion thereof shall be paid to the Trustee and applied to the prepayment of the Base Rental Payments as provided in the Facility Lease and to the redemption of Bonds. Any such award made after all of the Base Rental Payments and Additional Payments have been fully paid, or provision therefor made, shall be paid to the City. See APPENDIX D—"SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE FACILITY LEASE—Eminent Domain; Prepayment."

***Defaults and Remedies.*** Events of Default under the Facility Lease include the following: (i) the failure of the City to pay any rental payable under the Facility Lease when the same becomes due, time being expressly declared to be of the essence under the Facility Lease, (ii) the failure of the City to keep, observe or perform any other term, covenant or condition contained in the Facility Lease to be kept or performed by the City after notice and the elapse of a 60-day grace period, (iii) the City's interest in the Facility Lease or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Authority, as provided for in the Facility Lease, (iv) the City or any assignee shall file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or obligations, or offers to the City's creditors to effect a composition or extension of time to pay the City's debts or asks, seeks or prays for reorganization or to effect a plan of

reorganization, or for a readjustment of the City's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the City, or if a receiver of the business or of the property or assets of the City shall be appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the City shall make a general or any assignment for the benefit of the City's creditors, or (v) if the City shall abandon or vacate the Facilities.

Upon the occurrence of any Event of Default described above, the City will be deemed to be in default under the Facility Lease and the Trustee may exercise any and all remedies available pursuant to law or granted to the Authority pursuant to the Facility Lease and assigned to the Trustee pursuant to the Trust Agreement. Upon any such default, the Trustee, as assignee of the Authority, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(i) To terminate the Facility Lease in the manner provided in the Facility Lease on account of default by the City, notwithstanding any re-entry or re-letting of the Facilities as described by paragraph (ii) below, and to re-enter the Facilities and, to the extent permitted by law, remove all persons in possession thereof and all personal property whatsoever situated upon the Facilities and place such personal property in storage in any warehouse or other suitable place located within the County.

(ii) Without terminating the Facility Lease, (a) to collect each installment of rent as it becomes due and enforce any other terms or provision of the Facility Lease to be kept or performed by the City, regardless of whether or not the City has abandoned the Facilities, or (b) to exercise any and all rights of entry and re-entry upon the Facilities.

In addition to the other remedies set forth above, upon the occurrence of an Event of Default, the Trustee, as assignee of the Authority shall be entitled to proceed to protect and enforce the rights vested in the Trustee, as assignee of the Authority by the Facility Lease and under the Site Lease or by law or by equity. The provisions of the Facility Lease and the duties of the City and of its trustees, officers or employees shall be enforceable by the Trustee, as assignee of the Authority, by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Trustee, as assignee of the Authority, shall have the right to bring the following actions:

*Accounting.* By action or suit in equity to require the City and its trustees, officers and employees and its assigns to account as the trustee of an express trust.

*Injunction.* By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Authority.

*Mandamus.* By mandamus or other suit, action or proceeding at law or in equity to enforce the Authority's rights against the City (and its city council, officers and employees) and to compel the City to perform and carry out its duties and obligations under the law and its covenants and agreements with the City as provided in the Facility Lease.

**If an Event of Default occurs under the Facility Lease, there is no remedy of the acceleration of the total Base Rental Payments due over the term of the Facility Lease, and the Trustee is not empowered to sell a fee simple interest in the Facilities and use the proceeds of such sale to redeem the Series 2019B Bonds or pay debt service thereon.** See APPENDIX D—"SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—FACILITY LEASE—Default; Remedies."

For a further description of the provisions of the Facility Lease, including the terms thereof and a description of certain covenants therein, including, repair, reconstruction, maintenance, utilities, taxes, assessments, insurance, and events of default and available remedies, see APPENDIX D--“SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS--THE FACILITY LEASE--Default; Remedies.

### **Substitution and Release of Facilities**

***Substitution of Facilities.*** Pursuant to the Facility Lease, the City and the Authority may substitute real property for all or for part of the Facilities for purposes of the Facility Lease, subject to compliance with certain requirements set forth in the Facility Lease, including (i) that the City has beneficial use and occupancy of the Facilities, (ii) that the essentiality to the City of the Facilities after such substitution is comparable to its essentiality before the substitution, (iii) that the remaining useful life of the Facilities is at least as long as the remaining term of the Bonds; and (iv) that the annual fair rental value of the property that will constitute Facilities after such substitution will be at least equal to the maximum annual amount of Base Rental Payments becoming due for the remaining term of the Facility Lease.

***Release of Facilities.*** Pursuant to the Facility Lease, the City and the Authority may release any portion of the Facilities, subject to compliance with certain requirements set forth in the Facility Lease, including that the City certify that the annual fair rental value of the Facilities after such release will be at least equal to one hundred percent (100%) of the maximum amount of the Base Rental Payments becoming due in the then current or in any subsequent year ending on May 1; that the City certify that (A) such release does not adversely affect the City’s use and occupancy of the Facilities and (B) the useful life of the Facilities after any such release meets or exceeds the remaining term hereof.

See APPENDIX D--“SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS--THE FACILITY LEASE--Substitution and Release.”

### **Pledge of Net Port Revenues**

Ordinance No. 27-08 N.S., adopted by the City Council on November 25, 2008, amending and restating Ordinance No. 1-99 N.S., adopted by the City Council on January 12, 1999 (the “Ordinance”) creates a special fund and pledges and assigns Net Port Revenues thereof as security for Port Related Obligations, including Base Rental Payments under the Facility Lease. The Ordinance also creates a senior lien on all Net Revenues of the City’s Port Enterprise (the “Port Enterprise”) for the tolls, rates, rentals and other charges and all other income and receipts derived by the City from the operation of the Port minus expenses consisting of all costs of management, operation, maintenance and repair of the Port Enterprise. Pursuant to the Facility Lease, the City has pledged Net Port Revenues to the payment of rental payments thereunder.

To the extent that Net Port Revenues are available there shall be no abatement of Base Rental Payments. However, in the event that Net Port Revenues are unavailable or insufficient and the Facilities cannot be used by the City due to temporary or permanent damage, abatement shall occur as outlined above. See “--Facility Lease--Abatement.” For a description of the Port, its finances and historical Net Port Revenues. See APPENDIX C--“THE PORT OF RICHMOND.”

“Net Port Revenues” is defined as Net Revenues (defined below) excluding Special Facility Revenues. See “--Special Facility Revenues” below.

“Net Revenues” is defined in the Ordinance as all fees, tolls, rates, rentals and other charges received for and all other income and receipts derived by the City from the operation of or arising from the Enterprise, including the proceeds of sale of property (collectively, “Port Revenues”) less all costs of

management, operation, maintenance and repair of the entire port and harbor property, facilities and equipment, including the Port Terminal Facilities and all additions, extensions and improvements which may be made thereto, but excluding any Special Facilities (collectively, the “Enterprise”), including all incidental fees and expenses properly chargeable thereto and including obligations payable from Revenues under contracts entered into prior to the effective date of the Ordinance (collectively, “Expenses”).

In order to facilitate the transfer of Net Port Revenues to the Trustee, pursuant to the Facility Lease, the City will arrange to have all AWC Payments and payments by American Honda under the American Honda MAG Agreement, made directly to the Trustee for deposit in the Port Revenue Fund established under the Trust Agreement. See “–Pledge of Net Port Revenues,” “–Port Revenue Fund” and “AWC FACILITY REVENUES–American Honda MAG Agreement.”

THE BONDS ARE NOT A DEBT OF THE CITY, OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE CITY, THE STATE, NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE BONDS PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS PROVIDED IN THE TRUST AGREEMENT. THE AUTHORITY HAS NO TAXING POWER.

### **Special Facility Revenues**

Pursuant to the Facility Lease, the City may (i) designate an existing or planned facility, structure, equipment or other property, real or personal, which is located within the Enterprise or part of any facility or structure at the Enterprise as a “Special Facility,” (ii) provide that revenues earned by the City from or with respect to such Special Facility will constitute “Special Facility Revenue” and will not be included as Net Port Revenues, and (iii) issue Port Obligations secured in whole or in part by Special Facility Revenues primarily for the purpose of acquiring, constructing, renovating or improving, or providing financing to a third party to acquire, construct, renovate or improve, such Special Facility as provided in the Ordinance.

## **BOND INSURANCE**

*The following information was provided by Assured Guaranty Municipal Corp. (“AGM” or the “Bond Insurer”). No representation is made by the Authority, the City or the Underwriter as to the accuracy or completeness of this information. A specimen of the Policy is attached hereto as Exhibit H.*

### **Bond Insurance Policy**

Concurrently with the issuance of the Series 2019B Bonds, AGM will issue its Municipal Bond Insurance Policy for the Series 2019B Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Series 2019B Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

## **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

***Current Financial Strength Ratings.*** On August 13, 2019, Moody’s announced it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

On June 27, 2019, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 21, 2018, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

***Capitalization of AGM.*** At June 30, 2019:

- The policyholders’ surplus of AGM was approximately \$2,530 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. (“MAC”) (as described below) were approximately \$1,082 million. Such amount includes 100% of AGM’s contingency reserve and 60.7% of MAC’s contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,853 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM,(ii) the net unearned premium reserves and net deferred

ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

***Incorporation of Certain Documents by Reference.*** Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (filed by AGL with the SEC on May 10, 2019); and
- (iii) The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019 (filed by AGL with the SEC on August 8, 2019).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2019B Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE—Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

***Miscellaneous Matters.*** AGM makes no representation regarding the Series 2019B Bonds or the advisability of investing in the Series 2019B Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE."

## HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE FROM NET PORT REVENUES

Set forth on the following pages are tables showing Net Port Revenues and debt service coverage on a historical and projected basis.

### HISTORICAL DEBT SERVICE COVERAGE FROM NET PORT REVENUES

	<b>Fiscal Year 2013-14</b>	<b>Fiscal Year 2014-15</b>	<b>Fiscal Year 2015-16</b>	<b>Fiscal Year 2016-17</b>	<b>Fiscal Year 2017-18</b>	<b>Fiscal Year 2018-19<sup>(1)</sup></b>
<b>Revenues</b>						
Lease Income <sup>(2)</sup>	\$7,708,287	\$7,063,233	\$7,421,299	\$7,533,185	\$7,691,234	\$7,700,000
Service Charges	2,353,177	2,417,134	2,631,766	2,549,167	2,852,569	2,800,000
Other Revenues	140,487	0	27,354	425	36,443	35,000
<b>TOTAL OPERATING REVENUES</b>	<b>\$10,201,751</b>	<b>\$9,480,367</b>	<b>\$10,080,419</b>	<b>\$10,182,777</b>	<b>\$10,580,246</b>	<b>\$10,535,000</b>
<b>Expenses</b>						
Salaries and Benefits	\$1,038,924	\$883,260	\$694,471	\$895,338	\$586,419	\$600,000
General and administrative	1,919,894	1,854,273	2,278,144	2,077,409	1,994,000	2,000,000
Maintenance	222,425	648,781	1,778,312	454,317	1,559,527	1,000,000 <sup>(3)</sup>
Depreciation and amortization	3,097,121	3,476,105	3,510,058	4,077,251	3,775,336	3,800,000
Other	8,623	1,634	3,928	10,851	8,347	10,000
<b>TOTAL OPERATING EXPENSES</b>	<b>\$6,286,987</b>	<b>\$6,864,053</b>	<b>\$8,264,913</b>	<b>\$7,515,166</b>	<b>\$7,923,629</b>	<b>\$7,410,000</b>
<b>Operating Income (Loss)</b>	<b>\$3,914,764</b>	<b>\$2,161,314</b>	<b>\$1,815,506</b>	<b>\$2,667,661</b>	<b>\$2,656,617</b>	<b>\$3,125,000</b>
<b>Net Revenues (Excluding Depreciation)</b>	<b>\$7,011,885</b>	<b>\$5,637,419</b>	<b>\$5,325,564</b>	<b>\$6,744,912</b>	<b>\$6,431,953</b>	<b>\$6,925,000</b>
<b>Debt Service on 2009 Bonds</b>						
Series 2009A Tax-Exempt Debt Service	1,676,875	1,676,875	1,676,875	1,676,875	1,676,875	1,676,875
Series 2009B Taxable Debt Service	3,903,950	3,904,700	3,905,613	3,903,063	3,900,775	3,902,063
<b>TOTAL 2009 BONDS DEBT SERVICE</b>	<b>\$5,580,825</b>	<b>\$5,851,575</b>	<b>\$5,582,488</b>	<b>\$5,579,938</b>	<b>\$5,577,650</b>	<b>\$5,578,938</b>
<b>Annual Coverage</b>	<b>1.26x</b>	<b>1.09x</b>	<b>0.95x</b>	<b>1.21x</b>	<b>1.15x</b>	<b>1.24x</b>

(1) Revenues and Expenditures for Fiscal Year 2018-19 are projected assuming an increase of approximately 2% from the Fiscal Year 2017-18 actual amounts.

(2) Lease income includes amounts received pursuant to the Operating Lease and the American Honda MAG Agreement. See "AWC FACILITY REVENUES."

(3) Maintenance expense for Fiscal Year 2018-19 is projected based on a 5-year average, rounded up, and then increased by 2%.

Source: Compiled by RBC Capital Markets, LLC from Audited Financial Statements.

**PROJECTED DEBT SERVICE COVERAGE FROM NET PORT REVENUES**

	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2021-22</b>	<b>Fiscal Year 2022-23</b>	<b>Fiscal Year 2023-24</b>
<b>Revenues<sup>(1)</sup></b>					
Lease Income <sup>(2)</sup>	\$7,854,000	\$8,011,080	\$8,171,302	\$8,334,728	\$8,501,422
Service Charges	2,856,000	2,913,120	2,971,382	3,030,810	3,091,426
Other Revenues	35,700	36,414	37,142	37,885	38,643
<b>TOTAL OPERATING REVENUES</b>	<b>\$10,745,700</b>	<b>\$10,960,614</b>	<b>\$11,179,826</b>	<b>\$11,403,423</b>	<b>\$11,631,491</b>
<b>Expenses<sup>(1)</sup></b>					
Salaries and Benefits	\$612,000	\$624,240	\$636,725	\$649,459	\$662,448
General and administrative	2,040,000	2,080,800	2,122,416	2,164,864	2,208,162
Maintenance	1,020,000	1,040,400	1,061,208	1,082,432	1,104,081
Depreciation and amortization	3,800,000	3,800,000	3,800,000	3,800,000	3,800,000
Other	10,200	10,404	10,612	10,824	11,041
<b>TOTAL OPERATING EXPENSES</b>	<b>\$7,482,200</b>	<b>\$7,555,844</b>	<b>\$7,630,961</b>	<b>\$7,707,580</b>	<b>\$7,785,732</b>
<b>Operating Income (Loss)</b>	<b>\$3,263,500</b>	<b>\$3,404,770</b>	<b>\$3,548,865</b>	<b>\$3,695,843</b>	<b>\$3,845,760</b>
<b>Net Revenues (Excluding Depreciation)</b>	<b>\$7,063,500</b>	<b>\$7,204,770</b>	<b>\$7,348,865</b>	<b>\$7,495,843</b>	<b>\$7,645,760</b>
<b>SERIES 2019B BONDS DEBT SERVICE</b>	<b>\$4,819,406</b>	<b>\$4,683,300</b>	<b>\$4,680,500</b>	<b>\$4,686,500</b>	<b>\$4,263,000</b>
<b>Annual Coverage</b>	<b>1.47x</b>	<b>1.54x</b>	<b>1.57x</b>	<b>1.60x</b>	<b>1.79x</b>

(1) Projections assume both Revenues and Expenditures increase by approximately 2% annually from the Fiscal Year 2017-18 Actuals.

(2) Lease income includes amounts received pursuant to the Operating Lease and the American Honda MAG Agreement. See "AWC FACILITY REVENUES."  
Source: RBC Capital Markets, LLC.

## **AWC FACILITY REVENUES**

A significant source of Net Port Revenues available for payment of Base Rental Payments, and therefore debt service on the Series 2019B Bonds, are revenues derived from operation of the automobile warehousing and distribution facility (the “AWC Facility”) operated by Auto Warehousing Co. (“AWC”) at the Point Potrero Marine Terminal. The AWC Facility, comprises a portion of the “Facilities” under the Facility Lease.

The principal source of revenues deriving from operation of the AWC Facility is the American Honda MAG Agreement, pursuant to which American Honda agreed, in connection with the issuance of the Series 2009 Bonds, to transport a minimum of 145,000 vehicles per year through the 2009 Improvement Project (defined below), subject to certain carryover provisions in the event more vehicles are delivered in a given year. See also APPENDIX C–“THE PORT OF RICHMOND.”

Set forth below are discussions of the AWC Facility, including its historical revenues, the various agreements relating to the operation and maintenance of the AWC Facility and the private sector participants thereunder and the private sector users of the AWC facilities, including those with contractual financial obligations to AWC and the City.

### **Point Potrero Marine Terminal**

The Point Potrero Marine Terminal comprises Terminals 5, 6 and 7 of the Port. This terminal is comprised of approximately 90 acres located at 1301 Canal Boulevard and has docking facilities for vessels up to 1,000 feet at Terminal 7 with berthing depths varying from 32 to 38 feet below mean lower low water. The AWC Facility is located within the Point Potrero Marine Terminal.

### **The AWC Facility**

The AWC Facility, which consists of a 1,750-foot concrete wharf and four buildings with a total of approximately 65,000 square feet for receipt and distribution of automobiles manufactured in Japan intended for sale in North America. The AWC Facility is serviced directly by a rail connection to the BNSF Railway Company (“BNSF”) railway line with 84 rail car spots. The Series 2009 Bonds funded construction of substantial infrastructure improvements to facilitate its operations, including improvements to rail track and a storage/service yard owned by the City and improvements to rail track owned by BNSF, which serves the AWC Facility (collectively, the “2009 Improvement Project”). The 2009 Improvement Project was completed in 2012.

AWC services include port operations, vehicle processing for delivery to dealers, and rail operations. Current AWC customers at the AWC Facility include American Honda, Subaru of America and Ford Motor Company. The AWC Facility currently has the capacity to handle 150,000 automobiles per year.

The diagram under the caption “–Map of the AWC Facility and the Facilities” depicts the AWC Facility and the property which is the subject of the AWC Operating Lease. The diagram also shows the Facilities, which comprises the leased asset under the Facility Lease, the Base Rental Payments for which by the City secure the Series 2019B Bonds. (See “THE FACILITIES”) The diagram shows approximate boundaries for purposes of illustration.

## **AWC Operating Lease**

*The following is a brief summary of certain provisions of the AWC Operating Lease. This summary is not intended to be definitive and reference is made to the complete AWC Operating Lease, a copy of which may be obtained from the Trustee.*

**General.** In connection with the issuance of the Series 2009 Bonds, the City and AWC entered into a Second Amended and Restated Lease Agreement, which became effective on May 19, 2009, prior to the date of delivery of the Series 2009 Bonds (the “AWC Operating Lease”). Pursuant to the AWC Operating Lease, the City leases the AWC Facility to AWC. The original lease was amended to include additional operations to provide capacity for upwards of 145,000 automobiles per year from Japan.

The initial term of the AWC Operating Lease ends on July 1, 2025, which is the 15th anniversary of the MAG Commencement Date as defined therein. Substantial completion of the 2009 Improvement Project occurred on June 29, 2010. The term of the AWC Operating Lease may be extended by AWC for successive 5-year periods upon notice to the City.

The AWC Operating Lease provides for so long as the Series 2019B Bonds are outstanding, AWC will, on or before the fifteenth day following the close of each calendar month, pay to the Trustee any Wharfage Revenues and Storage Fees actually received by AWC during such month.

**Termination.** If AWC should ever be in default under the AWC Operating Lease beyond applicable notice and cure periods, if any, and the AWC Operating Lease is in jeopardy due to the failure of AWC to timely cure such default, and provided AWC is not diligently contesting such default in good faith, then City will not terminate the AWC Operating Lease without first providing American Honda the same notice and opportunity to cure such default on behalf of AWC, in American Honda’s sole discretion and at AWC’s cost and account to the extent not caused by any breach by American Honda of its obligations set forth in the MAG Agreement. If the AWC Operating Lease terminates for any reason or be rejected or disaffirmed pursuant to bankruptcy law or other law affecting creditors’ rights, American Honda shall have the right, exercisable by notice to City, within 20 days after the effective date of such termination, to enter into a new lease of the Facility from City.

The term of said new lease will begin on the effective date of the termination of the AWC Operating Lease and shall continue for the remainder of the term of the American Honda MAG Agreement. In the event American Honda elects to enter into such a new lease with City, American Honda shall provide assurances, reasonably satisfactory to the City, that American Honda will continue the business then being conducted by AWC at the Facility, including but not limited to the processing of vehicles supplied by American Honda and AWC’s other customers. Such new lease shall otherwise contain the same terms and conditions as those set forth in the Lease, except for requirements which are no longer applicable or have already been performed or other changes mutually agreed by American Honda and the City. American Honda or City may reasonably request changes which do not significantly affect the rights and obligations of either party under the Lease. In the event that American Honda does not elect to enter into such a new lease with City, American Honda shall have the right to make recommendations to the City concerning the selection of a replacement processor.

## **American Honda MAG Agreement**

*The following is a brief summary of certain provisions of the American Honda MAG Agreement. This summary is not intended to be definitive and reference is made to the complete American Honda MAG Agreement, a copy of which may be obtained from the Trustee.*

**Term.** In connection with the issuance of the Series 2009 Bonds, the City, American Honda and AWC entered in a Minimum Annual Guaranty Agreement (the “American Honda MAG Agreement”) which became effective on the date of delivery of the Series 2009 Bonds, among the City, American Honda and AWC. The term of the American Honda MAG Agreement expires on July 1, 2025, the 15th anniversary of the MAG Commencement Date (July 1, 2010) and over one year after the final maturity date of the Series 2019B Bonds. See “CERTAIN RISKS TO BONDOWNERS–Certain Risk Factors with Respect to the American Honda MAG Agreement.”

**Minimum Annual Guarantee.** Subject to the provisions of the American Honda MAG Agreement, American Honda irrevocably and unconditionally guarantees to the City that American Honda will transport at least 145,000 units to or from the Port of Richmond by vessel each year during the term of the MAG Agreement (the “MAG”). The American Honda MAG Agreement provides that if American Honda transports less than 145,000 vehicles in a given Year, American Honda will pay to the City certain amounts as calculated in accordance with the American Honda MAG Agreement.

The American Honda MAG Agreement provides that if American Honda transports more than 145,000 vehicles in a given Year, American Honda may carry forward, on a cumulative basis, the excess vehicles to meet its MAG obligations in future years in accordance with the American Honda MAG Agreement.

Since the MAG Commencement Date, American Honda has delivered fewer vehicles than the MAG commitment. In accordance with the American Honda MAG Agreement, American Honda has made additional payments to satisfy the required revenue commitment. Also, AWC has obtained additional customers for the AWC Facility, including primarily Subaru of America and more recently Ford Motor Company, for which the AWC Facility provides landside vehicle processing.

The following table sets forth the historical American Honda revenues, credits in accordance with the American Honda MAG Agreement, additional payments made by American Honda to satisfy its MAG revenue commitment, the MAG commitment and the payments made by American Honda net of the applicable credits, all for Fiscal Years ending 2011 through 2018.

**Port of Richmond  
Information Regarding American Honda MAG Revenues  
Fiscal Years 2011-2018**

<b>Fiscal Year Ending</b>	<b>American Honda Revenues<sup>(1)(2)</sup></b>	<b>Subaru Credit<sup>(3)</sup></b>	<b>Other Credit<sup>(4)</sup></b>	<b>Additional American Honda MAG Payment</b>	<b>Total American Honda MAG Revenues</b>	<b>Net American Honda MAG Revenues</b>
2011	\$2,349,462	–	–	\$2,392,038	\$4,741,500	\$4,741,500
2012	2,068,830	–	–	2,672,670	4,741,500	4,741,500
2013	1,161,046	\$56,635	–	3,523,819	4,741,500	4,684,865
2014	580,555	282,173	–	3,878,772	4,741,500	4,459,327
2015	356,855	428,753	–	3,955,892	4,741,500	4,312,747
2016	838,800	569,627	\$3,432	3,471,741	4,883,600	4,310,541
2017	960,463	512,656	10,687	3,543,344	5,027,150	4,503,807
2018	924,049	484,515	9,976	3,762,310	5,180,850	4,686,359

(1) Wharfage Rate \$25.50 per vehicle through 2015, escalating 3% annually in each year thereafter.

(2) Surcharge Rate \$7.20 per vehicle through 2015, escalating 3% annually in each year thereafter.

(3) Subaru Credit is 50% of actual wharfage rate for deliveries over 50,000 vehicles.

(4) Other Credit is 50% of average wharfage rate for all deliveries.

Source: AWC and the Port of Richmond.

The following table sets forth the actual number of vehicle deliveries for Fiscal Years ending 2011 through 2018 versus the American Honda MAG.

**Port of Richmond  
Vehicle Deliveries  
Fiscal Years 2011-2018**

<b>Fiscal Year Ending</b>	<b>American Honda Vehicles Delivered<sup>†</sup></b>	<b>Subaru Vehicles Delivered</b>	<b>Other Vehicles Delivered</b>	<b>Total All Vehicles Delivered</b>
2011	71,849	–	–	71,849
2012	63,267	–	–	63,267
2013	35,506	55,200	–	90,706
2014	17,754	75,616	–	93,370
2015	10,913	88,180	–	99,093
2016	24,905	99,984	131	125,020
2017	27,703	94,228	428	122,359
2018	25,862	90,844	1,390	118,096
<b>TOTAL</b>	<b>277,759</b>	<b>504,052</b>	<b>1,949</b>	<b>783,760</b>

<sup>†</sup> American Honda MAG is 145,000 vehicles per year.  
Source: AWC and the Port of Richmond.

**AWC Operating Lease Revenues**

The following table sets forth payments made by AWC pursuant to the Operating Lease deliveries for Fiscal Years ending 2014 through 2018.

**AWC Operating Lease Revenues  
Fiscal Years 2014-2018**

<b>Fiscal Year Ending</b>	<b>AWC Revenues</b>
2014	\$7,581,088
2015	6,908,642
2016	7,357,738
2017	7,433,745
2018	7,558,870

Source: AWC and the Port of Richmond.

**Operating Agreement**

The Port and Translogix, L.L.C. (“Translogix”), a subsidiary of AWC, have entered into a Marine Terminal Operating Agreement which became effective on the date of issuance of the Series 2009 Bonds (the “Operating Agreement”) pursuant to which Translogix provides administrative terminal operation and dockside services at the Facility.

## **Other Agreements**

There are a number of ancillary agreements relating to operations and management of, and other activities at, the Point Potrero Marine Terminal, which implement certain aspects of the operations plan addressed in the AWC Operating Lease.

### **The Series 2019B Bonds are *not* Obligations of AWC or American Honda**

Although AWC is the lessee under the AWC Operating Lease and American Honda has agreed to provide a minimum annual guarantee under the Honda MAG Agreement, neither AWC nor American Honda has any obligation for payment of debt service on the Series 2019B Bonds.

### **Information Regarding AWC and American Honda**

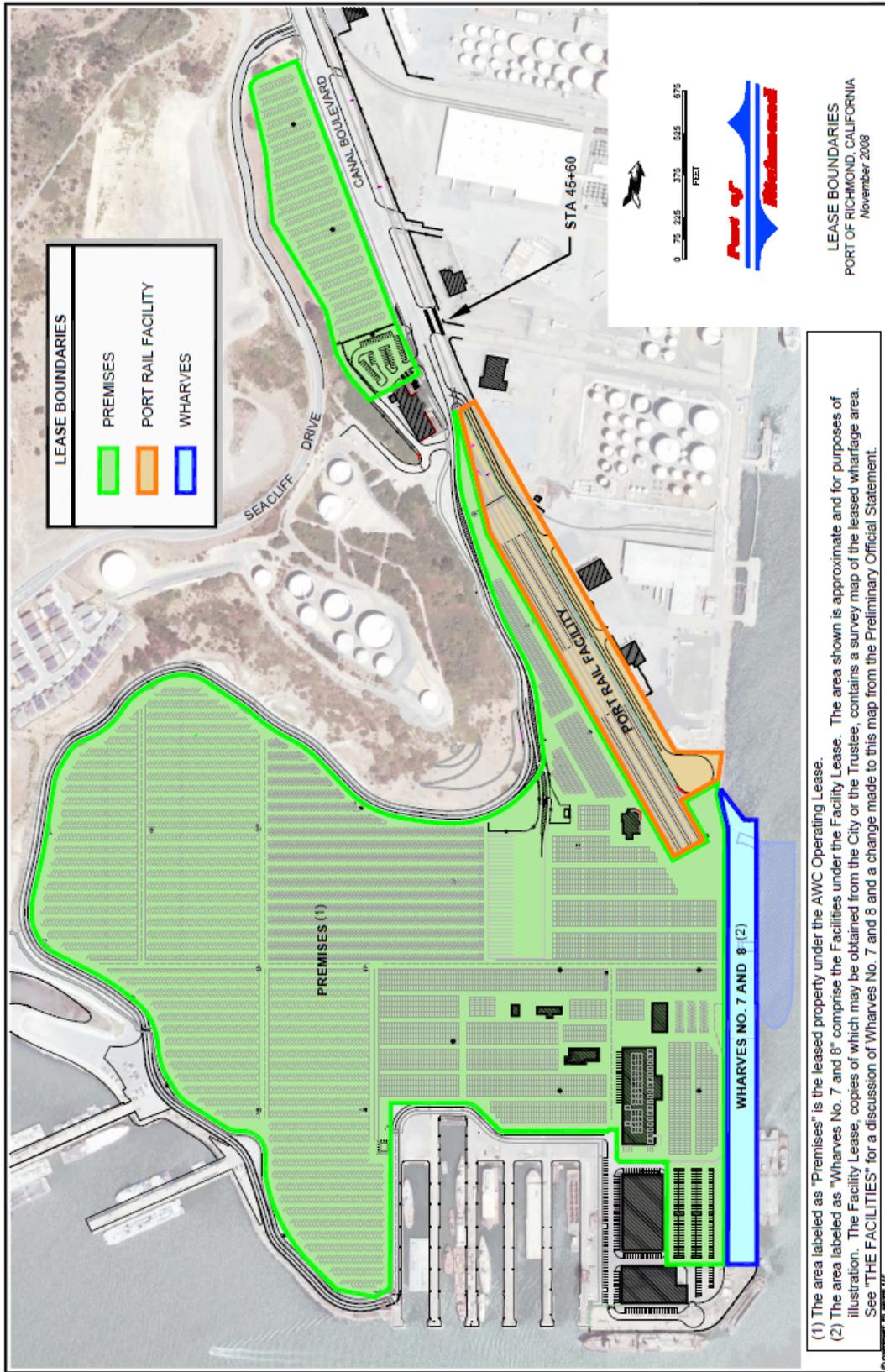
*The Authority, the City and the Underwriter cannot and do not assume any responsibility for the accuracy or completeness of any information contained or referred to herein regarding the business operations or financial condition of any of either AWC or American Honda.*

***Auto Warehousing Co.*** Auto Warehousing Co., a privately-owned Washington corporation formed in Seattle in 1962 and the largest full-service automobile processor in North America, is involved in the transportation and processing of more than five million vehicles per year. AWC operates over 20 port/plant/rail distribution locations in North America, including the existing American Honda facility at the Port. Clients of AWC currently include the three United States domestic automakers as well as Honda, Subaru, Toyota, Hyundai, Isuzu, Mazda, Mitsubishi and Kia. As a privately-owned company, the financial statements of AWC are not publicly available.

***American Honda Motor Co., Inc.*** American Honda is a wholly-owned subsidiary of Honda Motor Co. Ltd. (“Honda”), a Japanese corporation. Honda is subject to the information requirements of the Securities Exchange Act of 1934, and in accordance therewith files reports and other information with the Securities and Exchange Commission (the “SEC”). Certain information, including financial information is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected at the Public Reference Room of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549; and the offices of The New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. Copies of such reports and statements can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates or from the SEC Web site at: <http://www.sec.gov>.

There is no guarantee by Honda of American Honda’s obligations under the American Honda MAG Agreement.

# Map of the AWC Facility and the Facilities



## **THE AUTHORITY**

The Richmond Joint Powers Financing Authority was formed pursuant to the provisions of Articles 1 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State and a Joint Exercise of Powers Agreement, dated December 1, 1989 (the “Joint Powers Agreement”) by and between the City and the Successor Agency to the Richmond Community Redevelopment Agency. The Authority was formed to assist the City in the financing of public capital improvements and to issue the Bonds under the Act. The Authority presently acts as lessor for the Facilities, as well as the issuer in other City financings. The Authority functions as an independent entity and its policies are determined by a governing board that consists of the members of the City Council. The Authority has no employees and all staff work is done by the City staff or by consultants to the Authority.

The City Manager of the City, the Director of Finance and Treasurer of the City, and the City Clerk of the City serve as the Executive Director, Treasurer/Auditor and Secretary, respectively, of the Authority.

## **THE CITY**

The City is located 16 miles northeast of San Francisco on the western shore of Contra Costa County (the “County”), occupies 33.7 square miles of land area on a peninsula that separates the San Francisco Bay from San Pablo Bay, and spans 32 miles of shoreline. The City is an important oil refining, industrial, commercial, transportation, shipping and government center. The City is governed by the City Council, consisting of a Mayor and six other council members. The size of the City Council was reduced to seven members (including the Mayor) from nine members (including the Mayor) commencing with the November 2008 general election. The City is a charter city, which means the City, through its charter (the “Charter”), may regulate municipal affairs, subject only to restrictions and limitations provided in the Charter; in matters other than municipal affairs, the City is subject to State law. The City provides a full range of services contemplated by statute or the Charter, including those functions delegated to cities under State law.

Certain information concerning the City is set forth in APPENDIX A–“CERTAIN DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION REGARDING THE CITY OF RICHMOND.” The City’s audited financial statements for the fiscal year ending June 30, 2018 are set forth in APPENDIX B–“CITY OF RICHMOND CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018.”

## **THE PORT**

### **The Port**

The City has 32 miles of shoreline along the northern and eastern reaches of San Francisco Bay. The Port facilities are located on approximately 600 acres of land immediately adjacent to the Richmond harbor channels. The City owns approximately 200 acres landside, which include five City-owned terminals.

The Port is a public enterprise fund established by the City and is administered as a department of the City. Operations include the marine terminal facilities and commercial property rentals.

There are five City-owned terminals and five dry docks. These tenant-operated terminals handle a wide range of liquid commodities, automobiles, steel products and other diversified cargoes. The Port also encompasses 11 privately-owned terminals handling bulk liquid, dry bulk materials, metals, and break-bulk cargoes. The largest privately-owned and operated terminal in terms of volume is the Chevron terminal which handles more than 20.8 million metric tons of general, liquid and dry bulk commodities each year. The Port does not charge any wharfage or dockage fees for cargo loaded or unloaded at the privately-owned terminals.

### **Additional Information**

Certain information concerning the Port is set forth in APPENDIX C—"THE PORT OF RICHMOND." The audited financial statements for the Port for Fiscal Year ended June 30, 2018 are set forth in APPENDIX B—"CITY OF RICHMOND CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018."

## **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS**

### **Article XIII A**

Article XIII A of the State Constitution, known as Proposition 13, was approved by California voters in June 1978. Section 1(a) of Article XIII A limits the maximum *ad valorem* tax on real property to one percent of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State 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, (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, or (3) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in 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 fiscal year tax bill or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial 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 additional *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIII A, which is \$1.00 per \$100 of taxable value.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be assessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

### **Article XIII B**

At the statewide special election of November 6, 1979, the voters approved an initiative entitled “Limitation of Government Appropriations” which added Article XIII B to the California Constitution. Under Article XIII B, state and local governmental entities have an annual “appropriations limit” which limits the ability to spend certain monies which are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the “appropriations.” The “base year” for establishing such appropriations limit is the 1978/79 fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if (i) the financial responsibility for a service is transferred to another public entity or to a private entity, (ii) the financial source for the provision of services is transferred from taxes to other revenues, or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations subject to Article XIII B generally include proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions and refunds of taxes. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from (i) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (ii) 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.

Certain expenditures are excluded from the appropriations limit, including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters and payments required to comply with court or federal mandates which without discretion required an expenditure for additional services or which unavoidably make the providing of existing services more costly.

The appropriations of the City have not exceeded the limitations of Article XIII B.

### **Unitary Property**

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization (“Unitary Property”), commencing with the Fiscal Year 1988-89, will be allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (ii) 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. This provision applies to all Unitary Property except railroads, the valuation of which continues to be allocated to individual tax rate areas.

The provisions of AB 454 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, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

## **Proposition 62**

A statutory initiative (“Proposition 62”) was adopted by the voters voting in the State at the November 4, 1986 general election which (i) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency’s legislative body and by a majority of the electorate of the governmental entity, (ii) 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 within that jurisdiction, (iii) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (iv) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A, (v) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities and (vi) requires that any tax imposed by a local governmental entity on or after March 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

On September 28, 1995, in *Santa Clara County Local Transportation Authority v. Guardino* (“Guardino”), the California Supreme Court, upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or City to impose a special tax, and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or City to impose any general tax. Guardino did not address the question of whether or not it should be applied retroactively.

Following the Guardino decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On December 15, 1997, the Court of Appeals for the State of California, Fourth Appellate District, in *McBrearty v. City of Brawley*, determined that (i) Guardino is to be applied retroactively to require voter approval of previously enacted taxes, and (ii) the three-year statute of limitations applicable to such taxes runs from the date of the Guardino decision (September 28, 1995). On June 4, 2001, the California Supreme Court released its decision in *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* (“La Habra”) holding (i) that a public agency’s continued imposition and collection of a tax is an ongoing violation upon which the statute of limitations period begins anew with each collection and (ii) that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

## **Proposition 218**

On November 5, 1996, the voters of the State approved Proposition 218 – the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, imposing certain vote requirements and other limitations on the imposition of the ability of local governments, including cities, to impose new, or increase or extend existing, taxes, assessments, fees and charges. Proposition 218 became effective on November 6, 1996, although application of some of its provisions was deferred until July 1, 1997.

Article XIII C requires that all new local taxes be submitted to the electorate for approval before such taxes becomes effective. General taxes imposed for general governmental purposes of the City require a majority vote and special taxes imposed for specific purposes (even if deposited in the general fund) require a two-thirds vote. The voter approval requirements of Article XIII C reduce the flexibility of local governments to deal with fiscal problems by raising revenue through new, extended or increased

taxes. No assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

Under Proposition 218, the City can only continue to collect taxes that were imposed after January 1, 1995 if they were approved by voters by November 6, 1998. Any tax levied by the City subject to such approval has been either authorized in accordance with Proposition 218 or discontinued.

Among other things, Section 3 of Article XIII C states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” Absent the application of other legal authority, Section 3 of Article XIII C could result in a local initiative measure to retroactively reduce or repeal the Assessment.

Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIII C and Article XIII D (“SB 919”) provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. However, no assurance can be given that the voters within the City will not, in the future, approve an initiative that reduces or repeals local taxes, assessments, fees or charges or what limitations, if any, future court decisions may place on the initiative power granted under Article XIII C.

The City raises a portion of its revenues from various local taxes which could be reduced by initiative under Article XIII C. “Assessment,” “fee” and “charge” are not defined in Article XIII C and it is not clear whether the definitions of these terms in Article XIII D (which are generally property-related, as described below) would be applied to Article XIII C. However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virjil* (Kelley) that charges for ongoing water delivery are property related fees and charges within the meaning of Article XIII D and are also fees or charges within the meaning of Section 3 of Article XIII C.

With respect to general obligation bonds that may be issued (but none are currently issued) by the City, the State Constitution and the laws of the State impose a duty on the City to levy a property tax sufficient to pay debt service coming due in each year; the initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of general obligation bonds or to otherwise interfere with performance of the duty of the City with respect to such taxes which are pledged as security for payment of those bonds.

Article XIII D contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain “assessments” for local services and programs. “Assessment” is defined to mean any levy or charge upon real property for a special benefit conferred upon real property, and expressly includes standby charges. Article XIII D also includes new 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 county 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 existing property related fees and charges must conform to specific requirements and prohibitions set forth in Article XIII D. 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, storm drainage, 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.

The City cannot predict the future impact of Proposition 218 on the finances of the City, and no assurance can be given that Proposition 218 will not have a material adverse impact on the City’s revenues. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

### **Proposition 1A of 2004**

Proposition 1A, proposed by the State Legislature in connection with the 2004-05 Budget Act, approved by the voters in November 2004 (“Proposition 1A of 2004”) and generally effective in Fiscal Year 2006-07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A of 2004 generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A of 2004 provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A of 2004 also provides that if the State reduces the vehicle license fee (the “VLF”) rate currently in effect, 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A of 2004 requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A of 2004 may result in increased and more stable City revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the City and State. However, Proposition 1A of 2004 could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, including borrowing a portion of local property tax receipts of the City, some of which could be adverse to the finances of the City.

### **Proposition 22**

On November 2, 2010, voters in the State approved Proposition 22, which eliminates the State’s ability to borrow or shift local revenues and certain State revenues that fund transportation programs. It restricts the State’s authority over a broad range of tax revenues, including property taxes allocated to cities (including the City), counties and special districts, the VLF, State excise taxes on gasoline and diesel fuel, the State sales tax on diesel fuel and the former State sales tax on gasoline. It also makes a number of significant other changes, including restricting the State’s ability to use motor vehicle fuel tax revenues to pay debt service on voter-approved transportation bonds.

## **Proposition 26**

On November 2, 2010, voters in the State also approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (i) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (ii) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (iii) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (iv) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (v) a fine, penalty or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (vi) a charge imposed as a condition of property development; and (vii) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. The City does not believe that Proposition 26 will adversely affect its General Fund revenues.

## **Future Initiatives**

Article XIII A and Article XIII B of the State Constitution, and Propositions 62, 218, 1A of 2004, 22 and 26 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, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the ability of the City to raise and expend revenues.

## **CERTAIN RISKS TO BONDOWNERS**

*This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Series 2019B Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Series 2019B Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Series 2019B Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Series 2019B Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.*

### **Certain Risk Factors with respect to the American Honda MAG Agreement**

***Force Majeure.*** American Honda’s obligations under the MAG Agreement are subject to certain *Force Majeure* events. Occurrence of such events would excuse American Honda’s performance under the MAG Agreement with no remedy for loss of the related revenue loss.

**Excess Deliveries.** In any year, American Honda may deliver more vehicles (including vehicles for which American Honda reviews credit under the American Honda MAG Agreement) through the AWC Facility than the 145,000 minimum annual guarantee in which case AWC Facility Revenues could substantially exceed the amount required for debt service of the Series 2019B Bonds. There are no provisions in the financing documents to apply any additional revenue to redeem Series 2019B Bonds or to otherwise apply such excess revenues to future debt service. In such event, the American Honda MAG Agreement would terminate prior to the 15-year term thereof. See “–Early Termination” below.

The City does not expect that American Honda will deliver more vehicles than the annual number required under the MAG Agreement.

**Early Termination.** American Honda’s MAG Agreement commitment is capped at 2,175,000 vehicles (145,000 x 15 years). This amount of vehicles could be reached prior to the date 15 years following the MAG Commitment Date. In such event, no MAG revenues would be available thereafter for payment of Base Rental Payments.

The City does not expect that American Honda will deliver more vehicles than the capped number of deliveries required under the MAG Agreement.

### **Limited Recourse to the City’s General Fund**

The Facility Lease provides that if Net Port Revenues are insufficient to make any payment of rental thereunder, the rental will be paid out of the General Funds of the City, however, there is limited recourse to the City’s General Fund for the payment of Base Rental Payments. The Base Rental Payments are not secured by any pledge of or lien on taxes or other revenues of the City except for the Net Port Revenues. While the City has covenanted in the Facility Lease to budget for, appropriate and make the Base Rental Payments in each year it has possession and use of the Facilities to the extent Net Port Revenues are insufficient, recourse to the General Fund of the City is limited to the extent that the City has the capacity to enter into other obligations which may constitute additional charges against its General Fund. See APPENDIX A–“CERTAIN DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION REGARDING THE CITY OF RICHMOND–CITY DEBT SUMMARY–Outstanding General Fund and Lease Obligation Debt.” In the event the City’s revenue sources are less than its total obligations, the City could choose to fund other obligations before making Base Rental Payments. The same result could occur if, because of State constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. Except to the extent that abatement occurs and Net Port Revenues are insufficient to make Base Rental Payments, failure to pay Base Rental by the City will constitute an Event of Default. See “–Limited Recourse on Default.”

**The obligation of the City to pay the Base Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Base Rental Payments and Additional Payments does not constitute a debt of the City, or the State or any of its political subdivisions, and does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.**

### **Limited Recourse on Default**

In the event of default, there is no remedy of acceleration of any Base Rental Payments, which have not come due and payable in accordance with the Facility Lease. The City will continue to be liable for Base Rental Payments as they become due and payable in accordance with the Facility Lease if the

Trustee does not terminate the Facility Lease, and the Trustee is required to seek a separate judgment each year for that year's defaulted Base Rental Payments.

Except to the extent that Net Port Revenues are available, the amount of Base Rental Payments due under the Facility Lease will be adjusted or abated during any period in which by reason of damage, destruction, eminent domain, or otherwise there is substantial interference with the possession and use of the Facilities such that the resulting Base Rental Payments for the remaining portions of the Facilities represent fair consideration therefor. Such adjustments or abatement will end with the substantial replacement, repair or reconstruction of the Facilities. If Net Port Revenues and proceeds of rental interruption insurance are insufficient to pay all principal and interest represented by the Series 2019B Bonds during the period of repair or reconstruction, or during eminent domain proceedings, the City will have no obligation to make Base Rental Payments to cover such deficiency and no remedy for nonpayment will be available to the Trustee or the Owners of the Series 2019B Bonds against the City under the Facility Lease or Trust Agreement. See APPENDIX D—"SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS." Under the Facility Lease, the City is required to maintain rental interruption or use and occupancy insurance in an amount sufficient to pay the total rental under the Facility Lease for a period of at least two years. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019B BONDS—Facility Lease—Abatement." See also APPENDIX D—"SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE FACILITY LEASE—Insurance."

### **Limited Recovery Upon Re-Letting of the Facility**

In the event of a default by the City under the Facility Lease, the Authority has the right to re-enter and relet the Facilities. See APPENDIX D—"SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE FACILITY LEASE—Events of Default." However, the Facilities are designed to serve its use for a marine terminal which may not be the highest and best use of the Facilities at the time of re-letting.

In addition, there are limitations upon the ability of the Authority to re-let the Facilities for use as other than a marine terminal. Among those limitations are costs required for any necessary remediation, the removal of the existing improvements and the subsequent construction and acquisition of any improvements required for re-letting. Neither the Authority nor the City is required to incur any of such costs and it is not likely either the Authority or the City would elect to pay such costs. In addition, because the Authority does not have general funds of its own, it is not likely that it could pay such costs.

### **Hazardous Substances**

In general, the owners and operators of real property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but State laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) of the property is obligated to remedy a hazardous substance condition whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the finances of the City.

Further, it is possible that liabilities may arise in the future resulting from the existence, currently, on City owned property of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future

be so classified. Such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it.

Although the City handles, uses and stores and will handle, use and store certain hazardous substances, including but not limited to, chemicals related to the treatment of wastewater, solvents, paints, and other substances, the City knows of no existing hazardous substances which require remedial action on or near the Facilities. However, it is possible that such substances do currently or potentially exist and that the City is not aware of them.

### **City Obligations**

The City has a significant amount of obligations payable from its General Fund, including but not limited to labor contracts, debt obligations, pension obligations and other obligations related to post employment retirement benefits as well as certain other liabilities. The City may also incur additional obligations payable from its General Fund in the future. See APPENDIX A—"CERTAIN DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION REGARDING THE CITY OF RICHMOND—FINANCIAL OPERATIONS—Pension Plans" and "—Other Post-Employment Benefits," "CITY DEBT SUMMARY—Outstanding General Fund and Lease Obligation Debt," and the "—Emphasis of Matters" caption in the Independent Auditor's Report in APPENDIX B—"CITY OF RICHMOND CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018" for a description of certain interfund loans made from the General Fund to other City Funds.

### **Port Enterprise**

Net Port Revenues are generated from the Port Enterprise, which is a proprietary activity of the City. The Port Enterprise is subject to several factors which limit the ability of the City to increase rates and tariffs to general revenues for the Port. See APPENDIX C—"THE PORT OF RICHMOND—Rates and Charges." The amount of Net Port Revenues generated by the Port Enterprise may also be adversely affected by factors such as competition from other ports (both in San Francisco Bay area and other parts of the Pacific coast), general economic conditions affecting the volume and character of imports and exports, environmental and hazardous material risks which could limit or curtail development or maintenance (such as the inability to dredge or expand the harbor), strikes, labor disputes and other factor beyond the control of the City. Although the City is not aware of any specific factors which are expected to materially adversely affect the level of Net Port Revenues, no assurance can be given that such risks will not materialize in the future.

### **Seismic Risks**

There are several geological faults in the greater San Francisco Bay Area that have the potential to cause serious earthquakes which could result in damage to buildings, roads, bridges, and property within the City.

The City, the Facilities and the Bay Area are generally located in a zone 4 seismic hazard area. Seismic zones aid in identifying and characterizing certain geological conditions and the risk of seismic damage at a particular location, and are used in establishing building codes to minimize seismic damage. The five seismic zones are: zone 0 (no measurable damage), zone 1 (minor damage), zone 2 (moderate damage), zone 3 (major damage) and zone 4 (major damage and greater proximity than zone 3 to certain major fault systems).

The City is located in the Hayward Fault Zone. Past experiences, including the 1989 Loma Prieta earthquake on the San Andreas fault, with a magnitude of 7.1 on the Richter scale and with the epicenter

located in Santa Cruz, approximately 65 miles south of the City, have resulted in minimal damage to the infrastructure and property within the City.

The nearest active fault to the City is the Hayward fault, which is a northwest-southeast trending fault approximately 3.7 miles to the east of the City. The West Napa fault lies approximately 17 miles to the northeast. The Concord-Green Valley fault lies approximately 18 miles to the east. The Rogers Creek fault lies approximately 15 miles to the north. The San Andreas fault lies approximately 14 miles to the west. The northern part of the Calaveras fault lies approximately 20 miles to the southeast. All of these faults are considered active.

It is possible that new geological faults could be discovered in the area and a significant earthquake along these or other faults is possible during the period that the Series 2019B Bonds will be outstanding which may cause a delay or suspension of receipt of Base Rental Payments.

The Facility Lease requires the City to maintain insurance on the Facilities against certain risks such as earthquakes, if available on the open market from reputable insurance companies as a reasonable cost, as determined by the City. The City currently insures all of its buildings against certain risks, but not earthquake, subject to certain deductibles as described in APPENDIX A—"CERTAIN DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION REGARDING THE CITY OF RICHMOND."

If an earthquake were to cause serious damage to the Facilities during any period when such facilities were not insured for earthquake damage, or if the proceeds of any earthquake insurance were insufficient to replace or repair the damaged Facilities, the City would be limited to its General Fund, reserves, and emergency grants, if any, in seeking to make appropriate repairs. Pending such repairs, the City's obligation to make Base Rental Payments would be subject to abatement and rental interruption insurance proceeds likely would not be available. The City will not be obligated to repair or restore the Facilities in the event of uninsured damage caused by an earthquake. See "—Abatement Risk."

It is believed that the City is not at great risk of earthquake-triggered tsunamis due to natural attenuation across San Francisco Bay and Brooks Island near the City. If a tsunami did occur on the open ocean, it is expected that waves would dissipate as they moved through San Francisco Bay and past Angel Island and that the tidal flats would absorb much of the impact.

## **Climate Change**

In 2005, the Governor signed Executive Order S-3-05 (the "Executive Order") setting the stage for multiple legislative actions to reduce greenhouse gas emissions ("GHG") to 80% below 1990 levels by 2050. The adoption of the California Global Warming Solutions Act of 2006 ("AB 32") and subsequent companion bills, including but not limited to the Sustainable Communities and Climate Protection Act of 2008 ("SB 375") that builds upon AB 32 to reduce GHG emissions by linking transportation funding to land use planning, demonstrate the commitment by the State to take action and reduce GHG to 1990 levels by 2020 and to 80% below 1990 levels by 2050. In 2008, the City Council adopted Resolution No. 108-08 committing to the GHG emissions targets established by AB 32. Additionally, the State adopted Senate Bill No. 32, which established a revised statewide GHG emission reduction target of 40% below 1990 levels by 2030.

In 2009, the California Natural Resources Agency released the Climate Adaptation Strategy, as updated in 2010, 2013, and 2018. California Climate Adaptation Strategy summarizes the best known science on climate change impacts in the State to assess vulnerability and outlines possible solutions that can be implemented within and across State agencies to promote resiliency.

In October 2016, the City adopted a Climate Action Plan (the “CAP”) to outline the goals and strategies to reduce GHG emissions, create local jobs, and prepare for the impacts of climate change on public health, infrastructure, ecosystems, and public spaces within the City. The CAP is a multi-objective plan that addresses environmental, social and economic issues related to climate change. The CAP builds on the goals and policies in the City’s General Plan 2030 (the comprehensive framework adopted by the City Council in April 2012 for developing a healthy City and healthy neighborhoods) and other planning documents and policies, including the Health in All Policies Strategy (to further the City’s efforts to build health equity through the reduction of local GHG emissions), to ensure that the City is prepared for the impacts of climate change, and to fulfill the requirements of AB 32 and SB 375.

The CAP included a Climate Change Adaptation Study (the “Adaptation Study”) that evaluated the climate change impacts at the local scale and a vulnerability and risk assessment of the City’s most important assets to rising temperatures, rising seas, extreme weather events, and more extreme droughts.

The Adaptation Study concluded that that greatest risks to the City related to climate change are a product of its bayside setting, the sensitivities of its Mediterranean climate, and its dependence on imported water from the Sierra Nevada Mountains as the primary water supply. Some of the most critical City assets where risk of damage or disruption from sea level rise is significant include the Treatment Plant, residential neighborhoods, the Chevron Refinery and other industrial areas including the Port of Richmond, highways, rail lines, fire stations, and law enforcement facilities. The Adaptation Study summarizes a broad range of climate change vulnerabilities to the functional, information, and management systems of the City and identifies potential consequences to the economy, public health, citizens, and environment. The City is engaged in multiple planning efforts to address some or all of these risks, however, the City cannot guarantee that these efforts will be completely successful in mitigating every risk associated with climate change.

Local impacts of climate change are not definitive, but include changes to local and regional weather patterns; rising bay water levels; increased risk of flooding; changes in salinity and tidal patterns of San Francisco and San Pablo bays; coastal erosion; water restrictions; and vegetation changes.

Climate change concerns are leading to new laws and regulations at the federal, State and local levels. The City is unable to predict the impact such laws and regulations, if adopted, will have on the ability of the City to make Base Rental Payments. The effects, however, could be material.

## **Cybersecurity**

The City, including the Port, relies on a large and complex technology environment to conduct its operations. The City and its departments face multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. There have been, however, only limited cyber-attacks on the computer systems of the City. No assurances can be given that the security and operational control measures of the City will be successful in guarding against any and each cyber threat and attack. The results of any attack on the computer and information technology systems could have a material adverse impact the operations of the City and damage the digital networks and systems. The resulting costs and/or impacts on operations of the City could be material.

Similarly, cyber threats may adversely impact the operations of AWC and the AWC Facility. The City has made no inquiry into the digital security experience or efforts of AWC.

## **Bond Insurance Risk Factors**

In the event of default of the payment of principal or interest with respect to the Series 2019B Bonds when all or some becomes due, any owner of the Series 2019B Bonds shall have a claim under the Policy for such payments. However, 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 are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Series 2019B Bonds by the City which is recovered by the City from the Series 2019B Bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absence such prepayment by the City unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Series 2019B Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Series 2019B Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Series 2019B Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Series 2019B Bonds or the marketability (liquidity) for the Bonds. See "RATINGS" herein.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the City nor the Underwriter has made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer to pay principal and interest on the Series 2019B Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Bond Insurer, which includes further instructions for obtaining current financial information concerning the Bond Insurer. See also the form of the Policy set forth in Appendix H.

## **LEGAL MATTERS**

The validity of the Series 2019B Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion for the Series 2019B Bonds is contained in APPENDIX F, hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Authority and the City by the City Attorney and Schiff Hardin LLP, San Francisco, California, Disclosure Counsel, and for the Underwriter by Kutak Rock LLP, Irvine, California, Underwriter's Counsel.

The compensation of Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon issuance and delivery of the Series 2019B Bonds.

## **ABSENCE OF MATERIAL LITIGATION**

### **The Authority**

There is no litigation pending with service of process having been accomplished or, to the knowledge of the City Attorney, as Counsel to the Authority, threatened, questioning the political existence of the Authority or concerning the validity of Series 2019B Bonds, the Trust Agreement, the Facility Lease or the Site Lease, and the City Attorney, as Counsel to the Authority, will issue an opinion to that effect.

### **The City**

There is no litigation pending with service of process having been accomplished or, to the knowledge of the City, threatened, questioning the existence of the City or the title of the officers of the City to their respective offices or contesting the ability of the City to execute and deliver the Series 2019B Bonds, the Trust Agreement, the Facility Lease, or the Site Lease or the ability of the City to appropriate or make Base Rental payments.

Various legal actions are pending against the City. Based upon information currently available, the City Attorney believes that there are substantial defenses to such litigation and disputes that, in any event, any ultimate liability in excess of applicable insurance coverage resulting therefrom will not have a material adverse effect on financial position of the City or impair its ability to make the Base Rental Payments under the Facility Lease.

## **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Series 2019B Bond for any period that such Series 2019B Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2019B Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel is of the further opinion that interest on the Series 2019B Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2019B Bonds is exempt from State of

California personal income taxes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

To the extent the issue price of any maturity of the Series 2019B Bonds is less than the amount to be paid at maturity of such Series 2019B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2019B Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2019B Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2019B Bonds is the first price at which a substantial amount of such maturity of the Series 2019B Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2019B Bonds accrues daily over the term to maturity of such Series 2019B Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2019B Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2019B Bonds. Beneficial Owners of the Series 2019B Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2019B Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2019B Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2019B Bonds is sold to the public.

Series 2019B Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2019B Bonds. The Authority and the City have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2019B Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2019B Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2019B Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person), whether any actions taken (or not taken) or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Series 2019B Bonds may adversely affect the value of, or the tax status of interest on, the Series 2019B Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2019B Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2019B Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the

Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2019B Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2019B Bonds. Prospective purchasers of the Series 2019B Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2019B Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the City have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2019B Bonds ends with the issuance of the Series 2019B Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the City or the Beneficial Owners regarding the tax-exempt status of the Series 2019B Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the City and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the City legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2019B Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2019B Bonds, and may cause the Authority, the City or the Beneficial Owners to incur significant expense.

#### **MUNICIPAL ADVISOR**

The Authority has retained Public Resources Advisory Group, Oakland, California, as Municipal Advisor (the "Municipal Advisor") in connection with the execution and delivery of the Series 2019B Bonds and certain other financial matters. The Municipal Advisor is not obligated to undertake, and has not undertaken to make an independent verification of the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other negotiable instruments. Payment of the fees and expenses of the Municipal Advisor is contingent upon the sale and delivery of the Series 2019B Bonds.

## FINANCIAL STATEMENTS

Attached as Appendix B hereto is the City's Comprehensive Annual Financial Report (the "CAFR") for the Year Ended June 30, 2018, which includes financial statements for the City, including for the Port, which have been audited by Maze & Associates, certified public accountants. See APPENDIX B—"CITY OF RICHMOND CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018." The Independent Auditor's Report prepared by Maze & Associates dated May 17, 2019 is included in the CAFR and describes, among other matters, the scope of the audit conducted and the auditor's responsibilities. Prospective purchasers of the Series 2019B Bonds should review such report noting, in particular, the matters emphasized or disclaimed therein.

The City's CAFR for the Fiscal Year ended June 30, 2018 states that the accompanying financial statements have been prepared assuming the City will continue as a going concern. See, however, the "—Emphasis of Matters" section in the audited financial statement attached hereto as APPENDIX B for an explanation of the General Fund's unrestricted cash balance and certain outstanding interfund borrowings from the General Fund and other funds. See also Note 4 of the City's CAFR for the Fiscal Year ended June 30, 2018 for a description of such interfund borrowings from the General Fund and other funds.

Maze & Associates has not consented to the inclusion of its report in Appendix B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement.

## RATINGS

S&P Global Ratings ("S&P") is expected to assign municipal bond rating to the Series 2019B Bonds of "AA," with the understanding that upon delivery of the Series 2019B Bonds, the Policy will be delivered by the Bond Insurer. See "BOND INSURANCE" and APPENDIX H—"SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

S&P has assigned the rating of "A+" to the Series 2019B Bonds. This rating reflects only the view of S&P, and an explanation of the significance of such rating may be obtained only from S&P. The Authority and the City furnished to S&P certain information and materials. Any explanation of the significance of such rating may be obtained from S&P as follows: Standard & Poor's, 55 Water Street, New York, New York 10041. Generally, rating agencies base their ratings on such information and materials so furnished and on investigations, studies and assumptions made by them. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agency, if in its judgment, circumstances so warrant. The Authority, the Underwriter and the City undertake no responsibility either to notify the Owners of the Series 2019B Bonds of any revision or withdrawal of the rating (other than as set forth in the Continuing Disclosure Agreement) or to oppose any such revision or withdrawal. Any such downward revisions or withdrawal of such rating may have an adverse effect on the market price of the Series 2019B Bonds.

S&P also assigned its issuer credit rating to the City of "AA-." The statements made in the preceding paragraph with respect to the rating on the Series 2019B Bonds apply to this issuer credit rating.

## UNDERWRITING

The Series 2019B Bonds were purchased by RBC Capital Markets, LLC (the “Underwriter”) at a price equal to \$22,415,894.03 (which represents the principal amount of the Series 2019B Bonds, plus an original issue premium in the amount of \$1,957,364.80 and less an Underwriter’s discount in the amount of \$121,470.77). The initial offering prices stated on the inside cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Series 2019B Bonds to certain dealers (including dealers depositing Series 2019B Bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices.

The Underwriter has agreed, subject to certain conditions set forth in the Bond Purchase Agreement among the Authority, the City and the Underwriter, to purchase all of the Series 2019B Bonds, subject to certain conditions set forth in such purchase agreement.

The Underwriter and its affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Authority. The Underwriter and its affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Authority.

Royal Bank of Canada, the parent company of RBC Capital Markets, LLC, is the counterparty to certain interest rate swap agreements with the City relating to certain City bond obligations. See APPENDIX A–“CERTAIN DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION REGARDING THE CITY OF RICHMOND–Debt Summary–*Interest Rate Swap Agreements.*”

## CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Series 2019B Bondholders to provide certain financial information and operating data relating to the City and the Port by not later than March 26 following the end of the City’s fiscal year (presently June 30) in each year commencing with the report for Fiscal Year 2018-19 (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of enumerated events will be filed by the City or the Dissemination Agent, if any, on behalf of the City through the Electronic Municipal Market Access Site maintained by the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriters to comply with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events by the City is summarized in APPENDIX E–“FORM OF CONTINUING DISCLOSURE AGREEMENT.”

In the past five years, the City inadvertently did not make certain filings with respect to bond ratings changes arising from changes in the ratings of the applicable bond insurer. In addition, certain other filings inadvertently omitted certain required information. Such failures to file and omissions were remediated by subsequent filings.

The City undertakes continuing disclosure responsibilities for City bond issues and for bonds issued by the Authority with respect to which the City is the “obligated person” under the Rule. In addition, the relevant City staff undertakes these responsibilities for the Successor Agency to the Richmond Community Redevelopment Agency (the “Successor Agency”) and its bond issues. The inadvertent missed filings for ratings changes described above also apply to certain Authority and Successor Agency bonds as well.

In January 2014, the City established procedures, including the appointment of Willdan Financial Services, as the Dissemination Agent for all City bond transactions who is required to determine each year the applicable filing date for the annual reports. In addition, the City designated the Finance Department Debt Analyst as the party responsible for monitoring and making the required filings.

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**MISCELLANEOUS**

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the Series 2019B Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Authority and the City.

**RICHMOND JOINT POWERS FINANCING  
AUTHORITY**

By: /s/ Belinda Warner  
Treasurer/Auditor

**CITY OF RICHMOND**

By: /s/ Belinda Warner  
City Finance Director

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**APPENDIX A**

**CERTAIN DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION  
REGARDING THE CITY OF RICHMOND**

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## APPENDIX A

### CERTAIN DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION REGARDING THE CITY OF RICHMOND

The City of Richmond, California (the “City”), is located 16 miles northeast of San Francisco on the western shore of Contra Costa County (the “County”), occupies 33.7 square miles of land area on a peninsula that separates the San Francisco Bay from San Pablo Bay, and spans 32 miles of shoreline. The City is an important oil refining, industrial, commercial, transportation, shipping and government center. Redevelopment in the downtown and waterfront areas and commercial expansion in the City’s Hilltop area, along the Interstate 80 and Interstate 580 corridors, and along the Richmond Parkway have added to the tax base of the City in recent years.

#### DEMOGRAPHIC AND ECONOMIC INFORMATION

##### Introduction

The demographic and economic information provided below has been collected from sources that the City has determined to be reliable. Because it is difficult to obtain complete and timely regional economic and demographic information, the City’s economic condition may not be fully apparent in all of the publicly available regional economic statistics provided herein.

##### Population

City residents account for approximately 10% of the population of the County. Both the City and the County have experienced consistent growth since 1990. Table A-1 below shows the population of the City, the County, and the State according to the U.S. Census for the years 2010 and as estimated by the California Department of Finance for 2015 through 2019.

**Table A-1**  
**City, County and State Population Statistics**  
**(As of January 1)**

<b>Year</b>	<b>City of Richmond</b>	<b>Contra Costa County</b>	<b>State of California</b>
2010	103,764	1,047,948	37,253,956
2015	108,559	1,113,759	38,952,462
2016	109,646	1,128,574	39,214,803
2017	109,863	1,139,746	39,504,609
2018	110,128	1,147,879	39,740,508
2019	110,436	1,155,897	39,927,315

*Sources: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2019, with 2010 Census Benchmark. Sacramento, California, May 2019.*

## **Economy**

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

The economy of the City has experienced growth in light industrial 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 the City’s historically heavy industrial base. At the same time, major manufacturers continue to upgrade their facilities, making major investments in modernization and expansion.

The City is continuing its efforts to attract developers, builders, manufacturers and commercial activity to all areas of the City. Economic development program efforts are being expanded to increase private sector investment, job, and housing and recreational activities in the City.

**Industrial Activity.** Historically, the City has been viewed as an industrial and distribution center, largely due to the visible presence of a major oil refinery operated by Chevron USA Inc. (“Chevron”) and the bulk liquid terminals in the Port of Richmond.

**Impact of Chevron Refinery.** Chevron operates a major oil refinery (the “Refinery”) in the City and is the largest employer and taxpayer in the City. See “–Employment.” Chevron also owns and operates a liquid bulk cargo facility at its terminal on San Francisco Bay.

Over the years, Chevron has had disputes with the City involving tax matters, including the applicability of certain taxes and such matters as assessed valuation for property tax purposes. Of current significance, the City is receiving annual payments of utility users tax from Chevron in partial settlement of a dispute regarding Measure T, a business license tax imposed beginning in 2009, which payments will decline in future years and terminate in Fiscal Year 2024-25. See “FINANCIAL OPERATIONS–Major General Fund Revenue Sources–*Utility Users Tax*” and “–*Property Taxes.*” In addition, there has been environmental litigation among Chevron, the City, and other parties.

Chevron is expected to continue to be a major property owner, taxpayer, and employer in the City and, as a result, a significant source of revenues to the City as well as a substantial part of the City’s economy generally. Other disputes involving Chevron may arise from time to time in the future.

On July 29, 2014, the City Council approved certification of the final environmental impact report and applications submitted by Chevron Products Company for a Conditional Use Permit (“CUP”) and Design Review Permit (“DRP”), as well as an Environmental and Community Investment Agreement (the “ECIA”) to allow an approximately \$1.0 billion replacement of the existing hydrogen plant, power plant, and reformer (collectively, the “Chevron Modernization Project”). The equipment is designed to improve the ability of the Refinery to process high-sulfur crude oil, reliability, energy efficiency, and add environmental controls. Pursuant to the ECIA, Chevron will invest \$80 million dollars in the City over the next 10 years for community programs, including, but not limited to, competitive community grants, a scholarship program, community-based greenhouse gas reduction programs and a photovoltaic solar farm. Chevron made initial payments to the City totaling \$12 million between 2014 and 2015, of which \$8 million was deposited into a dedicated fund for the “Richmond Promise,” a college scholarship program established by the City Council for students graduating from public, charter, and private high schools located in the West Contra Costa Unified School District. In accordance with the ECIA, Chevron has contributed \$40 million of the total required amount through April 15, 2019. According to the terms of the ECIA, over a 10-year period, \$35 million will be used to fund the “Richmond Promise,”

\$15 million will be spent on other community-based programs, and \$30 million will be utilized for community based greenhouse gas reduction programs. As part of the ECIA, Chevron also partnered with MCE, a nonprofit renewable energy provider, to construct Solar One, a 12 megawatt solar power generating facility, with an estimated value of \$10 million.

On April 8, 2015, the Contra Costa County Superior Court lifted the injunction that halted construction of the Chevron Modernization Project since 2009. That injunction had been granted due to lawsuits being filed arguing that the project could increase pollution and challenging the sufficiency of the environmental impact report. In addition, the Bay Area Air Quality Management District reissued the authority-to-construct permit for the modified project.

Chevron commenced updating its engineering, procurement and construction plans. The field construction of the Chevron Modernization Project restarted in June 2018 and is anticipated to be complete by December 2019.

***High Technology and Biotechnology.*** “High tech” light industrial firms, research and development companies, biotechnology, and business park developments are growing industrial sectors in the City. Biotechnology, medical instruments, and computer software in particular are emerging sectors in the City’s economy.

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

- The ongoing development and leasing of light industrial/business park property at Hilltop and in the Marina District along Richmond’s South Shoreline and the Richmond Parkway;
- Availability of fairly extensive vacant or underutilized land areas zoned for industrial use;
- Relatively lower land costs than elsewhere in the Bay Area;
- Richmond’s central location in western Contra Costa County, within a short distance of San Francisco, Oakland, other East Bay cities and Marin County, and a relatively easy commute to the State’s capitol, Sacramento;
- Proximity to the University of California at Berkeley (“UC Berkeley”), one of the major scientific universities and library systems in the world;
- Good access and transportation (two Interstate freeways Interstate 80 and Interstate 580 are located within the city, the Richmond Parkway, Amtrak, the Bay Area Rapid Transit District (“BART”) System and AC Transit, as well as heavy rail and water transportation facilities, including Union Pacific and BNSF Railroads, Santa Fe western terminal, and the Port of Richmond);
- Availability of affordable housing in a variety of neighborhoods, housing types and price ranges; and
- The Richmond Ferry connects the San Francisco Ferry Terminal and the newly constructed ferry terminal at Richmond’s Ford Point. This new route takes 35 minutes.

Among the high tech companies located within the City is Dicon Fiberoptics (“Dicon”), a manufacturer of fiberoptic components, modules and test instruments. Dicon is located in an approximately 201,000 square foot corporate headquarters building, of which a portion is leased to the City to house the City’s Police Department. An approximately 130,000 square foot research facility is located on an approximately 28-acre campus located in the Marina District of the City.

Biotechnology companies located in the City include Analytical Scientific Instruments (ASI), Bio-Rad, Ekso Bionics, Kaiser Laboratories, Sangamo Biosciences, and Transcept Pharmaceuticals.

- ASI, a manufacturer of medical equipment instruments and components, purchased a building within the City and relocated from neighboring El Sobrante. ASI brought 25 existing employees with them and expects to hire 10 additional employees.
- Bio-Rad, a manufacturer of products for life science research and clinical diagnostics, leases 116,250 square feet of space in Richmond's Pinole Point Business Park near Atlas Road on the Richmond Parkway.
- Ekso Bionics, originally named Berkeley Bionics, was founded in Berkeley, California in 2005. Ekso, a pioneer in exoskeleton bionic devices that enhance and augment strength mobility and endurance of people with lower extremity paralysis or weakness, relocated to the City in April 2012 with 80 employees. Since inception Ekso Bionics has forged partnerships with world-class institutions like UC Berkeley, received research grants from the Department of Defense and licensed technology to the Lockheed Martin Corporation. Ekso Bionics occupies space in the 520,000 square foot Ford Building in the Marina District.
- Kaiser Laboratories handles more than 25,000 lab specimens daily in a 50,000 square foot facility located on Marina Way South in Richmond's Marina District.
- Sangamo Biosciences, a worldwide leader in the design and development of engineered zinc finger DNA-binding proteins for gene regulation and gene modification, is located in a 127,500 square foot facility in the Point Richmond area of the City.
- Transcept Pharmaceuticals, a specialty pharmaceutical company focused on development and commercialization of proprietary products that address therapeutic needs in the field of neuroscience, is located in an approximately 12,757 square foot facility in the Point Richmond area of the City.

Additionally, the State Department of Health Services operates a Public Health Laboratory in a state-of-of-the-art facility comprised of five buildings encompassing approximately 700,000 square feet in the Marina District.

**Green Technology.** Green-technology companies located in the City include Alion Energy, Inc., Heliodyne, PAX Water Technologies, Inc., and SunPower Systems.

- Alion Energy, Inc., a developer and manufacturer of solar tracker mounting and robotic cleaning systems, has been operating in the City since 2009.
- Heliodyne, Inc., a manufacturer of solar water heating equipment, has been located in the City since 1976, and occupies 4,298 square feet in the Southern Gateway area of the City off of Interstate-580.
- PAX Water Technologies, Inc., a developer of market energy-efficient mixing systems for potable water storage tanks, has been operating in the City since 2010.
- SunPower Systems, an international leader in design and manufacturing and distributor of high efficiency solar electric technology, has been operating in the City since 2007. SunPower System occupies 175,000 square feet in the refurbished, historic 520,000 square foot Ford Point Building in the Marina District.

***Future Development.*** Completion of the John T. Knox Freeway in the early 1990's (Interstate 580 extension from Interstate 80 at Albany to the Richmond/San Rafael Bridge) spurred new industrial and commercial development along the freeway corridor throughout the South Shoreline area of the City.

**Berkeley Global Campus, Richmond Bay:** In January 2012, the UC Field Station was selected by the Lawrence Berkeley National Laboratory (LBNL) as the preferred site for the development of its second campus. The original plan was to develop a joint second campus (then known as the Richmond Bay Campus for LBNL and UC Berkeley. In 2013, LBNL lost expected Department of Energy funding in the wake of federal budget sequestration, leaving development plans in limbo. In October 2014, UC Berkeley announced plans to develop the more than 130 acres site of approximately 220 acres along Richmond Bay as the "Berkeley Global Campus" (the "BGC"), a new form of international institution of higher education and research. A long range development plan for the BGC (then the Richmond Bay Campus) to guide development of up to 5.4 million square feet of research and development facilities and 10,000 employees in phases through 2050 was prepared and a Draft Environmental Impact Report was released in January 2013. On May 15, 2014, a final environmental impact report was certified and the long range development plan was adopted by the University of California Board of Regents. There is no timeline for construction at this time. The BGC is expected to be the foundation for commercial business, industrial, maritime, and residential growth within the City.

**Richmond Bay Specific Plan:** The City was awarded a Priority Development Area Planning Grant from the Metropolitan Transportation Commission and the Association of Bay Area Governments to develop the Richmond South Shoreline Specific Plan for an approximately 220-acre area located in the City of Richmond south of Interstate Highway 580 and will focus on ways the City can take advantage of the planned Berkeley Global Campus, Richmond Bay, future ferry service, and other area assets to create a sustainable shoreline district providing jobs, housing, transportation options, and opportunities for entertainment and recreation. In December 2016, the City Council adopted the Richmond Bay Specific Plan (the "Plan") and certified an environmental impact report for the Plan. The Plan articulates a clear vision for the area as a series of distinct, walkable, mixed-use neighborhoods that can accommodate over 5.6 million square feet of research and development uses, 720,000 square feet of retail and services, over 4,000 housing units, and 84 acres of public and natural open space.

**Industrial Development.** Development along the Richmond Parkway, which links the northern edge of Richmond (Interstate 80 at Hilltop) and the City's southwest corner (Interstate 580) and the Richmond San Rafael Bridge, opened up a large tract of industrially zoned area in the northwest area of the City. Recent development includes:

- Amazon – a 242,000 square foot warehouse with up to 100 employees.
- Blue Apron, Inc. – a 100,000 square foot distribution center with approximately 1,200 employees as of Fiscal Year 2017-18.
- Chevron Modernization Project – a \$1 billion project to modernize and replace the oldest processing equipment with safer modern technology. See "*Impact of Chevron Refinery.*"
- HelloFresh Inc. – a 107,784 square foot freezer storage warehouse with 1,256 employees.
- Ex Steel Scape site – a 700,000 square foot distribution center.
- Mattress Firm Factory – a 200,000 square foot factory/warehouse
- Pinole Point Distribution Center – a 600,000 square foot warehouse and distribution under construction include: Williams Sonoma, 252,375 square foot warehouse with up to 80 employees; and Amazon – a 242,000 square foot warehouse with up to 100 employees.
- Restoration Hardware – a 200,000 square foot distribution center.
- Whole Foods Distribution Center – a 47,000 square foot distribution center with 95 employees.

- Williams Sonoma, Inc. – an approximately 247,908 square foot distribution center with up to 80 employees.

Planned development includes PowerPlant Park, approximately 160,000 square feet of rentable canopy space for cannabis cultivation to be constructed on an approximately 18-acre site on the Richmond North Shoreline. Upon completion it is expected that approximately 500 people will be employed.

Residential and Commercial Development. As the economy continues to improve, the City anticipates that shoreline area of the City will be in stronger demand for residential and commercial development. As of March 2019, 543 new residences are under construction, 977 units entitled, and 701 units under review. In addition, approximately 447,742 square feet of industrial/commercial space is under construction, 169,000 square feet is entitled, and several hotel projects are under review. Below is a list of recently completed, on-going, and entitled projects together with projects under review:

Residential

- 12th Street and Macdonald Avenue mixed-use project – an eight-story, 256 market rate/affordable residential unit development, with approximately 56,000 square feet of commercial space.
- Artisan Cove (Phase 3), 51 Live/Work Units and 13 Work Spaces (under construction).
- The Cascades – 46 units of market rate townhomes and condominiums.
- Garrity Way Apartments – a 98 market rate unit condominium development.
- Harbour View Senior Apartments – 80-unit affordable apartment development (construction complete)
- Hilltop Apartments – a 180 unit market rate/affordable apartment complex.
- Marina Way South Residential Project – a four- and five-story, 399 unit market rate residential development and with approximately 1,800 square feet of retail space near the Richmond Ferry terminal (under review).
- Miraflores – an 80 unit affordable senior housing development.
- Miraflores Residential Condominium Project – 190 market rate and affordable condominium units.
- Parcel FM – a mixed-use project, with approximately 400 market rate and affordable residential units and 10,000 square feet of commercial uses.
- The Point – a 27 unit market rate townhome development.
- Quarry Residential Project – 193 attached residential units.
- SAA|EVI Metro Walk Phase 2, 400-500 rental units, 25%-30% of which will be affordable to moderate income households.
- Shea Homes Waterline Project – a 60-unit luxury condominium development (under construction).
- Terminal One – a 316-unit market rate residential community on the Richmond shoreline comprised of 295 luxury condominium units and 21 single-family homes. This property is owned by the City and is under a contract for sale to a developer for a purchase price of \$10 million, of which the developer has paid the City \$500,000 in a non-refundable deposit. The City anticipates that following final regulatory approval from the Bay Conservation and Development Commission, close of escrow will be completed by the end of 2019.
- Terraces at Nevin Apartment Complex – a 271-unit affordable apartment development, with 268 affordable units (under construction).
- Westridge Apartments Modernization and Expansion –rehabilitation of 401 affordable units and construction of 62 affordable units.

- William Lyons Homes NOMA – a 193-unit market rate mixed use live/work and townhome development at Marina Way South and Wright Avenue (under construction).

Commercial

- 912 Harbour Way South Industrial Project – a 182,000 square foot warehouse/distribution space.
- Hilltop Charter School.
- Home2Suites Hotel – a four-story, 107 room hotel.
- Life Long Medical Facility – a 33,742 square foot medical office (under construction).
- Lumber Barron – a 32,000 square foot light industrial warehouse.
- Making Waves Academy Expansion – Renovation of three existing classroom buildings, and construction of three new classroom buildings, two new gymnasiums, outdoor student space, associated parking and infrastructure improvements on six adjacent/nearby parcels.
- Point Pinole Business Park, Phase III – a 162,000 square foot speculation warehouse building.
- Residence Inn @ Hilltop Project – a four- story, 104 room hotel.
- West Contra Costa Family Justice Center.

**Employment**

Table A-2 provides a listing of principal employers located in the City, as of Fiscal Year 2017-18.

**Table A-2  
Principal Employers in the City  
Fiscal Year 2017-18**

<b>Employer Name</b>	<b>Product/Service</b>	<b>Estimated Number of Employees</b>
Chevron Refinery	Oil Refinery/Research Facility	3,150
West Contra Costa Unified School District	Education	1,658
Social Security Administration	Governmental Services	1,259
Blue Apron, Inc.	Meal Delivery Service	1,200
U.S. Postal Service	Governmental Services	1,047
City of Richmond	Governmental Services	888
Contra Costa County	Governmental Services	844
Kaiser Foundation Hospitals	Healthcare Services	805
Costco Wholesale #482	Wholesale Warehouse	431
SunPower Corporation	Solar Electric Technology	291

*Source: City of Richmond.*

The following Table A-3 compares estimates of the labor force, civilian employment and unemployment for the City, County, State and United States from 2014 through 2018 (the most recent annual data available). The State Employment Development Department data for May 2019 (preliminary) indicates that the unemployment rate (not seasonally adjusted) for the City was 2.9%, for the County was 2.6%, for the State was 3.6%, and for the United States was 3.6%.

**Table A-3**  
**Civilian Labor Force, Employment and Unemployment**  
**Annual Average for Calendar Years 2014 through 2018**  
**(Not Seasonally Adjusted)**

<u>Year and Area</u>	<u>Labor Force</u>	<u>Civilian Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
<b>2018<sup>(1)</sup></b>				
City	53,300	51,400	1,900	3.6%
County	564,600	546,800	17,800	3.2
State	19,398,200	18,582,800	815,400	4.2
United States	162,075,000	155,761,000	6,314,000	3.9
<b>2017<sup>(2)</sup></b>				
City	53,500	51,000	2,500	4.6
County	563,900	542,500	21,400	3.8
State	19,312,000	18,393,100	918,900	4.8
United States	162,320,000	153,337,000	6,982,000	4.4
<b>2016<sup>(2)</sup></b>				
City	53,500	50,800	2,700	5.1
County	557,000	532,200	24,800	4.5
State	19,093,700	18,048,800	1,044,800	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
<b>2015<sup>(2)</sup></b>				
City	52,700	49,700	3,000	5.8
County	547,500	520,000	27,500	5.0
State	18,896,500	17,724,800	1,171,700	6.2
United States	157,130,000	148,834,000	146,411,000	5.3
<b>2014<sup>(2)</sup></b>				
City	52,1000	48,400	3,700	7.1
County	540,900	507,500	33,400	6.2
State	18,758,400	17,351,300	1,407,100	7.5
United States	155,922,000	146,305,000	9,617,000	6.2

(1) Preliminary.

(2) Revised.

Sources: State of California Employment Development and Department Labor Market Information Division; U.S. Bureau of Labor Statistics.

## **Personal Income**

**General.** The United States Department of Commerce, Bureau of Economic Analysis (the “BEA”) produces economic accounts statistics that enable government and business decision-makers, researchers, and the public to follow and understand the performance of the national economy.

The BEA defines “personal income” as income received by persons from all sources, including income received from participation in production as well as from government and business transfer payments. Personal income represents the sum of compensation of employees (received), supplements to wages and salaries, proprietors’ income with inventory valuation adjustment and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. Per capita personal income is calculated as the personal income divided by the resident population based upon the Census Bureau’s annual midyear population estimates.

**Minimum Wage Ordinance.** In 2014, the City adopted a Minimum Wage Ordinance requiring that beginning January 1, 2015 (subject to certain exceptions), employees working within the geographic boundaries of the City be paid an hourly rate equal to \$9.60, subject to a reduction equal to \$1.50 per hour if the employer pays at least that amount per hour per employee towards an employee medical benefit plan. Thereafter, the minimum wage within the City increased each January 1 until reaching \$13.00 per hour effective January 1, 2018. Beginning January 1, 2019, and each year thereafter, the City Minimum Wage will increase by the Consumer Price Index for Urban Wage Earners and Clerical Workers for the San Francisco-Oakland-San Jose, California Metropolitan Statistical Area, or any successor index published by the U.S. Department of Labor or its successor agency. As of January 1, 2019, the minimum wage in the City is \$15.00 per hour.

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Table A-4 presents the latest available total personal income and per capita personal income for the City, the County, the State and the United States for the calendar years 2013 through 2017 (the most current annual data available).

**Table A-4**  
**City of Richmond, Contra Costa County, State of California and United States**  
**Total Personal Income**  
**Calendar Years 2013 Through 2017<sup>†</sup>**

<b>Year and Area</b>	<b>Total Personal Income (millions of dollars)</b>	<b>Per Capita Personal Income (dollars)</b>
<b>2017<sup>†</sup></b>		
City	\$2,920	\$26,124
County	87,810	76,527
State	2,364,129	60,004
United States	16,820,250	51,640
<b>2016</b>		
City	2,797	25,024
County	82,204	72,195
State	2,259,414	57,625
United States	16,115,630	49,831
<b>2015</b>		
City	2,744	24,856
County	77,915	69,195
State	2,173,300	55,793
United States	15,711,634	48,940
<b>2014</b>		
City	2,708	24,453
County	71,164	64,056
State	2,021,640	52,340
United States	14,983,140	47,025
<b>2013</b>		
City	2,719	25,614
County	67,290	61,435
State	1,885,672	49,259
United States	14,175,503	44,826

<sup>†</sup> Most current annual data available.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis and HDL Coren & Cone for City data.

## Construction Activity

Table A-5 sets forth a five-year summary of building permit valuations and new dwelling units within the City.

**Table A-5**  
**City of Richmond**  
**Building Permit Valuations**  
**Calendar Years 2014 through 2018**  
**(\$ in 000's)**

<b>Residential</b>								
<b>Year</b>	<b>Single Family</b>		<b>Multifamily</b>		<b>Value of Alterations and Additions</b>	<b>Total Residential Valuation</b>	<b>Nonresidential Valuation</b>	<b>Total<sup>†</sup></b>
	<b>Units</b>	<b>Valuation</b>	<b>Units</b>	<b>Valuation</b>				
2014	6	\$1,106	56	\$8,810	\$10,833	\$20,749	\$75,486	\$96,235
2015	18	3,407	63	13,523	16,769	30,292	48,288	78,580
2016	25	7,305	0	0	15,282	22,587	66,298	88,885
2017	62	2,460	98	21,658	19,891	44,009	155,382	199,391
2018	135	32,942	413	77,743	16,425	127,110	108,626	235,736

† Total represents the sum of residential and nonresidential building permit valuations. Data may not total due to independent rounding.

Source: California Homebuilding Foundation/Construction Industry Research Board.

## Transportation

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

**Freeways.** Existing and new highways have made travel to and through the City more efficient and convenient. Interstate 80, which passes through the City, is a direct route to Oakland, San Francisco, Vallejo, Fairfield and Sacramento. Interstate 580 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 of the Richmond Parkway through North Richmond in 1996 improves vehicular access between Marin and communities to the north and east on Interstate 80, while opening major tracts of land along the City's north shoreline for new development.

**Port and Rail.** The Port of Richmond (the "Port") is a deep water port and is the third largest in the State by annual tonnage. The Port is a public enterprise established by and administered as a department of the City. Revenues of the Port are not General Funds of the City. The Port handles more than 20.8 million metric tons of general, liquid and dry bulk commodities each year. In 2009, the Port executed an agreement with American Honda Company whereby Honda agreed to import a minimum annual guarantee of 145,000 units per year through the Port for 15 years.

The Port contains seven City-owned marine terminals leased and operated by private lessors under lease contracts with the Port, five dry-docks, and 11 privately owned and operated 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.

A widely varied assortment of cargo moves through the Port, 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 traffic through the Port.

**Ferry Service.** In March 2015, the San Francisco Bay Area Water Emergency Transportation Authority (“WETA”) Board of Directors approved a Cooperative Agreement with the Contra Costa Transportation Authority (the “CCTA”) and the City for the CCTA to provide an operating subsidy for proposed ferry service from the City to San Francisco. The 10-year agreement serves as the basis of future planning efforts to support and plan the Richmond ferry service. WETA approved funding to purchase two catamaran ferry vessels and construction of a Richmond Ferry Terminal on Richmond Bay Shoreline, including construction of an accessible gangway with a new ramping system, float and piles, a passenger shelter, the development and reconfiguration of a 362-space paved parking lot, and installation of a new ADA-compliant kayak launch ramp and improved shoreline access at Ford Point. Construction of the ferry terminal and improvements were completed and ferry service from Ford Point Ferry Terminal in the City to the San Francisco commenced on January 10, 2019.

**Regional Airports.** Oakland International Airport (approximately 18 miles from the City) and San Francisco International Airport (approximately 28 miles from the City) provide the City with world-wide passenger and freight service. In addition, Buchanan Field Airport, located in the City of Concord, in central Contra Costa County, is 25 miles to the east of the City, and Byron Airport, located in the unincorporated community of Byron in eastern Contra Costa County, each provide general aviation services.

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

## Utilities

Utility services to the City are supplied by the following:

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

Approximately 89% of the EBMUD water supply is from the Mokelumne River watershed stored at the 69.4 billion gallon capacity Pardee Dam in Ione, California. EBMUD is entitled to 325 million gallons per day under a contract with the State Water Resources Control Board, plus an additional 119 million gallons per day in a single dry year under a contract with the U.S. Water and Power Resources Service (formerly the U.S. Bureau of Reclamation).

On June 19, 2012, the City Council voted to join MCE (formerly Marin Clean Energy), a nonprofit energy provider that derives a minimum of 50% of its electricity from renewable sources.

Effective July 1, 2013, all City residents and businesses were automatically enrolled in the Green Light package offered by the Marin Clean Energy Community Choice Aggregation program unless they opted out of the program between April and June 2013. Although power is still being transmitted through existing PG&E lines, half of it comes from solar, wind, hydroelectric, and biogas (natural gas extracted from sewage systems or landfills rather than fossil fuels). City residents still receive their bills from PG&E. MCE also offers customers the option of enrolling in the Deep Green package, which supplies 100% of electricity from renewable sources at rate increase of approximately one cent per kilowatt hour.

## **Community Facilities**

City residents have access to modern health care facilities. Within the City there is one general hospital, the Kaiser Hospital Facility, located in the downtown area and several convalescent hospitals. There are a variety of leisure, recreational, and cultural resources within the City, from boating, fishing and hiking, to live theater, golf, tennis, and team athletics. Four regional parks are on the shoreline: Point Pinole, George Miller Jr./John T. Knox, Ferry Point and Point Isabel. 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 play lots and mini parks, and seven community centers.

The City also operates a recreation center for disabled persons, a sports facility, two senior centers (Richmond Senior Center and Richmond Annex Senior Center), the Richmond Museum, the Richmond Municipal Auditorium, the Richmond Swim Center, the Richmond Plunge/Natatorium, Coach Randolph Pool, the Washington Fieldhouse, the Veterans Memorial Auditorium, and the Richmond Public Library. The Richmond Art Center, a privately funded arts organization, is partly supported by the City. Currently, 12 of the City's 13 recreation centers are operational.

There are also several private yacht harbors, golf and country clubs, and community theaters within the City.

East Bay Regional Park District ("EBRPD") maintains one regional park, four regional shorelines, and one regional preserve within Richmond. One additional parkland facility, the 214-acre Kennedy Grove Regional Recreation Area, is located in an unincorporated area of the County bordering on the City at the eastern end of El Sobrante Valley. The four regional shorelines presently owned and maintained by EBRPD represent a substantial portion of the City's shoreline. The regional shorelines and Wildcat Canyon Park are used not only by residents of the City but also by the general public within the Bay Area region.

In addition, approximately 35 miles of the planned 500-mile multi-purpose San Francisco Bay Trail encircling the San Francisco and San Pablo Bays are also located in the City.

## **Education**

The City comprises a portion of the attendance area of the West Contra Costa Unified School District, which comprises 38 elementary schools (18 of which are located in the City), seven middle and junior high schools, and eight senior high schools (four of which are located in the City), three continuation and alternative high schools, and five charter schools, college preparatory and community day schools which had total K-12 enrollment of approximately 30,970 students for Fiscal Year 2017-18. In addition, several private schools operate in the City.

Institutions of higher education located near the City, include UC Berkeley, Contra Costa College, Diablo Valley College, Los Medanos College, the California Maritime Academy, California State University – East Bay, San Francisco State University, the University of San Francisco, the University of California at San Francisco, John F. Kennedy University, Saint Mary’s College, Dominican University, and Golden Gate University.

## **FINANCIAL OPERATIONS**

### **Financial Results**

The City prepares its audited financial statements and supporting schedules in compliance with Article IV, Section 1(b)3 of the City Charter, and the California Government Code Sections 25250 and 25253, and in accordance with generally accepted accounting principles (“GAAP”) for local governments as established by the Governmental Accounting Standards Board (“GASB”).

The City financial statements are included in the City’s Comprehensive Annual Financial Report (a “CAFR”). The CAFR for Fiscal Year 2017-18 is included as Appendix B to this Official Statement. Readers of this Official Statement should review the Fiscal Year 2017-18 CAFR, and in particular the Independent Auditor’s Report, and Management’s Discussion and Analysis included therein. The Independent Auditor’s Report dated May 17, 2019, describes, among other matters, the scope of the audit conducted and the auditor’s responsibilities. CAFRs for prior Fiscal Years are available on the City’s website at: [www.ci.richmond.ca.us/](http://www.ci.richmond.ca.us/).

In the Fiscal Year 2017-18 CAFR, the auditor states that the accompanying financial statements have been prepared assuming the City will continue as a going concern. See, however, “–Emphasis of Matters” in the Independent Auditor’s Report contained in the Fiscal Year 2017-18 CAFR attached hereto as APPENDIX B for an explanation of the General Fund’s unrestricted cash balance and certain outstanding interfund borrowings from the General Fund and other funds. See also Note 4 of the Fiscal Year 2017-18 CAFR for a description of such interfund borrowings from the General Fund and other funds.

Attention is directed to the City’s Management Discussion and Analysis included in the Fiscal Year 2017-18 CAFR, which describes the City’s plans and expectations regarding increasing the General Fund unrestricted cash balance and management of repayment of the interfund loans. See “–City Budget” See also “DEMOGRAPHIC AND ECONOMIC INFORMATION–Economy–*Future Development*–Residential and Commercial Development–Residential.” In particular, the matters emphasized or disclaimed in the Independent Auditor’s Report should be reviewed.

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Table A-6 presents the City's Audited General Fund Balance Sheets, including assets, liabilities, and fund equity for Fiscal Years 2013-14 through 2017-18.

**Table A-6**  
**City of Richmond**  
**General Fund Balance Sheet**  
**Audited Fiscal Years 2013-14 through 2017-18**

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
<b><u>ASSETS</u></b>					
<b>Assets:</b>					
Cash and investments	\$3,661,567	\$7,283,648	\$5,900,610	\$17,574,205	\$15,413,405
Restricted cash and investments	12,130,398	2,534	-	-	-
<b>Receivables:</b>					
Accounts, net	9,777,031	9,699,762	11,873,993	11,061,286	10,233,844
Interest	4,218	69	5,384	18,317	43,082
Grants	777,830	738,733	518,314	216,403	25,500
Loans	3,311,613	3,168,247	3,829,481	1,286,494	1,212,042
Due from other funds	1,926,989	-	119,442	119,44	-
Advances to other funds	16,157,560	15,460,486	14,480,730	14,199,676	16,133,282 <sup>†</sup>
Prepays, supplies and other assets	576,465	585,167	577,477	663,055	622,329
<b>TOTAL ASSETS</b>	<u>48,323,671</u>	<u>36,938,646</u>	<u>37,305,431</u>	<u>45,138,878</u>	<u>43,683,484</u>
<b><u>LIABILITIES</u></b>					
Accounts payable and accrued liabilities	3,346,783	2,732,725	2,775,748	3,032,317	2,834,949
Refundable deposits	117,875	87,291	75,023	104,464	585,645
Due to other funds	4,424	-	-	-	-
Unearned revenue	4,178,807	4,252,201	4,299,386	6,017,14	<u>4,073,857</u>
Note payable	12,100,000	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>19,747,889</u>	<u>7,072,217</u>	<u>7,150,157</u>	<u>9,153,928</u>	<u>7,494,451</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	1,033,954	1,184,693	757,879	568,060	558,110
<b>Fund Balances:</b>					
Nonspendable	19,505,987	18,708,682	18,404,669	15,697,680	17,967,653
Assigned	56,786	23,934	4,460	10,013	72,506
Unassigned	7,979,055	9,949,120	10,988,266	19,709,197	17,590,764
<b>TOTAL FUND BALANCES</b>	<u>27,541,828</u>	<u>28,681,736</u>	<u>29,397,395</u>	<u>35,416,890</u>	<u>35,630,923</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$48,323,671</u>	<u>\$36,938,646</u>	<u>\$37,305,431</u>	<u>\$45,138,878</u>	<u>\$43,683,484</u>

<sup>†</sup> Comprised of amounts advanced to the Port (\$13,917,312), and the Richmond Housing Authority Enterprise fund (\$2,215,970).  
*Sources: Comprehensive Annual Financial Reports.*

Fiscal Year 2018-19 data is not yet available. However, the City expects that the amounts shown as advances to other funds will not be more than the Fiscal Year 2018-19 amount and total fund balance for Fiscal Year 2018-19 will be not less than the amount shown for Fiscal Year 2017-18.

Table A-7 presents the City’s Audited General Fund Statement of Revenues, Expenditures and Change in Fund Balance for Fiscal Years 2013-14 through 2017-18.

**Table A-7**  
**City of Richmond**  
**Summary of General Fund Revenues, Expenditures,**  
**and Change in Fund Balance**  
**Fiscal Years 2013-14 through 2017-18**

	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Revenues:</b>					
Property taxes	\$28,950,340	\$30,904,650	\$33,232,037	\$36,970,269	\$38,961,021
Sales taxes <sup>(1)</sup>	29,627,711	33,131,486	40,877,125	41,620,189	44,474,973
Utility user fees <sup>(2)</sup>	48,033,706	48,299,958	43,365,249	44,966,489	46,079,755
Other taxes	7,053,691	9,918,447	11,628,519	12,566,579	12,413,127
Licenses, permits and fees	2,471,455	2,439,359	2,542,704	5,038,585	3,802,576
Fines, forfeitures and penalties	296,757	482,567	398,098	1,048,582	981,984
Use of money and property	44,408	77,228	35,493	73,408	189,599
Intergovernmental	1,924,544	4,097,963	1,954,943	4,056,470	1,102,944
Charges for services	4,314,503	9,141,441	8,284,694	7,264,336	7,823,287
Rent	708,626	809,113	765,753	836,221	849,640
Other	1,018,222	768,619	353,991	440,174	414,525
<b>Total Revenues</b>	<b>124,443,963</b>	<b>140,070,831</b>	<b>143,438,606</b>	<b>154,881,302</b>	<b>157,093,431</b>
<b>Expenditures:</b>					
Current:					
General government	16,534,537	21,241,969	22,371,710	25,516,856	28,402,147
Public safety	85,843,324	83,960,461	86,859,602	92,616,949	93,646,193
Public works	19,413,504	18,686,952	17,899,366	21,827,896	22,805,801
Cultural and recreational	10,052,848	9,658,457	9,952,449	10,091,329	10,734,162
Capital outlay	343,303	256,353	404,053	100,891	127,246
Debt Service					
Principal	1,228,729	1,320,695	1,079,062	790,346	814,494
Interest and fiscal charges	484,672	610,575	318,574	282,512	256,830
<b>Total Expenditures</b>	<b>133,900,917</b>	<b>135,735,462</b>	<b>138,884,816</b>	<b>151,226,779</b>	<b>156,786,873</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(9,456,954)</b>	<b>4,335,369</b>	<b>4,553,790</b>	<b>3,654,523</b>	<b>306,558</b>
<b>Other Financing Sources (Uses):</b>					
Bond issuance premium	–	82,880	–	–	–
Proceeds of sale of property	174,874	268,927	46,429	55,737	39,226
Transfers in	8,193,609	4,106,974	3,090,044	9,468,371	6,035,115
Transfers out	(8,195,038)	(7,654,242)	(6,974,604)	(7,159,136)	(6,166,866)
<b>Total Other Financing Sources (Uses)</b>	<b>173,445</b>	<b>(3,195,461)</b>	<b>(3,838,131)</b>	<b>2,364,972</b>	<b>(92,525)</b>
<b>Net Change in Fund Balance</b>	<b>(9,283,509)</b>	<b>1,139,908</b>	<b>715,659</b>	<b>6,019,495</b>	<b>214,033</b>
<b>Beginning Fund Balance</b>	<b>36,825,337</b>	<b>27,541,828</b>	<b>28,681,736</b>	<b>29,397,395</b>	<b>35,416,890</b>
<b>Ending Fund Balance</b>	<b>\$27,541,828</b>	<b>\$28,681,736</b>	<b>\$29,397,395</b>	<b>\$35,416,890</b>	<b>\$35,630,923</b>

(1) Commencing April 1, 2015, the City began collecting a half-cent sales tax (Measure U) that was approved by voters. See “–Major General Fund Revenue Sources–Sales and Use Taxes–Measure U.”

(2) Includes amounts paid by Chevron as Utility Users Tax and Measure T Tax Settlement payments. The final payment to be made by Chevron pursuant to the Measure T Settlement Agreement will be made in Fiscal Year 2024-25. See “–Major General Fund Revenue Sources–Utility Users Tax.”

Sources: Comprehensive Annual Financial Reports and City of Richmond, Finance Department.

## **City Budget**

*Schedule.* The Fiscal Year of the City begins on July 1 of a given year and ends on June 30 of the following year.

The City Council strives to adopt a budget prior to June 30 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, which amount cannot legally be exceeded except by subsequent amendment of the budget adopted by the City Council.

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 funding. 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 at the fund level for all budgeted departments within the City. This is the level at which expenditures may not legally exceed appropriations. Budgeted amounts for the Combined Statement of Revenues, Expenditures and Other Financing Sources (Uses) – Budget and Actual that appears in the City’s audited financial statements include budget amendments approved by the City Council.

Any amendment or transfer of appropriations between line items within the same department must be authorized by the Finance Director or his/her designee. Any amendment to the total level of appropriations for a fund or transfers between funds must be approved by the City Council. Supplemental appropriations financed with unanticipated revenues during the year must be approved by the City Council. A summary of adopted General Fund budgeted revenues and expenditures for Fiscal Years 2017-18 through 2019-20 is presented in Table A-8.

The City’s budget performance is managed through the presentation of a mid-year budget review which includes a financial forecast for the Fiscal Year-end. A midyear budget review allows the City to determine if adjustments to revenue projections need to be completed, and whether planned expenditures should be modified.

Monthly, staff reviews all line items and compares actual results against budgeted expectations. At the mid-point of the Fiscal Year, staff conducts a detailed analysis to determine if the original budget is still viable, or if adjustments will be necessary. At December 31st, the expectation is that most budget categories will be at 50%, although this percentage may fluctuate based on timing of certain receipts and expenditures.

**Adopted Budgets.** Table A-8 presents the City's Adopted and Revised Operating Budgets and the Mid-Year Budget Review for Fiscal Years 2017-18 and 2018-19, and the Adopted Operating Budget for Fiscal Year 2019-20.

**Table A-8**  
**City of Richmond**  
**Summary of Adopted Budgeted General Fund Revenues and Expenditures**  
**For Fiscal Years 2017-18 through 2019-20**

	Fiscal Year 2017-18			Fiscal Year 2018-19			Fiscal Year 2019-20
	Adopted Budget	Revised	Mid-Year Review	Adopted Budget	Revised	Mid-Year Review	Adopted Budget
<b>Revenues:</b>							
Property Tax	\$38,782,023	\$38,782,023	\$38,361,265	\$40,990,607	\$40,990,607	\$42,628,543	\$44,709,813
Sales Tax	42,299,235	42,299,235	42,876,659	46,149,234	46,149,234	46,377,434	48,854,521
Utility User Tax	45,916,543	45,916,543	46,627,843	46,256,091	46,256,091	46,213,222	46,670,419
Other Taxes	11,593,174	11,593,174	12,093,174	11,919,210	11,919,210	12,300,935	12,426,953
Licenses, Permits, & Fees	8,414,290	8,414,290	8,414,290	8,124,618	8,124,618	7,385,618	6,620,667
Fines, Forfeitures & Penalties	943,088	943,088	943,088	922,238	922,238	922,238	897,604
Interest and Investment Income	32,903	32,903	32,903	72,200	72,200	232,411	236,079
Charges for Services	3,627,454	3,763,174	3,851,614	3,581,369	3,581,369	3,833,833	3,297,852
Other Revenues	267,133	267,133	381,106	258,200	258,200	258,200	270,996
Rental Income	808,222	808,222	808,222	840,610	840,610	890,610	921,529
State and Local Taxes	0	0	0	60,000	60,000	60,000	65,000
Federal Grant Revenue	0	0	0	0	0	0	0
State Grant Revenue	1,386,700	1,385,336	398,636	350,000	600,000	606,452	439,454
Other Grant Revenue	5,776	5,776	112,299	35,975	34,879	158,050	229,337
Proceeds from Sale of Property	35,000	35,000	35,000	55,000	55,000	55,000	55,000
Loan/Bond Proceeds	22,515	22,515	22,515	24,000	24,000	452,886	0
<b>Total Revenues</b>	<b>\$154,134,056</b>	<b>\$154,268,412</b>	<b>\$154,958,614</b>	<b>\$159,639,352</b>	<b>\$159,888,256</b>	<b>\$162,375,432</b>	<b>\$165,695,224</b>
<b>Expenditures:</b>							
Salaries & Wages	\$70,856,333	\$70,942,899	\$71,036,153	\$73,091,207	\$72,928,799	\$73,155,270	\$75,334,598
Benefits	49,762,965	49,742,474	49,742,474	52,030,561	52,004,669	52,084,782	54,863,769
Professional Services	8,692,899	8,665,278	8,955,360	8,919,839	9,324,210	9,477,210	9,507,643
Other Operating	5,561,320	5,478,566	5,478,566	5,386,692	5,330,389	5,330,389	5,307,923
Utilities	3,377,559	3,387,559	3,387,559	3,526,344	3,482,591	4,058,067	4,258,396
Equipment & Contractual Services.	1,632,813	1,629,770	1,794,770	1,582,379	1,684,710	1,684,710	1,892,784
Provision for Insurance Loss	4,000	4,000	4,000	3,200	3,200	3,200	3,143
Cost Pool	16,249,385	16,249,385	16,543,016	15,023,723	15,023,723	15,173,723	15,153,128
Asset & Capital Outlay	792,755	796,911	467,992	495,525	450,567	458,067	321,322
Debt Service Expenditures	1,249,533	1,249,533	1,249,533	1,381,054	1,381,054	1,811,725	890,289
A87 Cost Plan Reimbursement	(4,433,155)	(4,433,155)	(4,484,609)	(4,484,606)	(4,484,606)	(4,388,871)	(4,518,250)
Grant Expenditures	0	43,861	43,861	78,252	159,928	159,928	175,645
<b>Total Expenditures</b>	<b>\$153,746,407</b>	<b>\$153,757,081</b>	<b>\$154,218,675</b>	<b>\$157,034,170</b>	<b>\$157,289,234</b>	<b>\$159,008,200</b>	<b>\$163,190,390</b>
<b>Transfers In/(Out):</b>							
Operating Transfers In	\$6,212,080	\$6,212,080	\$6,212,080	\$8,381,513	\$8,381,513	\$8,011,234	\$10,523,196
Operating Transfers Out	(6,599,287)	(6,599,287)	(6,951,214)	(10,986,050)	(10,986,050)	(11,236,050)	(13,018,574)
<b>Net Transfers In/(Out)</b>	<b>(\$387,207)</b>	<b>(\$387,207)</b>	<b>(\$739,134)</b>	<b>(\$2,604,537)</b>	<b>(\$2,604,537)</b>	<b>(\$3,224,816)</b>	<b>\$163,190,390</b>
Operating Surplus (Deficit)	\$442	\$124,124	\$805	\$645	(\$5,515)	\$142,416	\$9,456
Estimated Beginning Balance: July 1, †	\$11,669,466	\$14,900,497	\$14,900,497	\$16,778,263	\$14,189,184	\$14,189,184	\$16,971,182
<b>Estimated Ending Balance: June 30, †</b>	<b>\$11,669,908</b>	<b>\$15,024,621</b>	<b>\$14,901,302</b>	<b>\$16,778,908</b>	<b>\$14,183,669</b>	<b>\$14,331,600</b>	<b>\$16,980,638</b>

† Represents General Fund cash and investments.  
Source: City of Richmond, Finance Department.

## **Financial and Accounting Information**

The City maintains its accounting records in accordance with Generally Accepted Accounting Principles (GAAP) and the standards established by the Governmental Accounting Standards Board (GASB). On a quarterly basis, a report is prepared for the City Council which reviews fiscal performance to date against the budget and recommends any necessary changes. Combined financial statements are produced following the close of each fiscal year.

The City Council employs an independent certified public accountant, who, at such time or times as specified by the City Council, at least annually, and at such other times as they determine, examines the financial statements of the City in accordance with generally accepted auditing standards, including tests of the accounting records and other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, the independent accountant submits a final audit and report to the City Council. The City's complete audited financial report for Fiscal Year 2017-18 is attached as APPENDIX B—"CITY OF RICHMOND CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018," and is also available on the City's website. Neither the City's independent auditors nor any other independent accountants have compiled, examined or performed any procedures with respect to the projected financial information contained in this Official Statement, nor have they expressed any opinion or any other form of assurance on such information or its achievability.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses. City 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.

## **Financial Policies and Practices**

***Financial Policies.*** The current financial policies of the City are summarized below and the City is in compliance with each policy. Each financial policy is subject to annual review and revision. Copies of the Cash Reserve Policy, Debt Policy, Swap Policy and Investment Policy can be obtained from the City's website.

**Cash Reserve Policy.** In Fiscal Year 2004-05, the City Council adopted a policy to maintain structurally balanced budgets whereby one-time funds can be spent only on one-time uses and ongoing funds can be spent on ongoing (or one-time) uses and established a \$10 million General Fund contingency reserve target.

The City Council adopted a cash reserve policy (the "Cash Reserve Policy") that requires that the City maintain year-end contingency reserve balances in the General Fund, including CalPERS savings reserves but excluding departmental carryover, equal to a percentage of the next Fiscal Year's budgeted General Fund expenditures. City Council approval is required before any withdrawals are made from the cash reserve and the City Council has discretion to use the cash reserve *only* for emergencies and not for on-going expenses. The Cash Reserve Policy permits the cash reserve to be temporarily reduced in times of an emergency with approval by the City Council, but requires that the cash reserve be restored in accordance with a stabilization policy laying out the plans for restoration of the cash reserve, in order to allow the City to build up its capacity to handle future short-term economic downturns or emergencies without cutting services.

In connection with the adoption of the Fiscal Year 2018-19 budget, the Cash Reserve Policy was amended to increase the maximum reserve from 7% to 15% of budgeted General Fund expenditures plus

net transfers out for the following Fiscal Year. The cash reserve is shown as a component of unassigned fund balance within the General Fund.

For Fiscal Year 2017-18, the cash reserve was \$15.4 million (approximately 9.7% of Fiscal Year 2018-19 Adopted General Fund Budget expenditures plus net transfers out). The City expects that the cash reserve will be at the 15% target by the end of 2019 following receipt of proceeds from the sale of Terminal One. See “DEMOGRAPHIC AND ECONOMIC INFORMATION–Economy–*Future Development*–Residential and Commercial Development–*Residential*.”

Debt Policy. The City maintains a debt management policy (the “Debt Policy”) pertaining to its financings. The Debt Policy is intended to guide the Finance Department in its debt issuance and includes components such as the financing approval process, selection of the method of sale for various types of debt issues, general bond structuring parameters, selection of financing team members, permitted investments, on-going debt administration and post-issuance tax compliance procedures for tax-exempt bonds and Build America Bonds. The Debt Policy limits aggregate debt service payments funded from General Fund sources to no more than 10% of General Fund revenues and sets forth detailed debt management and refunding practices. Payments on bonds that are tied to a specified revenue stream other than General Fund sources are not subject to this 10% limit. In addition, the Debt Policy requires that no more than 20% of the City’s outstanding debt portfolio be comprised of unhedged short-term variable rate issues. The Debt Policy was most recently reviewed and adopted by the City Council on May 7, 2019.

Grant Management Policy. The City maintains a policy to establish an overall framework for the use and management of grant resources (the “Grant Management Policy”). This policy provides that: (i) aside from entitlement grants, the City should focus its efforts on securing grants for capital improvements; (ii) the City should only seek grants when sufficient staff resources are available to effectively administer the program in compliance with grant requirements and successfully perform the grant work scope and provide necessary matching requirements (both cash and in-kind matches); (iii) indirect costs of administering grant programs be recovered to the maximum extent feasible; (iv) operating departments will have the primary responsibility for seeking out grant opportunities, preparing the applications and managing grant programs after award; and (v) operating departments develop a simple system for tracking grant funding availability in their functional areas. The Grant Management Policy was most recently reviewed and adopted by the City Council in 2013.

Investment Policy. The City maintains an investment policy (the “Investment Policy”) which provides guidelines for the investment and management of pooled funds of the City, including the General Fund, Special Revenue, Debt Service, Capital Projects, Enterprise, Internal Service, Trust & Agency, Redevelopment, and other Funds of the City (each as defined in the Investment Policy) that are accounted for in the City’s Comprehensive Annual Financial Report. The Investment Policy establishes three criteria for selecting investment vehicles: safety, liquidity and yield. The Investment Policy states that an adequate percentage of the portfolio should be maintained in liquid short-term securities that can be converted to cash if necessary to meet disbursement requirements and that yield or “rate of return” on an investment should be a consideration only after the requirements of safety and liquidity are met. The Director of Finance is required to report monthly on the City’s pooled and bond funds to the City Manager and City Council and to report quarterly on other investments, such as pension funds.

The Investment Policy prohibits investments in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, any security that could result in zero interest accrual if held to maturity, other than investments in authorized money market mutual funds, in companies involved in the manufacturing of tobacco and tobacco-related products, and in any funds in international financial instruments that benefitted from slavery.

The Investment Policy was most recently reviewed and approved by the City Council on October 2, 2018. A copy of the current Investment Policy is available on the City’s website.

Swap Policy. The City is authorized under California Government Code Section 5922 to enter into interest rate swaps to reduce the amount and duration of rate, spread, or similar risk when used in combination with the issuance of bonds. The City maintains an interest rate swap policy (the “Swap Policy”) regarding the utilization, execution, and management of interest rate swaps and related instruments. Periodically, but at least annually, the City reviews the Swap Policy and makes modifications as appropriate due to changes in the business environment or market conditions.

The Swap Policy was most recently reviewed and adopted by the City Council on October 2, 2018. A summary of the City’s interest rate swap agreements as of May 1, 2019 is set forth in Table A-22.

### ***Financial Practices***

Five-Year Financial Forecast. On May 28, 2019, the City Council received a presentation from PFM Group Consulting, LLC on the five-year budget forecast model (the “Financial Forecast”) for the General Fund for Fiscal Years 2019-20 through 2023-24 to serve as a planning tool for the long term sustainability of the City and its employees. The Financial Forecast is designed to create a long-range view for strategic decision making, align financial capacity with long-term service obligations, identify structural budget issues, understand the major drivers of revenues and expenditures, evaluate long-term impacts of current decisions, and analyze the fiscal impacts of varying scenarios. The Financial Forecast includes an analysis of projected revenues, expenditures (including wage benefits and retirement obligations), reserves, capital projects and debt policies, and a review of fiscal policies. The Financial Forecast identifies several significant issues relevant to the long-term financial planning of the City: rising salary and pension costs, the decline in Measure T Settlement Payments by Chevron (see “–Major General Fund Revenues Sources–Utility Users Tax–Business License Act Tax (“Measure T”), the costs of certain programs, and negative fund balances in other non-General Fund government funds.

The Financial Forecast indicates that the City will need to address its projected finances by carefully examining its General Fund expenses, including transfers to other funds, staffing levels, compensation, and benefit levels.

The City is taking appropriate actions in its Fiscal Year 2019-20 budget with respect to its financial planning to address the issues raised in the Financial Forecast.

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

### **Dissolution of the Richmond Community Redevelopment Agency**

Prior to 2012, local governments in California were permitted, under certain circumstances, to form redevelopment agencies, which had the power to, among other things, establish “project areas” in areas deemed blighted, from which the redevelopment agency was entitled to the incremental *ad valorem* property tax receipts resulting from increases in assessed valuation from the year of establishment. Redevelopment agencies could incur indebtedness payable from this “tax increment” including bonds and other obligations related to its redevelopment purposes, subject to certain restrictions. The City’s

redevelopment agency was known as the Richmond Community Redevelopment Agency (the “Former Agency”) and operated several project areas and incurred indebtedness, including publicly-issued bonds.

Pursuant to State legislation enacted in 2011 referred to generally as the “Dissolution Act,” and upheld by California Supreme Court decision, redevelopment agencies were formally dissolved effective February 1, 2012. The general financial impact of redevelopment agency dissolution was to restore the flow of the tax increment portion of *ad valorem* property taxes to the applicable local government and all other taxing entities entitled thereto, except as necessary to pay, or otherwise undertake to completion, “enforceable obligations” of the redevelopment agency. Redevelopment agencies were no longer able to incur indebtedness, except with respect to enforceable obligations or to refund former redevelopment agency indebtedness.

The Dissolution Act permitted each applicable local government to establish a successor agency for the purpose of honoring enforceable obligations and to, if desired, to assume housing obligations of the former redevelopment agency. Each successor agency would assume the obligation of the former redevelopment agency. The City established itself as the successor agency to the Community Redevelopment Agency (known as the “Successor Agency to the Richmond Community Redevelopment Agency”) and, as required by the Dissolution Act, appointed an oversight board to oversee these activities. While the City, as successor agency to the Former Agency, continues certain activities in former project areas, including housing obligations, it receives no significant tax increment other than that pledged to pay outstanding bonds of the Former Agency and with respect to certain housing obligations.

The City does not expect its administrative costs of serving as successor agency to the Former Agency to be significant and does not believe that any commitments of the Former Agency to community development projects or otherwise to have a negative impact of the City’s finances.

The Successor Agency does not issue separate financial statements. Although a separate legal entity from the City, the financial results for the Successor Agency are reported as fiduciary funds in the CAFR of the City.

The City is not aware of any disputes with the State Department of Finance or the oversight board regarding the activities of the Former Agency.

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## Major General Fund Revenue Sources

Following is a discussion of the City’s principal General Fund revenue sources: utility user taxes, sales and use taxes, property taxes, and other charges, taxes, licenses, permits, and fees. A summary of the major sources as of Fiscal Year 2017-18 is set forth below.

**Table A-9**  
**City of Richmond**  
**Summary of Major General Fund Tax Revenues**  
**Fiscal Year 2017-18**

<u>Revenue Source</u>	<u>Revenues</u>	<u>Percentage of Total General Fund Revenues</u>
Utility User Tax	\$46,079,755	29.3%
Sales Tax	44,474,973	28.3
Property Tax	38,961,021	24.8
Other Taxes <sup>(1)</sup>	12,413,127	7.9
Charges for Services <sup>(2)</sup>	7,823,287	5.0
Licenses, Permits, and Fees <sup>(3)</sup>	3,802,576	2.4
TOTAL	\$153,554,739	97.5%

(1) Includes documentary transfer, electricity, heat and power, gas, gas pipelines, and transient occupancy taxes, and transfer station franchise fees.

(2) Includes amounts charged by Fire and Police, and Infrastructure Maintenance and Operations for services provided to third parties.

(3) Includes business license taxes, fire department permits, community services program fees, and Police department fees.

Source: City of Richmond.

The Fiscal Year 2018-19 Mid-Year Budget Review estimates that revenues from these six sources will be approximately \$158.7 million, representing approximately 97.8% of General Fund Revenues.

### *Utility Users Tax*

General. The City collects a tax (the “Utility Users Tax”) from utility users within the City’s boundaries. Such users are charged a tax based on a percentage of the total bill. A tax equal to 10% is charged for electricity and gas services; 9.5% for telecommunications services, including wired and wireless phone services and text messages; 9.0% for prepaid wireless services; and 5% for video and cable television services. The tax is not applicable to State, County, or City agencies, insurance companies or banks. The Richmond Municipal Code Section 13.52.100 provides that any electric service user may annually elect to pay a maximum Utility Users Tax (the “Maximum UUT”) that is calculated as the base amount of \$1,148,137.54 for each percent of tax imposed for any tax year, which base amount is then adjusted annually by that percentage which is 90% of the total percentage of change in the United States Department of Labor, Bureau of Labor Statistics’ Gas (piped) and Electric Consumer Price Index For All Consumers Urban for the San Francisco/Oakland/San Jose Area calculated on the basis of the two consecutive and most recently completed years for which data is available from the United States Department of Labor. In order to elect to pay the Maximum UUT, a user of the electric service must enter into an agreement with the City Tax Administrator prior to the commencement of the tax year to pay the maximum tax liability directly to the City during the tax year. No portion of the Maximum UUT is refundable in the event the service user subsequently determines that its tax liability under this chapter would have been less than the Maximum UUT calculated as described above.

Chevron. The Utility Users Tax includes amounts paid by Chevron pursuant to two separate revenue streams related to the Chevron Refinery: (i) Utility Users Tax payments (described above), and (ii) scheduled settlement payments in connection with the Measure T Tax Settlement Agreement. See “*Business License Act Tax (“Measure T”)*.” These two Chevron-related revenue streams account for more than 65% of the Utility Users Tax as a whole.

Business License Act Tax (“Measure T”). On November 4, 2008, the voters of the City approved Measure T imposing a tax on manufacturing businesses effective January 1, 2009 in an amount equal to the greater of: (i) the tax that would be paid by other general businesses, which is primarily based on the number of employees; or (ii) a flat fee equal to 0.25% of the value of the raw materials used in the manufacturing process.

Chevron filed suit in Contra Costa Superior Court (*Chevron v. City of Richmond*) alleging that Measure T violated: (i) the commerce clause of the U.S. Constitution and parallel principles in the State Constitution by being not fairly related to the services provided by the City, by burdening commerce and by other means, (ii) State laws that ban taxes on business inventory, and (iii) State regulations on local sales and use taxes. The City continued to collect the tax and held such amounts in reserve pending resolution of the litigation.

Following a trial in which the court invalidated Measure T as a violation of the commerce clause and the Bradley Burns Act (which allows local governments to collect a 1% sales tax), in December 2009, the City was ordered to refund the taxes Chevron paid under Measure T and pay \$1.2 million in prejudgment interest. In February 2010, the City refunded the taxes collected in the amount of \$20.9 million but did not pay the prejudgment interest. On March 9, 2010, the City filed an appeal.

On May 11, 2010, the City Council approved execution of a settlement agreement (the “Measure T Settlement Agreement”) with Chevron to resolve the remaining Measure T issues and other outstanding matters that requires: (i) the City to dismiss its appeal of the trial court decision invalidating Measure T, and (ii) Chevron to: (a) waive the Measure T prejudgment interest; (b) agree not to submit a proposed initiative that would amend the Utility Users Tax; (c) agree to pay to the City a total of \$114 million over 15 years (\$10 million in each of Fiscal Years 2010-11 and 2011-12; \$13 million in each of Fiscal Year 2012-13 through 2014-15; \$7 million in each of Fiscal Year 2015-16 through 2018-19, and \$4 million in each of Fiscal Year 2020-21 through 2024-25) in addition to its liability to pay Utility Users Tax; (d) continue to make the payments under the Measure T Settlement Agreement if a new tax measure is enacted by the voters during the term of the settlement agreement that would otherwise increase Chevron’s tax liability; and (e) affirm its Community Benefits Agreement obligations with respect to support for providing fence line air quality monitoring and collection and Greenprint transportation funding in the amount of \$2 million payable in three equal installments commencing July 1, 2010, in connection with the court invalidating the approval by the City of the Chevron Hydrogen Renewal Project. In the event that a force of nature substantially destroys the Chevron refinery, the Measure T Settlement Agreement will terminate. Upon the sale of the refinery, either the City or Chevron could elect to terminate the Measure T Settlement Agreement. Chevron has timely made all payments to date.

Utility Users Tax Receipts and Settlements. Table A-10A shows Utility Users Tax, the Measure T Settlement receipts received from Chevron, and the respective aggregate percentage of General Fund revenues (excluding transfers in) from these sources from Fiscal Year 2013-14 through Fiscal Year 2017-18. Table A-10B shows the top 10 Utility Users Taxpayers in alphabetical order Fiscal Year 2017-18.

**Table A-10A**  
**City of Richmond**  
**Utility Users Tax Receipts and Measure T Settlement**  
**Fiscal Years 2013-14 through 2017-18**

<b>Fiscal Year</b>	<b>UUT Receipts</b>	<b>Measure T Settlements</b>	<b>Total</b>	<b>% Change</b>	<b>Percentage of General Fund Revenues<sup>†</sup></b>
2013-14	\$35,033,705	\$13,000,000	\$48,033,705	(0.8%)	39.0%
2014-15	35,299,957	13,000,000	48,299,957	0.6	34.6
2015-16	36,365,249	7,000,000	43,365,249	(10.22)	30.23
2016-17	37,966,489	7,000,000	44,966,489	3.69	29.03
2017-18	39,079,755	7,000,000	46,079,755	2.48	29.33

<sup>†</sup> Excludes transfers in.

Sources: *City of Richmond, Comprehensive Annual Financial Report for Fiscal Years 2013-14 through 2017-18.*

The Fiscal Year 2018-19 Mid-Year Budget Review estimates that the City will collect approximately \$46.1 million in Utility Users Tax, which represents approximately 28.5% of General Fund revenues (excluding transfers in) and includes approximately \$7.0 million paid by Chevron pursuant to the Measure T Tax Settlement Agreement.

**Table A-10B**  
**City of Richmond**  
**Top Ten Utility Users Taxpayers**  
**(Alphabetical Order)**  
**Fiscal Year 2017-18**

<b>Taxpayer</b>	<b>Type of Business<sup>†</sup></b>
Chevron	Industrial
Comcast	Cable
Constellation new Energy	Gas
GTE Mobilnet of California LTD	Telecommunications
Marin Clean Energy	Utility
MetroPCS California LLC	Telecommunications
New Cingular Wireless	Telecommunications
Pacific Bell Telephone Co.	Telecommunications
PG&E	Utility
T-Mobile	Telecommunications

<sup>†</sup> Revenue base information by taxpayer is confidential.

Source: *City of Richmond Finance Department.*

***Sales and Use Taxes.***

General. The sales tax is an excise tax imposed on retailers for the privilege of selling tangible personal property. The use tax is an excise tax imposed on a person for the storage, use or other

consumption of tangible personal property purchased from any retailer. The proceeds of sales and use taxes (collectively, “Sales Tax”) imposed within the boundaries of the City are distributed by the State to various agencies as shown below in Table A-11. The total Sales Tax rate for the City as of April 1, 2019 is 9.25% and is allocated in the table below.

**Table A-11  
City of Richmond  
Composition of Sales Tax Rate  
(As April 1, 2019)**

<b>Taxing Entity</b>	<b>Rate</b>
State <sup>(1)</sup>	7.25%
Regional – San Francisco Bay Area Rapid Transit District	0.50
Regional – Contra Costa County Transportation Authority	0.50
Local – City of Richmond – Measure U <sup>(2)</sup>	0.50
Local – City of Richmond – Measure Q <sup>(3)</sup>	0.50
TOTAL	9.25%

(1) Includes 1.00% allocated to local government for discretionary use and 0.25% allocated to county transportation funds.

(2) The authorization to collect this tax was approved by a majority of the voters in November 2004 and continues until repealed.

(3) The authorization to collect this tax was approved by a majority of the voters in November 2014 and continues until repealed.

Source: California State Board of Equalization.

Measure U. At the November 2014 General Election, a majority of the voters approved a ballot measure imposing a one-half cent increase in the sales tax to maintain and enhance essential City services, such as public safety, public health and wellness programs and street paving (“Measure U”). There is no expiration date for Measure U. Effective April 1, 2015, the Sales Tax rate includes revenues from Measure U.

Table A-12 shows Sales Tax receipts, including vehicle license fees (the “VLF”) and their respective percentage of General Fund revenues (excluding transfers in) from Fiscal Year 2013-14 through Fiscal Year 2017-18.

**Table A-12  
City of Richmond  
Sales Tax Receipts**

<b>Fiscal Year</b>	<b>Sales Tax</b>		<b>Percentage of General Fund Revenues<sup>(1)</sup></b>
	<b>Receipts</b>	<b>% Change</b>	
2013-14 <sup>(2)</sup>	\$29,627,711	(0.8%)	23.8%
2014-15	33,131,376	11.8	23.7
2015-16	40,877,125	23.3	28.5
2016-17	41,620,189	1.8	26.9
2017-18	44,474,973	6.9	28.3

(1) Excludes operating transfers in.

(2) Fiscal Year 2013-14 receipts do not include the impact of the one-half cent increase imposed by Measure U, which took effect April 1, 2015, as described below.

Sources: City of Richmond, Comprehensive Annual Financial Report for Fiscal Years 2013-14 through Fiscal Year 2017-18.

The Fiscal Year 2018-19 Mid-Year Budget Review estimates that sales tax receipts will be approximately \$46.4 million, representing approximately 26.3% of General Fund revenues (excluding operating transfers in) and an approximately 4.3% increase compared to Fiscal Year 2017-18 actuals.

VLF Revenue from the State. The City receives revenue from the State consisting of the VLF and property tax in lieu of VLF (also known as the “VLF Backfill”). The City receives additional property tax to replace VLF revenue that were reduced when the State repealed the State general fund backfill for the reduction in the VLF. For the last five Fiscal Years, this source of revenue has represented approximately 5.0% of General Fund revenues (excluding transfers in).

Table A-13 sets forth a history of taxable sales for the City for calendar years 2013 through 2017 (the most recent annual data available).

**Table A-13**  
**City of Richmond**  
**Taxable Sales**  
**(\$ in thousands)<sup>(1)</sup>**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017<sup>(2)</sup></u>
Motor Vehicle and Parts Dealers	\$208,715	\$236,732	\$271,604	\$281,197	\$307,788
Home Furnishings and Appliance Stores	18,586	16,028	15,438	18,159	19,648
Building and Material and Garden					
Equipment and Supplies Dealers	<sup>(2)</sup>	69,130	72,600	74,248	81,334
Food and Beverage Stores	32,878	35,046	36,257	38,785	42,687
Gasoline Stations	273,795	268,656	205,958	206,794	242,862
Clothing and Clothing Accessories Stores	34,253	35,587	34,893	35,618	33,366
General Merchandise Stores	241,928	248,595	209,727	207,890	211,241
Food Services and Drinking Places	67,246	72,065	79,752	81,022	86,982
Other Retail Group	107,051	49,146	51,351	51,628	<u>52,671</u>
SUBTOTAL RETAIL AND FOOD STORES	<u>984,451</u>	<u>1,030,984</u>	<u>977,581</u>	<u>995,340</u>	<u>1,078,579</u>
All Other Outlets	273,366	286,396	292,909	295,483	<u>318,752</u>
TOTAL ALL OUTLETS	<u>\$1,257,817</u>	<u>\$1,317,380</u>	<u>\$1,272,490</u>	<u>\$1,290,823</u>	<u>\$1,397,331</u>

(1) Columns may not add due to rounding.

(2) Most recent annual data available.

Source: California State Board of Equalization.

### ***Property Taxes***

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

The County levies and collects the *ad valorem* property taxes. Taxes arising from the 1% Proposition 13 levy are apportioned among local taxing agencies on the basis of a formula established by State law in 1979. Under this formula, the City receives a base year allocation plus an allocation on the basis of growth in assessed value (consisting of new construction, change of ownership and inflation). Taxes relating to voter-approved indebtedness and voter approved pension costs are levied by the County and allocated to the relevant taxing agency. Beginning in Fiscal Year 1990-91 (with the adoption of State

legislation), the County has deducted the pro-rata cost of collecting property taxes from the City's allocation.

The California Community Redevelopment Law authorized redevelopment agencies to receive the allocation of tax revenues resulting from increases in assessed valuations of properties within designated project areas. In effect, the other local taxing authorities realized tax revenues from such properties only on the base-year valuations, which were frozen at the time a redevelopment project area was created. The tax revenues which resulted from increases in assessed valuations flowed to the redevelopment areas. The Dissolution Act dissolved all redevelopment agencies, and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of those dissolved redevelopment agencies and to administer the dissolution and wind down of the dissolved redevelopment agencies. See "Dissolution of the Richmond Community Redevelopment Agency."

All property tax revenues that would have been allocated to redevelopment agencies, including the Former Agency, are allocated to the applicable redevelopment property tax trust fund created by the county auditor-controller for the "successor agency" to pay indebtedness and other "enforceable obligations" (as defined in the Dissolution Act) and certain administrative costs. Any amounts in excess of that amount are to be considered property taxes that will be distributed to taxing agencies.

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

In 1978, the voters of the State passed Proposition 8, a constitutional amendment to Article XIII A that allows a temporary reduction in assessed value when real property suffers a decline in market value. A decline in assessed value occurs when the current market value of real property is less than the current assessed (taxable) factored base year value as of the lien date, January 1.

"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.

The table below summarizes the assessed valuation of taxable property in the City for Fiscal Years 2014-15 through 2018-19. Table A-14 reflects the assessed valuation as determined by the County Assessor as of July 1 of each Fiscal Year, which value determines the property tax revenues of the City as reported for that Fiscal Year.

**Table A-14**  
**City of Richmond, California**  
**Assessed Valuation of Taxable Property**  
**Fiscal Years 2014-15 through 2018-19**  
**(As of July 1)**

<b>Fiscal Year</b>	<b>Local Secured<sup>(1)</sup></b>	<b>Unsecured</b>	<b>Gross Value</b>	<b>Local Exemptions<sup>(2)</sup></b>	<b>Net Value</b>
2014-15	\$11,368,361,241	\$1,055,849,942	\$12,424,211,183	\$587,349,722	\$11,836,861,461
2015-16	12,487,655,982	1,046,592,477	13,534,248,459	641,474,908	12,892,773,551
2016-17	13,322,430,193	995,282,391	14,317,712,584	688,713,240	13,628,999,344
2017-18	13,911,772,327	1,020,027,232	14,931,799,559	760,841,171	14,170,958,388
2018-19	15,060,817,322	1,072,197,371	16,133,014,693	809,325,083	15,323,689,610

(1) Includes Utility Valuation.

(2) Includes homeowners' exemption under Article XIII, Section 25 of the State Constitution that reimburses local governments for revenues lost through the homeowners' exemption in Article XIII, Section 3(k) of the State Constitution and other exemptions under Article XIII, Section 3.

Sources: Contra Costa County Assessor Tax Rolls for Fiscal Years 2014-15 through 2018-19.

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

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

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

The County can elect to terminate its Teeter Plan for subsequent Fiscal Years, in which case the City would receive only the taxes and assessments actually collected and delinquent amounts when and if received. The County can also elect to terminate its Teeter Plan if more than 3% of the total tax levy is delinquent. The County has never terminated its Teeter Plan and has not informed the City of any plans to terminate its Teeter Plan.

The City receives its entire secured tax levy amount each year under the Teeter Plan. A history of tax levies and delinquencies for the last five Fiscal Years is shown in Table A-15.

**Table A-15**  
**City of Richmond**  
**Secured Tax Levies and Delinquencies**  
**Fiscal Years 2013-14 through 2017-18**

<b>Fiscal Year Ended June 30</b>	<b>Total Current Fiscal Year Tax Levy<sup>(1)</sup></b>	<b>Delinquent as of June 30</b>	
		<b>Amount</b>	<b>Percent Current Levy Delinquent June 30<sup>(2)</sup></b>
2013-14	\$30,723,601	\$259,794	0.85%
2014-15	33,375,853	255,476	0.77
2015-16	36,371,541	249,783	0.69
2016-17	38,439,744	264,287	0.69
2017-18	39,902,627	242,530	0.61

(1) Represents the gross levy. Includes amounts allocated to the Successor Agency to satisfy enforceable obligations (see “–Dissolution of the Richmond Community Redevelopment Agency”) and amounts owed by the Former Agency to the County Supplemental Educational Revenue Augmentation Fund (SERAF) that is payable from incremental property taxes. Repayment of the SERAF amount (\$12,202,114) is being made over 10-years through Fiscal Year 2020-21 at an interest rate equal to 2% pursuant to the terms of a structured payment plan agreement with the Department of Finance.

(2) Due to the County use of the Teeter Plan, the City receives 100% of its tax levy, with the County pursues collection of delinquent amounts and associated penalties and fines.

Source: *Contra Costa County Auditor-Controller.*

**Property Tax Receipts.** Property tax receipts collected for the City by the County are set forth in Table A-16 below. In preparing its annual budgets, the City forecasts property taxes based on each of the specific categories of receipts (secured and unsecured, current and delinquent receipts, supplemental, and State replacement funds). Prior to the Statewide dissolution of redevelopment agencies, current receipts were derived from the County Assessor’s estimate of growth in assessed valuation, adjusted for estimates in growth for redevelopment project areas. Estimates of other property tax receipts are primarily based on historical collections.

**Table A-16**  
**City of Richmond**  
**Property Tax Receipts<sup>(1)</sup>**  
**Fiscal Years 2013-14 through 2017-18**

<b>Fiscal Year</b>	<b>Property Tax</b>		<b>Percentage of General Fund Revenues<sup>(2)</sup></b>
	<b>Receipts</b>	<b>% Change</b>	
2013-14 <sup>(3)</sup>	\$28,950,340	(10.9%)	23.5%
2014-15 <sup>(4)</sup>	30,904,650	6.8	22.1
2015-16	33,232,037	7.5	23.2
2016-17	36,970,269	11.3	23.9
2017-18	38,961,021	5.4	24.8

(1) Excludes *ad valorem* property tax override revenues available to pay certain pension obligations of the City. See “CITY DEBT SUMMARY–Outstanding Pension Obligations.”

(2) Excludes transfers in.

(3) Fiscal Year 2013-14 property tax receipts compared to the prior Fiscal Year were approximately \$3 million lower due substantially to the removal from the roll of a parcel owned by Chevron that was assessed twice and the temporary reduction in the assessment value of the Chevron Refinery following the August 6, 2012 fire. See “–Assessment Appeals.”

(4) The majority of the 6.8% increase in Fiscal Year 2014-15 compared to the prior Fiscal Year is attributable to a one-time payment from the County for RCRA Successor Agency Surplus (Residual) Tax Increment.

Sources: *City of Richmond, Comprehensive Annual Financial Report for Fiscal Years, 2013-14 through 2017-18.*

Fiscal Year 2018-19 Mid-Year Budget Review estimates that property tax receipts will be \$42.6 million, representing an approximately 26.3% of estimated General Fund revenues (excluding transfers in) and an approximately 9.4% increase compared to Fiscal Year 2017-18 actuals.

Largest Taxpayers. Set forth in Table A-17 are the 10 largest secured taxpayers in the City for Fiscal Year 2018-19, based on net assessed valuations within the City.

**Table A-17**  
**City of Richmond**  
**Largest Property Taxpayers**  
**Fiscal Year 2018-19**  
**(\$ in 000's)**

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2017-18 Assessed Valuation</u>		<u>2018-19 Assessed Valuation</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Chevron USA Inc.	Industrial	\$3,458,826,102	24.40%	\$3,312,051,624	21.99%
Guardian KW Hilltop LLC	Residential	195,893,231	1.38	200,481,590	1.33
Lipt Giant Road Inc.	Industrial	85,200,000	0.60	85,760,814	0.57
Richmond Essex LP	Residential	77,070,899	0.54	78,641,667	0.52
Pacific Atlantic Terminals LLC	Industrial	–	–	46,073,267	0.31
Western B Northwest California LLC	Industrial	44,676,000	0.32	45,569,520	0.30
KM Phoenix Holdings LLC	Industrial	44,525,532	0.31	44,705,480	0.30
BRE Piper MF Tides CA LLC	Industrial	–	–	44,468,801	0.30
Dicon Fiberoptics Inc.	Industrial	43,349,741	0.31	43,438,376	0.29
Ford Point LLC	Industrial	41,235,340	0.29	42,018,532	0.28
SUBTOTAL		4,103,305,291	28.95	3,943,209,671	26.18
Remaining Property Owners		10,072,868,571	71.05	11,117,607,651	73.82
TOTAL		\$14,176,173,862	100.00%	\$15,060,817,322	100.00%

*Sources: Contra Costa County Assessor 2017-18 and 2018-19 Combined Tax Rolls and SBE Non Unitary Tax Roll.*

There can be no assurance any large property owner will not relocate outside of the City or file property tax appeals in the future which could significantly reduce the amount of property tax revenues available to the City. Certain of these taxpayers may own property located in one or more redevelopment areas of the City and the full amount of property taxes paid on such parcels may not contribute to the City's General Fund.

Assessment Appeals. Property tax values determined by the County Assessor may be subject to an appeal by the property owners. Assessment appeals are annually filed with the County Assessment Appeals Board (the "Appeals Board") for a hearing and resolution. Hearings on appeals generally are expected to occur within two years of the filing date, although waivers and extensions are available. The resolution of an appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant/property owner.

Property tax assessment appeals were filed by Chevron for the years 2004 through 2012 challenging the assessed value of its refinery. Chevron disagreed with the determinations by the Appeals Board and filed three separate actions in Contra Costa Superior Court.

In Fiscal Year 2013-14, although assessed valuation Countywide increased approximately 3.5% (\$4.87 billion), the assessed valuation within the City decreased by approximately 14.6% (\$1.9 billion), most of which (approximately \$1.1 billion or approximately 60%) was attributable to the removal from

the roll of a parcel owned by Chevron that was assessed twice and the temporary reduction in assessed value of the Refinery facilities (described below) following a fire that occurred on August 6, 2012.

*Chevron Crude Oil Distillation Unit Fire.* On August 6, 2012, a fire in the crude oil distillation unit occurred at the Chevron refinery located in the City. A Community Warning System, Level 3 (Shelter in Place) order was issued by the County and rescinded approximately five hours later. Five minor injuries were reported by Chevron employees, three of which were associated with the incident. Local air quality monitors indicated that levels of potentially toxic pollutants were well below their reference exposure levels and did not pose a significant health concern, however, more than 15,000 City residents sought treatment at local medical facilities for respiratory problems and eye irritation among other symptoms.

After being closed for eight months while investigations by local, State and federal authorities and repairs were completed, Chevron reopened the crude oil distillation unit in April 2013. During the closure of the damaged crude oil distillation unit the other parts of the plant remained in operation.

On August 2, 2013 the City filed a Complaint against Chevron in Superior Court (*City of Richmond v. Chevron Corp., et al.* - Case No. MSC13-01654) seeking a broad range of damages to the City, including damage to property, air quality, environmental harm and public health. A First Amended Complaint was filed by the City on December 27, 2013. The City filed a Stipulation and Order in October 2014 requesting permission to file a Second Amended Complaint to include damages associated with losses in property tax revenue. In February 2015, the Chevron motion to strike the Second Amended Complaint was denied. Chevron filed a petition for a writ of mandate in the court of appeal, which was denied on October 9, 2015. Chevron then filed a petition for review by the Supreme Court of the State of California, which petition was denied on December 9, 2015.

On September 17, 2013, the County Board of Supervisors approved execution of a Settlement Agreement and Release (the "Stipulated Settlement") among Chevron, Chevron Corporation, the County, the County Assessor and the City, which became effective upon the approval of a Stipulated Settlement by the Appeals Board. The Appeals Board approved the Stipulated Settlement in November 2013. Pursuant to the Stipulated Settlement, the assessment appeals by Chevron for the years 2004 through 2012 are resolved, and Chevron agreed to dismiss the three pending court cases challenging the assessed value, withdraw or dismiss the pending appeals before the Appeals Board, and forgo an approximately \$8 million refund. In addition, Chevron agreed not to re-file assessment appeals for any prior Fiscal Year up to and including Fiscal Year 2013-14 and to annually meet and confer with the County regarding the value of the Refinery facilities. As agreed to by Chevron and the County Assessor in the Stipulated Settlement and ordered by the Appeals Board, the Fiscal Year 2012-13 assessed value of the refinery was determined to be \$3.28 billion, which replaced the enrolled value of \$3.87 billion (a reduction of \$591,000,000). The Stipulated Settlement does not prevent Chevron from filing future assessment appeals or litigation against the County concerning the assessed value of the Refinery in future years. The City cannot predict whether additional appeals will be filed by Chevron or any other major property taxpayer in the future, or if filed whether or to what extent such appeals will be successful. Appeals are decided by the Appeals Board in the first instance and the City has no control over the actions of such officials.

**Other Taxes.** Other taxes consist primarily of the documentary transfer taxes; electricity, heat and power, garbage, gas, gas pipeline, and transfer station franchise fees; and transient occupancy taxes. For the last Five Fiscal Years, these sources of revenue have ranged from approximately 5.7% to approximately 8.1% of General Fund revenues (excluding transfers in). The Fiscal Year 2018-19 Mid-

Year Budget Review estimates that the City will collect approximately \$12.3 million from these sources, representing approximately 7.6% of General Fund revenues (excluding transfers in).

See also “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS—Proposition 1A of 2004” in the front of this Official Statement.

Documentary Transfer Tax. The City collects a tax (the “Documentary Transfer Tax”) on all transfers by deeds, instruments, writings or any other document by which lands, tenements, or other interests in real property are sold at a rate of \$7.00 for each \$1,000 or fractional part thereof of the consideration.

For the last five Fiscal Years, Documentary Transfer Tax revenues have ranged from approximately 2.8% to approximately 3.5% of annual General Fund Revenues (excluding transfers in).

Charges for Services. This source of revenue represents amounts charged by City departments (primarily Fire and Police) and the Department of Infrastructure Maintenance and Operations for services provided to third parties. For the last Five Fiscal Years this source of revenue has ranged from approximately 3.5% to approximately 6.5% of General Fund revenues (excluding transfers in). The Fiscal Year 2018-19 Mid-Year Budget Review estimates that the City will collect approximately \$3.8 million from this source, representing approximately 2.4% of General Fund revenues (excluding transfers in).

Licenses, Permits, and Fees. Other sources of City revenues include business license tax, fire department permits, community services program fees, and police department fees which, for the last Five Fiscal Years have ranged from approximately 1.7% to approximately 3.3% of the City’s General Fund revenues (excluding transfers in). The Fiscal Year 2018-19 Mid-Year Budget Review estimates that the City will collect approximately \$7.3 million from this source, representing approximately 4.5% of General Fund revenues (excluding transfers in).

## **Capital Planning**

Each year, the City adopts a five-year Capital Improvement Plan (a “CIP”) containing a forecast of capital improvement needs and funds identified to meet those needs during the current Fiscal Year and the next four Fiscal Years. The CIP for Fiscal Years 2019-20 through 2023-24 identifies a total of approximately \$180.5 million in capital projects. The CIP also identifies approximately \$190.3 million of unfunded capital improvement projects, which may be undertaken if and when resources are identified. No General Fund borrowing for capital projects is expected. The CIP is available on the City’s website at [www.ci.richmond.ca.us](http://www.ci.richmond.ca.us). The information contained in the CIP is not incorporated by this reference.

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**City Employees; Collective Bargaining**

For Fiscal Year 2018-19, the City has budgeted 733.2 permanent, full-time equivalent positions. The City has never experienced a work stoppage.

**Table A-18**  
**City of Richmond**  
**Full-Time Equivalent Positions**  
**Fiscal Years 2013-14 through 2017-18 and budgeted for Fiscal Year 2018-19**

<b>Fiscal Year</b>	<b>Budgeted FTE Positions</b>
2013-14	806.2
2014-15	757.2
2015-16	738.7
2016-17	725.2
2017-18	722.7
2018-19	733.2

*Source: City of Richmond, Human Resources Department.*

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The City’s employees are currently represented by six collective bargaining units, as follows: Fire Fighters, Fire Management, General, Management, Police Management and Police Officers. Table A-19 summarizes the employees represented by labor organizations. These six organizations cover approximately 95% of all City employees.

**Table A-19  
City of Richmond  
Summary of Labor Agreements**

<b>Employee Representation Organization<sup>(1)</sup></b>	<b>Employee Members<sup>(2)</sup></b>	<b>Contract Term</b>	<b>Negotiated Changes to Future Compensation</b>
Fire Fighters I.A.F.F., Local 188	77	June 30, 2022	Additional OPEB contributions by employees: \$400 per month effective 1/1/19 Active employee medical contribution: \$125 per month effective 1/1/18
Fire Management, RFMA	5	June 30, 2022	Additional OPEB contributions by employees: \$400 per month effective 1/1/19 Active employee medical contribution: \$125 per month effective 1/1/18
General (Part time), S.E.I.U. Local 1021	149	June 30, 2010	In negotiation
General (Full time), S.E.I.U. Local 1021	258	March 31, 2016	In negotiation
Management, IFPTE Local 21	112	June 30, 2019 <sup>(3)</sup>	Additional OPEB contributions by employees: \$100 per month effective 1/1/18 Active employee medical contribution: \$125 per month effective 1/1/18
Police Management Association	12	December 31, 2021	Additional OPEB contributions by employees: \$525 per month effective 1/1/19
Police Officers Association	143	June 30, 2021	Additional OPEB contributions by employees: \$250 per month effective 1/1/19 \$275 per month effective 1/1/20 \$300 per month effective 1/1/21
Executive Management	43	June 30, 2019 <sup>(3)</sup>	Additional OPEB contributions by employees: \$100 per month effective 1/1/18 Active employee medical contribution: \$125 per month effective 1/1/18
Total	799		

(1) As of January 1, 2017, all new hires became subject to PEPR requirements. See “–Pension Plans–Pension Reform.”

(2) Represents the number of funded positions in the Adopted Operating Budget for Fiscal Year 2018-19, which includes part-time members.

(3) In negotiation.

Source: *City of Richmond, Human Resources Department.*

### **Pension Plans**

The City contributes to a multiple-employer defined benefit retirement plan (“PERF”) administered by the California Public Employees’ Retirement System (“CalPERS”) as well as three separate City-administered, single-employer, defined-benefit pension plans – the General Pension Plan, the Police and Firemen’s Pension Plan and the Garfield Pension Plan. **CalPERS does not manage any of the three separate City-administered pension plans.** For information regarding the three City-administered plans, see “–City Administered Pension Plans.”

***GASB Accounting Standards.*** In 2012, GASB approved two new standards, Statement No. 67, *Financial Reporting for Pension Plans (GASB 67)* and Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB 68)*, with respect to pension accounting and financial reporting standards for state and local governments. These standards call for immediate recognition of more pension expense than was previously required. GASB 67 revises existing guidance for the financial reports of most pension plans and GASB 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. In 2014, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (GASB 71)* to address an issue regarding application of the transition provision of GASB 68. In 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (GASB 75)*. A summary of these GASB Statements is set forth below.

GASB 67. GASB 67, which is effective for fiscal year beginning after June 15, 2013, replaces the requirements of GASB 25 and GASB 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. GASB 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.

GASB 68. GASB 68, which is effective for fiscal years beginning after June 15, 2014, requires immediate recognition of annual service cost and interest on the pension liability and immediate recognition of the effect on the net pension liability of changes in benefit terms. Other components of pension expense will be recognized over a closed period that is determined by the average remaining service period of the plan members (both current and former employees, including retirees). These other components include the effects on the net pension liability of (i) changes in economic and demographic assumptions used to project benefits and (ii) differences between those assumptions and actual experience. Lastly, the effects on the net pension liability of differences between expected and actual investment returns will be recognized in pension expense over a closed five-year period.

GASB 71. GASB 71 amends paragraph 137 of GASB 68 to eliminate the source of potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB 68 in the accrual-basis financial statements of employers and non-employer contributing entities.

GASB 75. GASB 75, which became effective during the year ended June 2018 is intended to improve the usefulness of information for decisions made by various users of the financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense. The implementation of GASB 75 required the City to make prior period adjustments. As a result, certain net positions were restated. See Note 9.E.–“Fund Balances and Net Position–Net Position Restatements” of APPENDIX B–“CITY OF RICHMOND CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018.”

During Fiscal Year 2014-15, the City implemented GASB 68 and GASB 71. These new pension accounting standards respond to public interest about government pensions and provide new transparency about the City’s considerable pension obligations and their funding progress. As a result, Governmental Activities net position was restated by \$321.6 million and Business-Type Activities net position was restated by \$13 million changing the City’s total net position at July 1, 2014 from \$209.7 million to a \$124.9 million deficit and unrestricted net position from a \$152.1 million deficit to a \$489.7 million deficit. The majority of the restatement is due to a \$337.4 million reduction to beginning net position to record the City’s new net pension liability and related deferred outflows of resources for pension contributions made during the prior year in accordance with the new pension accounting standards.

Additionally, governmental activities net position was increased by a net \$2.8 million due to adjustments made to various receivable balances. These restatements are fully discussed in Note 10F—“Fund Balance and Net Position—*Restatement and Adjustments of Fund Balance and Net Position.*” The new net pension liability of \$209.3 million, representing an accounting measure of the City’s unfunded pension obligations, is presented as a new liability on the Statement of Net Position at June 30, 2018.

See Note 10—“Fund Balances and Net Position,” Note 11—“California Public Employees’ Retirement System Pension Plans,” and Note 12—“Other City Pension Plans” of APPENDIX B—“CITY OF RICHMOND CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018.”

Calculations made by CalPERS and the City-administered pension plans will be modified as these new standards are implemented. The City expects that all of the pension plans will initially report weaker funded ratios as GASB 67 and GASB 68 are phased in.

***Pension Reform.*** On January 1, 2013, the “*Public Employee Pension Reform Act of 2013*” (“PEPRA”) took effect, which implemented lower defined-benefit formulas with higher retirement ages for new employees hired on or after that date and includes provisions to increase current employee contributions. Key changes to retirement plans affecting the City include: (i) commencing January 1, 2018, permitting the employer may unilaterally require employees to pay 50% of the total annual normal cost (i.e. the cost of service accrual for the upcoming Fiscal Year for active employees, in the absence of any surplus or unfunded liability, expressed as a percentage of payroll) up to an 8% contribution rate for Miscellaneous Plan employees and an 11% or 12% contribution rate for Safety Plan employees and employers are prohibited from paying any of the required employee contribution; (ii) eliminating the ability of an employer to provide better health benefits or health benefit vesting to non-represented employees than it does for represented employees; (iii) eliminating the ability of any public employee to purchase nonqualified service or “airtime,” unless an official application was received by the system prior to January 1, 2013; (iv) requiring the combined employer and employee contributions, in any fiscal year, to cover that year’s normal cost; (v) requiring both current and future public officials and employees to forfeit pension and related benefits if they are convicted of a felony in carrying out official duties, in seeking an elected office or appointment, or in connection with obtaining salary or pension benefits, subject to certain requirements; (vi) limiting post retirement public employment by: (A) prohibiting working more than 960 hours or 120 days per year for any public employer; (B) requiring a 180-day “sit-out” period before a retiree could return to work except under certain circumstances; (C) requiring a one-year “sit-out” period for retirees who received either a golden handshake or some other employer incentive to retire; (D) prohibiting an individual receiving an industrial disability retirement from working for another public employer doing the same or substantially similar job; and (E) requiring a public retiree appointed to a full time State board or commission to suspend his or her retirement allowance and become a member of CalPERS; and (vii) requiring CalPERS (for plans it administers) to develop requirements for defining a significant increase in actuarial liability for a former employer due to excessive compensation paid by a subsequent public employer, and to develop a plan to assess the cost of that excess liability to the employer who paid the excessive compensation.

In addition to the above reforms, employees hired after December 31, 2012 are subject to: (i) a new benefit formula equal to 2% percent at 62 for Miscellaneous Plan employees with an early retirement age of 52 and a maximum benefit factor of 2.5% at 67 and for Safety Plan employees with a normal retirement age at 50 and a maximum retirement age at 57 with the defined benefit formula ranging from 1.426% at age 50 under the basic formula to 2.7% at age 57; (ii) a cap on pensionable salaries at the Social Security contribution and wage base of \$110,100 (or 120% of that amount for employees not covered by Social Security), adjusted annually based on the CPI for All Urban Consumers; (iii) rules prohibiting a retirement board from administering, and a public employer from offering, a benefit replacement plan; (iv) a requirement that: (A) all public retirement systems in the State to adhere to the

federal compensation limit when calculating retirement benefits for new members and (B) prohibit a public employer from making contributions to any qualified public retirement plan based on any portion of compensation that exceeds the limit; (iv) contributions equal to 50% of the total annual normal cost of pension benefits; (v) a requirement that compensation be defined as the normal rate of regular, recurring pay, excluding special bonuses, unplanned overtime, payouts for unused vacation or sick leave, and other special pay, provided that these requirements do not apply to the extent a system has adopted a more restrictive definition of compensation earnable; and (vi) a requirement that final compensation be defined as the highest average annual final compensation during a consecutive 36 month period, subject to the cap.

Costs for other post-employment benefits are not addressed in PEPRA. However, later retirement ages will help reduce such liabilities in the long-term.

***California Public Employees' Retirement System.** The following information concerning CalPERS and PERF has been obtained from publicly available information on the CalPERS and State Treasurer websites. The City believes such information to be reliable, however the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information.*

*CalPERS does not prepare department specific information for its members. The following information related to the City includes costs for all City departments, including those funded by the General Fund.*

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

The staff actuaries at CalPERS prepare annually an actuarial valuation which covers a Fiscal Year ending approximately 12 months before the actuarial valuation is prepared (thus, the actuarial valuation as of June 30, 2014 (the "CalPERS 2014 Actuarial Valuation") was delivered to the City in October 2015). The actuarial valuation expresses the City's required contribution rates in percentages of payroll, which percentages the City contributes in the Fiscal Year immediately following the Fiscal Year in which the actuarial valuation is prepared (thus, the City's contribution rates derived from the CalPERS 2013 Actuarial Valuation, are effective for the City's Fiscal Year 2016-17). CalPERS rules require the City to implement the actuary's recommended rates.

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

Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members

are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Employees of the City hired on or before December 31, 2012 participate in the Miscellaneous Plan under the 2.7% at age 55 Benefit Formula or the Safety Plan under the 3.0% at age 50 (Police) or 3.0% at age 55 (Fire) Benefit Formula. PEPRA is applicable to employees new to CalPERS and hired after December 31, 2012. Employees at the City hired on or after January 1, 2013 participate under the Miscellaneous Plan 2.0% at age 62 Benefit Formula or the 2.7% at age 57 (Police and Fire) Benefit Formula.

The Plans' provisions and benefits in effect as of June 30, 2018, are summarized as follows:

	<b>Miscellaneous</b>				
	<b>Prior to January 1, 2013</b>	<b>On or after January 1, 2013</b>	<b>Safety – Police</b>	<b>Safety – Fire</b>	<b>Safety – Police and Fire</b>
Hire Date	<b>Prior to January 1, 2013</b>	<b>On or after January 1, 2013</b>	<b>Prior to January 1, 2013</b>	<b>Prior to January 1, 2013</b>	<b>On or after January 1, 2013</b>
Benefit formula	2.7% at 55	2.0% at 62	3.0% at age 50	3.0% at age 55	2.7% at age 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 – 55	52 – 55	50	50 – 55	50 – 57
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%	3.00%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	8.00%	6.75%	9.00%	9.00% <sup>†</sup>	11.25%
Required employer contribution rates	12.242%	12.242%	19.813%	19.813% <sup>†</sup>	19.813%
Required UAL contribution	\$6,121,476		\$7,884,396		

<sup>†</sup> Effective July 1, 2015, Safety (Police and Fire) employees hired prior to January 1, 2013 pay 3% of the employer's required contribution. Therefore, the required employer contribution rate is 16.813% and required employee contribution rate is 12%.

Beginning in Fiscal Year 2015-16, CalPERS collects employer contributions for each Plan as a percentage of payroll for the normal portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability (UAL). The dollar amounts are billed on a monthly basis. The City's required contributions for the unfunded liability in the Miscellaneous and Safety Plans were \$6,121,476 and \$7,884,396, respectively, as noted in the table above.

Employees Covered. As of the June 30, 2016 actuarial valuation date and the June 30, 2017 measurement date, the following employees were covered by the benefit terms for each Plan:

	<b>Miscellaneous</b>		<b>Safety</b>	
	<b>June 30, 2016</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>June 30, 2017</b>
Inactive employees or beneficiaries currently receiving benefits	894	915	490	502
Inactive employees entitled to but not yet receiving benefits	511	509	74	76
Active employees	469	454	258	248
<b>TOTAL</b>	<b>1,874</b>	<b>1,878</b>	<b>822</b>	<b>826</b>

As of June 30, 2018, the City had 451 active employees in the Miscellaneous Plan and 258 active employees in the Safety Plan.

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

For Fiscal Year 2017-18, the actuarially determined contributions for the Miscellaneous Plan was \$10,436,250 and for the Safety Plan was \$14,013,858.

Net Pension Liability. The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability for each Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled to June 30, 2017 using standard update procedures.

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Actuarial Assumptions. For the measurement period ended June 30, 2017, the total pension liabilities were determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

	<u>Miscellaneous<sup>(1)</sup></u>	<u>Safety<sup>(1)</sup></u>
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.2% - 12.2% <sup>(2)</sup>	3.4% - 20.0% <sup>(2)</sup>
Investment Rate of Return	7.50% <sup>(3)</sup>	7.50% <sup>(3)</sup>
Mortality	Derived using CalPERS Membership Data for all Funds <sup>(4)</sup>	Derived using CalPERS Membership Data for all Funds <sup>(4)</sup>
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Actuarial assumptions are the same for all benefit tiers.

(2) Depending on age, service and type of employment.

(3) Net of pension plan investment expenses, including inflation.

(4) The mortality table used was developed based on CalPERS' specific data. The table includes five years of mortality improvements using Society of Actuaries Scale AA. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

Source: City of Richmond, Comprehensive Annual Financial Report for the Year Ended June 30, 2018.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be found on the CalPERS website under Forms and Publications.

Discount Rate. The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund ("PERF"). The stress test results are presented in a detailed report that can be obtained from the CalPERS website under the GASB 68 section.

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

For additional information regarding the CalPERS plans see APPENDIX B—"CITY OF RICHMOND CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018—Note 10—"California Public Employees' Retirement System Pension Plans."

Changes in Net Pension Liability. The changes in the Net Pension Liability for the Miscellaneous and the Safety Plan as of June 30, 2016 measurement date are set forth in Table A-20A and A-20B, respectively.

**Table A-20A**  
**City of Richmond**  
**Changes in the Net Pension Liability**  
**Miscellaneous Plan**  
**(CalPERS)**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2016 Measurement Date</b>	\$446,234,376	\$326,226,506	\$120,007,870
<b>Changes in the year:</b>			
Service cost	8,053,459	–	8,053,459
Interest on the total pension liability	32,804,753	–	32,804,753
Differences between actual and expected experience	(4,464,966)	–	(4,464,966)
Changes in assumptions	25,548,824	–	25,548,824
Changes in benefit terms	–	–	–
Plan to plan resource movement	–	(50,018)	50,018
Contribution – employer	–	8,860,295	(8,860,295)
Contribution – employees	–	2,996,354	(2,996,354)
Net investment income	–	35,805,938	(35,805,938)
Administrative expenses	–	(481,651)	481,651
Benefit payments, including refunds of employee contributions	(25,074,448)	(25,074,448)	–
<b>Net Changes</b>	36,867,622	22,056,470	14,811,152
<b>Balance at June 30, 2017 Measurement Date</b>	\$483,101,998	\$348,282,976	\$134,819,022

*Source: City of Richmond, Comprehensive Annual Financial Report for the Year Ended June 30, 2018.*

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**Table A-20B**  
**City of Richmond**  
**Changes in the Net Pension Liability**  
**Safety Plan**  
**(CalPERS)**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2016 Measurement Date</b>	\$580,176,320	\$411,354,659	\$168,821,661
<b>Changes in the year:</b>			
Service cost	11,650,927	–	11,650,927
Interest on the total pension liability	43,264,626	–	43,264,626
Differences between actual and expected experience	797,969	–	797,969
Changes in assumptions	35,109,898	–	35,109,898
Changes in benefit terms	–	–	–
Plan to plan resource movement	–	50,018	(50,018)
Contribution – employer	–	12,669,049	(12,669,049)
Contribution – employees	–	4,471,008	(4,471,008)
Net investment income	–	45,166,243	(45,166,243)
Administrative expenses	–	(607,337)	607,337
Benefit payments, including refunds of employee contributions	(33,620,000)	(33,620,000)	–
<b>Net Changes</b>	<u>57,203,420</u>	<u>28,158,981</u>	<u>29,044,439</u>
<b>Balance at June 30, 2017 Measurement Date</b>	<u>\$637,379,740</u>	<u>\$439,513,640</u>	<u>\$197,866,100</u>
<b>Totals – Miscellaneous and Safety Plans</b>	<u><b>\$1,120,481,738</b></u>	<u><b>\$787,796,616</b></u>	<u><b>\$332,685,122</b></u>

Source: City of Richmond, Comprehensive Annual Financial Report for the Year Ended June 30, 2018.

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

	Miscellaneous	Safety
1% Decrease	6.15%	6.15%
Net Pension Liability	\$195,707,528	\$282,296,768
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$134,819,022	\$197,866,100
1% Increase	8.15%	8.15%
Net Pension Liability	\$84,290,283	\$128,531,169

Source: City of Richmond, Comprehensive Annual Financial Report for the Year Ended June 30, 2018.

Subsequent Change in Discount Rate. In December 2016, the CalPERS Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in Fiscal Year 2017-18. The change in the discount rate will affect the contribution rates for employers beginning in Fiscal Year 2018-19 and result in increases to employers' normal costs and unfunded actuarial liabilities.

***City Administered Pension Plans.*** The City administered three single-employer defined benefit pension plans which are funded entirely by City contributions: the Police and Firemen's Pension Plan, the Garfield Pension Plan, and the General Pension Plan (collectively, the "City Plans"). For additional information regarding the City Administered Pension Plans, including investment policies, net pension liability, expenses and financial statements is presented in APPENDIX B—"CITY OF RICHMOND CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018—Note 11—Other City Pension Plans."

These City Plans provide retirement, disability, and death benefits based on the employer's years of service, age and final compensation. Benefit provisions for the City Plans are established by City Ordinance. No separate financial statements are issued for these City Plans.

Pension Tax Override Revenues. The City has levied and continues to levy an *ad valorem* property tax, at the rate of 0.14% of the assessed value of all taxable property within the City (of which the net to the City following deduction of County costs is approximately 0.12%), which is available solely to pay for the obligations of retirees and their eligible dependents who are part of the Police and Firemen's Pension Plan, the Garfield Plan, the General Pension Plan, as well as other pre-1978 benefits approved for general, safety, and miscellaneous employees enrolled in CalPERS (the "Pension Tax Override"). The Pension Tax Override was approved by the voters of the City prior to July 1, 1978. Pension Tax Override revenues, as received, are required to be deposited in the Secured Pension Override Special Revenue Fund. The Pension Tax Override revenues are not General Fund revenues of the City. A summary of Pension Tax Override revenues received in Fiscal Year 2017-18, the pension obligations paid, and the surplus, if any, remaining for payment of certain other pension obligations is presented in the table below.

**Fiscal Year 2017-18 Pension Tax Override Revenues**

Total Pension Tax Override Received	\$20,498,647.86
Less: Series 2005 Bonds Intercept (Pension Tax Override Portion Only)	(9,823,197.82)
Less: Series 1999A Bonds Debt Service	(2,075,043.00)
Less: Legacy Plan Pension Costs <sup>(1)</sup>	<u>(1,343,849.00)</u>
Surplus Transferred to General Fund to pay Pension Costs <sup>(2)</sup>	<u>\$7,256,558.04</u>

(1) Represents the annual required contributions for the Police and Firemen's, the Garfield, and the General Pension Plans. "FINANCIAL OPERATIONS—Pension Plans."

(2) Surplus amounts are applied to pay other pension obligations of the City approved by the voter prior to July 1, 1978. Any deficit is payable from the General Fund.

Source: City of Richmond, Finance Department.

See also "CITY DEBT SUMMARY—Outstanding Pension Obligations."

Police and Firemen's Pension Plan. The Police and Firemen's Pension Plan is a defined benefit pension plan covering the 98 police and fire personnel employed by the City prior to October 1964. The Police and Firemen's Pension Plan is closed to new members, and substantially all of its current members are retired. Funding for the Police and Firemen's Pension Plan is provided from the Pension Reserve Trust Fund. Employees eligible under the Police and Firemen's Pension Plan were vested after five years of service, and members were allowed normal retirement benefits after 25 or more continuous years of

service. The City is required under its charter to contribute the remaining amounts necessary to fund the Police and Firemen’s Pension Plan using the Entry Age Normal Cost actuarial cost method as specified by ordinance.

The City pays the benefits under the Police and Firemen’s Pension Plan from the Pension Tax Override revenues. See “–Pension Tax Override Revenues.”

For Fiscal Year 2017-18, the annual money-weighted rate of return on Police and Firemen’s Pension Plan assets, net of investment expenses, was 4.9%.

**Actuarial Assumptions.** The total pension liability for the City Plans as of June 30, 2018 was determined based on June 30, 2017 actuarial valuations rolled forward to June 30, 2018 using standard update procedures. The following actuarial assumptions applied to all periods included in the measurement:

	<u>Police and Firemen’s Plan</u>
Discount rate, net of investment expense	5.75%
Expected return on plan assets	5.75%
Inflation rate	2.75%
Cost-of-living increases	3% per year
Actuarial cost method	Entry age normal
Salary increases	N/A

The changes in net pension liability for the Police and Firemen’s Pension Plan for the Fiscal Years 2017-18 is presented below:

**Table A-20C**  
**City of Richmond**  
**Changes in the Net Pension Liability**  
**Police and Firemen’s Pension Plan**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/ (Asset)</u>
<b>Balance at June 30, 2017</b>	\$19,271,774	\$12,394,593	\$6,887,181
<b>Changes in the year:</b>			
Service cost	–	–	–
Interest on the total pension liability	1,031,755	–	1,031,755
Differences between actual and expected experience	–	–	–
Changes in assumptions	–	–	–
Changes in benefit terms	–	–	–
Contribution – employer	–	1,270,466	(1,270,466)
Contribution employees	–	–	–
Net investment income	–	589,028	(589,028)
Administrative expenses	–	–	–
Benefit payments, including refunds of employee contributions	(2,656,508)	(2,656,508)	–
<b>Net Changes</b>	<u>(1,624,753)</u>	<u>(797,014)</u>	<u>(827,739)</u>
<b>Balance at June 30, 2018</b>	<u>\$17,647,021</u>	<u>\$11,587,579</u>	<u>\$6,059,442</u>
Plan fiduciary net position as a position of the total Pension liability	–	–	65.7%

Source: City of Richmond, Comprehensive Annual Financial Report for the Year Ended June 30, 2018.

Garfield Pension Plan. Pursuant to a contractual agreement, the City maintains the Garfield Pension Plan to fund defined retirement and other benefits due to a retired Chief of Police of the City. Retirement, other benefits, and any continuation benefits to his surviving spouse receive the same cost-of-living increases as Safety Plan employees covered by CalPERS (i.e. cost of living increases of 2% per year, subject to CPI increase constraints, and purchasing power protection through the CalPERS Purchasing Power Protection Allowance). Mr. Garfield’s surviving spouse receives 50% of the retiree’s pension. The benefits are paid from the assets of the Garfield Pension Plan and from related investment earnings. In Fiscal Year 2016-17, the City contributed \$174,186 to the Garfield Pension Plan. The beneficiary of the Garfield Pension Plan is not covered under the Police and Fireman’s Pension Plan, the General Pension Plan, or CalPERS.

The City currently pays the benefits under the Garfield Pension Plan from Pension Tax Override Revenues. See “–Pension Tax Override Revenues.”

*Actuarial Assumptions.* The total pension liability for the City Plans as of June 30, 2018 was determined based on June 30, 2017 actuarial valuations rolled forward to June 30, 2018 using standard update procedures. The following actuarial assumptions applied to all periods included in the measurement:

	<u>Garfield Pension Plan</u>
Discount rate, net of investment expense	3.00%
Expected return on plan assets	3.00%
Inflation rate	2.75%
Cost-of-living increases	2.75% per year
Actuarial cost method	Entry age normal
Salary increases	N/A

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The changes in net pension liability for the Garfield Pension Plan for the Fiscal Years 2017-18 is presented below:

**Table A-20D**  
**City of Richmond**  
**Changes in the Net Pension Liability**  
**Garfield Pension Plan**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/ (Asset)
<b>Balance at June 30, 2017</b>	\$691,642	\$297,317	\$394,325
<b>Changes in the year:</b>			
Service cost	—	—	—
Interest on the total pension liability	19,334	—	19,334
Differences between actual and expected experience	—	—	—
Changes in assumptions	—	—	—
Changes in benefit terms	—	—	—
Contribution – employer	—	102,140	(102,140)
Contribution employees	—	—	—
Net investment income	—	2,627	(2,627)
Administrative expenses	—	—	—
Benefit payments, including refunds of employee contributions	(94,323)	(94,323)	—
<b>Net Changes</b>	<u>(74,989)</u>	<u>10,444</u>	<u>(85,433)</u>
<b>Balance at June 30, 2018</b>	<u>\$616,653</u>	<u>\$307,761</u>	<u>\$308,892</u>
Plan fiduciary net position as a position of the total Pension liability	—	—	49.9%
<b>Totals – Other City Pension Plans</b>	<u><b>\$20,730,622</b></u>	<u><b>\$12,637,073</b></u>	<u><b>\$8,093,549</b></u>

*Source: City of Richmond, Comprehensive Annual Financial Report for the Year Ended June 30, 2018.*

General Pension Plan. The General Pension Plan, a defined benefit pension plan, funds retirement and other benefits payable to 12 former City employees (or their beneficiaries) who are not covered by CalPERS. The General Pension Plan is closed to new membership, and all of its current members are retired. Benefits are funded from the assets of the General Pension Plan and from related investment earnings. The City is required under its charter to contribute the remaining amounts necessary to fund the General Pension Plan using the Entry Age Normal Cost actuarial cost method as specified by Ordinance.

The General Pension Plan is closed to new members. Retirement benefits for Plan members are calculated as one-half of the average annual salary attached to the position held by the retiree during the three years prior to the date of retirement. Surviving spouses receive 100% of the retiree’s pension. Benefit terms provide for annual cost-of-living adjustments to each member’s retirement allowance subsequent to the member’s retirement date. The annual adjustments are an automatic increase of 2% per years. City Council may grant additional increases of up to 3% per year to bring the total increase in a given year to 5%. For Fiscal Year 2017-18, the annual money-weighted rate of return on General Pension Plan investments, net of investment expenses, was 1.0%.

The City currently pays the benefits under the General Pension Plan from Pension Tax Override Revenues. See “–Pension Tax Override Revenues.”

*Actuarial Assumptions.* The total pension liability for the City Plans as of June 30, 2018 was determined based on June 30, 2017 actuarial valuations rolled forward to June 30, 2018 using standard update procedures. The following actuarial assumptions applied to all periods included in the measurement:

	<u>General Pension Plan</u>
Discount rate, net of investment expenses	3.18%
Expected return on plan assets	3.00%
Inflation rate	2.75%
Cost-of-living increases	5% per year
Actuarial cost method	Entry age normal
Salary increases	N/A

The changes in net pension liability for the General Pension Plan for the Fiscal Years 2017-18 is presented below:

**Table A-20E**  
**City of Richmond**  
**Changes in the Net Pension Liability**  
**General Pension Plan**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/ (Asset)</u>
<b>Balance at June 30, 2017</b>	\$2,932,456	\$449,871	\$2,482,585
<b>Changes in the year:</b>			
Service cost			
Interest on the total pension liability	80,100		80,100
Differences between actual and expected experience			
Changes in assumptions	(20,669)		(20,669)
Changes in benefit terms			
Contribution – employer		814,594	(814,594)
Contribution employees			
Net investment income		2,207	(2,207)
Administrative expenses			
Benefit payments, including refunds of employee contributions	(524,939)	(524,939)	
<b>Net Changes</b>	<u>(465,508)</u>	<u>291,862</u>	<u>(757,370)</u>
<b>Balance at June 30, 2018</b>	<u>\$2,466,948</u>	<u>\$741,733</u>	<u>\$1,725,215</u>
Plan fiduciary net position as a position of the total Pension liability			30.1%

Source: City of Richmond, Comprehensive Annual Financial Report for the Year Ended June 30, 2018.

Actuarially Determined Contributions. As of June 30, 2017, actuarial valuations used to calculate the actuarially determined contributions for each Plan were determined using the entry-age normal cost method and the assumptions in Note 11B in APPENDIX B–“CITY OF RICHMOND CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018.”

For the General Pension Plan, the City’s contribution policy is to annually contribute an amount equal to (i) amortization of the unfunded liability as a level-dollar over a 6-year closed period as of July 1, 2013, plus (ii) future gains and losses amortized over the same period, but not less than five years. Over the past five years, the City has contributed an average of 75% of the Actuarially Determined Contribution.

For the Police and Firemen’s Pension Plan, the City’s contribution policy is to annually contribute an amount equal to (i) amortization of the unfunded liability as a level-dollar over a 10-year closed period as of July 1, 2013, plus (ii) future gains and losses amortized over the same period, but not less than five years. Over the past five years, the City contributed an average 98% of the Actuarially Determined Contribution.

For the Garfield Pension Plan, the City’s contribution policy is to annually contribute an amount equal to (i) amortization of the unfunded liability as a level-dollar over a 7-year closed period as of July 1, 2013, plus (ii) future gains and losses amortized over the same period, but not less than five years. Over the past five years, the City has contributed an average of 116% of the Actuarially Determined Contribution.

The Actually Determined Contribution and the actual contributions for each City Plan for the year ended June 30, 2018 are presented below:

	<b>Actuarially Determined Contribution</b>	<b>Amount Contributed</b>	<b>Percent Contributed</b>
General Pension Plan	\$947,219	\$814,594	86%
Police and Firemen’s Pension Plan	1,389,612	1,270,466	91
Garfield Pension Plan	86,103	102,140	119

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

	<b>General Pension Plan</b>	<b>Police and Firemen’s Plan</b>	<b>Garfield Pension Plan</b>
1% Decrease	2.18%	4.75%	2.00%
Net Pension Liability	\$1,844,294	\$6,999,286	\$338,457
Current Discount Rate	3.18%	5.75%	3.00%
Net Pension Liability	\$1,725,215	\$6,059,442	\$308,892
1% Increase	4.18%	6.75%	4.005
Net Pension Liability	\$1,616,057	\$5,207,932	\$281,692

### **Other Post-Employment Benefits**

In addition to the retirement and pension benefits described above, the City provides post-employment medical and dental benefits (“OPEB Obligations”). In order to qualify for these benefits an employee must retire from the City and maintain enrollment in one of the City’s eligible health plans. The City pays a portion of the CalPERS premiums for retirees and their dependents that vary by employment classification. In addition, certain eligibility rules and contribution requirements apply for future retirees, followed by current retirees as specified in City ordinances. For information regarding the eligibility rules and contribution requirements for each bargaining unit, see APPENDIX B–“CITY OF

RICHMOND CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018–Note 12–Other Postemployment Benefits.”

The City membership in this plan varies based on the employee bargaining group. As of the June 30, 2017 valuation date, membership in this plan consisted of 1,278 members (627 active employees electing coverage, 44 active employees waiving coverage, and 607 retiree and beneficiaries receiving benefits).

**Funding Policy and Actuarial Assumptions.** During Fiscal Year 2007-08, the City joined the Public Agencies Post-Retirement Health Care Plan, an agent multiple employer trust administered by Public Agency Retirement Services (“PARS”). The balance in the City’s PARS trust account as of June 30, 2018 was \$17,422,879. PARS issues a publicly available financial report that includes financial statements and required supplementary information. A copy of the PARS financial report may be obtained from the Public Agency Retirement Services, 4350 Von Karman Avenue, Suite 100, Newport Beach, California 92660.

The City’s policy is to partially prefund these benefits by accumulating assets with PARS discussed above along with making pay-as-you-go payments pursuant to Resolution No. 52-06 dated as of June 27, 2006. In July 2016, the City adopted an additional funding policy to place into the PARS trust half of any one-time revenues and half of any year-end surplus in excess of the City’s minimum reserve policy in an effort to pay down the unfunded liability. In accordance with the policy, the City transferred \$3.175 million to the PARS trust during Fiscal Year 2017-18 along with an additional contribution of \$4,328,063.

**Actuarial Assumptions.** The total OPEB liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The valuation used the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

	<u>Actuarial Assumptions</u>
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost, level percent of pay
Actuarial Assumptions:	
Discount Rate	4.12%
Inflation	2.75%
CPI Medical Care	4.00%
Payroll Growth	3.00%
Investment Rate of Return	6.85%
Index Rate for 20 year, tax exempt municipal bonds	3.62%
Mortality	Based on assumptions for Public Agency Miscellaneous, Police and Fire members published in the December 2017 CalPERS Experience Study
Healthcare Cost Trend Rates:	6.90% for 2018, 6.30% for 2019, 5.80% for 2020, 5.20% for 2021-2054, transition to ultimate rate of 4.40% in 2074 and further years
Health – NO Medicare Eligible	5.60% for 2018, 5.40% for 2019, 5.30% for 2020, 5.20% for 2021-2054, transition to ultimate rate of \$.40% in 2074 and further years
Dental	To increase 4.00% annually
Vision	To increase 3.00% annually

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**Changes in Net OPEB Liability.** The changes in the net OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/ (Asset) (a) – (b)
Balance at June 30, 2017	\$191,472,282	\$9,336,893	\$182,135,389
Changes Recognized for the Measurement Period:			
Service Cost	6,730,397	–	6,730,397
Interest on the total OPEB liability	7,927,217	–	7,927,217
Changes in benefit terms	–	–	0
Differences between expected and actual experience	(2,816,969)	–	(2,816,969)
Changes of assumptions	8,715,168	–	8,715,168
Contributions from the employer	–	13,599,120	(13,599,120)
Contributions from the employee	–	765,475	(765,475)
Net investment income	–	632,089	(632,089)
Administrative expenses	–	(49,169)	49,169
Benefit payments <sup>†</sup>	(6,861,529)	(6,861,529)	0
Net changes	13,694,284	8,085,986	5,608,298
Balance at June 30, 2018 (Measurement Date)	\$205,166,566	\$17,422,879	\$187,743,687

<sup>†</sup> Benefit payments are comprised of \$3,947,832 direct subsidy payments to retirees and \$2,913,697 estimated implicit subsidy costs incurred during the measurement period ending June 30, 2018.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates.** The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using the discount rate that is one-percentage point lower or one percentage point higher than the current discount rate:

Net OPEB Liability/(Asset)		
Discount Rate – 1% (3.12%)	Discount Rate (4.12%)	Discount Rate +1% (5.12%)
\$218,312,924	\$187,743,687	\$162,834,832

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Net OPEB Liability/(Asset) Healthcare Cost Trend		
1% Decrease	Current Trend Rates Various - see assumptions above	1% Increase
\$165,359,439	\$187,743,687	\$215,505,846

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

## **Risk Management**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; general liability; errors and omissions; injuries to employees; natural disasters; and inverse condemnation. In April 2009, the City joined the California State Association of Counties Excess Insurance Authority (the "CSAC-EIA") for worker's compensation insurance. In July 2009, the City joined the California Joint Powers Risk Management Authority ("CJPRMA") for general liability and employment practices coverage. The City has chosen to establish a 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 risk categories excluding inverse condemnation is provided by policies with various commercial insurance carriers. The City is insured with various commercial carriers for risks including: cyber liability; difference in conditions – earthquake (provides supplemental insurance coverage for perils (earthquake) excluded from standard commercial property insurance policies) and earthquake sprinkler leakage; excess workers' compensation; general liability, general liability – special events program; pollution liability; Port liability; property, boiler and machinery; and public employee dishonesty. Information regarding current insurance coverage can be obtained by contacting the City.

See also APPENDIX B—"CITY OF RICHMOND CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018—Note 14—Risk Management—Liability for Self-Insured Claims."

**CJPRMA.** The CJPRMA provides coverage against liability (\$500,000 deductible with a coverage limit of \$40 million) and employment practices (\$500,000 deductible with a coverage limit of \$10 million) under the terms of a joint-powers agreement with the City.

Once the City's self-insured retention for general liability claims is met, CJPRMA becomes responsible for reimbursements of payments for future expenses related to the claim. The City paid contributions in the amount of \$932,564 for the year ended June 30, 2018. Actual surpluses are allocated to members based on an actuarial study and losses are allocated on the basis of each member's share of cash contributions.

Audited financial statements for the CJPRMA are available from CJPRMA, 3201 Doolan Road, Suite 285, Livermore, California 94551.

**CSAC EIA.** CSAC EIA is a public entity risk pool of cities and counties within Northern California. The CSAC EIA provides workers' compensation coverage up to the California statutory limit, and the City retains a self-insured retention of \$750,000. Loss contingency reserves established by the CSAC EIA are funded by contributions from member agencies. The City pays an annual contribution to the CSAC EIA, which includes its pro-rata share of excess insurance premiums, charges for pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the risk pool. The City paid contributions in the amount of \$342,738 for the year ended June 30, 2018. CSAC EIA provides insurance through the pool up to \$10,000, beyond which group purchased commercial excess insurance is

obtained. CSAC EIA has never made an additional assessment and is currently fully funded. No provision has been made on the financial statements of the City for liabilities related to possible additional assessments.

Audited financial statements for CSAC EIA are available from CSAC EIA, 75 Iron Point Circle, Suite 200, Folsom, California 95630.

## **CITY DEBT SUMMARY**

### **General Obligation Bond Debt**

The City has no outstanding general obligation bonds.

The City does not currently anticipate issuing any general obligation bonds in the next five Fiscal Years.

### **Tax and Revenue Anticipation Notes**

The City has no outstanding notes and has not issued any notes since Fiscal Year 2014-15.

The City does not expect to issue notes for Fiscal Year 2019-20.

### **Outstanding General Fund and Lease Obligation Debt**

The City may enter into long-term lease obligations such as certificates of participation or lease revenue bonds without first obtaining voter approval. The City has entered into various lease arrangements under which the City must make annual lease payments for its use and occupancy of public buildings or acquisition of equipment necessary for City operations.

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Table A-21 summarizes the outstanding obligations payable from or backed by the General Fund of the City as of June 30, 2019. The City has never failed to pay principal of or interest on any debt or lease obligation when due nor made any draws on debt service reserves.

**Table A-21**  
**City of Richmond**  
**Outstanding General Fund Obligations**  
**As of June 30, 2019**

Issuer/Issue	Date Issued	Projects	Amount Issued	Amount Outstanding	Final Maturity	% Payable from the General Fund
<b>Payable from General Fund</b>						
City of Richmond Capital Leases and Loans	Various	Various	\$11,190,175	\$7,719,847	Various	100%
Richmond Joint Powers Financing Authority Lease Revenue Refunding Bonds Series 2009 <sup>(1)</sup>	2009	Civic Center Bonds	89,795,000	79,505,000	2037	83 <sup>(2)</sup>
Richmond Joint Powers Financing Authority Lease Revenue Bonds Series 2016	2016	Swap Termination	28,390,000	28,390,000	2037	83 <sup>(2)</sup>
<b>Backed by General Fund</b>						
City of Richmond Taxable Pension Funding Bonds, Series 2005B-1	2005	Pension costs	47,061,930	46,025,000	2023	14 <sup>(3)</sup>
City of Richmond Taxable Pension Funding Bonds, Series 2005B-2	2005	Pension costs	41,403,173	41,403,173	2034	14 <sup>(3)</sup>
Richmond Joint Powers Financing Authority Lease Revenue Bonds Series 2009A	2009	Port and Rail Improvements	26,830,000	26,830,000	2024	0 <sup>(4)</sup>
Richmond Joint Powers Financing Authority Lease Revenue Bonds Series 2009B	2009	Port and Rail Improvements	<u>20,820,000</u>	<u>3,600,000</u>	2019	0 <sup>(4)</sup>
			\$265,490,278	\$233,473,020		

(1) These bonds were refunded on August 1, 2019 from proceeds of \$63,970,000 principal amount of Richmond Joint Powers Financing Authority Lease Revenue Refunding Bonds (Civic Center Project), Series 2019A.

(2) The remaining 17% is allocated to and payable by six separate departments of the City.

(3) Represents the minimum percentage of debt service payable from the General Fund, the remaining 86% is payable from Pension Tax Override revenues. See "FINANCIAL OPERATIONS—Pension Plans—City Administered Pension Plans—Pension Tax Override Revenues." These bonds were issued as convertible capital appreciation bonds, and no interest is payable until the respective adjusted maturity value is reached on the respective full accretion date. The adjusted maturity value for the Series 2005B-1 Bonds was \$75,230,475.75 on the August 1, 2013 full accretion date. The adjusted maturity value for the Series 2005B-2 Bonds will be \$127,990,253.80 on the August 1, 2023 full accretion date. See also Note 7—"Long-Term Debt Obligations" in APPENDIX B—"CITY OF RICHMOND CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018."

(4) These bonds are payable primarily from Port revenues.

Source: City of Richmond, Department of Finance.

## **Outstanding Pension Obligations**

In addition to the obligations summarized in Table A-21, the City has outstanding City of Richmond Taxable Limited Obligation Pension Bonds, 1999 Series A (the “Series 1999A Bonds”) secured solely by the Pension Tax Override revenues. The Series 1999A Bonds were issued in the aggregate principal amount of \$36,280,000 of which \$5,115,000 will be outstanding as of June 30, 2019. The City’s Taxable Pension Funding Bonds, Series 2005B-1 and Series 2005B-2 (together, the “Series 2005 Bonds”) summarized in Table A-21 were issued in the original aggregate principal amount of \$114,995,132.50, of which \$87,428,173 principal amount remains outstanding (excluding accreted value on the Series 2005B-2 Bonds) and are payable from available Pension Tax Override revenues, following payment of the Series 1999A Bonds and from the General Fund. To the extent no Pension Tax Override revenues are available for the Series 2005 Bonds, they would be payable entirely from the City’s General Fund. A minimum of 14% of debt service on the Series 2005 Bonds is payable from the City’s General Fund regardless of the availability of Pension Tax Override revenues. For a description of the Pension Tax Override revenues, see “FINANCIAL OPERATIONS–Pension Plans–*City Administered Pension Plans–Pension Tax Override Revenues.*”

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## Interest Rate Swap Agreements

Table A-22 summarizes the City’s swap agreements as of May 1, 2019 and prior to the issuance of City of Richmond Wastewater Revenue Refunding Bonds, Series 2019 (the “Series 2019 Wastewater Bonds”) on June 26, 2019. For a summary of the Swap Policy adopted by the City, see “FINANCIAL OPERATIONS–Financial Policies and Practices–*Financial Policies*–Swap Policy.”

**Table A-22**  
**Summary of City Interest Rate Swap Agreements<sup>(1)†</sup>**

<b>Associated Bonds/ Payment Source</b>	<b>Effective Date/ Expiration Date</b>	<b>Initial/ Current Notional Amount</b>	<b>Counterparty/ Guarantor</b>	<b>Counterparty/ Guarantor Credit Ratings (Moody’s/ S&amp;P/Fitch)</b>	<b>Rates</b>	<b>Index</b>	<b>Market Rate/ Market Termination Value to City<sup>(2)</sup></b>
<b>General Fund:</b>							
City of Richmond Taxable Pension Funding Bonds Series 2005B-1 <sup>(3)</sup>	08/01/2013/ 08/01/2023	\$75,230,476/ 46,032,113	Royal Bank of Canada	Aa2/AA-/AA	Pay: 5.5795% Receive: 100.000%	Fixed 1 mo. LIBOR	2.278%/ (3,225,400)
City of Richmond Taxable Pension Funding Bonds Series 2005B-2 <sup>(3)(4)</sup>	08/01/2023/ 08/01/2024	\$127,990,254/ 127,990,254	Royal Bank of Canada	Aa2/AA-/AA	Pay: 5.665% Receive: 100.000%	Fixed 1 mo. LIBOR	2.586%/ (22,668,300)
City of Richmond Variable Rate Wastewater Revenue Refunding Bonds, Series 2008A <sup>(5)</sup>	11/23/2009/ 08/01/2037	\$32,260,000/ 32,260,000	Royal Bank of Canada	Aa2/AA-/AA	Pay: 3.897% Receive: 63.420%	Fixed 1 mo. LIBOR	1.737%/ (7,225,500)
Richmond Community Redevelopment Subordinate Tax Allocation Refunding Bonds (Merged Project Areas) 2010 Series A	07/12/2007/ 09/01/2036	\$65,400,000/ 45,425,000	Royal Bank of Canada	Aa2/AA-/AA	Pay: 100.000% Receive: 68.000%	SIFMA 1 mo. LIBOR	(3,540,700)
TOTAL		\$300,880,730/ \$251,707,367					(36,659,900)

† As of May 1, 2019.

(1) In addition to the swap agreements summarized below, the RCRA Successor Agency entered into a swap agreement with Royal Bank of Canada related to the Richmond Community Redevelopment Subordinate Tax Allocation Refunding Bonds (Merged Project Areas) 2010, in the initial notional amount of \$65,400,000. Pursuant to this swap agreement, which became effective on July 12, 2007, the RCRA Successor Agency pays 100% of SIFMA and receives 68.00% of the One Month LIBOR, and has an expiration date of September 1, 2036.

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

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

(4) This interest rate swap is subject to mandatory cash settlement on August 1, 2023.

(5) An obligation of the Wastewater Enterprise Fund. These bonds were refunded and the associated swap agreement was terminated on June 26, 2019.

Source: *The Majors Group*.

## City Overlapping and Bonded Debt

The estimated direct and overlapping bonded debt of the City as of May 1, 2019, is shown in Table A-23 below. The information in Table A-23 has been provided by California Municipal Statistics, Inc. The City has not independently verified the information in Table A-23 and does not guarantee its accuracy.

**Table A-23**  
**City of Richmond**  
**Statement of Direct and Overlapping Debt**  
**as of May 1, 2019**

2018-19 Assessed Valuation: \$15,328,234,094

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/19</u>
Bay Area Rapid Transit District	2.040%	\$ 16,517,064
Contra Costa Community College District	7.501	29,783,846
West Contra Costa Unified School District	47.843	537,997,696
West Contra Costa Healthcare District Parcel Tax Obligations	44.676	23,614,393
East Bay Regional Park District	3.230	5,772,333
City of Richmond Community Facilities District No. 1998-1	100.	2,360,000
City of Richmond 1915 Act Bonds	100.	7,730,000
California Statewide Community Development Authority 1915 Act Bonds	100.	<u>1,624,357</u>
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$625,399,689</b>
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Contra Costa County General Fund Obligations	7.475%	\$ 21,810,353
Contra Costa County Pension Obligation Bonds	7.475	11,652,030
Alameda-Contra Costa Transit District Certificates of Participation	6.184	708,996
Contra Costa Community College District Certificates of Participation	7.501	24,753
West Contra Costa Unified School District Certificates of Participation	47.843	4,389,595
<b>City of Richmond General Fund Obligations</b>	<b>100.</b>	<b>138,325,000 (1)</b>
<b>City of Richmond Pension Obligation Bonds</b>	<b>100.</b>	<b><u>75,314,501</u></b>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$252,225,228</b>
Less: Contra Costa County general fund obligations supported by revenue funds		8,550,983
<b>City of Richmond obligations supported by port revenues</b>		<b><u>30,430,000</u></b>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$213,244,245</b>
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	 100. %	 \$66,388,996
 GROSS COMBINED TOTAL DEBT		 \$944,013,913 (2)
NET COMBINED TOTAL DEBT		\$905,032,930

(1) Excludes issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2018-19 Assessed Valuation:

Total Overlapping Tax and Assessment Debt .....	4.08%
<b>Gross Total Direct Debt (\$213,639,501).....</b>	<b>1.39%</b>
<b>Net Total Direct Debt (\$183,209,501).....</b>	<b>1.20%</b>
Gross Combined Total Debt.....	6.16%
Net Combined Total Debt .....	5.90%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$2,892,822,638):

Total Overlapping Tax Increment Debt.....	2.29%
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Source: California Municipal Statistics, Inc.

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**APPENDIX B**

**CITY OF RICHMOND CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2018**

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*Richmond California*  
Comprehensive Annual Financial Report  
For The Year Ended June 30, 2018



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City of Richmond  
California

# Comprehensive Annual Financial Report



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Fiscal Year Ended June 30, 2018

Prepared by the Finance Department

Belinda Warner  
Finance Director/Treasurer

**CITY OF RICHMOND  
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2018

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**CITY OF RICHMOND  
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2018

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COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2018

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**FINANCE DEPARTMENT**



450 CIVIC CENTER PLAZA  
RICHMOND, CA 94804  
(510) 620-6740

May 17, 2019

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Richmond, California (City). The Finance Department has prepared this report to present the financial position and the results of the City's operations for the fiscal year ended June 30, 2018, and the cash flows of its proprietary fund types for the year then ended. The basic financial statements and supporting schedules have been prepared in compliance with Article IV, Section 1(b)3 of the City Charter, with California Government Code Sections 25250 and 25253, and in accordance with generally accepted accounting principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB).

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

The City Council is required to adopt an initial budget for the fiscal year 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 City Council. Expenditures are controlled at the fund level for all budgeted departments within the City. This is the level at which expenditures may not legally exceed appropriations.

The City's financial statements have been audited by an independent auditing firm of licensed certified public accountants. The objective of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unmodified opinion on the City's financial statements for the fiscal year ended June 30, 2018, but with a disclaimer of opinion for business-type activities as it relates to the Richmond Housing Authority Enterprise Fund and the aggregate discretely presented component units, as the financial statements of the Richmond Housing Authority and RHA Properties, RHA Housing Corporation and RHA RAD LLC have not been audited for the year ended June 30, 2018. The Independent Auditors' Report is presented as the first component of the Financial Section of this report.

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

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

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

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements to emphasize their legal separateness from the City. Each blended component unit has a June 30 year-end. The City's three discretely presented component units are RHA Properties, RHA Housing Corporation and RHA RAD LLC. Please see note 1 for a detailed discussion of the financial reporting entity.

The City's component units and assessment districts are as follows: the Richmond Housing Authority, the Richmond Joint Powers Financing Authority, the Richmond Neighborhood Stabilization Corporation, the Richmond Surplus Property Authority and Harbor Navigation, Country Club Vista and Atlas Interchange Special Assessment Districts. The City also has one inactive component unit, Richmond Parking Authority.

#### **Profile of the Government**

The City of Richmond was chartered as a city in 1909, and is located 16 miles northeast of San Francisco, directly across San Francisco Bay. Richmond is on a peninsula separating San Francisco Bay (on the south) and San Pablo Bay (to the north), spanning 32 total miles of shoreline. The City's total area is 56.1 square miles, 33.8 of which is land area and 22.3 water area. Richmond is situated near major metropolitan cities and major new growth areas. San Francisco is within 35 minutes from Richmond by freeway; Oakland is 20 minutes; San Jose is approximately one hour's drive to the south and Sacramento, the state capitol, is approximately 90 minutes to the east. Central Marin County is 15 minutes from Richmond directly across the Richmond-San Rafael Bridge. Freeways provide direct access from Richmond to major new growth areas along Interstate 80 north and east to Vallejo, Fairfield and Sacramento; along Interstate 680 in central Contra Costa County; and south along Interstate 880 to the San Jose area.

Richmond's population is 111,785. The population within a 30-mile radius of Richmond is over 3.7 million, and within a 70-mile radius is approximately 7.8 million. Richmond is located on the western shore of Contra Costa County, and is the largest city in the "West County" region consisting of five cities: Richmond, El Cerrito, San Pablo, Hercules and Pinole.

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

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

The mission of the City of Richmond is:

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

#### **Factors Affecting Financial Condition**

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

### Local economy

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

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

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

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

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

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

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

### Significant Events and Accomplishments

The City of Richmond is committed to providing excellent municipal services to its diverse residents and visitors. Highlights of the City's activities and accomplishments for the fiscal year ended June 30, 2018 include the following:

#### Community Services

- Over 35,000 people participated in recreation, aquatics, sports and wellness programs.

#### Information Technology

- Completed implementation of Tyler transparency module which brings data from MUNIS (our financial software) into a central repository that can be easily accessed and understood by any level of user.

#### Office of Neighborhood Safety (ONS)

- ONS completed its 5<sup>th</sup> 18-month Operation Peacemaker Fellowship Cohort with 22 Fellows.

#### Planning and Building Services

- Secured funding for park improvements, Bay Trail improvements and complete street improvements.

#### Public Safety

- The Richmond Police Department completed its Fourth Cohort of "The Community Safety Academy (CSA)." The CSA teaches methods of practice civilians can use to make criminal victimization less likely, while also providing residents with a behind the scenes look at police operations. The program is eight weeks long.
- Fire implemented new emergency and informational communication methods with community (Nixle, Next Door and Twitter).

**Strategic Support**

- Received the Distinguished Budget Presentation Award for fiscal year 2017-18 from the Government Finance Officers Association (GFOA).
- Received the California Society of Municipal Finance Officers (CSMFO) Operating Budget Excellence Award and Capital Budgeting Excellence Award the fiscal year 2017-18.

**Long-Term Financial Plan**

- Adhered to the Debt Policy which reflects general debt service cannot exceed 10% of General Fund Revenue.
- Increased Cash Reserve Policy from 7% to 15%

**ACKNOWLEDGEMENTS**

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

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

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

Respectfully submitted,



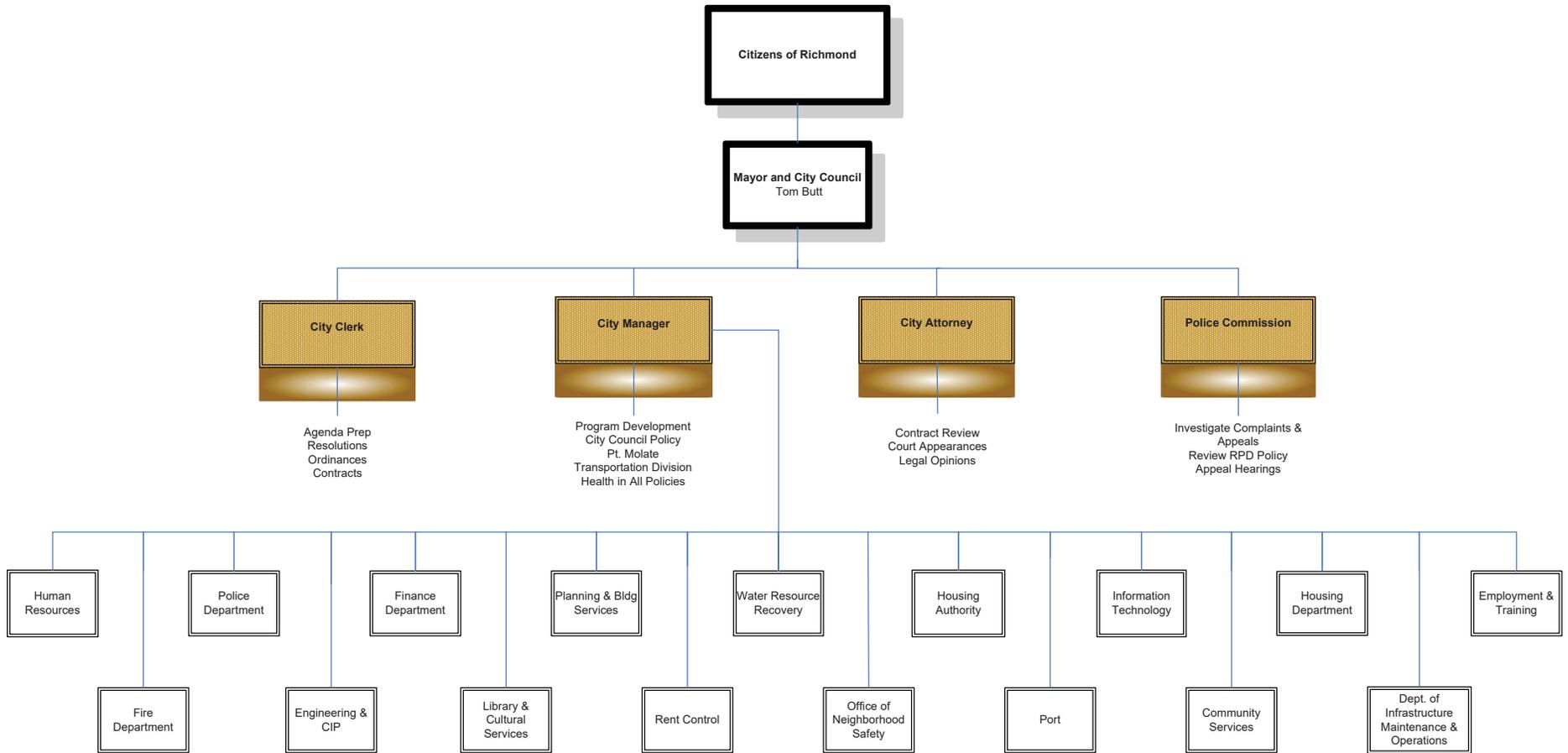
Belinda Warner  
Finance Director/Treasurer

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# City of Richmond FY2017-18 Organizational Chart

iii



**CITY OFFICIALS**

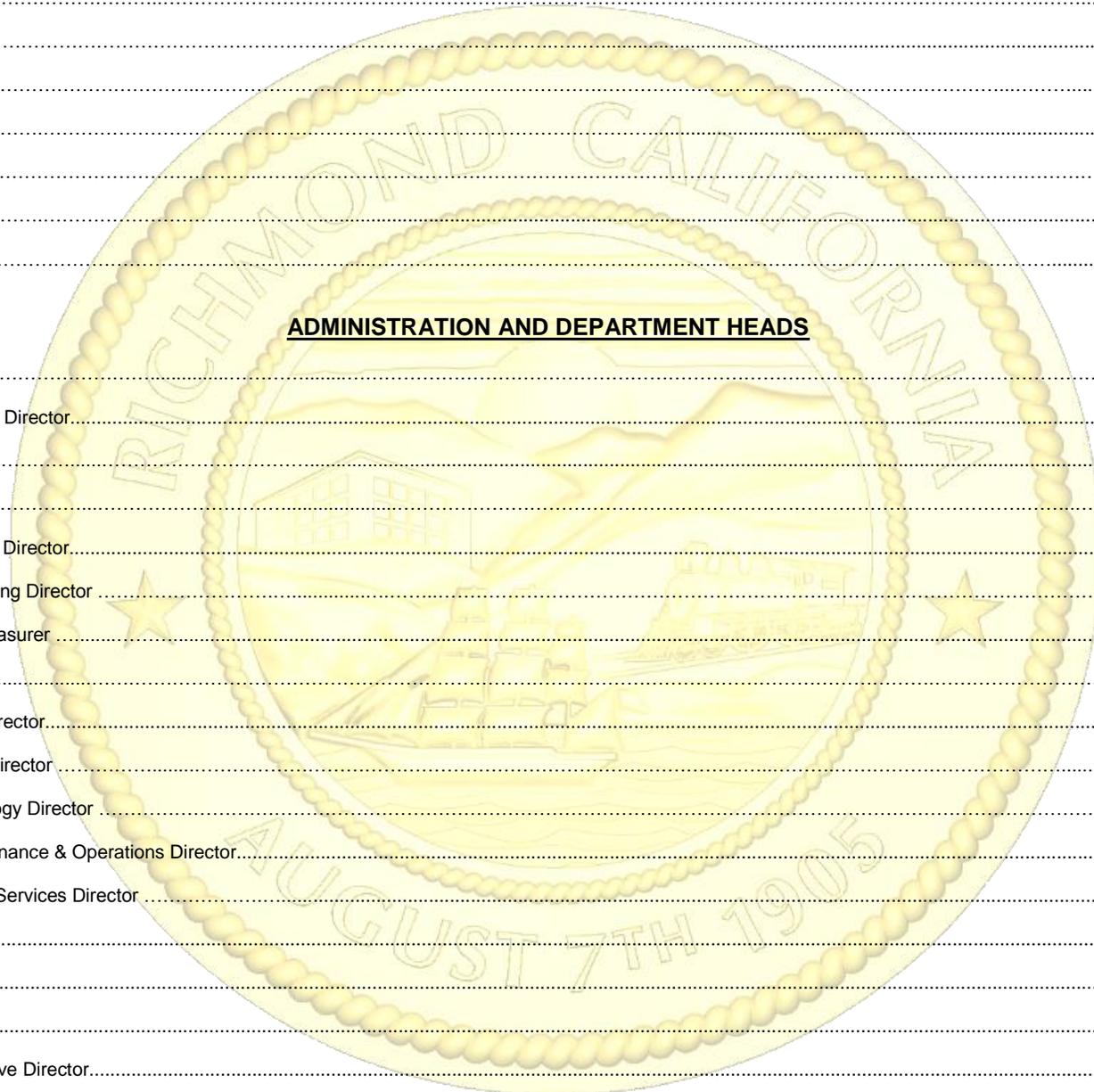
**JUNE 26, 2018**

**CITY COUNCIL**

Mayor .....	Tom Butt
Vice Mayor .....	Melvin Willis
Councilmember .....	Jovanka Beckles
Councilmember .....	Ben Choi
Councilmember .....	Eduardo Martinez
Councilmember .....	Jael Myrick
Councilmember .....	Ada Recinos

**ADMINISTRATION AND DEPARTMENT HEADS**

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





## INDEPENDENT AUDITOR'S REPORT

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

### *Report on Financial Statements*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richmond, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements. We were engaged to audit the financial statements of the aggregate discretely presented component units. These financial statements collectively comprise the City's basic financial statements as listed in the Table of Contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the business-type activities, Richmond Housing Authority Enterprise Fund and the aggregate discretely presented component units.

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

Except for the matter described in the "Basis for Disclaimer of Opinion on the Business-Type Activities, Richmond Housing Authority Enterprise Fund and the Aggregate Discretely Presented Component Units" paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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**Summary of Opinions**

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Disclaimer
Aggregate Discretely Presented Component Units	Disclaimer
General Fund	Unmodified
Community Development and Loan Programs Special Revenue	Unmodified
Major Enterprise Funds:	
Richmond Housing Authority	Disclaimer
Port of Richmond	Unmodified
Municipal Sewer	Unmodified
Aggregate Remaining Fund Information	Unmodified

**Basis for Disclaimer of Opinion on the Business-Type Activities, Richmond Housing Authority Enterprise Fund and the Aggregate Discretely Presented Component Units**

The financial statements of the Richmond Housing Authority and RHA Properties, RHA Housing Corporation and RHA RAD LLC have not been audited for the year ended June 30, 2018. The Richmond Housing Authority’s financial activities are included in the City’s basic financial statements as a major enterprise fund and represent 14.65%, 30.92% and 40.67% of the assets, net position, and revenues, respectively, of the City’s business-type activities. The financial activities of RHA Properties, RHA Housing Corporation and RHA RAD LLC are included in the City’s financial activities as discretely presented component units and represent the City’s only discretely presented component units.

**Disclaimer of Opinion**

Because of the significance of the matter described in the “Basis for Disclaimer of Opinion on the Business-Type Activities, Richmond Housing Authority Enterprise Fund and the Aggregate Discretely Presented Component Units” paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Business-Type Activities, Richmond Housing Authority Enterprise Fund and the Aggregate Discretely Presented Component Units of the City. Accordingly, we do not express an opinion on these financial statements.

**Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, the Community Development and Loan Programs Special Revenue Fund, the Port of Richmond Enterprise Fund, the Municipal Sewer Enterprise Fund, and the aggregate remaining fund information of the City as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matters**

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

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the City as a going concern. However, as of June 30, 2018, the General Fund’s unrestricted cash balance represented approximately thirty-five days of General Fund expenditures, unassigned fund balance represents available fund balance and equates to approximately forty days of General Fund expenditures. In addition, the Richmond Housing Authority Enterprise Fund, Port of Richmond Enterprise Fund, other Non-Major Enterprise Funds and Non-Major Governmental Funds had borrowed \$32.9 million from the General Fund and other funds. As a result of the interfund borrowing, City-wide, the City has a total of only \$36.6 million of unrestricted cash as of June 30, 2018. If deficit spending continues in the funds that continue to borrow from the General Fund and other funds, it reduces the likelihood that the City will be able to continue as a going concern.

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

**Change in Accounting Principles**

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which became effective during the year ended June 30, 2018 and required a prior period adjustment to the financial statements and required the restatement of net position as discussed in Note 9E.

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

**Other Matters**

**Required Supplementary Information**

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

**Other Information**

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

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pleasant Hill, California  
May 17, 2019

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2018**

This narrative overview and analysis of the City of Richmond's (the "City") Basic Financial Statements for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter, basic financial statements and notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

- The City's total net position decreased by \$2.1 million during the fiscal year attributed to a \$4.7 million decrease in governmental and \$2.6 million increase in business-type activities, after restatement.
- The liabilities and deferred inflows of the governmental activities of the City exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$316.3 million (net deficit). Alternatively, the assets and deferred outflows of the business-type activities of the City exceeded its liabilities and deferred inflows by \$49.8 million.
- At June 30, 2018, the City's unrestricted net deficit (governmental and business-type activities) totaled \$652.9 million, a \$120 million or 24% decrease from prior year after the GASB 75 restatement. The unrestricted net deficits represent the net unfunded liabilities of the government. Over time, increases and decreases in this account will allow the reader to determine if the City's condition is improving or deteriorating. Restricted net position for governmental and business-type activities increased by a net \$10.6 million to \$96.9 million.
- The City's financial statements include a disclaimer of opinion on the financial statements of the Richmond Housing Authority Enterprise Fund ("RHA"), a blended component unit included in the City's business-type activities, and three discretely presented component units, RHA Properties, RHA Housing Corporation and RHA RAD LLC. As of June 30, 2018, the net position of RHA is \$15.4 million or 31% of the City's business-type activities. Additional information about the disclaimer of opinion can be found in the Independent Auditor's Report.
- The City's General Fund contingency reserve policy increased to the minimum 15% of the General Fund's next year's budgeted appropriations or \$23.3 million and the balance was \$17.5 million at June 30, 2018.
- The Net Pension Liability of \$340.8 million, representing an accounting measure of the City's unfunded pension obligation, increased by \$42.2 million from \$298.6 million. The City reports \$187.7 million in the Other Post-Employment Benefit (OPEB) liability for this fiscal year which is an increase of \$132.2 million from the \$55.5 million obligation reported in the prior year. The increase represents the current year implementation of the GASB Statement No. 75. During fiscal 2018, the City issued \$33.5 million of Wastewater revenue bonds, series 2017A to refund the 2006A bond.
- The City's General Fund revenue and other financing sources (uses) exceeded expenditures by \$214 thousand in fiscal year 2018. This is primarily attributable to tax and service fee revenues in excess of expectations for the year.

- Prior to the restatement, the City's total government-wide net position decreased by \$127 million in fiscal year 2018, a 48% percent decrease, primarily due to the implementation of GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

## OVERVIEW OF FINANCIAL STATEMENTS

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

### Government-Wide Financial Statements

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

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

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

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

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

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

### Fund Financial Statements

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

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

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

The City has 20 governmental funds, of which two are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The City's two major funds are the General Fund and the Community Development and Loan Programs Special Revenue Fund. The basic governmental fund financial statements can be found on pages 26-29 of the financial report. Data from the other eighteen governmental funds are combined into a single, aggregated presentation and separately on pages 174-187 of the financial report.

**Proprietary Funds** – Proprietary funds of the City are two types: (1) enterprise funds; and (2) internal service funds. The City maintains six enterprise funds that provide the same type of information as the government-wide financial statements, only in more detail. The City maintains four internal service funds to account for its vehicle operations, risk management program, police telecommunications and compensated absences. The proprietary fund financial statements can be found on pages 32-34.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of third parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The fiduciary funds for the City consist of Pension Trust Funds, OPEB Plan Trust Fund, Pt. Molate Private-Purpose Trust Fund, Successor Agency to the Richmond Community Redevelopment Agency Private-Purpose Trust Fund and Agency Funds. The fiduciary funds financial statements for these funds can be found on pages 36-37.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39 through 153 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Government-wide Net Position**

This Comparative financial information includes the long-term and short-term information about the City's overall financial condition. Below to provide the reader with highlights of changes from the prior year.

City of Richmond's Net Position June 30, 2018 and 2017 (in thousands)						
	Governmental Activities		Business-type Activities	Totals		
	FY2018	FY2017*		FY2018	FY2017*	
<b>Assets:</b>						
Current assets	\$ 172,445	\$ 155,165	\$ 44,774	\$ 23,855	\$ 217,219	\$ 179,020
Capital assets	308,629	312,291	184,818	176,254	493,447	488,545
Total Assets	481,074	467,456	229,592	200,109	710,666	667,565
<b>Deferred Outflows of Resources:</b>						
Deferred outflows related to pensions	74,812	63,388	2,725	2,993	77,537	66,381
Deferred outflows related to OPEB	6,699		354		7,053	
Deferred charge on refunding			3,928	5,094	3,928	5,094
Total Deferred Outflows of Resources	81,511	63,388	7,007	8,087	88,518	71,475
<b>Liabilities:</b>						
Current liabilities	74,337	81,909	21,138	20,917	95,475	102,826
Long-term liabilities	798,370	635,657	165,292	130,550	963,662	766,207
Total Liabilities	872,707	717,566	186,430	151,467	1,059,137	869,033
<b>Deferred Inflows of Resources:</b>						
Deferred inflows related to pensions	4,077	7,451	236	384	4,313	7,835
Deferred inflows related OPEB	2,152		114		2,266	-
Total Deferred Inflows of Resources	6,229	7,451	350	384	6,579	7,835
<b>Net Position:</b>						
Net investment in capital assets	221,336	233,619	68,213	71,000	289,549	304,619
Restricted	87,380	76,810	9,514	9,441	96,894	86,251
Unrestricted	(625,067)	(504,602)	(27,908)	(24,096)	(652,975)	(528,698)
Total Net Position (Deficit)	\$ (316,351)	\$ (194,173)	\$ 49,819	\$ 56,345	\$ (266,532)	\$ (137,828)

\*Not restated for the implementation of GASB 75.

**Government-wide Activities**

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

City of Richmond's Changes in Net Position For the Years Ended June 30, 2018 and 2017 (in thousands)						
	Governmental Activities		Business-type Activities		Totals	
	FY2018	FY2017*	FY2018	FY2017*	FY2018	FY2017*
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 36,688	\$ 31,140	\$ 38,656	\$ 37,890	\$ 75,344	\$ 69,030
Operating grants/contributions	20,557	16,083	26,099	22,637	46,656	38,720
Capital grants/contributions	10,471	14,009	1,155	970	11,626	14,979
<b>General revenues:</b>						
Property taxes-current collections	59,442	56,589			59,442	56,589
Sales taxes	44,475	41,620			44,475	41,620
Utility user taxes	46,080	44,966			46,080	44,966
Documentary transfer taxes	6,486	7,453			6,486	7,453
Other taxes	6,145	5,329			6,145	5,329
Unrestricted Intergovernmental	59	49			59	49
Use of money and property	7,001	12,230	3,431	3,549	10,432	15,779
Pension stabilization revenue		886			-	886
Gain on sale of capital assets	39	65			39	65
Other	4,196	5,139			4,196	5,139
Total revenues	241,639	235,558	69,341	65,046	310,980	300,604
<b>Expenses:</b>						
General government	45,716	34,851			45,716	34,851
Public safety	114,932	104,919			114,932	104,919
Public works	48,617	41,558			48,617	41,558
Community development	4,589	3,290			4,589	3,290
Cultural & recreation	14,281	10,997			14,281	10,997
Housing & redevelopment	3,442	7,449			3,442	7,449
Interest and fiscal charges	16,128	16,388			16,128	16,388
Richmond Housing Authority			30,979	26,242	30,979	26,242
Port of Richmond			10,258	10,102	10,258	10,102
Richmond Marina			327	231	327	231
Municipal Sewer			21,696	17,721	21,696	17,721
Storm Sewer			1,662	2,321	1,662	2,321
Cable TV			1,697	1,028	1,697	1,028
Total expenses	247,705	219,452	66,619	57,645	314,324	277,097
Excess (Deficiency) of Revenues Over (Under) Expenses	(6,066)	16,106	2,722	7,401	(3,344)	23,507
Transfers	87		(87)			
Special items	1,208				1,208	
Changes in Net Position	(4,771)	16,106	2,635	7,314	(2,136)	23,507
Net position (deficit) at beginning of year (July 1, 2017 restated)	(311,580)	(210,366)	47,184	49,031	(264,396)	(161,335)
Net position (deficit) at end of year	\$ (316,351)	\$ (194,173)	\$ 49,819	\$ 56,345	\$ (266,532)	\$ (137,828)

\* Not restated for the implementation of GASB 75.

**Governmental Activities**

Governmental activities decreased the City’s net position by \$4.7 after the restatement for the implementation of GASB 75. Total expenses of \$247.7 million exceeded revenue of \$242.6 million by \$5.1 million. Revenues increased \$7 million or 3% primarily due to increases in property taxes associated with an increase in assessed valuations, utility users taxes, documentary transfer taxes, sales taxes, business license fees and various grants. Expenses increased \$28 million or 13% from prior year primarily due to decreases in public safety, public works, community development and long-term debt expenses that outweighed the increases in general government and housing and redevelopment expenses.

The decrease in the net position is primarily due to reporting of net unfunded liability of the City’s pension and Other Postemployment Benefits (OPEB) plans in the basic financial statements.

**Business Type Activities**

Business-type activities increased the City’s net position by \$2.6 million. Key factors contributing to the decrease in business-type activities are as follows:

- The Municipal Sewer fund reported operating income of approximately \$8.1 million, there were \$3.9 million of non-operating expenses the majority of which represented interest and swap expenses incurred on various Wastewater Debt issues, offset by \$798 thousand in federal subsidies received to reduce interest costs associated with Richmond Wastewater Revenue Bonds, Series 2010B, resulting in a \$4.8 million change in net position.
- The Richmond Housing Authority’s (“RHA”) net position decreased by \$2.8 million. RHA’s operating loss of \$29.2 million increased \$6.1 million, or 26.2% from prior year due to an approximate \$5.5 million increase in Housing Assistance and restated beginning balance.
- Other Enterprise funds had a combined \$526 thousand increase in net position. The majority of the increase, \$304 thousand, is attributed to the decrease in in salaries and benefits under the Port of Richmond.

**Net Program (Expenses) Revenues**

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

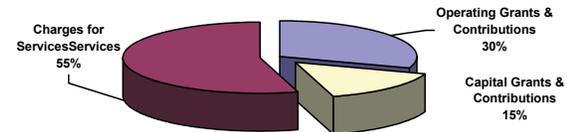
The following table details the net program costs for each of the governmental activities functions:

Functions	Expenses and Program Revenues		Net (Expenses) Revenues
	Expenses	Revenues	
General government	\$ 45,715,329	\$ 17,740,519	\$ (27,974,810)
Public safety	114,932,219	10,015,021	(104,917,198)
Public works	48,617,290	20,404,606	(28,212,684)
Community development	4,589,328	14,219,090	9,629,762
Cultural and recreational	14,280,985	2,381,728	(11,899,257)
Housing and redevelopment	3,442,239	2,955,392	(486,847)
Interest on long-term debt	16,127,479	-	(16,127,479)
<b>Total</b>	<b>\$ 247,704,869</b>	<b>\$ 67,716,356</b>	<b>\$ (179,988,513)</b>

Total governmental activities expenses of \$247.7 million were offset by \$67.7 million in program revenues in fiscal year 2018. These expenses do not include capital outlays, which are reflected in the City’s capital assets. Program revenues are derived directly from the program itself or from parties outside the reporting government’s taxpayers or citizenry. They reduce the net cost of the function to be financed from the government’s general revenues. During the fiscal year, the net costs funded by the City’s general revenues were \$179.9 million.

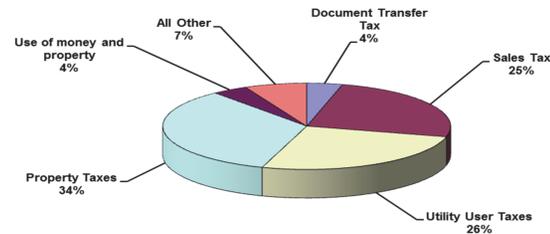
As reflected in the pie chart below, 55% of the governmental program revenues came from Charges for Services, which includes licenses and permits and fees, fines, forfeitures and penalties, and several other revenues. The remaining 45% percent of governmental program revenues come from Operating Grants and Capital Grants Contributions which include restricted revenues such as Gas Tax, Transportation and Sales Tax, and Federal/State Grants.

**Program Revenues by Source**  
**Governmental Activities**



General revenues are all other revenues not categorized as program revenues and include property taxes, sales taxes, utility users’ tax, documentary transfer taxes, investment earnings, grants and contributions not related to specific programs and other miscellaneous general revenues. Total general revenues from governmental activities were \$174.0 million in fiscal year 2018. The three largest components of general revenues received were Property Taxes-current collections of \$59.4 million, Utility User Taxes of \$46 million and Sales Taxes of \$44.4 million. The following graph shows the City’s general revenues by source.

**General Revenues by Source**  
**Governmental Activities**

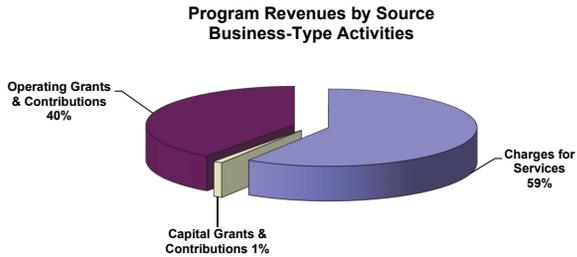


The following table details net program costs for business-type activities:

<b>Expenses and Program Revenues Business-type Activities</b>			
<b>Business-type Activities</b>	<b>Expenses</b>	<b>Program Revenues</b>	<b>Net (Expenses) Revenues</b>
Richmond Housing Authority	\$ 30,978,813	\$ 28,197,546	\$ (2,781,267)
Port of Richmond	10,257,553	10,580,246	322,693
Richmond Marina	327,442	537,438	209,996
Municipal Sewer	21,696,370	23,244,632	1,548,262
Storm Sewer	1,661,808	2,068,110	406,302
Cable TV	1,697,155	1,281,952	(415,203)
<b>Total</b>	<b>\$ 66,619,141</b>	<b>\$ 65,909,924</b>	<b>\$ (709,217)</b>

Business-type activities expenses exceeded revenues by \$709 thousand, as the Richmond Housing Authority and Cable TV were not able to generate enough user fees sufficient to cover operating costs by \$3.2 million.

As reflected in the pie chart below, 59% of the business-type program revenues came from Charges for Services and the remaining 41% were derived from Operating and Capital Grants.



**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

**Governmental Funds**

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

At the end of the fiscal year, the City's governmental funds reported total fund balances of \$90.8 million, an increase of \$10.8 million, or 13% from prior year. Financial highlights for the City's major funds are discussed below:

**General Fund** The General Fund is the primary operating fund of the City. It is used to report the financial results of the daily operations of the City. The major revenue sources are utility users' tax, sales tax and property taxes. The major expenditures are salaries and administrative expenses. The City's general fund revenues and expenditures grew by \$2.2 million or 1% and \$5.5 million or 4%, respectively. The increase in revenues is primarily due to the continuing growth in the City's assessed valuation of properties within the City as well as increases various taxes. The increase in expenditures is primary due to a contribution of \$3.2 million to the City's OPEB Trust, in accordance to the City's OPEB funding policy.

At the end of the current fiscal year, the total fund balance increased by \$214 thousand from the prior year to \$35.6 million. General Fund reported an unassigned fund balance of \$17.6 million, a decrease of \$2.1 million from prior year, of which \$17.5 million represents the amount the City has set aside for contingency.

**Community Development and Loan Programs** This fund was established to account for the receipt of Community Development Block Grant, HOME Investment Partnership Program and Neighborhood Stabilization Program grant monies and the use of the grants. In conjunction with the dissolution of the Redevelopment Agency, this fund also accounts for the low and moderate income housing activities of the City as Housing Successor to the former Redevelopment Agency's low and moderate income housing activities. As of June 30, 2018, fund balance is \$25 million which represents a \$702 thousand increase from prior year.

**Proprietary Funds:**

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

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

**Richmond Housing Authority** The Richmond Housing Authority ("RHA") was established to administer funds provided by the Department of Housing and Urban Development (HUD) to assist low-income families in obtaining decent, safe and sanitary housing. RHA'S net position declined \$2.8 million to \$15.4 million at June 30, 2018. Of the \$15.4 million, \$17.5 million is invested in capital assets, net of related debt and \$2.1 million is unrestricted negative.

**The Port of Richmond** The Port of Richmond ("Port") is a public enterprise established by the City and is administered as a department of the City. Operations include the marine terminal facilities and commercial property rentals. The Port's net position increased by \$375 thousand to \$6.5 million. The increase is partially attributed to the reduction of dredging and oil spill maintenance expenses.

**Municipal Sewer Fund** This fund is used to account for a variety of sewer service-related revenues and expenses. Municipal Sewer's net position increased \$4.8 million to \$31.3 million at June 30, 2018.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The adopted budget, excluding transfers, bond premium and proceeds from sale of property, reflected \$154.1 million in estimated revenues and \$154.7 million in appropriations.

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

The final amended budget included a \$1.2 million increase in estimated revenue and a \$642 thousand increase in appropriations. Actual revenues of \$157.1 million were \$1.8 million more than adjusted operating revenue budget, a variance of 1.1%. Key elements of the variances in revenues are discussed as follows:

Property Taxes totaled \$39.0 million which is \$600 thousand more than expected. The increase stems from increases in Residual Redevelopment Property Tax (RRPTF) after Recognized Obligation Payments Schedule (ROPS) or, in other words, more than expected Successor Agency Residual and Pass-through revenue.

Utility Users Tax (UUT) totaled \$46.0 million which was \$548 thousand less than expected. The bulk of the decrease was in gas and electricity UUT and prepaid wireless UUT which is collected by the State.

Sales Taxes totaled \$44.5 million which was \$1.6 million more than budgeted. This corresponded to increases in the regular Sales Tax and proportional increases in both half cent Sales Tax measures. More directly, we experienced Sales Tax growth for most sectors in the City including the business to business category and increased collections from internet sales.

Licenses, Permits and Fees totaled \$3.8 million which was \$1 million less than budgeted. The bulk of the decrease stemmed from the collection of Business License Tax. The previous year saw a significant increase due to the collective efforts from the Business License Division, Code Enforcement, Rent Control and MuniServices. It led to payments from new customers that included, in many cases, past due amounts up to three years back. The majority of the new businesses were residential rental properties. The subsequent year, these businesses just paid the yearly flat rate. The budget did not reflect this expected decrease.

The final adjusted appropriations were \$155.3 million, an increase of \$642 thousand from the original adopted budget appropriation of \$154.7 million. The adopted budget appropriation was increased mainly due to mid-year adjustments. This included payments to the Department of Toxic Substances Control (DTSC) for various sites; and transfers to non-general funds to cover annual required contributions to pension plans, a rental lease, and critical capital improvement repairs.

An additional \$1.6 million was allocated to the compensated absences fund to clear the negative cash position. Actual operating expenditures of \$156.8 million were \$1.4 million more than final budget appropriations. The overage was primarily due to the transfer of \$3.2 million to the OPEB trust to comply with the City's OPEB policy.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounted to \$493.4 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress is illustrated below:

**Capital Assets by Type**

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 29,424,667	\$ 29,403,573	\$ 7,195,986	\$ 7,195,986	\$ 36,620,653	\$ 36,599,559
Construction in Progress	17,034,198	68,938,598	28,401,520	32,139,210	45,435,718	101,077,808
Building and improvements	115,156,850	117,248,923	26,903,695	29,316,426	142,060,545	146,565,349
Machinery and equipment	8,804,933	9,567,529	3,531,105	4,304,447	12,336,038	13,871,976
Infrastructure	138,209,556	87,132,729	118,785,856	103,297,903	256,995,412	190,430,632
Total Capital assets	<u>\$ 308,630,204</u>	<u>\$ 312,291,352</u>	<u>\$ 184,818,162</u>	<u>\$ 176,253,972</u>	<u>\$ 493,448,366</u>	<u>\$ 488,545,324</u>

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

The most significant additions to capital assets were construction in progress primarily consisting of \$16.4 million of Wastewater Treatment plant improvements included in the City's business-type activities.

Additional information about the City's capital assets can be found in Note 6 on pages 66 through 68 in the financial statements.

**Debt Administration:**

*Long Term Debt* – The City's total debt outstanding at June 30, 2018 increased \$23.2 million from \$397.5 million to \$420.7 million. The \$23.2 million increase is due to the City issuing \$33.5 of Wastewater Revenue Bonds, offset by current year retirements.

**Outstanding Debt  
June 30**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue bonds			\$ 111,698,772	\$ 82,313,447	\$ 111,698,772	\$ 82,313,447
Lease revenue bonds	\$ 111,241,920	\$ 113,275,266	33,587,707	36,588,791	144,829,627	149,864,057
Pension obligation bonds	150,445,289	153,058,033			150,445,289	153,058,033
Total bonds payable	261,687,209	266,333,299	145,286,479	118,902,238	406,973,688	385,235,537
Loans payable	1,844,775	1,993,820	3,316,308	3,401,553	5,161,083	5,395,373
Capital leases	8,650,840	6,872,843		-	8,650,840	6,872,843
Total outstanding debt	\$ 272,182,824	\$ 275,199,962	\$ 148,602,787	\$ 122,303,791	\$ 420,785,611	\$ 397,503,753

The City does not have any general obligation bonds as of June 30, 2018.

The City's issuer credit rating from S&P was BBB+ as of June 30, 2017. On December 4, 2017, the City received an updated issuer credit rating from S&P upgrading the previous BBB+ issuer credit rating to an A- issuer credit rating.

For more detailed information on the City's long-term debt see Note 7 on pages 69-93.

**Economic Factors, Next Year's Budget and Inflation Rates**

The City's economic base continues to grow after years of recession. Property values assessed by the County as of January 1, 2018 have increased by 8.13% over the prior year. Additionally, Residual Redevelopment Property Tax (RPTF) after Recognized Obligation Payments Schedule (ROPS) payments have gone from \$600 thousand in FY2015-16 to \$2.5 million in FY2016-17, and finally to over \$4 million in FY2017-18. Sales Tax is expected to increase by 4.3% in FY2018-19 as compared to the previous year. As of June 30, 2017, unemployment in Richmond stands at 4.8%, improved from 5.4% a year ago.

The City of Richmond is in contact with Terminal One Development, LLC to sell an approximately 10-acre site for development purposes at a price of \$10 million. The developer has paid the City \$500,000 in a non-refundable deposit, with the balance of \$9.5 million due following granting of all entitlements and close of escrow. Following City Council certification of the environmental impact report (EIR) for the project in July 2016, a lawsuit was filed that challenged certification of the EIR. A settlement was reached by all parties to this lawsuit in November 2016 which allows the project entitlement process to proceed. Close of escrow on the real estate sale by the City to Terminal One Development, LLC, including the transfer of the \$9.5 million balance due from the developer to the City, is anticipated by June 30, 2019.

The City continues to closely monitor revenue and expenditures through monthly variance reports to assure adherence to budget controls. Simultaneously, position control is strictly enforced, ensuring that any employee hired is moving into a funded position. The City continues to work with Public Financial Management Group (PFM) through the National Resource Network on budget and financial planning. For the upcoming fiscal year, PFM will be working with the City to align the budget forecast with City Council priorities, review the City's organizational structure, and provide recommended actions for fiscal sustainability. This will include planning and addressing pension and Other Post-Employment Benefits (OPEB) funding. Additionally, the City continues to analyze the structural integrity of all funds and identify additional cost reductions and efficiencies.

**REQUESTS FOR INFORMATION**

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

**CITY OF RICHMOND  
JUNE 30, 2018**

<b>STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES</b>
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The purpose of the Statement of Net Position and the Statement of Activities is to summarize the entire City's financial activities and financial position.

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

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

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

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

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CITY OF RICHMOND  
STATEMENT OF NET POSITION  
JUNE 30, 2018

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	RHA Properties	RHA Housing Corporation	RHA RAD LLC
<b>ASSETS</b>						
Cash and investments (Note 3)	\$64,436,288	\$24,295,934	\$88,732,222		\$1,239	
Restricted cash and investments (Note 3)	14,202,232	28,070,292	42,272,524			
Receivables:						
Accounts, net	13,395,605	6,640,784	20,036,389			
Interest	177,303	47,010	224,313			
Grants	6,563,543	686,284	7,249,827			
Due from developer (Note 16E)		11,221,743	11,221,743			
Loans (Notes 5 and 16J)	46,762,555		46,762,555			
Internal balances (Note 4D)	26,206,756	(26,206,756)				\$14,510,000
Property held for resale (Note 2I)	78,016		78,016			
Prepays, supplies, and other assets (Note 2C)	622,329	18,609	640,938			
Capital assets (Note 6):						
Nondepreciable	46,458,865	35,597,506	82,056,371			
Depreciable, net	262,171,339	149,220,656	411,391,995			
Total Assets	<u>481,074,831</u>	<u>229,592,062</u>	<u>710,666,893</u>		<u>1,239</u>	<u>14,510,000</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows related to pensions (Notes 10 and 11)	74,812,578	2,725,036	77,537,614			
Deferred outflows related to OPEB (Note 12)	6,699,027	354,808	7,053,835			
Deferred charge on refunding (Note 2H)	—	3,928,020	3,928,020			
Total Deferred Outflows of Resources	<u>81,511,605</u>	<u>7,007,864</u>	<u>88,519,469</u>			
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	7,460,870	4,009,620	11,470,490		34,138	
Interest payable	3,054,646	3,448,737	6,503,383			
Refundable deposits	1,140,519	344,775	1,485,294			
Unearned revenue (Note 8)	8,468,834	640,029	9,108,863			
Derivative instrument at fair value - liability (Note 7)	22,939,800	6,744,600	29,684,400			
Compensated absences (Note 2D):						
Due within one year	7,409,289	156,307	7,565,596			
Due in more than one year	5,987,720	316,759	6,304,479			
Claims liabilities (Note 14):						
Due within one year	11,120,445		11,120,445			
Due in more than one year	26,587,129		26,587,129			
Long-term debt (Note 7):						
Due within one year	12,742,999	5,794,081	18,537,080			
Due in more than one year	259,439,825	142,808,706	402,248,531			
Net pension liability (Notes 10 and 11):						
Due in more than one year	328,055,449	12,723,222	340,778,671			
Net OPEB liability (Note 12):						
Due in more than one year	178,300,179	9,443,508	187,743,687			
Total Liabilities	<u>872,707,704</u>	<u>186,430,344</u>	<u>1,059,138,048</u>		<u>34,138</u>	
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows related to pensions (Notes 10 and 11)	4,077,558	236,375	4,313,933			
Deferred inflows related to OPEB (Note 12)	2,151,737	113,966	2,265,703			
Total Deferred Inflows of Resources	<u>6,229,295</u>	<u>350,341</u>	<u>6,579,636</u>			
<b>NET POSITION (Note 9)</b>						
Net investment in capital assets	221,336,363	68,213,687	289,550,050			
Restricted for:						
Capital projects	16,313,017		16,313,017			
Debt service	9,844,344	9,514,522	19,358,866			
Housing and redevelopment	46,880,701		46,880,701			
Community development projects	14,342,301		14,342,301			
Total Restricted Net Position	<u>87,380,363</u>	<u>9,514,522</u>	<u>96,894,885</u>			
Unrestricted (Deficit)	<u>(625,067,289)</u>	<u>(27,908,968)</u>	<u>(652,976,257)</u>		<u>(32,899)</u>	<u>14,510,000</u>
Total Net Position (Deficit)	<u>(\$316,350,563)</u>	<u>(\$49,819,241)</u>	<u>(\$266,531,322)</u>		<u>(\$32,899)</u>	<u>\$14,510,000</u>

See accompanying notes to financial statements

CITY OF RICHMOND  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position							
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units				
					Governmental Activities	Business-type Activities	Total	RHA Properties	RHA Housing Corporation	RHA RAD LLC		
<b>Primary Government:</b>												
Governmental Activities:												
General government	\$45,715,329	\$16,838,782	\$704,145	\$197,592	(\$27,974,810)		(\$27,974,810)					
Public safety	114,932,219	8,147,458	1,721,872	145,691	(104,917,198)		(104,917,198)					
Public works	48,617,290	6,529,172	4,217,994	9,657,440	(28,212,684)		(28,212,684)					
Community development	4,589,328	1,748,222	12,470,868		9,629,762		9,629,762					
Cultural and recreational	14,280,985	1,545,399	836,329		(11,899,257)		(11,899,257)					
Housing and redevelopment	3,442,239	1,878,958	605,781	470,653	(486,847)		(486,847)					
Interest on long-term debt	16,127,479				(16,127,479)		(16,127,479)					
Total Governmental Activities	247,704,869	36,687,991	20,556,989	10,471,376	(179,988,513)		(179,988,513)					
Business-type Activities:												
Richmond Housing Authority	30,978,813	1,740,399	26,098,804	358,343		(\$2,781,267)	(2,781,267)					
Port of Richmond	10,257,553	10,580,246				322,693	322,693					
Richmond Marina	327,442	537,438				209,996	209,996					
Municipal Sewer	21,696,370	22,447,439		797,193		1,548,262	1,548,262					
Storm Sewer	1,661,808	2,068,110				406,302	406,302					
Cable TV	1,697,155	1,281,952				(415,203)	(415,203)					
Total Business-type Activities	66,619,141	38,655,584	26,098,804	1,155,536		(709,217)	(709,217)					
Total Primary Government	\$314,324,010	\$75,343,575	\$46,655,793	\$11,626,912	(179,988,513)	(709,217)	(180,697,730)					
<b>Component Units:</b>												
RHA Properties												
RHA Housing Corporation												
RHA RAD LLC												
General revenues:												
Taxes:												
Property taxes-current collections					59,441,796		59,441,796					
Sales taxes					44,474,973		44,474,973					
Utility user taxes					46,079,755		46,079,755					
Documentary transfer taxes					6,486,347		6,486,347					
Other taxes					6,144,968		6,144,968					
Unrestricted intergovernmental					58,842		58,842					
Use of money and property					7,000,785	3,431,293	10,432,078					
Gain from sale of capital assets					39,226		39,226					
Other					4,195,794		4,195,794					
Transfers, net (Note 4)					86,778	(86,778)						
Special Item (Note 5):												
Transfer of loans to housing successor					1,208,259		1,208,259					
Total general revenues, transfers and special item					175,217,523	3,344,515	178,562,038					
Change in Net Position					(4,770,990)	2,635,298	(2,135,692)					
Net Position (Deficit)-Beginning, As Restated (Note 9E)					(311,579,573)	47,183,943	(264,395,630)		(\$32,899)		\$14,510,000	
Net Position (Deficit)-Ending					(\$316,350,563)	\$49,819,241	(\$266,531,322)		(\$32,899)		\$14,510,000	

See accompanying notes to financial statements

**CITY OF RICHMOND  
JUNE 30, 2018**

**FUND FINANCIAL STATEMENTS**

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

The funds described below were determined to be Major Funds by the City in fiscal 2018. Individual non-major funds may be found in the Supplemental section.

**MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**

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

**COMMUNITY DEVELOPMENT AND LOAN PROGRAMS FUND**

The Community Development and Loan Programs Special Revenue Fund accounts for the receipt of Community Development Block Grant, HOME Investment Partnership Program, and Neighborhood Stabilization Program grant monies and the use of the grants. The Fund also accounts for the low and moderate income housing activities of the City as Housing Successor to the former Redevelopment Agency. Related to the grant disallowed costs discussed in Notes 5 and 16D, the City purchased certain loans that had previously been funded with Community Development Block Grant and HOME funds. The grants and loan programs are to be used to provide, within the City of Richmond, new affordable housing, improve existing housing conditions, assist homeless and disabled with housing, and to expand economic opportunities in business, and employment for low and moderate income residents.

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CITY OF RICHMOND  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018

	General	Community Development and Loan Programs	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments (Note 3)	\$15,413,405		\$26,915,335	\$42,328,740
Restricted cash and investments (Note 3)		\$1,865,324	11,106,177	12,971,501
Receivables:				
Accounts, net	10,233,844	25,331	2,986,445	13,245,620
Interest	43,082	5,645	51,828	100,555
Grants	25,500	333,941	6,204,102	6,563,543
Loans (Note 5)	1,212,042	44,621,500	779,013	46,612,555
Property held for resale (Note 2I)		78,016		78,016
Advances to other funds (Note 4B)	16,133,282	174,067		16,307,349
Prepays, supplies and other assets	622,329			622,329
<b>Total Assets</b>	<b>\$43,683,484</b>	<b>\$47,103,824</b>	<b>\$48,042,900</b>	<b>\$138,830,208</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$2,834,949	\$837,608	\$3,500,889	\$7,173,446
Refundable deposits	585,645		554,874	1,140,519
Due to other funds (Note 4A)		340,111	6,588,191	6,928,302
Unearned revenue (Note 8)	4,073,857		3,611,157	7,685,014
<b>Total Liabilities</b>	<b>7,494,451</b>	<b>1,177,719</b>	<b>14,255,111</b>	<b>22,927,281</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue (Note 8)	558,110	20,861,912	3,622,504	25,042,526
<b>FUND BALANCES (Note 9)</b>				
Nonspendable	17,967,653			17,967,653
Restricted		25,064,193	39,061,160	64,125,353
Assigned	72,506		43,906	116,412
Unassigned	17,590,764		(8,939,781)	8,650,983
<b>Total Fund Balances</b>	<b>35,630,923</b>	<b>25,064,193</b>	<b>30,165,285</b>	<b>90,860,401</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$43,683,484</b>	<b>\$47,103,824</b>	<b>\$48,042,900</b>	<b>\$138,830,208</b>

See accompanying notes to financial statements

CITY OF RICHMOND  
Reconciliation of the  
GOVERNMENTAL FUNDS -- BALANCE SHEET  
with the  
STATEMENT OF NET POSITION  
JUNE 30, 2018

Total fund balances reported on the governmental funds balance sheet \$90,860,401

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

**CAPITAL ASSETS**

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 308,630,204

**ALLOCATION OF INTERNAL SERVICE FUND NET POSITION**

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

Cash and investments	22,107,548
Restricted cash and investments	1,230,731
Accounts receivable	149,985
Interest receivable	76,748
Loans receivable	150,000
Due from other funds	14,467,306
Advances to other funds	2,360,403
Accounts payable, accrued liabilities and interest payable	(299,989)
Compensated absences	(232,076)
Unearned revenue	(783,820)
Claims payable	(37,707,574)

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

Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 25,042,526

**LONG TERM ASSETS AND LIABILITIES**

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

Interest payable	(3,042,081)
Long-term debt	(272,182,824)
Derivative instrument at fair value - liability	(22,939,800)
Net pension liability and deferred outflows/inflows related to pensions	(257,320,429)
Net OPEB liability and deferred outflows/inflows related to OPEB	(173,752,889)
Governmental activities portion of compensated absences	(13,164,933)

**NET POSITION OF GOVERNMENTAL ACTIVITIES**

(\$316,350,563)

See accompanying notes to financial statements

CITY OF RICHMOND  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018

	General	Community Development and Loan Programs	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$38,961,021		\$22,002,168	\$60,963,189
Sales taxes	44,474,973			44,474,973
Utility user taxes	46,079,755			46,079,755
Other taxes	12,413,127			12,413,127
Licenses, permits and fees	3,802,576	\$1,697,222	16,053,085	21,552,883
Fines, forfeitures and penalties	981,984		19,943	1,001,927
Use of money and property	189,599	282,805	274,121	746,525
Intergovernmental	1,102,944	341,491	18,693,158	20,137,593
Private grants			9,000,000	9,000,000
Charges for services	7,823,287		9,221,914	17,045,201
Pension stabilization revenue				
Rent	849,640		3,300	852,940
Other	414,525	2,062,661	1,941,593	4,418,779
<b>Total Revenues</b>	<b>157,093,431</b>	<b>4,384,179</b>	<b>77,209,282</b>	<b>238,686,892</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	28,402,147		15,607,109	44,009,256
Public safety	93,646,193		2,899,842	96,546,035
Public works	22,805,801		12,210,694	35,016,495
Community development		3,604,538	4,453,100	8,057,638
Cultural and recreational	10,734,162		613,274	11,347,436
Housing and redevelopment		764,390	1,178,247	1,942,637
Capital outlay	127,246	265,715	9,607,634	10,000,595
<b>Debt service:</b>				
Principal	814,494		10,218,439	11,032,933
Interest and fiscal charges	256,830		10,528,512	10,785,342
<b>Total Expenditures</b>	<b>156,786,873</b>	<b>4,634,643</b>	<b>67,316,851</b>	<b>228,738,367</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>306,558</b>	<b>(250,464)</b>	<b>9,892,431</b>	<b>9,948,525</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of property	39,226			39,226
Transfers in (Note 4C)	6,035,115		8,437,049	14,472,164
Transfers (out) (Note 4C)	(6,166,866)	(255,762)	(8,446,278)	(14,868,906)
<b>Total Other Financing Sources (Uses)</b>	<b>(92,525)</b>	<b>(255,762)</b>	<b>(9,229)</b>	<b>(357,516)</b>
<b>NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM</b>	<b>214,033</b>	<b>(506,226)</b>	<b>9,883,202</b>	<b>9,591,009</b>
<b>SPECIAL ITEM (Note 5):</b>				
Transfer of loans to housing successor		1,208,259		1,208,259
<b>Total Special Item</b>		<b>1,208,259</b>		<b>1,208,259</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>214,033</b>	<b>702,033</b>	<b>9,883,202</b>	<b>10,799,268</b>
<b>BEGINNING FUND BALANCES</b>	<b>35,416,890</b>	<b>24,362,160</b>	<b>20,282,083</b>	<b>80,061,133</b>
<b>ENDING FUND BALANCES</b>	<b>\$35,630,923</b>	<b>\$25,064,193</b>	<b>\$30,165,285</b>	<b>\$90,860,401</b>

See accompanying notes to financial statements

CITY OF RICHMOND  
Reconciliation of the  
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
with the  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$10,799,268

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

**CAPITAL ASSETS TRANSACTIONS**

Governmental Funds include capital outlays in departmental expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. The capital outlay expenditures are therefore added back to fund balance 11,546,818  
 Depreciation expense is deducted from the fund balance  
 (Depreciation expense is net of internal service fund depreciation of \$1,156,716 which has already been allocated to serviced funds) (16,563,989)  
 Retirements of capital assets are deducted from the fund balance  
 (Retirements are net of internal service fund retirements of \$5,372 which has already been allocated to serviced funds) (322,371)  
 Capital contributions from developers and the Successor Agency are added to fund balance 135,765

**LONG TERM DEBT PROCEEDS AND PAYMENTS**

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.  
 Repayment of debt principal is added back to fund balance 11,032,933  
 Capital appreciation bonds accretion is deducted from fund balance (5,560,256)  
 Amortization of bond premium is added back to fund balance 63,346

**ACCRUAL OF NON-CURRENT ITEMS**

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):  
 Interest payable 171,060  
 Unavailable revenue 3,618,590  
 Derivative instrument at fair value - liability 5,999,900  
 Compensated absences (755,150)  
 Net pension liability and deferred outflows/inflows related to pensions (28,196,716)  
 Net OPEB liability and deferred outflows/inflows related to OPEB (769,888)

**ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY**

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.  
 Change in Net Position - All Internal Service Funds 4,029,700  
**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **(\$4,770,990)**

See accompanying notes to financial statements

**CITY OF RICHMOND  
JUNE 30, 2018**

**MAJOR PROPRIETARY FUNDS**

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

The concept of major funds extends to Proprietary Funds. The City has identified the funds below as major proprietary funds in fiscal 2018.

Generally accepted accounting principles do not provide for the disclosure of budget vs. actual comparisons regarding proprietary funds that are major funds.

**RICHMOND HOUSING AUTHORITY**

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

**PORT OF RICHMOND**

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

**MUNICIPAL SEWER**

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

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CITY OF RICHMOND  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2018

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Richmond Housing Authority	Port of Richmond	Municipal Sewer	Other Enterprise Funds	
<b>ASSETS</b>					
Current assets:					
Cash and investments (Note 3)	\$3,174,894		\$17,388,492	\$3,732,548	\$24,295,934
Restricted cash and investments (Note 3)	102,576	\$9,514,522	18,369,421	83,773	28,070,292
Receivables:					
Accounts, net	301,641	5,414,796	495,918	428,429	6,640,784
Interest			38,921	8,089	47,010
Grants	686,284				686,284
Notes (Note 5)					150,000
Prepays	18,609				18,609
Due from other funds (Note 4A)					14,467,306
Total current assets	4,284,004	14,929,318	36,292,752	4,252,839	59,758,913
Noncurrent assets:					
Receivables:					
Due from developer	11,221,743				11,221,743
Capital assets (Note 6):					
Nondepreciable	2,361,628	4,937,160	28,274,241	24,477	35,597,506
Depreciable, net	15,776,327	42,175,948	88,790,972	2,477,409	149,230,656
Advances to other funds (Note 4B)			901,396	167,451	1,068,847
Total noncurrent assets	29,359,698	47,113,108	117,966,609	2,669,337	197,108,752
Total Assets	33,643,702	62,042,426	154,259,361	6,922,176	256,867,665
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows related to pensions (Note 10)	993,187	422,955	693,821	615,073	2,725,036
Deferred outflows related to OPEB (Note 12)	177,757	40,207	70,538	66,306	354,808
Deferred charge on refunding (Note 2H)			3,928,020		3,928,020
Total Deferred outflows of resources	1,170,944	463,162	4,692,379	681,379	7,007,864
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued liabilities	1,814,244	355,125	1,663,065	177,186	4,009,620
Interest payable		1,128,825	2,211,989	107,923	3,448,737
Due to other funds (Note 4A)	3,657,170	2,919,904		961,930	7,539,004
Refundable deposits	96,752	163,050		84,973	344,775
Compensated absences (Note 2D)	10,299	31,512	60,325	54,171	156,307
Claims payable (Note 14)		3,320,000	2,385,000	89,081	5,794,081
Current portion of long-term debt (Note 7B)					224,192
Total current liabilities	5,578,465	7,918,416	6,320,379	1,475,264	21,292,524
Noncurrent liabilities:					
Advances from other funds (Note 4B)	3,458,884	13,917,312		2,360,403	19,736,599
Compensated absences (Note 2D)	92,693	204,605	19,461		316,759
Unearned revenue (Note 8)	70,191	533,558	36,280		640,029
Claims payable (Note 14)					26,587,129
Derivative instrument at fair value - liability (Note 7B)			6,744,600		6,744,600
Long-term debt, net (Note 7B)	700,000	30,267,707	109,313,772	2,527,227	142,808,706
Net pension liability (Note 10)	4,637,201	1,974,780	3,239,458	2,871,783	12,723,222
Net OPEB liability (Note 12)	4,731,141	1,070,139	1,877,437	1,764,791	9,443,508
Total noncurrent liabilities	13,690,110	47,968,101	121,231,008	9,524,204	192,413,423
Total Liabilities	19,268,575	55,886,517	127,551,387	10,999,468	212,705,947
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to pensions (Note 10)	86,150	36,688	60,184	53,253	236,375
Deferred inflows related to OPEB (Note 12)	57,096	12,915	22,657	21,298	113,966
Total Deferred inflows of resources	143,246	49,603	82,841	74,551	350,341
<b>NET POSITION (Note 9)</b>					
Net investment in capital assets	17,540,531	23,039,923	27,663,882	(30,649)	68,213,687
Restricted for debt service		9,514,522			9,514,522
Unrestricted	(2,137,706)	(25,984,977)	3,653,630	(3,439,915)	(27,908,968)
Total Net Position	\$15,402,825	\$6,569,468	\$31,317,512	(\$3,470,564)	\$49,819,241

See accompanying notes to financial statements

CITY OF RICHMOND  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Richmond Housing Authority	Port of Richmond	Municipal Sewer	Other Enterprise Funds	
<b>OPERATING REVENUES</b>					
Rental	\$678,559				\$678,559
Service charges	733,085	\$2,852,569	\$22,447,439	\$3,345,780	29,378,873
Lease income		7,691,234		541,720	8,232,954
Other	328,755	36,443			365,198
Total Operating Revenues	1,740,399	10,580,246	22,447,439	3,887,500	38,655,584
<b>OPERATING EXPENSES</b>					
Salaries and benefits	1,117,620	591,094	1,578,452	1,554,764	4,841,930
General and administrative	2,499,118	1,994,000	10,225,609	1,704,064	16,422,791
Maintenance	1,768,899	1,559,527	52,197	99,419	3,480,021
Depreciation	1,637,570	3,775,336	2,301,596	136,519	7,851,021
Housing assistance	23,955,606				23,955,606
Claims losses					12,509,419
Other		8,347	212,347	94	220,788
Total Operating Expenses	30,978,813	7,928,304	14,370,201	3,494,860	56,772,178
Operating Income (Loss)	(29,238,414)	2,651,942	8,077,238	392,640	(18,116,594)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Loss on retirement of capital assets					(5,372)
Interest income	91	52,987	3,341,707	36,508	3,431,293
Grants	26,098,804				26,098,804
Interest (expense)		(2,329,249)	(7,326,169)	(191,545)	(9,846,963)
Total Nonoperating Revenues (Expenses)	26,098,895	(2,276,262)	(3,984,462)	(155,037)	19,683,134
Income (Loss) Before Contributions and Transfers	(3,139,519)	375,680	4,092,776	237,603	1,566,540
Capital contributions/grants	358,343		797,193		1,155,536
Transfers in (Note 4C)				(86,778)	86,778
Transfers out (Note 4C)					(86,778)
Total Contributions and Transfers	358,343		797,193	(86,778)	1,068,758
Change in net position	(2,781,176)	375,680	4,889,969	150,825	2,635,298
<b>BEGINNING NET POSITION (DEFICIT), AS RESTATED (NOTE 9E)</b>	18,184,001	6,193,788	26,427,543	(3,621,389)	47,183,943
<b>ENDING NET POSITION (DEFICIT)</b>	\$15,402,825	\$6,569,468	\$31,317,512	(\$3,470,564)	\$49,819,241

See accompanying notes to financial statements

CITY OF RICHMOND  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Richmond Housing Authority	Port of Richmond	Municipal Sewer	Other Enterprise Funds		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$2,031,370	\$9,365,687	\$22,012,840	\$3,870,650	\$37,480,547	\$27,307,555
Payments to suppliers	(26,578,727)	(3,519,374)	(10,660,551)	(1,917,989)	(42,676,641)	(5,365,121)
Payments to employees	(1,917,018)	(877,554)	(1,371,444)	(1,181,602)	(5,347,618)	(7,616,360)
Insurance premiums and claims paid						(11,330,259)
Cash Flows from Operating Activities	(26,464,375)	5,168,759	9,980,845	771,059	(10,543,712)	2,995,815
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Interfund receipts	2,569,709	276,738		(380,672)	2,844,447	3,343,754
Interfund payments				(380,672)		
Receipts from other governments	26,203,110				26,203,110	
Transfers out				(86,778)	(86,778)	
Transfers in						483,520
Cash Flows from Noncapital Financing Activities	28,772,819	276,738		(467,450)	28,582,107	3,827,274
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Receipts from other governments			797,193		797,193	
Grant receipts	358,343	33,558			391,901	2,034,921
Acquisition of capital assets		2	(16,390,736)	(24,477)	(16,415,211)	(2,704,717)
Issuance of long-term debt			33,530,000		33,530,000	2,687,645
Premium on bonds			5,905,634		5,905,634	
Cost of issuance			(579,579)		(579,579)	
Payment to bond escrow agent			(7,120,000)		(7,120,000)	
Principal payments on capital debt		(3,065,000)	(2,400,000)	(85,245)	(5,550,245)	(168,760)
Interest paid		(2,393,977)	(5,599,008)	(195,061)	(8,188,046)	(3,805)
Cash Flows from Capital and Related Financing Activities	358,343	(5,425,417)	8,143,504	(304,783)	2,771,647	1,845,284
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest	91	52,987	1,283,994	32,498	1,369,570	359,885
Cash Flows from Investing Activities	91	52,987	1,283,994	32,498	1,369,570	359,885
Net Cash Flows	2,666,878	73,067	19,408,343	31,324	22,179,612	9,028,258
Cash and investments at beginning of period	610,592	9,441,455	16,349,570	3,784,997	30,186,614	14,310,021
Cash and investments at end of period	\$3,277,470	\$9,514,522	\$35,757,913	\$3,816,321	\$52,366,226	\$23,338,279
<b>Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:</b>						
Operating income (loss)	(\$29,238,414)	\$2,651,942	\$8,077,238	\$392,640	(\$18,116,594)	\$1,131,687
Adjustments to reconcile operating income to cash flows from operating activities:						
Depreciation	1,637,570	3,775,336	2,301,596	136,519	7,851,021	1,156,716
Change in assets and liabilities:						
Receivables, net	226,604	(1,059,059)	(434,599)	(16,850)	(1,283,904)	309,849
Prepays and other assets	61			608	669	5,300
Accounts payable and accrued liabilities and other accrued expenses	1,644,835	42,500	(170,398)	(115,020)	1,401,917	(74,321)
Refundable deposits	(5,824)	44,500			38,676	
Unearned revenue	70,191				70,191	(599,181)
Compensated absences payable	(19,241)	11,164	24,223	(658)	15,488	4,676
Claims payable						1,179,160
Net pension liability and deferred outflows/inflows of resources	(800,825)	(302,299)	174,583	366,110	(562,431)	(127,094)
Net pension OPEB and deferred outflows/inflows of resources	20,668	4,675	8,202	7,710	41,255	9,023
Cash Flows from Operating Activities	(\$26,464,375)	\$5,168,759	\$9,980,845	\$771,059	(\$10,543,712)	\$2,995,815
<b>Non-cash transactions:</b>						
Change in fair value of investment derivative			\$2,036,200		\$2,036,200	
Amortization of deferred charge on refunding			(1,166,116)		(1,166,116)	
Retirement of capital assets						(\$5,372)

See accompanying notes to financial statements

CITY OF RICHMOND  
 JUNE 30, 2018

FIDUCIARY FUNDS

Fiduciary funds are presented separately from the Government-wide and Fund financial statements.

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

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

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

CITY OF RICHMOND  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2018

	Pension and OPEB Trust Funds	Private-Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and investments (Note 3)		\$15,051,204	\$6,871,739
Restricted cash and investments (Note 3)		24,966,566	1,212,099
Investment in reassessment bonds (Note 3)			9,335,607
Pension and OPEB plan cash and investments (Notes 11C and 12B):			
City of Richmond Investment Pool	\$1,526,074		
Local Agency Investment Fund	176,245		
Mutual fund investments	28,355,159		
Accounts receivable		177,409	431,012
Interest receivable	2,474		11,810
Grants receivable		2,177,084	
Loans receivable (Note 17B)		1,574,000	
Prepays and other assets		6,366,928	
Capital assets (Note 17C):			
Nondepreciable		4,313,167	
	<u>30,059,952</u>	<u>54,626,358</u>	<u>\$17,862,267</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities		916,416	\$1,631,405
Refundable deposits payable			1,296,921
Interest payable		1,203,574	
Derivative instrument at fair value - liability (Note 17D)		4,033,000	
Long-term debt (Note 17D):			
Due within one year		8,227,087	
Due in more than one year		86,377,962	
Due to assessment district bondholders			14,933,941
		<u>100,758,039</u>	<u>\$17,862,267</u>
<b>NET POSITION</b>			
Restricted for employees' pension and OPEB benefits	<u>\$30,059,952</u>		
Held in trust for other governments		<u>(\$46,131,681)</u>	

See accompanying notes to financial statements

CITY OF RICHMOND  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018

	Pension and OPEB Trust Funds	Private-Purpose Trust Funds
<b>ADDITIONS</b>		
Property taxes		\$12,255,069
Contributions from the City	\$15,786,320	
Contributions from employees	765,475	
Net investment income:	632,089	
Net increase (decrease) in the fair value of investments	400,813	
Interest income	258,861	1,157,803
Investment management fees	(65,812)	
Intergovernmental revenue		4,898,936
Proceeds from sale of property		1,614,529
Miscellaneous revenue		398,321
	<u>17,777,746</u>	<u>20,324,658</u>
<b>DEDUCTIONS</b>		
Community development		4,835,285
Pension and OPEB benefits	10,137,299	
Payments in accordance with trust agreements		444,739
Interest and fiscal charges		4,993,687
Other	49,169	
	<u>10,186,468</u>	<u>10,273,711</u>
Total Deductions		
Change in net position	7,591,278	10,050,947
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>22,468,674</u>	<u>(56,182,628)</u>
NET POSITION (DEFICIT), END OF YEAR	<u>\$30,059,952</u>	<u>(\$46,131,681)</u>

See accompanying notes to financial statements

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

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

**A. PRIMARY GOVERNMENT**

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

**Blended Component Units:**

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

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

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

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**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

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

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

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

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**B. DISCRETELY PRESENTED COMPONENT UNITS**

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

**RHA Housing Corporation**– RHA Housing Corporation was incorporated and registered on January 26, 2004 as a California nonprofit public benefit corporation to benefit and support the RHA with respect to the Easter Hill development. RHA Housing Corporation entered into RAD Conversion redevelopment activities and it acts as the sole and managing member of RHA RAD LLC. The Corporation's fiscal year ends on December 31, 2018. The City and Housing Authority exercise significant financial and management control over RHA Housing Corporation and appoint members of the Board of Directors, however RHA Housing Corporation manages its own programs separate from the City or the Housing Authority. Therefore, the financial activities of RHA Housing Corporation are discretely presented in the RHA Housing Corporation Component Unit column of the Statement of Net Position and the Statement of Activities. Separate financial statements for RHA Housing Corporation may be obtained by contacting the Richmond Housing Authority, 330 24<sup>th</sup> Street, Richmond, California 94804.

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

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

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

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

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

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

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

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

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

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

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

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

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

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of when cash changes hands.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

CITY OF RICHMOND  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

**B. Major Funds**

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

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

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

**Community Development and Loan Programs Special Revenue Fund** – The Community Development and Loan Programs Special Revenue Fund accounts for the receipt of Community Development Block Grant, HOME Investment Partnership Program, and Neighborhood Stabilization Program grant monies and the use of the grants. The Fund also accounts for the low and moderate income housing activities of the City as Housing Successor to the former Redevelopment Agency. Related to the grant disallowed costs discussed in Notes 5 and 16D, the City purchased certain loans that had previously been funded with Community Development Block Grant and HOME funds. The grants and loan programs are to be used to provide, within the City of Richmond, new affordable housing, improve existing housing conditions, assist homeless and disabled with housing, and to expand economic opportunities in business, and employment for low and moderate income residents.

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

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

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

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

CITY OF RICHMOND  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City also reports the following fund types:

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

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

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

**C. Prepaids and Supplies**

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

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**D. Compensated Absences**

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

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

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$12,637,183	\$457,578	\$13,094,761
Additions	7,979,960	274,238	8,254,198
Payments	<u>(7,220,134)</u>	<u>(258,750)</u>	<u>(7,478,884)</u>
Ending Balance	<u>\$13,397,009</u>	<u>\$473,066</u>	<u>\$13,870,075</u>
Current Portion	<u>\$7,409,289</u>	<u>\$156,307</u>	<u>\$7,565,596</u>

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

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

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

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

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

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**F. Expenditures in Excess of Appropriations**

The following funds incurred departmental expenditures in excess of appropriations.

Fund/Department	Excess of Expenditures Over Appropriations
General Fund	
General government	\$2,229,716
Debt service - interest and fiscal charges	184
Community Development and Loan Programs Special Revenue Fund	
Community development	2,138,527 (A)
State Gas Tax Special Revenue Fund	
Capital outlay	22,143
Landscaping and Lighting Special Revenue Fund	
Debt service - principal	4,582
Cost Recovery Special Revenue Fund	
Public safety	384,253
Public works	151,726
Civic Center Debt Service Fund	
Debt service - interest and fiscal charges	2,049

(A) Expenditures in the Community Development and Loan Program Special Revenue Fund exceeded budget primarily due to the disbursement of the RHA RAD loan discussed in Note 5 due to an oversight during the budget process. The fund had sufficient resources to finance these expenditures.

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

In addition to assets, the statement of net position or balance sheet report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The first item that qualifies for reporting in this category is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also has deferred outflows of resources related to pensions and OPEB as discussed in Notes 10, 11 and 12.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

In addition to liabilities, the statement of net position or balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The first item which qualifies for reporting in this category arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: loans receivable, grants receivable and interest on interfund advances. See Note 8 for further discussion. The City also has deferred inflows of resources related to pensions and OPEB as discussed in Notes 10, 11 and 12. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

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

**I. Property Held for Resale**

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

The City received five properties for resale in fiscal year 2013 with a book value of \$573,822 from the acceptance of a deed in lieu of foreclosure on the property related to developer defaults on prior loans under the Richmond Neighborhood Stabilization loan program discussed in Note 5. These properties were rehabilitated during fiscal years 2014 and 2015 increasing the carrying value by a total of \$749,716 and \$39,303, respectively. In fiscal year 2014, the City received an additional four properties with a carrying value of \$648,238. Six properties were sold in fiscal year 2016, the remaining two properties held for resale had a book value of \$671,255 as of June 30, 2017. In fiscal year 2018, one property was sold during the year, and the carrying value of the one remaining property held for resale was \$78,016 as of June 30, 2018.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**J. Fair Value Measurements**

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

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

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

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

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

**K. OPEB Liabilities, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the PARS Trust. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

**L. Use of Estimates**

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

**NOTE 3 – CASH AND INVESTMENTS**

**A. Investments and Cash Deposits**

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

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

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

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

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

**C. Classification**

Cash and investments are classified in the financial statements as shown below at June 30, 2018:

Cash and investments	\$88,732,222
Restricted cash and investments	42,272,524
<b>Total Primary Government cash and investments</b>	<b>131,004,746</b>
Cash and investments	1,239
<b>Total Discrete Component Unit cash and investments</b>	<b>1,239</b>
Cash and investments in Fiduciary Funds (Separate Statement)	
Cash and investments	21,922,943
Restricted cash and investments	26,178,665
Investments in reassessment bonds	9,335,607
<b>Total Fiduciary Funds cash and investments</b>	<b>57,437,215</b>
<b>Total cash and investments</b>	<b>\$188,443,200</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Bills, Bonds and Notes	5 years	A	None	None
Obligations issued by United States Government Federally Sponsored Agencies	5 years		90%	None
Treasury bonds and notes issued by the State of California or any local agency with California	5 years	A	None	None
Commercial Paper	270 days	Top rating category	10% (A)	10%
Negotiable Certificates of Deposit	5 years	A	20%	None
Medium Term Corporate Notes	5 years	A	30%	None
Money Market Mutual Funds	N/A	Top rating category	15%	None
California Local Agency Investment Fund (LAIF)	N/A		None	\$65 Mil/ acct
Investment Trust of California (CalTrust)	N/A		None	None

(A): City may invest an additional 15% or a total of 25% of City surplus money, only if dollar-weighted average maturity of the entire amount does not exceed 31 days.

**Prohibited Investments**

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

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

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

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

The Authority does not have reverse repurchase agreements.

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

Under the terms of the City's and Agency's and debt issues and lease agreements, the City and Agency are subject to various restrictions in the type, maturity and credit ratings of investments of the unspent proceeds of these issues. These restrictions are generally no more restrictive than those listed above regarding investment of the City's and Agency's funds. In addition, some bond indentures authorize investments in guaranteed investment contracts and investment agreements with maturity dates that coincide with the applicable debt maturities. At June 30, 2018, the City and Agency were in compliance with the terms of all these restrictions.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**G. Interest Rate Risk**

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

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

	Remaining Maturity (in Months)				Total
	12 months or Less	13 to 24 Months	25 to 60 Months	More than 60 months	
<b>Primary Government:</b>					
Federal Agency Securities	\$2,994,510				\$2,994,510
California Local Agency Investment Fund	56,968,398				56,968,398
CalTrust Short Term Fund	24,642,068				24,642,068
CalTrust Medium Term Fund	83,773				83,773
Held by Trustee:					
Money Market Mutual Funds (U.S. Securities)	60,710,585				60,710,585
Investment Agreement				\$1,039,778	1,039,778
Guaranteed Investment Contracts			\$564,000	625,001	1,189,001
Reassessment Bonds	1,125,000	\$1,355,000	1,480,000	5,375,607	9,335,607
<b>Total Investments</b>	<b>\$146,524,334</b>	<b>\$1,355,000</b>	<b>\$2,044,000</b>	<b>\$7,040,386</b>	<b>156,963,720</b>
Cash in Banks and on hand - <i>Primary Government</i>					31,478,241
Cash in Banks - RHA Housing Corporation					1,239
<b>Total Cash and Investments</b>					<b>\$188,443,200</b>

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Each regular LAIF account is permitted to have up to 15 transactions per month, with a minimum transaction amount of \$5,000, a maximum transaction amount of \$65 million and at least 24 hours advance notice for withdrawals of \$10 million or more. Bond proceeds accounts are subject to a one-time deposit with no cap and are set up with a monthly draw down schedule. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2018, these investments matured in an average of 193 days.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

The City is a participant in the Short-Term Fund and Medium-Term Fund of the Investment Trust of California (CalTrust), a joint powers authority and public agency established by its members under the provisions of Section 6509.7 of the California Government Code. Members and participants are limited to California public agencies. CalTrust is governed by a Board of Trustees of seven Trustees, at least seventy-five percent of whom are from the participating agencies. The City reports its investment in CalTrust at the fair value amount provided by CalTrust, which is the same as the value of the pool shares. The balance in the Short-Term Fund is available for withdrawal on demand and the balance in the Medium-Term Fund is available for withdrawal upon two days' notice, and is based on the accounting records maintained by CalTrust. Included in CalTrust's investment portfolio are: United States Treasury Notes, Bills, Bonds or Certificates of Indebtedness; registered state warrants or treasury notes or bonds; California local agency bonds, notes, warrants or other indebtedness; federal agency or United States government-sponsored enterprise obligations; bankers acceptances; commercial paper; negotiable certificates of deposit; repurchase agreements; medium-term notes; money market mutual funds; notes, bonds or other obligation secured by a first priority security interest in securities authorized under Government Code Section 53651; and mortgage passthrough securities, collateralized mortgage obligations, and other asset – backed securities. CalTrust's Short-Term Fund has a target portfolio duration of 0 to 2 years and CalTrust's Medium-Term Fund has a target portfolio duration of 1.5 to 3.5 years. At June 30, 2018 the Short-Term Fund investments matured in an average of 347 days and the Medium-Term Fund investments matured in an average of 799 days.

Money market funds and mutual funds are available for withdrawal on demand and as of June 30, 2018 have an average maturity from 20 to 39 days.

**H. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2018 for each investment type:

Investment Type	AAAm	AAf	AA+	A+f	Total
Federal Agency Securities			\$2,994,510		\$2,994,510
Money Market Mutual Funds (U.S. Securities)	\$60,710,585				60,710,585
CalTrust Short Term Fund		\$24,642,068			24,642,068
CalTrust Medium Term Fund				\$83,773	83,773
<b>Totals</b>	<b>\$60,710,585</b>	<b>\$24,642,068</b>	<b>\$2,994,510</b>	<b>\$83,773</b>	<b>88,430,936</b>

*Not Rated:*

California Local Agency Investment Fund					56,968,398
Investment Agreement					1,039,778
Guaranteed Investment Contracts					1,189,001
Reassessment Bonds					9,335,607
<b>Total Investments</b>					<b>156,963,720</b>
Cash in Banks and On Hand					31,479,480
<b>Total Cash and Investments</b>					<b>\$188,443,200</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**I. Fair Value Hierarchy**

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

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2018:

Investment Type	Level 2	Total
<b>Investments Measured at Fair Value:</b>		
Federal Agency Securities	\$2,994,510	\$2,994,510
<b>Investments Measured at Amortized Cost:</b>		
Held by Trustee:		
Investment Agreement		1,039,778
Guaranteed Investment Contracts		1,189,001
Reassessment Bonds		9,335,607
Money Market Funds		60,710,585
<b>Investments Not Subject to Fair Value Hierarchy:</b>		
California Local Agency Investment Fund		56,968,398
CalTrust Short Term Fund		24,642,068
CalTrust Medium Term Fund		83,773
<b>Total Investments</b>		<b>\$156,963,720</b>

Federal agency securities are classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. These prices are obtained from various pricing sources by our custodian bank. Fair value is defined as the quoted market value on the last trading day of the period.

**J. Concentration of Credit Risk**

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, investment pools and money market funds, in Fiduciary Funds at June 30, 2018 were as follows:

Fiduciary Funds	Issuer	Type of Investment	Amount
Agency Funds:			
2006 A&B Reassessment District	City of Richmond JPFA	Municipal Bonds	\$7,685,607
JPFA Reassessment	City of Richmond JPFA	Municipal Bonds	1,650,000

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 4 – INTERFUND TRANSACTIONS**

**A. Current Interfund Balances**

Current interfund balances arise in the normal course of business and represent short-term borrowings occurring as a result of expenditures which are paid prior to the receipt of revenues. These balances are expected to be repaid shortly after the end of the fiscal year when revenues are received. Current amounts due from one fund to another at June 30, 2018 were as follows:

Due From Other Funds	Due To Other Funds	Amount
Internal Service Fund	Community Development and Loan Programs Special Revenue Fund	\$340,111
	Non Major Governmental Funds	6,588,191
	Richmond Housing Authority Enterprise Fund	3,657,170
	Port of Richmond Enterprise Fund	2,919,904
	Non Major Enterprise Funds	961,930
	<b>Total</b>	<b><u>\$14,467,306</u></b>

**B. Long-Term Interfund Advances**

At June 30, 2018 the funds below had made advances which were not expected to be repaid within the next year.

Fund Receiving Advance	Fund Making Advance	Amount of Advance
Richmond Housing Authority Enterprise Fund	General Fund	\$2,215,970
	Community Development and Loan Programs Special Revenue Fund	174,067
	Municipal Sewer Enterprise Fund	901,396
	Non Major Enterprise Funds	167,451
Port of Richmond Enterprise Fund	General Fund	13,917,312
Non Major Enterprise Funds	Internal Service Funds	2,360,403
	<b>Total</b>	<b><u>\$19,736,599</u></b>

Under the terms of a May 2013 Memorandum of Understanding (MOU) between the Housing Authority and RHA Properties, RHA Properties had paid a financial sanction imposed by the Office of the Inspector General (OIG) of \$2,257,799 to the Housing Authority from the sale proceeds of the Westridge at Hilltop Apartments. The Housing Authority used those proceeds to retire outstanding debt owed to the General Fund in fiscal year 2017. The Department of Housing and Urban Development (HUD) disputed the use of the sale proceeds for the repayment of the General Fund loan, as discussed in Note 16D. Although management disputed HUD's claim, in April 2018 the City and RHA entered into a settlement agreement with HUD under which the City agreed to return \$2,096,527 to the Housing Authority, which reestablished the General Fund's loan to the Housing Authority. During fiscal year 2018, the prior short-term amount due to the General Fund of \$119,443 to the Housing Authority for Hope VI was added and the balance of the advance was \$2,215,970 as of June 30, 2018.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

In fiscal years 2007 through 2014, the General Fund and the Municipal Sewer and Storm Sewer Enterprise Funds made advances to the Richmond Housing Authority Enterprise Fund for police, sewer, and other services as well as the Housing Authority's employee payroll. The advance repayment terms were amended in April 2010 and the advance bears no interest and was payable in 135 monthly installments of \$30,000 and one final installment of \$22,446 on or before August 1, 2021. On June 28, 2011 the agreement was amended to make the monthly payments \$50,000 for the remaining 71 payments, starting July 1, 2011, and one final installment of \$36,634. However, in lieu of monthly payments, repayment may be in a lump sum on August 1, 2021. During fiscal year 2013, \$6,600,000 of the advance was assumed by RHA Properties and was classified as a loan receivable, as discussed in Note 5. No repayments were made during fiscal year 2018 and the remaining balance of the interfund advance as of June 30, 2018 is \$1,068,847.

In fiscal 2006 the General Fund established repayment terms for its advance of \$17,139,855 to the Port of Richmond Enterprise Fund to assist the Port with various lease transactions and other projects. The advance did not bear interest for the first three years; the next five years it bore an interest rate of 4%, with the balance payable on or before June 30, 2015. The advance repayment terms were amended in October 2013, effective June 30, 2013, to convert the accrued unpaid interest of \$745,119 to principal and reduce the advance balance by \$842,877, and the advance no longer bears interest. Annual principal payments of \$150,000 are due beginning June 30, 2014 through June 30, 2066, with a final principal payment of \$32,593 due on June 30, 2067, and in addition to those payments, the annual berthing cost of the vessel Red Oak Victory at the Port that is to be paid by the General Fund will instead offset and reduce the principal balance of the advance based on an established rental schedule. Historical rental payments from August 2004 to June 30, 2012 totaling \$842,877 were applied to the principal balance of the loan as of June 30, 2013. Another provision of the amended agreement provides that upon the sale of any Port property, including Terminal One and Terminal Four, the proceeds from the sale are to be used to repay and reduce the principal balance of the advance. The balance of the advance as of June 30, 2018 is \$13,917,312.

In fiscal 2008 the General Fund advanced \$1,758,342 to the Storm Sewer Enterprise Fund for the purpose of providing a clean storm sewer system and street sweeping activities. In fiscal year 2009 the advance was moved to the Insurance Reserves Internal Service Fund. The advance bears interest of 4.34% and is payable as follows: Semi-annual principal and interest payments in the amount of \$52,460 are to be made April 30 and December 31 of each year commencing in December 2009 until December 2038. The final interest payment of \$52,298 and the outstanding principal balance is due April 30, 2039. The Storm Sewer Enterprise Fund did not make the required payments during fiscal years 2015, 2016, 2017 and 2018; therefore unpaid interest of \$257,218 was added to the balance of the loan. The balance of the advance and accrued interest as of June 30, 2018 is \$2,360,403.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**C. Transfers Between Funds**

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of the transfers is to move General Fund resources to provide an annual subsidy to the Cost Recovery Fund and other non-major governmental funds, as well fund debt service, pension costs and capital projects. Transfers between funds during the fiscal year ended June 30, 2018 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Non Major Governmental Funds	\$5,948,337
	Non Major Enterprise Fund	86,778
Non Major Governmental Funds	General Fund	5,683,346
	Community Development and Loan Programs	255,762
	Non Major Governmental Funds	2,497,941
Internal Service Funds	General Fund	483,520
	Total Interfund Transfers	<u>\$14,955,684</u>

None of these transfers were unusual or non-recurring in nature, except for the transfer from the Secured Pension Override Special Revenue Fund to the General Fund in the amount of \$5,748,337 to fund current year pension contributions to CalPERS, which is included in transfers from Non-Major Governmental Funds.

**D. Internal Balances**

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 5 – NOTES AND LOANS RECEIVABLE**

At June 30, 2018, notes and loans receivable consisted of the following:

	Amount
<b>CalTrans Loan</b>	<u>\$508,571</u>
<b>RHA RAD Project Loan</b>	<u>703,471</u>
<b>Richmond Neighborhood Stabilization Loans</b>	<u>779,013</u>
<b>East Bay Center for the Performing Arts</b>	<u>150,000</u>
<b>Community Development Block Grant, Home Investment Partnership Program, EDA, CALHome Loans and City Loans</b>	
Deferred Loans	4,004,695
Home Improvement Program Loans	908,980
Rental Rehabilitation Loans	388,600
Infill Phase II Loan	1,331,709
The Carquinez Project	148,490
Creely Avenue Housing Rehabilitation Loan (Arbors)	2,263,659
Lillie Mae Jones Project Loan	1,254,751
Nevin Court Homeowner Development Project	479,245
EDA Loans	421,824
CALHome Program	2,787,725
RHA RAD Project Loan	<u>3,612,033</u>
<b>Subtotal - CDBG, HOME, EDA, CALHome Loans, City Loans</b>	<u>17,601,711</u>
<b>Housing Successor Loans:</b>	
Rental Rehabilitation Loans	20,000
The Carquinez Project	1,152,510
Creely Avenue Housing Rehabilitation Loan (Arbors)	2,127,399
Lillie Mae Jones Project Loan	2,339,642
Miraflores Loan	2,786,392
MacDonald Place Senior Housing	4,650,715
Heritage Park Development	43,166
Silent Second Mortgage Loans	1,749,161
Deferred Loans	374,401
Chesley Avenue Mutual Housing Development	5,927,460
Easter Hill Project	4,743,488
RHA RAD Project Loan	<u>1,105,455</u>
<b>Subtotal - Housing Successor Loans</b>	<u>27,019,789</u>
<b>Total Notes and Loans Receivable</b>	<u>\$46,762,555</u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**CalTrans Loan**

The total of \$508,571 consists of two loans from the City of Richmond to Richmond Neighborhood Housing Services. These are pass-through loans from CalTrans for the construction of 27 homes located in North Richmond.

**Police Chief Loan**

Under the Resolution Number 169-05, the City made a long-term loan of \$150,000, and a short-term loan of \$50,000, for a total loan amount of \$200,000, to finance the acquisition of the Police Chief's personal residence located within the City of Richmond. The loan is secured by a deed of trust on the property. The loan is due upon sale of the property, within eighteen months after the Police Chief's employment with the City terminates, or fifteen years from the date of the loan, whichever occurs first. The Police Chief left the City in January 2016, and although he continues to make the scheduled loan payments under the terms of the agreement the loan was due in July 2017. The loan was amended and is now due on June 30, 2018. The loan bears a variable interest rate from the date of disbursement until repaid in full at an amount equal to the average annual interest rate of the California State Treasurer's Office Local Agency Investment Fund, adjusted effective as of each annual anniversary date of the close of escrow of the Property purchased by the Police Chief. The short-term loan of \$50,000 was repaid during fiscal year 2006. The remaining long-term loan balance of \$51,066 was repaid during fiscal year 2018.

**Groundwork Richmond**

On May 10, 2013 the City entered into an agreement to loan \$9,995 in cash flow assistance to Groundwork Richmond. Groundwork Richmond is a local non-profit organization dedicated to helping the City of Richmond reach its goals for improving the outdoor environment, and to engaging local residents in specific outdoor improvement projects. The loan bears interest of 1.42% and was due on December 31, 2013. The loan was amended in December 2014 to extend the repayment date to June 30, 2015 and the loan was again amended in December 2015 to extend the repayment date to June 30, 2017. The loan balance of \$2,198 was repaid during fiscal year 2018.

**RHA RAD Project**

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

In December 2015, the loan agreement was replaced and the City entered into an amended agreement to loan \$5,400,000 to the RHA Housing Corporation for the furtherance of the development of the RAD Projects as discussed in Note 16J. Funding for the loan was revised in fiscal year 2018 and is as follows: \$700,000 from the City's General Fund, \$3,600,000 will come from housing-in-lieu funds and \$1,100,000 from the Housing Successor funds. The housing-in-lieu funds and Housing Successor Funds are included in the Community Development and Loan Programs Fund. RHA Housing Corporation assigned the loan agreement and associated obligations to RHA RAD Housing Partners L.P. on December 22, 2015 upon closing of the financing for the rehabilitation of the RAD projects. See Note 16J for additional information related to the RAD projects. The loan is secured by a leasehold deed of trust, assignment of rents and security agreement. The loan bears simple interest of 1% and the loan is repayable from residual receipts, as defined in the loan agreement, starting May 1 of the year after issuance of the Certificate of Completion, and unpaid principal and accrued interest is due December 1, 2070. As noted above, \$700,000 of the General Fund loan was disbursed in December 2014 and the balance at June 30, 2018, including accrued interest, was \$703,471. As of June 30, 2018, \$4,717,488 of the funds had been drawn down from the Housing Successor Community Development and Loan Programs Fund.

**Richmond Neighborhood Stabilization Loans**

The Richmond Neighborhood Stabilization Corporation (RNSC) operates a residential rehabilitation loan program financed by Department of Housing and Urban Development grants that have passed through the City under its Neighborhood Stabilization Program (NSP1) and additional allocation under the third round of funding referred to as (NSP3). The program provides affordable home ownership opportunities for households of low and moderate income by facilitating the development financing necessary for the purchase, rehabilitation, and resale of deed-restricted affordable ownership units. During fiscal year 2014, the City foreclosed on seven of the loans with a carrying value of \$780,153 and reacquired the properties which have been recorded as property held for resale as discussed in Note 2I. As of June 30, 2018, the total balance of outstanding loans for NSP1 was \$779,013 and no NSP3 loans had been issued. Loans are payable upon the resale of improved properties.

**East Bay Center for the Performing Arts**

On June 12, 2009 the former Redevelopment Agency entered into an agreement to loan \$2,500,000 to the East Bay Center (Center) for the Performing Arts to fund renovations to the Winters Building. The East Bay Center for the Performing Arts is a California nonprofit public benefit corporation that offers programs and training in theater, music and dance. The loan bore interest of 3% per year and repayments of accrued interest was due in quarterly installments. The Center made a payment of \$1,100,000 prior to January 31, 2012. Due to the dissolution of the Redevelopment Agency effective January 31, 2012 as discussed in Note 17, the balance of the loan was evaluated and it was determined that although the Redevelopment Agency implemented and administered the loan, the Insurance Internal Service Fund had funded the loan via an interfund advance and therefore the interfund advance was repaid in fiscal year 2012 by transferring the loan receivable to the Insurance Internal Service Fund. The agreement with the Center was amended on June 27, 2012, to reduce the interest rate to 0% and extend the repayment of the remaining \$1,400,000 to June 30, 2016.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

On February 18, 2014, the agreement was amended a second time to extend the maturity date of the loan to June 30, 2018 and to provide an annual grant from the City in the amount of \$200,000 for the next five years beginning in June 2014. The loan was amended a third time to extend the maturity date of the loan to June 30, 2019. The annual grant will be used to reduce the balance of the loan each fiscal year.

**Deferred Loans**

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

**Home Improvement Program Loans**

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

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

**Rental Rehabilitation Loans**

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

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

Under a loan agreement dated September 30, 2010, the City loaned Community Housing Development Corporation of North Richmond \$1,198,013 to fund construction of 36 townhomes to be made available for very-low and low income households. Funding for the loan was as follows: \$602,556 in HOME funds, \$266,000 in CDBG funds and \$329,457 in CDBG-R. Although the developer has not drawn down all of the proceeds from the HOME funds portion of the loan, the Department of Housing and Urban Development (HUD) has indicated that future drawdowns will not be reimbursed by the grantor. Related to the grant disallowed costs discussed in Note 16D, the City purchased \$1,331,709 of the loan balance that had previously been funded with Community Development Block Grant and HOME funds. The current funding was for predevelopment activities in conjunction with the construction and development of the townhomes. The loan is secured by a deed of trust on the property. The outstanding balance of the loan bears simple interest at the rate of 3% per year. The payment of principal and interest is deferred and due at the end of the term due September 30, 2065. As of June 30, 2018, \$1,331,709 had been drawn down on the loan.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**The Carquinez Project**

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

**Creely Avenue Housing Rehabilitation (Arbors)**

On September 15, 2006, the former Redevelopment Agency and the City loaned Arbors Preservation Limited Partnership the amount of \$2,558,557, to construct extremely low, very low and low income rental housing units and a new community room on Creely Avenue. On October 31, 2008, the loan was amended to provide the developer a total loan amount of \$3,208,113. Funding for the loan is as follows: \$2,160,282 in HOME funds, \$103,377 in CDBG funds and \$1,594,057 in 2007 Series B bond funds. Although the developer has not drawn down all of the proceeds from the HOME funds portion of the loan, the Department of Housing and Urban Development (HUD) has indicated that future drawdowns will not be reimbursed by the grantor. The loan bears simple interest at the rate of 3% per year. All unpaid principal and interest on the loan is due on April 29, 2063. With the dissolution of the Redevelopment Agency as discussed in Note 17, the City agreed to become the successor to the Redevelopment Agency’s housing activities and as a result the City, as Housing Successor, assumed the loans receivable of the Redevelopment Agency’s Low and Moderate Income Housing Fund, including the balance of the Arbors loan as of February 1, 2012.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**Lillie Mae Jones Project**

On January 19, 2010, the former Redevelopment Agency and the City entered into an agreement with Lillie Mae Jones Plaza, L.P. and the Community Housing Development Corporation of North Richmond to loan \$3,119,000 to construct and provide 26 housing units to very low and low income households. Funding for the loan is as follows: \$1,081,291 in HOME funds, \$84,000 in Section 108 funds and \$1,953,709 in 2007 Series B bonds. Although the developer has not drawn down all of the proceeds of the HOME funds portion of the loan, HUD has indicated that future drawdowns will not be reimbursed by the grantor. The loan bears an interest rate of 3% per year and repayments on the loan are to be made from residual receipts as defined in the agreement. All unpaid principal and accrued interest is due in January 2065. The agreement was amended in November 2011, due to securing a \$293,884 loan from County of Contra Costa with Mental Health Services Act, which specifies that two units are required to be available to and occupied by Mental Health Services Act Eligible Tenants pursuant to the County Regulatory Agreement with Lillie Mae Jones Plaza, L.P. With the dissolution of the Redevelopment Agency as discussed in Note 17, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result the City, as Housing Successor, assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund, including the balance of the Lillie Mae Jones loan as of February 1, 2012. As of June 30, 2018, Lillie Mae Jones has drawn down \$3,594,393.

**Nevin Court Homeowner Development Project**

In May 2005, the City entered into an agreement with Community Housing and Development Corporation of North Richmond (Development), in the original amount of \$227,000 to construct and develop 10 single family homes for low and moderate income households. The agreement was amended in November 2008, to increase the loan to \$377,000. In fiscal year 2010, the Development drew down \$343,839, in fiscal year 2016 an additional \$21,453 was drawn, and the outstanding balance of the loan is \$479,245, which includes accrued interest of \$113,953. The loan bears interest of 3% per year and the unpaid balance is due in November 2063.

**EDA Loans**

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

**CALHome Program**

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**Housing Successor Loans**

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

**Miraflores Loan**

Under an amended loan agreement dated June 21, 2011, the City agreed to loan Community Housing Development Corporation of North Richmond and Eden Housing, Inc., \$1,465,000 to fund the construction of 110 senior housing units for low and moderate income residents. Funding for the loan is as follows: \$449,000 in CDBG funds, \$925,000 in HOME funds, and \$91,000 Redevelopment Agency Low and Moderate Income Housing Fund funds. Although the developer has not drawn down all of the proceeds of the HOME funds portion of the loan, HUD has indicated that future drawdowns will not be reimbursed by the grantor. Related to the grant disallowed costs discussed in Note 16D, the City purchased \$1,208,258 of the loan balance that had previously been funded by CDBG and HOME funds and the loans were transferred to the Housing Successor. Since the Housing Successor-funded loans are not offset by unavailable revenue, the transfer of those loans has been reported as a special item. With the dissolution of the Redevelopment Agency as discussed in Note 17, the portion of the Miraflores loan that was funded by the Redevelopment Agency's Low and Moderate Income Housing Fund was assumed by the City as Housing Successor.

The loan does not bear interest and the unpaid principal balance was due September 22, 2015, unless it was converted to a permanent loan. The loan was converted into a permanent loan on June 25, 2015. In addition to the converted permanent loan, the Housing Successor approved an additional predevelopment loan in the amount of \$1,500,000. As of June 30, 2018, \$2,786,392, of the loan had been drawn down.

**MacDonald Place Senior Housing**

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**Heritage Park Development**

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

**Silent Second Mortgage Loans**

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

**Chesley Avenue Mutual Housing Development**

On December 1, 2003, the former Redevelopment Agency loaned Chesley Avenue Limited Partnership the amount of \$4,741,492, which includes accrued interest of \$1,185,968 to construct very low and low income housing units. The loan's principal is due in 2058; interest is payable starting May 1, 2006, at the rate of 2% per annum or in the amount of 95% of any residual receipts remaining from the prior year, whichever is less.

**Easter Hill Project**

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

**NOTE 6 – CAPITAL ASSETS**

**A. Policies**

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

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

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

**B. Current Year Activity**

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

	Balance at June 30, 2017	Additions	Retirements	Transfers	Balance at June 30, 2018
<i>Governmental activities</i>					
Capital assets not being depreciated:					
Land	\$29,403,573			\$21,094	\$29,424,667
Construction in progress	68,938,598	\$12,761,765	(\$322,371)	(64,343,794)	17,034,198
Total capital assets not being depreciated	98,342,171	12,761,765	(322,371)	(64,322,700)	46,458,865
Capital assets being depreciated:					
Buildings and improvements	154,354,725			1,392,684	155,747,409
Machinery and equipment	45,927,136	1,625,535	(778,481)		46,774,190
Land improvements and infrastructure	470,427,347			62,930,016	533,357,363
Total capital assets being depreciated	670,709,208	1,625,535	(778,481)	64,322,700	735,878,962
Less accumulated depreciation for:					
Buildings and improvements	(37,105,802)	(3,484,757)			(40,590,559)
Machinery and equipment	(36,359,607)	(2,382,759)	773,109		(37,969,257)
Land improvements and infrastructure	(383,294,618)	(11,853,189)			(395,147,807)
Total accumulated depreciation	(456,760,027)	(17,720,705)	773,109		(473,707,623)
Capital asset being depreciated, net	213,949,181	(16,095,170)	(3,372)	64,322,700	262,171,339
Governmental activity capital assets, net	\$312,291,352	(\$3,333,405)	(\$327,743)		\$308,630,204

Governmental activities depreciation expenses for capital assets is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program for the year ended June 30, 2018 were as follows:

<b>Governmental Activities</b>	
General Government	\$3,618,724
Public Safety	1,303,058
Public Services	11,217,479
Cultural and Recreational	424,728
Internal Service Funds	1,156,716
<b>Total Governmental Activities</b>	<b>\$17,720,705</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

	Balance at June 30, 2017	Additions	Transfers	Balance at June 30, 2018
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$7,195,986			\$7,195,986
Construction in progress	32,139,210	\$16,415,211	(\$20,152,901)	28,401,520
Total capital assets not being depreciated	<u>39,335,196</u>	<u>16,415,211</u>	<u>(20,152,901)</u>	<u>35,597,506</u>
Capital assets being depreciated:				
Buildings and improvements	79,313,834			79,313,834
Machinery and equipment	17,528,809			17,528,809
Infrastructure	204,183,151		20,152,901	224,336,052
Total capital assets being depreciated	<u>301,025,794</u>		<u>20,152,901</u>	<u>321,178,695</u>
Less accumulated depreciation for:				
Buildings and improvements	(49,997,408)	(2,412,731)		(52,410,139)
Machinery and equipment	(13,224,362)	(773,342)		(13,997,704)
Infrastructure	(100,885,248)	(4,664,948)		(105,550,196)
Total accumulated depreciation	<u>(164,107,018)</u>	<u>(7,851,021)</u>		<u>(171,958,039)</u>
Capital asset being depreciated, net	<u>136,918,776</u>	<u>(7,851,021)</u>	<u>20,152,901</u>	<u>149,220,656</u>
Business-type activity capital assets, net	<u>\$176,253,972</u>	<u>\$8,564,190</u>		<u>\$184,818,162</u>

Included in buildings and improvements is the Richmond Housing Authority's Hacienda Development with a net book value of \$8,038,038 at June 30, 2018 that was deemed uninhabitable in fiscal year 2013. The Hacienda property is still uninhabitable. However, the Housing Authority is working to find sources to fund the rehabilitation of the property, including funding from the U.S. Department of Housing and Urban Development. The City and Housing Authority staff believe the impairment of the capital asset to be temporary and no provision for impairment has been recorded in the financial statements.

Business-type activities depreciation expenses for capital assets allocated to each program for the year ended June 30, 2018 were as follows:

<b>Business-Type Activities</b>	
Richmond Housing Authority	\$1,637,570
Port of Richmond	3,775,336
Municipal Sewer	2,301,596
Richmond Marina	85,563
Storm Sewer	45,088
Cable TV	5,868
<b>Total Business-Type Activities</b>	<u>\$7,851,021</u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

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

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

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

**A. Governmental Activities**

Following is a summary of governmental activities long-term debt transactions during the fiscal year ended June 30, 2018:

	Balance July 01, 2017	Additions (A)	Retirements (B)	Balance June 30, 2018	Due Within One Year	Due in More than One Year
Bonds payable	\$266,333,299	\$5,560,256	(\$10,206,346)	\$261,687,209	\$11,175,000	\$250,512,209
Loans payable	1,993,820		(149,045)	1,844,775	557,498	1,287,277
Capital leases	6,872,843	2,687,645	(909,648)	8,650,840	1,010,501	7,640,339
<b>Total</b>	<u>\$275,199,962</u>	<u>\$8,247,901</u>	<u>(\$11,265,039)</u>	<u>\$272,182,824</u>	<u>\$12,742,999</u>	<u>\$259,439,825</u>

(A) Additions include bonds payable bond accretion for capital appreciation bonds totaling \$5,560,256, and a new capital lease in the amount of \$2,687,645.  
(B) Retirements of bonds payable include principal retirements in the amount of \$10,143,000 and amortization of bond premiums in the amount of \$63,346.

**Bonds Payable**

Bonds payable at June 30, 2018 consisted of the following:

	Net
Pension Obligation Bonds - 1999 Series A	\$6,490,000
Pension Funding Bond Series 2005	143,955,289
JPFA Lease Revenue Refunding Bonds - 2009	81,585,000
JPFA Lease Revenue Bonds - 2016	29,656,920
<b>Total</b>	<u>\$261,687,209</u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

The bonds were issued to fund a portion of the unfunded accrued actuarial liability in the City's pension plans together with the prepayment of certain pension benefit costs of the Beneficiaries and to pay the costs of issuance associated with the issuance of the bonds. Interest rates vary from 6.37% to a maximum of 7.39% and are payable semiannually on February 1, and August 1. The term bonds consist of \$8,960,000 due August 1, 2020 with an interest rate of 7.57% and \$3,435,000 due August 1, 2029 with an interest rate of 7.62%. The bonds are payable from certain pension tax override revenues received by the City from a special tax pursuant to City Council Ordinance 9-99 adopted by the City Council on March 30, 1999. Principal and interest paid for the current fiscal year and total pension tax override revenues were \$2,070,543 and \$9,075,692, respectively.

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

For the Years Ending June 30,	Principal	Interest	Total
2019	\$1,375,000	\$440,967	\$1,815,967
2020	885,000	355,426	1,240,426
2021	795,000	291,838	1,086,838
2022	710,000	234,696	944,696
2023	620,000	184,023	804,023
2024-2028	1,885,000	381,954	2,266,954
2029-2030	220,000	14,099	234,099
<b>Total</b>	<b>\$6,490,000</b>	<b>\$1,903,003</b>	<b>\$8,393,003</b>

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

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

Bond Type & Series	Initial Interest Rate	Less: Credit Adjustment	Adjusted Interest Rate	Maturity Date	Original Principal Amount	Index Rate Conversion Data		
						Full Accretion Date	Adjusted Subsequent Interest Rate	Adjusted Maturity Value
Current Interest - 2005A	5.9350%	-0.1000%	5.8350%	8/1/13	\$26,530,000	n/a	n/a	n/a
Convertible Auction Rate Securities, Capital Appreciation Bonds -								
2005B-1	6.2550%	-0.1000%	6.1550%	8/1/23	47,061,960	8/1/13	1 month LIBOR + 1.4%	\$53,745,000
2005B-2	6.5650%	-0.1000%	6.4650%	8/1/34	41,403,173	8/1/23	1 month LIBOR + 1.4%	127,968,000
					<u>\$114,995,133</u>			<u>\$181,713,000</u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

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

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

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

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

*Swap Agreements* - The City entered into two interest rate swap agreements related to the 2005B-1 and 2005B-2 Bonds. The interest rate swap related to the 2005B-1 Bonds became effective August 1, 2013 while the 2005B-2 Bonds does not become effective until August 1, 2023, in the same amount as the outstanding principal balances of the Bonds on that date. The combination of the variable rate bonds and a floating swap rate will create synthetic fixed-rate debt for the City. The synthetic fixed rate for the 2005B-1 Bonds was 6.850% at June 30, 2018. Because neither the variable rate nor the swap rates are effective for the 2005B-2 Bonds as of June 30, 2018 the initial bond interest rates discussed above are used for disclosure purposes.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

At June 30, 2018, the Bonds consisted of the following:

	Maturity Value	Accretion/ Amortization	Unamortized Premium (Discount)	Net
Capital appreciation bonds	\$181,713,000	\$5,560,256	(\$43,317,967)	\$143,955,289

The annual debt service requirements are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019	\$7,720,000	\$7,635,603	\$15,355,603
2020	8,366,000	7,066,210	15,432,210
2021	9,458,000	6,424,561	15,882,561
2022	10,302,000	5,723,682	16,025,682
2023	11,593,000	4,936,920	16,529,920
2024-2028	36,201,000	19,858,343	56,059,343
2029-2033	62,177,000	11,318,237	73,495,237
2034-2035	35,896,000	705,796	36,601,796
<b>Total</b>	<b>\$181,713,000</b>	<b>\$63,669,352</b>	<b>\$245,382,352</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

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

The Series 2009 Bonds in the principal amount of \$81,585,000 have been recorded as governmental activities debt, and the business-type activities portion was fully repaid in fiscal year 2016.

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

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

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

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

For the Years Ending June 30,	Principal	Interest	Total
2019	\$2,080,000	\$4,627,238	\$6,707,238
2020	2,190,000	4,523,088	6,713,088
2021	2,315,000	4,410,463	6,725,463
2022	2,445,000	4,291,463	6,736,463
2023	2,580,000	4,156,163	6,736,163
2024-2028	15,550,000	18,283,876	33,833,876
2029-2033	22,550,000	12,904,672	35,454,672
2034-2038	31,875,000	4,915,172	36,790,172
<b>Total</b>	<b>\$81,585,000</b>	<b>\$58,112,135</b>	<b>\$139,697,135</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

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

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

At June 30, 2018, the 2016 Bonds consisted of the following:

Bonds outstanding	\$28,390,000
Unamortized premium	1,266,920
<b>Total</b>	<b><u>\$29,656,920</u></b>

The annual debt service requirements are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019		\$1,343,375	\$1,343,375
2020	\$235,000	1,337,206	1,572,206
2021	1,015,000	1,304,394	2,319,394
2022	1,080,000	1,248,050	2,328,050
2023	1,165,000	1,186,313	2,351,313
2024-2028	7,170,000	4,830,877	12,000,877
2029-2033	8,775,000	2,733,513	11,508,513
2034-2038	8,950,000	888,597	9,838,597
<b>Total</b>	<b><u>\$28,390,000</u></b>	<b><u>\$14,872,325</u></b>	<b><u>\$43,262,325</u></b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

***Interest Rate Swap and Swaption Agreements***

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

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

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

The City's issuer credit rating from S&P was BBB+ as of June 30, 2017. On December 4, 2017, the City received an updated issuer credit rating from S&P upgrading the previous BBB+ issuer credit rating to an A- issuer credit rating.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

*Terms.* The terms, including the counterparty credit ratings of the outstanding swaps, as of June 30, 2018, are included below. The swap agreements contain scheduled reductions to the outstanding notional amount on an annual basis.

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

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

Pay-Fixed, Receive-Variable							
Outstanding Notional Amount	Effective Date	Counterparty	Long-Term Credit Rating (S&P/Moody's/Fitch)	Fixed Rate Paid	Variable Rate Received	Fair Value at June 30, 2018	Termination Date
<b>2005B-1 Taxable Pension Funding Bonds</b>							
\$53,753,789	8/1/2013	Royal Bank of Canada	AA-/Aa2/AA	5.580%	100% of USD-1 Month LIBOR	(\$4,128,800)	8/1/2023
<b>2005B-2 Taxable Pension Funding Bonds</b>							
\$127,990,254	8/1/2023	Royal Bank of Canada	AA-/Aa2/AA	5.665%	100% of USD-1 Month LIBOR	(\$18,811,000)	8/1/2034

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

As of June 30, 2018, the fair value for the each of the outstanding swaps was in favor of the respective counterparties. The fair value represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. The City has accounted for the change in fair value of each of the ineffective hedges as noted below:

	Changes in Fair Value		Fair value at June 30, 2018	
	Classification	Amount	Classification	Amount
<b>Governmental Activities</b>				
<b>Pay-Fixed, Receive-Variable</b>				
2005B-1 Taxable Pension Funding Bonds	Investment revenue	\$3,414,700	Investment	(\$4,128,800)
2005B-2 Taxable Pension Funding Bonds	Investment revenue	2,585,200	Investment	(18,811,000)
<b>Totals</b>		<b>\$5,999,900</b>		<b>(\$22,939,800)</b>

*Credit risk.* The fair values of the swaps represent the City's credit exposure to the counterparties. As of June 30, 2018, the City was not exposed to credit risk on the outstanding swaps because the swaps had negative fair values. However, if *interest* rates change and the fair value of the swaps were to become positive, the City would be exposed to credit risk.

*Interest rate risk.* The City will be exposed to interest rate risk for the Pay-Fixed, Receive-Variable swaps only if the counterparty to the swaps defaults or if the swaps are terminated.

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

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

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

*Swap payments and associated debt.* Using rates as of June 30, 2018, debt service requirements of the City's outstanding fixed rate 2005 Taxable Pension Funding Bonds and net swap payments, assuming current interest rates remain the same for their term, are as follows. The 2005B-2 Bond is not included in the table, because the swap is not effective until August 1, 2023. As rates vary, net swap payments will vary.

**2005 Taxable Pension Funding Bonds**

For the Years Ending June 30,	Variable-Rate Bonds		Interest Rate Swap, Net (A)	Total
	Principal	Interest		
2019	\$7,720,000	\$6,057,087	\$1,578,516	\$15,355,603
2020	8,366,000	5,768,787	1,297,423	15,432,210
2021	9,458,000	5,443,902	980,659	15,882,561
2022	10,302,000	5,089,027	634,655	16,025,682
2023	11,593,000	4,690,667	246,253	16,529,920
2024-2028	36,201,000	19,840,211	18,132	56,059,343
2029-2033	62,177,000	11,318,237		73,495,237
2034-2035	35,896,000	705,796		36,601,796
<b>Total</b>	<b>\$181,713,000</b>	<b>\$58,913,714</b>	<b>\$4,755,638</b>	<b>\$245,382,352</b>

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

**Loans Payable**

Loans payable at June 30, 2018 consisted of the following:

**City Loans Payable**

CalTrans Home Loans	\$428,886
California Energy Commission Loan #1	404,693
California Energy Commission Loan #2	1,011,196
	<u>\$1,844,775</u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

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

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

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

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

For the Years Ending June 30,	Principal	Interest	Total
2019	\$48,888	\$11,778	\$60,666
2020	50,338	10,328	60,666
2021	51,886	8,779	60,665
2022	53,455	7,211	60,666
2023	55,071	5,595	60,666
2024-2026	145,055	6,605	151,660
<b>Total</b>	<b>\$404,693</b>	<b>\$50,296</b>	<b>\$454,989</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

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

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

For the Years Ending June 30,	Principal	Interest	Total
2019	\$79,724	\$9,914	\$89,638
2020	80,499	9,139	89,638
2021	81,331	8,308	89,639
2022	82,146	7,492	89,638
2023	82,969	6,669	89,638
2024-2028	427,470	20,721	448,191
2029-2030	177,057	2,220	179,277
<b>Total</b>	<b>\$1,011,196</b>	<b>\$64,463</b>	<b>\$1,075,659</b>

**Capital Leases**

Capital leases payable at June 30, 2018 consisted of the following:

Qualified Energy Conservation Lease	\$622,149
JPFA Recovery Zone Economic Development Lease	744,414
Holman Capital Corporation Lease #3	71,139
Holman Capital Corporation Lease #4	1,058,325
Street Light Capital Lease	3,467,168
Holman Capital Corporation Lease #5	2,687,645
<b>Total</b>	<b>\$8,650,840</b>

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

On December 22, 2010 the City entered into a capital lease with Bank of America in the amount of \$1,052,526 to finance the purchase and installation of energy conservation equipment at various City-owned buildings. The City received an allocation of the national Qualified Energy Conservation Bond which includes a direct subsidy from the United States Treasury for the interest payable on the bonds under the Hiring Incentives to Restore Employment Act (HIRE Act). The subsidy will be payable on or about the date that the City makes its debt service payments and is equal to 59.79% of the interest payable on the lease. The subsidy received in fiscal year 2018 was \$25,550. The lease bears interest at a rate of 6.79% and principal and interest payments are due semi-annually each June 15 and December 15 commencing on December 15, 2011 through June 15, 2026.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

For the Years Ending June 30,	Principal	Interest	Total
2019	\$70,591	\$41,054	\$111,645
2020	72,531	36,228	108,759
2021	74,525	31,269	105,794
2022	76,573	26,175	102,748
2023	78,678	20,940	99,618
2024-2026	249,251	29,952	279,203
<b>Total</b>	<b>\$622,149</b>	<b>\$185,618</b>	<b>\$807,767</b>

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

On December 1, 2010 the Authority entered into a capital lease with Bank of America in the amount of \$1,316,000 to finance the improvements to three of the City's fire stations and a senior center. The City agreed to lease the three fire stations to the Authority in exchange for lease payments in the amount of the debt. The Authority received the lease proceeds under an allocation of the National Recovery Zone Economic Development Bonds under the American Recovery and Reinvestment Act of 2009, which includes a direct subsidy from the United States Treasury for the interest payable on the Bonds. The lease subsidy will be payable on or about the date that the Authority makes its debt service payments and is equal to 45% of the interest payable on the lease upon filing of a request by the Authority. The total subsidy received in fiscal year 2018 was \$22,087. The lease bears interest at a rate of 6.50% and principal and interest payments on the lease are due semi-annually each June 15 and December 15, commencing on June 15, 2011, through 2026.

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

For the Years Ending June 30,	Principal	Interest	Total
2019	\$88,203	\$46,966	\$135,169
2020	91,385	41,182	132,567
2021	94,681	35,189	129,870
2022	98,096	28,979	127,075
2023	101,634	22,546	124,180
2024-2026	270,415	26,677	297,092
<b>Total</b>	<b>\$744,414</b>	<b>\$201,539</b>	<b>\$945,953</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

On June 1, 2012, the City entered into a capital lease agreement with Holman Capital Corporation to refinance two SunTrust leases for the acquisition of street sweeping vehicles and trucks, fire vehicles and related equipment and various other vehicles. The lease bears interest rates that range from 2.21 % to 3.06%. Principal and interest payments on the lease are due semi-annually on each June 26 and December 26 commencing on June 26, 2012 through 2017. The final lease payment was made during fiscal year 2018.

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

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

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

For the Years			
Ending June 30,	Principal	Interest	Total
2019	\$71,139	\$1,602	\$72,741

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

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

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

For the Years			
Ending June 30,	Principal	Interest	Total
2019	\$204,217	\$31,943	\$236,160
2020	210,743	25,419	236,162
2021	217,476	18,684	236,160
2022	224,424	11,736	236,160
2023	201,465	4,564	206,029
<b>Total</b>	<b>\$1,058,325</b>	<b>\$92,346</b>	<b>\$1,150,671</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

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

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

For the Years			
Ending June 30,	Principal	Interest	Total
2019	\$352,159	\$86,211	\$438,370
2020	370,787	77,114	447,901
2021	390,184	67,538	457,722
2022	410,373	57,461	467,834
2023	431,386	46,865	478,251
2024-2027	1,512,279	72,553	1,584,832
<b>Total</b>	<b>\$3,467,168</b>	<b>\$407,742</b>	<b>\$3,874,910</b>

**Holman Capital Corporation Lease #5 – Fire Apparatus Equipment Lease - Original Amount \$2,687,645**

On May 17, 2018 the City entered into a lease agreement with Holman Capital Corporation in the amount of \$2,687,645 to finance the purchase of one Spartan Ladder Truck and two Spartan Pumper Trucks. The lease bears an interest rate of 3.91%. Principal and interest payments on the lease are due quarterly on each August 17, November 17, February 17, and May 17 commencing on August 17, 2018 through May 17, 2028.

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

For the Years			
Ending June 30,	Principal	Interest	Total
2019	\$224,192	\$101,827	\$326,019
2020	233,088	92,931	326,019
2021	242,336	83,683	326,019
2022	251,951	74,068	326,019
2023	261,946	64,070	326,016
2024-2028	1,474,132	155,959	1,630,091
<b>Total</b>	<b>\$2,687,645</b>	<b>\$572,538</b>	<b>\$3,260,183</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**B. Business-Type Activities**

The following is a summary of long-term debt of business-type activities during the fiscal year ended June 30, 2018:

	Balance			Balance June 30, 2018	Due Within One Year	Due in More than One Year
	July 01, 2017	Additions (A)	Retirements (B)			
Bonds payable	\$118,902,238	\$39,435,634	(\$13,051,393)	\$145,286,479	\$5,705,000	\$139,581,479
Notes and Loans payable	3,401,553		(85,245)	3,316,308	89,081	3,227,227
<b>Total</b>	<b>\$122,303,791</b>	<b>\$39,435,634</b>	<b>(\$13,136,638)</b>	<b>\$148,602,787</b>	<b>\$5,794,081</b>	<b>\$142,808,706</b>

(A) Additions include the issuance of new bonds in the amount of \$33,530,000 and a bond premium in the amount of \$5,905,634.

(B) Retirements of bonds payable include principal retirements in the amount of \$12,585,000 and amortization of bond premiums and discounts in the amount of \$466,393.

Bonds payable at June 30, 2018 consisted of the following:

Wastewater Refunding Revenue Bonds 2008A	\$32,730,327
2009A Point Potrero Lease Revenue Bonds	26,711,948
2009B Point Potrero Lease Revenue Bonds	6,875,759
Wastewater Revenue Bonds Series 2010B	39,713,273
Wastewater Revenue Bonds Series 2017A	39,255,172
<b>Total</b>	<b>\$145,286,479</b>

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

On October 17, 2006 the City issued \$16,570,000 of Wastewater Revenue Bonds, Series 2006A and \$32,260,000 of Wastewater Revenue Bonds, Series 2006B to refund the remaining \$38,516,264 principal amount of the Wastewater Revenue Bonds, Series 1999 and to fund certain capital costs of the City's Wastewater Enterprise. Net proceeds were used to purchase U.S. government securities placed in an irrevocable trust to provide all the future debt service payments for the 1999 Wastewater Bonds. The outstanding defeased bonds were called during the fiscal year ended June 30, 2010. During the fiscal year ended June 30, 2009, the City issued \$33,015,000 of Wastewater Revenue Refunding Bonds, Series 2008A to refund the 2006B Bonds. Principal and interest payments were due semi-annually on February 1 and August 1 of each year through August 2022 for the Series 2006A bonds. During the fiscal year ended June 30, 2018, the City issued \$33,530,000 of Wastewater Revenue Bonds, Series 2017A (described below) to refund the 2006A Bonds.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

On October 17, 2008 the City issued Series 2008A Wastewater Revenue Refunding Bonds in the amount of \$33,015,000. The proceeds from the Bonds were used to refund the City's 2006B Wastewater Revenue Bonds. The 2008A Bonds were issued as variable rate Bonds. The rate fluctuates according to the market conditions, but is capped at 12%. Along with the issuance, the City entered into an irrevocable, direct-pay letter of credit issued by Union Bank of California in order to remarket the bonds at lower interest rates. The Barclays Bank PLC letter of credit was renewed in July 2017 and is valid through July 10, 2020. The City originally entered into a 31-year interest rate swap agreement for the entire amount of the 2006B Bonds, and the City continued this interest rate swap agreement after the redemption of the 2006B Bonds, and the 2008A Bonds are associated with the interest rate swap agreement, but the notional amount of the swap is based on the 2006B Bonds. The combination of the variable rate bonds and a floating rate swap creates a synthetic fixed-rate debt for the City. The synthetic fixed rate for the Bonds was 3.265% at June 30, 2018.

At June 30, 2018, the Bonds consisted of the following:

Bonds outstanding	\$32,875,000
Unamortized discount	(144,673)
<b>Net</b>	<b>\$32,730,327</b>

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

For the Years Ending June 30,	Principal	Interest	Total
2020	20,000	1,427,509	1,447,509
2021	20,000	1,427,800	1,447,800
2022	20,000	1,426,654	1,446,654
2023	25,000	1,426,232	1,451,232
2024-2028	8,870,000	6,069,850	14,939,850
2029-2033	10,770,000	3,911,845	14,681,845
2034-2038	13,090,000	1,288,466	14,378,466
2039	40,000	306	40,306
<b>Total</b>	<b>\$32,875,000</b>	<b>\$18,406,575</b>	<b>\$51,281,575</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**Interest Rate Swap Agreement**

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

**Terms.** The terms, including the counterparty credit rating of the outstanding 2006B Bonds swap, as of June 30, 2018, are included below. The swap agreement contains scheduled reductions to the outstanding notional amount on an annual basis.

Outstanding Notional Amount	Effective Date	Counterparty	Long-Term Credit Rating (S&P/Moody's/Fitch)	Fixed Rate Paid	Variable Rate Received	Fair Value at June 30, 2018	Termination Date
\$32,260,000	11/23/2009	Royal Bank of Canada	AA-/Aa2/AA	3.897%	63.42% of USD-1 Month LIBOR plus 22 basis points	(\$6,744,600)	8/1/2037

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

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

As of June 30, 2018, the fair value for the outstanding swap was in favor of the respective counterparty. The fair value represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. The City has accounted for the change in fair value of the ineffective hedge as noted below:

Business-Type Activities	Changes in Fair Value		Fair value at June 30, 2018	
	Classification	Amount	Classification	Amount
Pay-Fixed, Receive-Variable 2006B Wastewater Bonds	Investment revenue	\$2,036,200	Investment	(\$6,744,600)

**Credit risk.** As of June 30, 2018, the City was not exposed to credit risk on the outstanding swap because the swap had a negative fair value. However, if interest rates increase and the fair value of the swap was to become positive, the City would be exposed to credit risk. The City will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

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

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

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

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

*Swap payments and associated debt.* Using rates as of June 30, 2018, debt service requirements of the City's outstanding variable-rate Bonds and net swap payments, assuming current interest rates remain the same for their term are as follows. As rates vary, variable-rate bond *interest payments* and net swap payments will vary. These payments below are included in the Debt Service Requirements above:

For the Years Ending June 30,	Variable-Rate Bonds		Interest Rate	
	Principal	Interest	Swap, Net	Total
2019	\$20,000	\$664,893	\$763,020	\$1,447,913
2020	20,000	664,489	763,020	1,447,509
2021	20,000	664,780	763,020	1,447,800
2022	20,000	663,634	763,020	1,446,654
2023	25,000	663,212	763,020	1,451,232
2024-2028	8,870,000	2,858,945	3,210,905	14,939,850
2029-2033	10,770,000	1,864,037	2,047,808	14,681,845
2034-2038	13,090,000	654,351	634,115	14,378,466
2039	40,000	306		40,306
<b>Total</b>	<b>\$32,875,000</b>	<b>\$8,698,647</b>	<b>\$9,707,928</b>	<b>\$51,281,575</b>

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

On July 13, 2009, the Authority issued Series 2009A and Series 2009B Point Potrero Lease Revenue Bonds in the amounts of \$26,830,000 and \$20,820,000, respectively. The proceeds from the Bonds were used for the construction of an automobile warehousing and distribution facility, including rail improvements, to be located at the Point Potrero Terminal at the Port of Richmond. The facility began operations in April 2010. The Bonds bear interest rates that range from 6.25% to 8.50%. Principal payments are due annually on July 1 and semi-annual interest payments are due July 1 and January 1 commencing on January 1, 2010 through July 1, 2024 for the Series 2009A and through July 1, 2019 for the Series 2009B Bonds.

At June 30, 2018 the Series 2009A Bonds consisted of:

Bonds outstanding	\$26,830,000
Unamortized discount	<u>(118,052)</u>
<b>Net</b>	<b><u>\$26,711,948</u></b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

For the Years Ending June 30,	Principal	Interest	Total
2019		\$1,676,875	\$1,676,875
2020		1,676,875	1,676,875
2021	\$3,905,000	1,554,844	5,459,844
2022	4,150,000	1,303,125	5,453,125
2023	4,405,000	1,035,781	5,440,781
2024-2025	14,370,000	1,054,375	15,424,375
<b>Total</b>	<b><u>\$26,830,000</u></b>	<b><u>\$8,301,875</u></b>	<b><u>\$35,131,875</u></b>

At June 30, 2018 the Series 2009B Bonds consisted of:

Bonds outstanding	\$6,920,000
Unamortized discount	<u>(44,241)</u>
<b>Net</b>	<b><u>\$6,875,759</u></b>

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

For the Years Ending June 30,	Principal	Interest	Total
2019	\$3,320,000	\$441,419	\$3,761,419
2020	3,600,000	151,031	3,751,031
<b>Total</b>	<b><u>\$6,920,000</u></b>	<b><u>\$592,450</u></b>	<b><u>\$7,512,450</u></b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**Richmond Wastewater Revenue Bonds Taxable Build America Bonds, Series 2010B– Original Issue \$41,125,000**

On October 7, 2010 the City issued Series 2010B Wastewater Revenue Bonds Taxable Build America Bonds in the amount of \$41,125,000. The proceeds of these Bonds were used to finance improvements to the City’s wastewater collection, treatment and disposal system. The taxable 2010B Bonds were sold as “Build America Bonds” pursuant to the American Recovery and Reinvestment Act of 2009. The interest on Build America Bonds is not tax-exempt and therefore the bonds carry a higher interest rate. However, this higher interest rate will be offset by a subsidy payable by the United States Treasury equal to 35% of the interest payable on the Bonds. The subsidy will be payable on or about the date that the City makes its debt service payments and the total subsidy received in fiscal year 2018 was \$797,193. Principal payments on the Bonds will be made annually on August 1. The Bonds bear interest of rates that range from 3.757% to 6.461% and payments are due semiannually on August 1 and February 1 beginning February 1, 2011. The Bonds mature on August 1, 2040.

At June 30, 2018 the Series 2010B Bonds consisted of:

Bonds outstanding	\$40,010,000
Unamortized discount	(296,727)
<b>Net</b>	<u>\$39,713,273</u>

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

For the Years Ending June 30.	Principal	Interest	Total
2019	\$1,145,000	\$2,397,359	\$3,542,359
2020	1,175,000	2,347,247	3,522,247
2021	1,210,000	2,293,638	3,503,638
2022	1,245,000	2,232,267	3,477,267
2023	1,285,000	2,164,033	3,449,033
2024-2028	7,145,000	9,686,273	16,831,273
2029-2033	8,670,000	7,284,135	15,954,135
2034-2038	10,630,000	4,198,034	14,828,034
2039-2041	7,505,000	740,593	8,245,593
<b>Total</b>	<u>\$40,010,000</u>	<u>\$33,343,579</u>	<u>\$73,353,579</u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**Richmond Wastewater Revenue Bonds, Series 2017A– Original Issue \$33,530,000**

On July 19, 2017 the City issued Series 2017A Wastewater Revenue Bonds in the amount of \$33,530,000. The proceeds from the Bonds were used to finance improvements to the City’s wastewater collection, treatment and disposal system and to refund all of the City’s outstanding Wastewater Revenue Refunding Bonds, Series 2006A. Principal payments are due annually on August 1. Interest rates on the Bonds range from 2% to 5.25% and payments are due semiannually on August 1 and February 1 beginning February 1, 2018. The refunding resulted in an overall debt service savings of \$565,625. The net present value of the debt service savings is called an economic gain and amounted to \$522,953. The bonds mature on August 1, 2047.

At June 30, 2018 the Series 2017A Bonds consisted of:

Bonds outstanding	\$33,530,000
Unamortized premium	5,725,172
<b>Net</b>	<u>\$39,255,172</u>

The annual debt service requirements on the 2017A Bonds are as follows:

For the Years Ending June 30.	Principal	Interest	Total
2019	\$1,220,000	\$1,650,950	\$2,870,950
2020	1,255,000	1,613,650	2,868,650
2021	1,305,000	1,562,450	2,867,450
2022	1,365,000	1,502,225	2,867,225
2023	1,430,000	1,432,350	2,862,350
2024-2028		6,983,000	6,983,000
2029-2033		6,983,000	6,983,000
2034-2038		6,983,000	6,983,000
2039-2043	7,415,000	6,511,875	13,926,875
2044-2048	19,540,000	2,671,987	22,211,987
<b>Total</b>	<u>\$33,530,000</u>	<u>\$37,894,487</u>	<u>\$71,424,487</u>

**Pledge of Wastewater Revenues**

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay the 2008A, 2010B, and 2017A Bonds through 2048. The Municipal Sewer Enterprise Fund’s total principal and interest remaining to be paid on the bonds is \$196,059,641. The Municipal Sewer Enterprise Fund’s principal and interest paid for the current year and total customer net revenues were \$7,999,008 and \$11,867,127, respectively.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**Notes and Loans Payable**

Notes and loans payable at June 30, 2018, consisted of the following:

California Department of Boating and Waterways	\$2,616,308
RHA RAD Housing Partners L.P. Promissory Note	700,000
<b>Total</b>	<b>\$3,316,308</b>

**California Department of Boating and Waterways**

The City has three loan agreements with the California Department of Boating and Waterways for total borrowings of \$9,427,000. Proceeds from the loans were used to finance marina construction projects. The loans bear interest at rates ranging from 4.5% to 7.9% and are due in annual installments through August 2042. The total amount outstanding at June 30, 2018 was \$2,616,308.

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

For the Years Ending June 30,	Principal	Interest	Total
2019	\$89,081	\$117,734	\$206,815
2020	93,090	113,725	206,815
2021	97,279	109,536	206,815
2022	101,656	105,159	206,815
2023	106,231	100,584	206,815
2024-2028	607,310	426,765	1,034,075
2029-2033	714,786	277,257	992,043
2034-2038	568,109	126,959	695,068
2039-2043	238,766	17,545	256,311
<b>Total</b>	<b>\$2,616,308</b>	<b>\$1,395,264</b>	<b>\$4,011,572</b>

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

On December 17, 2014, the Housing Authority's Component Unit, RHA Housing Corporation, entered into an agreement with the City and promised to pay a principal amount of \$700,000, plus accrued interest. The proceeds of the Note were then loaned from RHA Housing Corporation to the Housing Authority to finance acquisitions and development of the properties undergoing rehabilitation work in conjunction with a RAD conversion (Friendship Manor/Triangle Court). On December 22, 2015, the official closing of the RAD conversion took place, at which time the Note was assigned to a newly created entity, RHA RAD Housing Partners, L.P. The Note payable to the City was assigned from RHA Corporation to RHA RAD Housing Partners, L.P. along with a note receivable from the Housing Authority. The principle balance shall bear 1% simple interest. The term of the Note shall expire fifty-five years after. The balance of the promissory note at June 30, 2018 was \$700,000.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

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

Special assessment districts have been established in various parts of the City to provide improvements to properties located in those districts. Properties in these districts are assessed for the cost of improvements; these assessments are payable solely by property owners over the term of the debt issued to finance these improvements. The City is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties in these special assessment districts, nor is it obligated to advance City funds to repay these debts in the event of default by any of these districts. At June 30, 2018, the balances of these Districts' outstanding debt were as follows:

Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2011A	\$1,530,000
Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2016 (Country Club Vista)	7,435,000

**D. Conduit Debt**

The City has assisted private-sector entities by sponsoring their issuance of debt for purposes the City deems to be in the public interest. These debt issues are secured solely by the property financed by the debt. The City is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties secured by these debts, nor is it obligated to advance City funds to repay these debts in the event of default by any of these issuers. At June 30, 2018, the balance of this issuers' outstanding debt was as follows:

Richmond Community Foundation, Richmond Housing Rehabilitation Program, Social Impact Bonds, Taxable Series 2015A	\$3,000,000
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**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 8 – UNAVAILABLE REVENUE AND UNEARNED REVENUE**

At June 30, 2018, the following unavailable revenues were recorded in the Fund Financial Statements because the funds were not available to finance expenditures of the current period:

	Loans Receivable	Accounts and Grants Receivable	Total
General Fund	\$432,357	\$125,753	\$558,110
Community Development and Loan Programs Special Revenue Fund	20,527,971	333,941	20,861,912
Non-Major Governmental Funds	779,013	2,843,491	3,622,504
<b>Total</b>	<b>\$21,739,341</b>	<b>\$3,303,185</b>	<b>\$25,042,526</b>

At June 30, 2018, the following unearned revenues were recorded in the City-wide financial statements on the Statement of Net Position:

	CAD Fees Enhancement	Prepaid Rent	Developer Fees & Other	Total
General Fund		\$3,471,391	\$602,466	\$4,073,857
Non-Major Governmental Funds		2,895,537	715,620	3,611,157
Richmond Housing Authority Enterprise Fund			70,191	70,191
Port of Richmond Enterprise Fund			533,558	533,558
Municipal Sewer Enterprise Fund			36,280	36,280
Internal Service Funds	\$783,820			783,820
<b>Total</b>	<b>\$783,820</b>	<b>\$6,366,928</b>	<b>\$1,958,115</b>	<b>\$9,108,863</b>

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

**A. Net Position**

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

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

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

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

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**B. Fund Balances**

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

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

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

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

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

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

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

Detailed classifications of the City’s fund balances, as of June 30, 2018, are below:

Fund Balance Classifications	General Fund	Community Development and Loan Programs Special Revenue Fund	Other Governmental Funds	Total
<b>Nonspendable:</b>				
Items not in spendable form:				
Prepays, supplies and other assets	\$622,329			\$622,329
Loans receivable	1,212,042			1,212,042
Advance to other funds	16,133,282			16,133,282
<b>Total Nonspendable Fund Balances</b>	<b>17,967,653</b>			<b>17,967,653</b>
<b>Restricted for:</b>				
Street Improvement Projects			\$2,367,517	2,367,517
Employment and Training Programs			2,019,263	2,019,263
Public Safety Grant Programs (Police and Fire)			324,961	324,961
Lighting and Landscaping			1,222,852	1,222,852
Housing and Community Development		\$25,064,193	175,583	25,239,776
Debt Service			9,844,431	9,844,431
Community Development Projects			19,477,072	19,477,072
Other Capital Projects			3,629,481	3,629,481
<b>Total Restricted Fund Balances</b>		<b>25,064,193</b>	<b>39,061,160</b>	<b>64,125,353</b>
<b>Assigned to:</b>				
Other Capital Projects			43,906	43,906
Other Contracts	72,506			72,506
<b>Total Assigned Fund Balances</b>	<b>72,506</b>		<b>43,906</b>	<b>116,412</b>
<b>Unassigned:</b>				
General Fund	17,590,764			17,590,764
Other Governmental Fund Deficit Residuals			(8,939,781)	(8,939,781)
<b>Total Unassigned Fund Balances</b>	<b>17,590,764</b>		<b>(8,939,781)</b>	<b>8,650,983</b>
<b>Total Fund Balances (Deficits)</b>	<b>\$35,630,923</b>	<b>\$25,064,193</b>	<b>\$30,165,285</b>	<b>\$90,860,401</b>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**C. Contingency Reserve Policy**

In fiscal year 2016, the City Council updated the fund balance policy to require the City to maintain a year-end contingency reserve balance of a minimum of 15% of the next year’s budgeted General Fund expenditures. This is the minimum needed to maintain the City’s creditworthiness and to adequately provide for economic and legislative uncertainties, cash flow needs and contingencies. City Council approval is required before any cash can be withdrawn from the reserve fund. The Council shall have the discretion to use the reserve for one time emergencies only and not to be used for ongoing expenses. At the time of City Council approval of any use of reserves, a Stabilization Policy laying out the plans for restoration of reserves must be simultaneously put in place with the Council’s approval. The City’s cash reserve as of June 30, 2018, which is a component of unassigned fund balance of the General Fund, is \$17,498,226, which is approximately 11% of fiscal year 2018-19 budgeted General Fund expenditures. As the City experiences net revenue gains in future years, the cash balance must continue to be maintained at or above to 15% of total expenditures, following the stabilization policy, in order to allow the City to build up its capacity to handle future short term economic downturns or emergencies without cutting services.

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

At June 30, 2018, the following funds had deficit fund balance or deficit net position, which will be eliminated by future revenues:

	Amount
<b>Non Major Governmental Funds:</b>	
Paratransit Operations Special Revenue Fund	\$2,908,749
Rent Control Special Revenue Fund	87,679
Cost Recovery Special Revenue Fund	3,090,390
General Debt Service Fund	87
Civic Center Debt Service Fund	2,852,876
<b>Non Major Enterprise Funds:</b>	
Storm Sewer	2,616,147
Cable TV	3,413,725
<b>Internal Service Fund:</b>	
Insurance Reserves	6,462,314
<b>Private-Purpose Trust Fund:</b>	
Successor Agency to the Richmond Community Redevelopment Agency	49,351,828

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**E. Net Position Restatements**

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), which became effective during the year ended June 30, 2018. In June 2015, GASB issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

The implementation of the Statement required the City to make prior period adjustments. As a result, the beginning net position of the Governmental Activities, Business-Type Activities, Enterprise Funds and the Insurance Reserve Internal Service Fund were restated and reduced by the amounts in the table below. See Note 12.

	Restatement
Governmental activities	\$117,406,476
Business-type activities	9,161,411
Enterprise Funds:	
Richmond Housing Authority Fund	4,589,812
Port Fund	1,038,172
Municipal Sewer Fund	1,821,354
Storm Sewer Fund	91,068
Cable TV Fund	1,621,005
Insurance Reserves Internal Service Fund	2,003,489

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

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

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

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

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

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous			
	Prior to	On or after		
	January 1, 2013	January 1, 2013		
Hire date				
Benefit formula	2.7% @ 55	2.0% @ 62		
Benefit vesting schedule	5 years service	5 years service		
Benefit payments	monthly for life	monthly for life		
Retirement age	50 - 55	52 - 55		
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%		
Required employee contribution rates	8.00%	6.75%		
Required employer contribution rates	12.242%	12.242%		
Required UAL Contribution		\$6,121,476		
		<b>Safety - Police</b>	<b>Safety - Fire</b>	<b>Safety - Police and Fire</b>
		Prior to	Prior to	On or after
		January 1, 2013	January 1, 2013	January 1, 2013
Hire date				
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57	
Benefit vesting schedule	5 years service	5 years service	5 years service	
Benefit payments	monthly for life	monthly for life	monthly for life	
Retirement age	50	50 - 55	50 - 57	
Monthly benefits, as a % of eligible compensation	3.00%	2.4% to 3.0%	2.0% to 2.7%	
Required employee contribution rates	9.00%*	9.00%*	11.25%	
Required employer contribution rates	19.813%	19.813%	19.813%	
Required UAL Contribution		\$7,884,396		

\* Effective July 1, 2015, Safety (Police and Fire) employees hired prior to January 1, 2013 pay 3% of the employer's required contribution. Therefore, the required employer contribution rate is 16.813% and required employee contribution rate is 12%.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

Beginning in fiscal year 2016, CalPERS collects employer contributions for each Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability (UAL). The dollar amounts are billed on a monthly basis. The City's required contributions for the unfunded liability in the Miscellaneous and Safety Plans were \$6,121,476 and \$7,884,396, respectively, as noted in the tables above.

**Employees Covered** – As of the June 30, 2016 actuarial valuation date and the June 30, 2017 measurement date, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous		Safety	
	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017
Inactive employees or beneficiaries currently receiving benefits	894	915	490	502
Inactive employees entitled to but not yet receiving benefits	511	509	74	76
Active employees	469	454	258	248
<b>Total</b>	<b>1,874</b>	<b>1,878</b>	<b>822</b>	<b>826</b>

As of June 30, 2018, the City had 451 active employees in the Miscellaneous Plan and 258 active employees in the Safety Plan.

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

Contributions for the year ended June 30, 2018 were \$10,436,250 for the Miscellaneous Plan and \$14,013,858 for the Safety Plan.

**B. Net Pension Liability**

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**Actuarial Assumptions** – For the measurement period ended June 30, 2017, the total pension liabilities were determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous (1)		Safety (1)	
	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017
Valuation Date				
Measurement Date				
Actuarial Cost Method	Entry-Age Normal Cost Method		Entry-Age Normal Cost Method	
<b>Actuarial Assumptions:</b>				
Discount Rate	7.15%		7.15%	
Inflation	2.75%		2.75%	
Payroll Growth	3.0%		3.0%	
Projected Salary Increase	3.2% -12.2% (2)		3.7% -20.0% (2)	
Investment Rate of Return	7.50% (3)		7.50% (3)	
Mortality	Derived using CalPERS Membership Data for all Funds (4)		Derived using CalPERS Membership Data for all Funds (4)	
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter		Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	

- (1) Actuarial assumptions are the same for all benefit tiers
- (2) Depending on age, service and type of employment
- (3) Net of pension plan investment expenses, including inflation
- (4) The mortality table used was developed based on CalPERS' specific data. The table includes 5 years of mortality improvements using Society of Actuaries Scale AA. For more details on this table, please refer to the CalPERS 2014 Experience Study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be found on the CalPERS website under Forms and Publications.

**Change of Assumptions** – In 2017, the accounting discount rate was reduced from 7.65% to 7.15%.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website under the GASB 68 section.

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

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

Asset Class	Current Target Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100.0%</u>		

- (a) An expected inflation of 2.5% used for this period.  
(b) An expected inflation of 3.0% used for this period.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

The changes in the Net Pension Liability as of the June 30, 2017 Measurement Date for each Plan follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2016 Measurement Date</b>	<u>\$446,234,376</u>	<u>\$326,226,506</u>	<u>\$120,007,870</u>
<b>Changes in the year:</b>			
Service cost	8,053,459		8,053,459
Interest on the total pension liability	32,804,753		32,804,753
Differences between actual and expected experience	(4,464,966)		(4,464,966)
Changes in assumptions	25,548,824		25,548,824
Changes in benefit terms			
Plan to plan resource movement		(50,018)	50,018
Contribution - employer		8,860,295	(8,860,295)
Contribution - employees		2,996,354	(2,996,354)
Net investment income		35,805,938	(35,805,938)
Administrative expenses		(481,651)	481,651
Benefit payments, including refunds of employee contributions	(25,074,448)	(25,074,448)	
<b>Net changes</b>	<u>36,867,622</u>	<u>22,056,470</u>	<u>14,811,152</u>
<b>Balance at June 30, 2017 Measurement Date</b>	<u>\$483,101,998</u>	<u>\$348,282,976</u>	<u>\$134,819,022</u>
<b>Safety Plan:</b>			
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2016 Measurement Date</b>	<u>\$580,176,320</u>	<u>\$411,354,659</u>	<u>\$168,821,661</u>
<b>Changes in the year:</b>			
Service cost	11,650,927		11,650,927
Interest on the total pension liability	43,264,626		43,264,626
Differences between actual and expected experience	797,969		797,969
Changes in assumptions	35,109,898		35,109,898
Changes in benefit terms			
Plan to plan resource movement		50,018	(50,018)
Contribution - employer		12,699,049	(12,699,049)
Contribution - employees		4,471,008	(4,471,008)
Net investment income		45,166,243	(45,166,243)
Administrative expenses		(607,337)	607,337
Benefit payments, including refunds of employee contributions	(33,620,000)	(33,620,000)	
<b>Net changes</b>	<u>57,203,420</u>	<u>28,158,981</u>	<u>29,044,439</u>
<b>Balance at June 30, 2017 Measurement Date</b>	<u>\$637,379,740</u>	<u>\$439,513,640</u>	<u>\$197,866,100</u>
<b>Totals - Miscellaneous and Safety Plans</b>	<u>\$1,120,481,738</u>	<u>\$787,796,616</u>	<u>\$332,685,122</u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

	Miscellaneous	Safety
1% Decrease	6.15%	6.15%
Net Pension Liability	\$195,707,528	\$282,296,768
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$134,819,022	\$197,866,100
1% Increase	8.15%	8.15%
Net Pension Liability	\$84,290,283	\$128,531,169

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

For the year ended June 30, 2018, the City recognized pension expense of \$53,518,486. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Miscellaneous Plan</b>		
Pension contributions subsequent to measurement date	\$10,436,250	
Differences between Expected and Actual Experience		(\$2,504,700)
Changes of Assumptions	13,382,717	
Net Differences between Projected and Actual Earnings on Pension Plan Investments	5,056,303	
Total	<u>\$28,875,270</u>	<u>(\$2,504,700)</u>
<b>Safety Plan</b>		
Pension contributions subsequent to measurement date	\$14,013,858	
Differences between Expected and Actual Experience	2,650,654	
Changes of Assumptions	25,357,149	(\$1,809,233)
Net Differences between Projected and Actual Earnings on Pension Plan Investments	6,422,812	
Total	<u>\$48,444,473</u>	<u>(\$1,809,233)</u>
Total Both Plans	<u>\$77,319,743</u>	<u>(\$4,313,933)</u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

\$24,450,108 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization		
	Miscellaneous	Safety	Total
2019	\$9,691,347	\$9,499,799	\$19,191,146
2020	6,744,137	17,757,367	24,501,504
2021	2,109,436	8,648,932	10,758,368
2022	(2,610,600)	(3,284,716)	(5,895,316)
2023			
Total	\$15,934,320	\$32,621,382	\$48,555,702

**E. Subsequent Change in Discount Rate**

In December 2016, CalPERS’ Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019 and result in increases to employers’ normal costs and unfunded actuarial liabilities.

**NOTE 11 – OTHER CITY PENSION PLANS**

**A. Plan Descriptions and Funding Policies**

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

The City established the Secured Pension Override Special Revenue Fund to which proceeds of a special incremental property tax levy voted by the citizens of the City of Richmond are credited for the payment of benefits under the City’s pension plans. The incremental property tax revenue received for the year ended June 30, 2018 was \$9,075,692, and the City used the funds to pay the General Pension Plan and the Police and Firemen’s Pension Plan contributions of \$73,383 and \$1,270,466, respectively.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

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

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

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

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

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

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**B. Significant Accounting Policies**

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

**C. Pension Plan Assets**

At June 30, 2018 the pension plans reported assets available for benefits as shown below. For actuarial purposes, the value of the Plans' assets were determined to be fair value.

City of Richmond Investment Pool	\$1,526,074
Local Agency Investment Fund (Garfield Plan)	176,245
Wellington Trust Company Mutual Fund (Police and Firemen's Plan)	10,932,280
Interest receivable	<u>2,474</u>
Assets available for benefits at June 30, 2018	<u>\$12,637,073</u>

The Wellington Trust Company Fund investments, classified in Level 2 of the fair value hierarchy, are valued using the market approach, which uses prices and other information generated from market transactions, which typically includes securities priced with unadjusted market quotes, evaluated bids, market multiples, and trade information, and also generally includes short term securities valued at amortized cost which approximates market value. The City of Richmond Investment Pool and the California Local Agency Investment Fund (LAIF) are not subject to the fair value hierarchy. Fair value is defined as the quoted market value on the last trading day of the period.

**Investment Policies**

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

- (a) In investments which are authorized by General law for savings banks.
- (b) In investments other than those specified in subdivision (a) hereof, including, but not limited to, corporate bonds and securities, common stocks, preferred stocks, investments in real estate and investment trusts, provided that the total amount invested pursuant to this subdivision shall not exceed fifty percent (50%) of the total amount of funds invested pursuant to this section, and provided further that the following conditions are met:
  - (1) Any stocks or other corporate securities, in which funds are invested, except stocks of banks, insurance companies or mutual funds, shall be registered on a national securities exchange as provided by the Federal Securities Exchange Act.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

- (2) The total amount invested in common and preferred stocks shall not exceed at cost at the time of purchase twenty-five percent of the total amount invested pursuant to this section.
- (3) The total amount invested in the common and preferred stocks of any one company shall not exceed at cost of the time of purchase two percent of the total amount invested pursuant to this section and shall not exceed five percent of the outstanding preferred or common stock of that company.
- (4) No funds shall be invested in the common stocks of any company unless it has paid cash dividends on such stocks in eight of the ten years immediately preceding its purchase by the Board.
- (5) No funds shall be invested in the stocks or other securities of any company other than a bank or insurance company unless it has assets of at least one hundred million dollars (\$100,000,000), or in the stocks or other securities of a bank or insurance company unless it has assets of at least fifty million dollars (\$50,000,000).
- (6) The total amount invested in real estate and other than real estate owned by or leased to the City of Richmond, which amount may include land, buildings, land and buildings or real estate loans, shall not exceed twenty-five percent of the total amount invested pursuant to this section and such investments shall be restricted to first trust deeds which are insured by the Federal Housing Administration or which are guaranteed by the Veterans Administration.

The Garfield Pension Plan does not have a separate investment policy, therefore it uses the City's investment policy.

**Interest and Credit Risk**

*Interest rate risk* is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City invests in equities which may be drawn down as needed, subject to terms of the underlying trust agreement. The investments held in the Pension Trust Funds all mature in less than one year.

*Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2018, the investments in the Pension Trust Funds were not rated.

**Rate of Return**

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, for the Police and Firemen's, General Pension and Garfield Pension Plans was 4.9%, 1.0% and 1.0%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**D. Net Pension Liability of the Plans**

The components of the net pension liability of the City for each of the Plans is the total pension liability, less each Plan's fiduciary net position.

*Actuarial Assumptions.* The total pension liability as of June 30, 2018 was determined based on June 30, 2017 actuarial valuations rolled forward to June 30, 2018 using standard update procedures. The following actuarial assumptions applied to all periods included in the measurement:

	<b>Police and Firemen's Plan</b>	<b>General Pension Plan</b>	<b>Garfield Pension Plan</b>
Discount rate, net of investment expenses	5.75%	3.18%	3.00%
Expected return on plan assets	5.75%	3.00%	3.00%
Inflation rate	2.75%	2.75%	2.75%
Cost-of-living increases	3% per year	5% per year	2.75% per year
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Salary increases	N/A	N/A	N/A

Mortality rates were based on the California PERS Mortality Table in its 2014 experience study (based on CalPERS 2001-2011 experience).

*Discount Rates.* The discount rates used to measure the total pension liability for the Police and Firemen's Pension Plan, General Pension Plan and Garfield Pension Plan were 5.75%, 3.00%, and 3.00%, respectively, as of June 30, 2017 and 2018.

For the Police and Firemen's Pension Plan, based on the 5 previous years the City has on average contributed 98% of the Actuarially Determined Contribution (ADC). A sufficiency test was performed including: (1) expected benefit payments for all future years; (2) assuming that 98% of the ADC is contributed to the Plan in future years; (3) assuming that future contribution losses are amortized according to the Plan's funding policy; (4) using the Plan's assumed investment return before the projected asset depletion (if any); and (5) using a 20-year AA tax-exempt general obligation municipal bond index rate of 3.62% (using as a municipal bond rate source the Fidelity 20-Year General Obligation AA Municipal Bond Index as of June 30, 2018) after the projected asset depletion. Based on these parameters, plan assets are projected to be sufficient to pay all future benefits until a de minimus amount of estimated future benefits remain. Therefore, the Plan's long-term expected rate of return of 5.75% was used as the discount rate.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

Based on the 5 previous years the City has on average contributed 75% and 116% of the Actuarially Determined Contribution (ADC) for the General Pension Plan and Garfield Pension Plan, respectively. A sufficiency test was performed including: (1) expected benefit payments for all future years; (2) assuming that 75% of the ADC is contributed to the General Pension Plan and 100% of the ADC is contributed to the Garfield Pension Plan in future years; (3) assuming that future contribution losses are amortized according to the Plans' funding policies; (4) using the Plans' assumed investment return before the projected asset depletion (if any); and (5) using a 20-year AA tax-exempt general obligation municipal bond index rate of 3.62% (using as a municipal bond rate source the Fidelity 20-Year General Obligation AA Municipal Bond Index as of June 30, 2018) after the projected asset depletion. Based on these parameters, each of the Plan's assets are projected to be sufficient to pay all future benefits until a de minimus amount of estimated future benefits remain. Therefore, the long-term expected rate of return of 3.00% was used as the discount rate for each of these Plans.

The long-term expected rate of return on pension plan investments was determined for each Plan using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.75%). All results are then rounded to the nearest quarter percentage point.

The best-estimate of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best-estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

Best estimates of geometric real and nominal rates of return for each major asset class included in the Plans' asset allocation as of the measurement date are summarized below:

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
<b>Police and Firemen's Plan:</b>			
Domestic Equity	56%	5.39%	8.14%
International Equity	0%	5.20%	7.95%
Fixed Income	38%	1.98%	4.73%
Real Estate and Alternatives	0%	4.25%	7.00%
Cash and Equivalents	6%	0.79%	3.54%
Total	<u>100%</u>		<u>6.91%</u>
Reduced for assumed investment expense			<u>(0.60%)</u>
Total (weighted avg, rounded to 1/4%)			<u>6.25% (1)</u>
<b>General Pension Plan:</b>			
Domestic Equity	0%	5.39%	8.14%
International Equity	0%	5.20%	7.95%
Fixed Income	0%	1.98%	4.73%
Real Estate and Alternatives	0%	4.25%	7.00%
Cash and Equivalents	100%	0.79%	3.54%
Total	<u>100%</u>		<u>3.52%</u>
Reduced for assumed investment expense			<u>(0.50%)</u>
Total (weighted avg, rounded to 1/4%)			<u>3.00%</u>
<b>Garfield Pension Plan:</b>			
Domestic Equity	0%	5.39%	8.14%
International Equity	0%	5.20%	7.95%
Fixed Income	0%	1.98%	4.73%
Real Estate and Alternatives	0%	4.25%	7.00%
Cash and Equivalents	100%	0.79%	3.54%
Total	<u>100%</u>		<u>3.52%</u>
Reduced for assumed investment expense			<u>(0.50%)</u>
Total (weighted avg, rounded to 1/4%)			<u>3.00%</u>

(1) The preliminary return for the Police and Firemen's Plan of 6.25% was then reduced by 50 basis points to 5.75% in order to provide a margin for adverse deviation.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**E. Changes in the Net Pension Liability of Each Plan**

The net pension liability of each Plan is measured as of June 30, 2018 as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2017</b>	<u>\$19,271,774</u>	<u>\$12,384,593</u>	<u>\$6,887,181</u>
<b>Changes in the year:</b>			
Service cost			
Interest on the total pension liability	1,031,755		1,031,755
Differences between actual and expected experience			
Changes in assumptions			
Changes in benefit terms			
Contribution - employer		1,270,466	(1,270,466)
Contribution - employees			
Net investment income		589,028	(589,028)
Administrative expenses			
Benefit payments, including refunds of employee contributions	(2,656,508)	(2,656,508)	
<b>Net changes</b>	<u>(1,624,753)</u>	<u>(797,014)</u>	<u>(827,739)</u>
<b>Balance at June 30, 2018</b>	<u>\$17,647,021</u>	<u>\$11,587,579</u>	<u>\$6,059,442</u>

Plan fiduciary net position as a percentage of the total pension liability 65.7%

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2017</b>	<u>\$2,932,456</u>	<u>\$449,871</u>	<u>\$2,482,585</u>
<b>Changes in the year:</b>			
Service cost			
Interest on the total pension liability	80,100		80,100
Differences between actual and expected experience			
Changes in assumptions	(20,669)		(20,669)
Changes in benefit terms			
Contribution - employer		814,594	(814,594)
Contribution - employees			
Net investment income		2,207	(2,207)
Administrative expenses			
Benefit payments, including refunds of employee contributions	(524,939)	(524,939)	
<b>Net changes</b>	<u>(465,508)</u>	<u>291,862</u>	<u>(757,370)</u>
<b>Balance at June 30, 2018</b>	<u>\$2,466,948</u>	<u>\$741,733</u>	<u>\$1,725,215</u>

Plan fiduciary net position as a percentage of the total pension liability 30.1%

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Garfield Pension Plan:</b>			
<b>Balance at June 30, 2017</b>	\$691,642	\$297,317	\$394,325
<b>Changes in the year:</b>			
Service cost			19,334
Interest on the total pension liability	19,334		19,334
Differences between actual and expected experience			
Changes in assumptions			
Changes in benefit terms			
Contribution - employer		102,140	(102,140)
Contribution - employees			
Net investment income		2,627	(2,627)
Administrative expenses			
Benefit payments, including refunds of employee contributions	(94,323)	(94,323)	
<b>Net changes</b>	(74,989)	10,444	(85,433)
<b>Balance at June 30, 2018</b>	<u>\$616,653</u>	<u>\$307,761</u>	<u>\$308,892</u>
Plan fiduciary net position as a percentage of the total pension liability			49.9%
<b>Totals - Other City Pension Plans</b>	<u>\$20,730,622</u>	<u>\$12,637,073</u>	<u>\$8,093,549</u>

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

	Police and Firemen's Plan	General Pension Plan	Garfield Pension Plan
1% Decrease	4.75%	2.18%	2.00%
Net Pension Liability	\$6,999,286	\$1,844,294	\$338,457
Current Discount Rate	5.75%	3.18%	3.00%
Net Pension Liability	\$6,059,442	\$1,725,215	\$308,892
1% Increase	6.75%	4.18%	4.00%
Net Pension Liability	\$5,207,932	\$1,616,057	\$281,692

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**F. Actuarially Determined Contributions**

As of the June 30, 2017, actuarial valuations used to calculate the actuarially determined contributions (ADC) for each Plan, the ADC's were determined using the entry-age normal cost method and the assumptions in Note 11B above.

For the Police and Firemen's Pension Plan, the City's contribution policy is to annually contribute an amount equal to (1) amortization of the unfunded liability as a level-dollar over a 10-year closed period as of July 1, 2013, plus (2) future gains and losses amortized over the same period, but not less than five years. Over the past five years, the City has contributed an average of 98% of the Actuarially Determined Contribution.

For the General Pension Plan, the City's contribution policy is to annually contribute an amount equal to (1) amortization of the unfunded liability as a level-dollar over a 6-year closed period as of July 1, 2013, plus (2) future gains and losses amortized over the same period, but not less than five years. Over the past five years, the City has contributed an average of 75% of the Actuarially Determined Contribution.

For the Garfield Pension Plan, the City's contribution policy is to annually contribute an amount equal to (1) amortization of the unfunded liability as a level-dollar over a 7-year closed period as of July 1, 2013, plus (2) future gains and losses amortized over the same period, but not less than five years. Over the past five years, the City has contributed an average of 116% of the Actuarially Determined Contribution.

The Actuarially Determined Contribution and the actual contributions for each Plan for the year ended June 30, 2018 are presented below:

	Actuarially Determined Contribution	Amount Contributed	Percent Contributed
Police and Firemen's Pension Plan	\$1,389,612	\$1,270,466	91%
General Pension Plan	947,219	814,594	86%
Garfield Pension Plan	86,103	102,140	119%

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

For the year ended June 30, 2018, the City recognized pension expense for each of the Plans as follows:

	Pension Expense
Police and Firemen's Plan	\$540,790
General Pension Plan	68,268
Garfield Pension Plan	16,951
<b>Total</b>	<u>\$626,009</u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for these Plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	-	-
Differences between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Net Differences between Projected and Actual		
Earnings on Pension Plan Investments	\$217,871	-
<b>Total</b>	<b>\$217,871</b>	<b>\$0</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2019	\$224,812
2020	80,169
2021	(110,203)
2022	23,093

**H. Plan Financial Statements**

The Statement of Net Position for the Plans at June 30, 2018 follows:

	General Pension	Police and Firemen's Pension	Garfield Pension
<b>ASSETS</b>			
Pension plan cash and investments:			
City of Richmond Investment Pool	\$741,688	\$652,968	\$131,418
Local Agency Investment Fund			176,245
Mutual Fund Investments		10,932,280	
Accounts receivable	45	2,331	98
<b>Total Assets</b>	<b>741,733</b>	<b>11,587,579</b>	<b>307,761</b>
<b>NET POSITION</b>			
Restricted for employees' pension benefits	\$741,733	\$11,587,579	\$307,761

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

The Statement of Changes in Plan Net Position for the year ended June 30, 2018 follows:

	General Pension	Police and Firemen's Pension	Garfield Pension
<b>ADDITIONS</b>			
Net investment income:			
Net increase (decrease) in the fair value of investments	\$12	\$400,794	
Interest income	2,195	254,046	\$2,620
Investment management fees		(65,812)	7
Contribution from the City	814,594	1,270,466	102,140
<b>Total Additions</b>	<b>816,801</b>	<b>1,859,494</b>	<b>104,767</b>
<b>DEDUCTIONS</b>			
Pension benefits	524,939	2,656,508	94,323
<b>Total Deductions</b>	<b>524,939</b>	<b>2,656,508</b>	<b>94,323</b>
<b>Net Increase (Decrease)</b>	<b>291,862</b>	<b>(797,014)</b>	<b>10,444</b>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>			
Beginning of year	449,871	12,384,593	297,317
<b>End of year</b>	<b>\$741,733</b>	<b>\$11,587,579</b>	<b>\$307,761</b>

**I. PARS Defined Contribution Plan**

Effective July 1, 2014, the City contracted with the Public Agency Retirement System (PARS), to sponsor a Section PARS 457 FICA Alternative Retirement Plan created in accordance with IRC Sections 3121(b)(7)(F) and 457(b), which is a qualified defined contribution pension plan covering all eligible part-time, seasonal and temporary employees of the City on that date and hired thereafter.

The Plan requires these employees to contribute 6.2% and the City to contribute 1.3% of the employees pay plus administration costs. The City's required contributions of \$26,736 and the employees' required contributions of \$127,507 were made during the fiscal year ending June 30, 2018.

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS**

**A. General Information about the City's Other Post Employment Benefit (OPEB) Plan**

*Plan Description* - In order to qualify for postemployment medical and dental benefits an employee must retire from the City and maintain enrollment in one of the City's eligible health plans. The City pays a portion of the CalPERS premiums for retirees and their dependents that vary by employment classification. In addition, the following eligibility rules and contribution requirements apply for future retirees, followed by current retirees.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The City is the Plan administrator, while PARS administers the investment trust. The City’s OPEB Plan does not issue separate financial statements. PARS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from Public Agency Retirement Services, 4350 Von Karman Avenue, Suite 100, Newport Beach, CA, 92660.

A summary of the Plan provisions follows:

Plan Provisions for Future Retirees			
Classification	Eligibility (Age/Service Years)	Monthly Premium Paid by City Before/After Medicare Eligibility	Employee Monthly Contribution (1)
SEIU Local 1021	Service Retirement: 50/20, 51/18, 52/16, 53/14, 54/12, 55/10 Disability Retirement: any age/10 years service	Retiree only or surviving spouse: the lesser of \$435 and medical premium Retiree +1 or more: the lesser of \$567 and medical premium Plus PEMHCA Minimum: \$133 Retired after 7/1/1995: Reimbursement allowed towards non-PERS plans	None
IFPTE, Miscellaneous Executive Management, City Council	Service Retirement: Same as SEIU	Retiree only or surviving spouse: the lesser of \$435 and medical premium Retiree +1 or more: the lesser of \$567 and medical premium Plus PEMHCA Minimum: \$133	Effective 1/1/2017: \$50 Effective 1/1/2018: \$100
Fire Local 188	35/15	Percentage of premium (medical premium minus PEMHCA minimum) for retiree/dependents/surviving spouse up to premium for coverage. Percentage is 90%, increased to 100% after 27 years of service. Total City contribution, excluding PEMHCA minimum, is capped at Kaiser non-Medicare eligible premium for coverage selected. Plus PEMHCA minimum: \$133	Effective 1/1/2017: \$200 Effective 1/1/2018: \$300 Effective 7/1/2019: \$400
Fire Management and Fire Executive Management	35/15	Percentage of premium (medical premium minus PEMHCA minimum) for retiree/dependents/surviving spouse up to premium for coverage. Percentage is 80%, increased to 90% after 15 years of service and 100% after 25 years of service. Total City contribution, excluding PEMHCA minimum, is capped at Kaiser non-Medicare eligible premium for coverage selected. Plus PEMHCA minimum: \$133	Effective 1/1/2017: \$200 Effective 1/1/2018: \$300 Effective 7/1/2019: \$400
Richmond Police Officer Association (RPOA)	10 years of service Service includes non City service Minimum 5 years City Service	Lesser of: percentage of premium for retiree/dependents/surviving spouse times medical premium minus PEMHCA minimum or percentage of premium for retiree/dependents/surviving spouse but no more than \$327 per month, minus dental and vision premiums. Percentage is 50%, increased to 90% after 15 years of service, and 100% after 25 years of service. Plus PEMHCA Minimum: \$133 City also pays 100% of dental and vision premiums.	Effective 1/1/2017: \$150 Effective 1/1/2018: \$225 Effective 1/1/2019: \$250 Effective 1/1/2020: \$275 Effective 1/1/2021: \$300
Police Widows	Death in line of duty	Full premium of medical, dental and vision	None
Police Management and Police Executive Management	50/20, 51/18, 52/16, 53/14, 54/12, 55/10 Service includes non City service Minimum 5 years City Service	Percentage of premium (medical premium minus PEMHCA minimum) for retiree/dependents/surviving spouse up to Kaiser (1) (Pre Medicare) and 2nd highest premium plan (post Medicare). Percentage is 65%, increased to 75% after 20 years of service, and 100% after 25 years of service.	Effective 7/1/2017: \$300 Effective 7/1/2018: \$425 Effective 7/1/2019: \$525

(1) Prior to January 1, 2017, active Employees were not required to make monthly contributions.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Plan Provisions for Current Retirees		
Classification	Subgroup	Monthly Premium Reimbursement Before/After Medicare Eligibility
SEIU Local 1021	Retired July 1, 2007 or later	Same as future retirees
	Retired prior to July 1, 2007	Same as future retirees, but caps are: Retiree only or surviving spouse: \$224/\$182 Retiree +1 or more: \$344/\$284
IFPTE, Miscellaneous Executive Management	Retired July 1, 2007 or later	Same as future retirees
	Retired November 5, 1999 to June 30, 2007	Same as future retirees, but caps are: Retiree only or surviving spouse: \$224/\$182 Retiree +1 or more: \$344/\$284
Fire Local 188	Retired before November 5, 1999	Same as future retirees, but caps are: Retiree only or surviving spouse: \$124/\$82 Retiree +1 or more: \$244/\$184
	Retire on or after 7/1/2006	Same as future retirees
Fire Management	Retire on or after 7/1/2006	Same as future retirees
	Retire before 7/1/2006	Eligible at 35/15 Same as future retirees, but caps are: Percentage of premium for retiree/dependents/surviving spouse up to Kaiser non-Medicare eligible premium for coverage selected. Percentage is 90%, increased to 100% after 27 years of service.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

<b>Plan Provisions for Current Retirees (Continued)</b>		
<b>Classification</b>	<b>Subgroup</b>	<b>Monthly Premium Reimbursement Before/After Medicare Eligibility</b>
Richmond Police Officer Association (RPOA)	Retire on or after 7/1/2008	Same as future retirees
	Retired between 7/1/2004 and 6/30/2008	Same as future retirees, but: Reimbursement capped at \$614
	Retired between 7/1/1997 and 6/30/2004	Same as future retirees, but: Reimbursement capped at \$550
	Retired between 7/1/1994 and 6/30/1997	Percentage of premium (medical premium minus PEMHCA minimum) for retiree/dependents/surviving spouse including dental and vision. Percentage is 65% for 10-19 years of service, increased to 75% after 20 years of service, and 100% after 27 years of service Premium paid for dental and vision. Plus PEMHCA minimum \$133
	Retired before 7/1/1994	Percentage of premium (medical premium minus PEMHCA minimum) for retiree/dependents/surviving spouse including dental and vision. Percentage is 65% for 10-19 years of service, increased to 75% after 20 years of service, and 100% after 27 years of service Reimbursement, excluding the PEMHCA minimum, capped at \$210 for single coverage and \$300 for 2-party coverage Premium paid for dental and vision. Plus PEMHCA minimum: \$133
Police Management and Police Executive Management	Retired on or after 7/1/2007	Same as future retirees
	Retired between 1/1/1995 <sup>(1)</sup> and 6/30/2007	Percentage of premium (medical premium minus PEMHCA minimum) for retiree/dependents/surviving spouse. Percentage is 65% for 10-19 years of service, increased to 75% after 20 years of service, and 100% after 27 years of service. Retired after 1/1/2007 - Reimbursement capped at Kaiser premium, excluding the PEMHCA minimum, for pre-Medicare and 2nd highest premium plan for post-Medicare for coverage selected Retired before 1/1/2007 - Reimbursement capped at 2nd highest premium plan, excluding the PEMHCA minimum, for coverage selected Retired after 7/1/1995: Reimbursement allowed towards non-PERS plans Plus PEMHCA minimum: \$133

<sup>(1)</sup> Although the City did provide medical premium benefits with single and 2-party caps for Police Management that retired prior to January 1, 1995, as of June 30, 2018 there were no retirees receiving such benefits.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

For retirees eligible to continue health benefits, but failing to meet the criterion in the tables above, the City pays the Public Employees Medical and Hospital Care Act (PEMHCA) minimum, which is \$133 in 2018.

*Plan Membership* – As described in the table in Note 12A, Plan membership varies based on different employee bargaining groups. As of the June 30, 2017 valuation date, membership in the Plan considered of the following:

Active employees electing coverage	627
Active employees waiving coverage	44
Retiree and beneficiaries receiving benefits	607
Total	1,278

**B. Funding Policy and Actuarial Assumptions**

*Funding Policy* - During the year ended June 30, 2008, the City joined the Public Agencies Post-Retirement Health Care Plan, an agent multiple employer trust administered by Public Agency Retirement Services (PARS). The balance in the City's PARS trust account as of June 30, 2018 was \$17,422,879.

The City's policy is to partially prefund these benefits by accumulating assets with PARS discussed above along with making pay-as-you-go payments pursuant to Resolution No. 52-06 of June 27, 2006. In July 2016, the City adopted an additional funding policy to place into the PARS trust half of any one-time revenues and half of any year-end surplus in excess of the City's minimum reserve policy (7%) in an effort to pay down the unfunded liability. In accordance with the policy, the City transferred \$3,175,003 to the PARS trust, along with an additional contribution of \$4,328,063, during the year ended June 30, 2018.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Actuarial Assumptions* - The total OPEB liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The valuation used the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

	Actuarial Assumptions	
Valuation Date		June 30, 2017
Measurement Date		June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost, level percent of pay	
Actuarial Assumptions:		
Discount Rate		4.12%
Inflation		2.75%
CPI Medical Care		4.00%
Payroll Growth		3.00%
Investment Rate of Return		6.85%
Index Rate for 20 year, tax exempt municipal bonds		3.62%
Mortality	Based on assumptions for Public Agency Miscellaneous, Police and Fire members published in the December 2017 CalPERS Experience Study.	
Healthcare Cost Trend Rates:		
Health - Not Medicare Eligible	6.90% for 2018, 6.30% for 2019, 5.80% for 2020, 5.20% for 2021-2054, transitioning to ultimate rate of 4.40% in 2074 and further years	
Health - Medicare Eligible	5.60% for 2018, 5.40% for 2019, 5.30% for 2020, 5.20% for 2021-2054, transitioning to ultimate rate of 4.40% in 2074 and further years	
Dental		To increase 4.00% annually
Vision		To increase 3.00% annually

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

*Discount rate* - The discount rate used to measure the total OPEB liability was 4.12%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Generally accepted accounting principles require that the liability discount rate be the single rate that reflects the following:

- A. The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return; and
- B. A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions in A. are not met. The municipal bond rate source used as of June 30, 2018 the Fidelity 20-Year General Obligation AA Municipal Bond Index.

*Changes of assumptions* since the prior actuarial valuation were:

- The discount rate was changed from 4.07% to 4.12% based on updated municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capital claims costs were updated to reflect recent experience.
- Withdrawal, retirement, mortality, disability and salary increase rates were updated from the rates used in the 6/30/2014 CalPERS Public Agency Miscellaneous, Police and Fire actuarial valuations to rates published in the December 2017 CalPERS Experience Study.
- The percent of future retiree only eligible for the PEMHCA minimum contribution assumed to elect coverage at retirement changed from 100% to 50% to reflect recent and anticipated plan experience.
- The percent of future retirees eligible for additional direct subsidy benefits assumed to elect coverage at retirement changed from 100% to 90% to reflect recent plan experience.
- The percent of retirees assumed to elect non-spouse dependent coverage at retirement changed from 25% to 20% to reflect recent plan experience.
- The percent of future non-Medicare and Medicare eligible retirees electing each medical plan varies by employee bargain unit and changed to reflect updated expectations based on recent plan experience.

*Rate of Return* – For the year ended June 30, 2018, the annual money-weighted rate of return on OPEB Trust Fund investments, net of OPEB plan investment expense, was 6.30%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Investment Policy* – PARS offers different investment portfolios as part of the investment vehicle. The City invests in the “Balanced/Moderately Aggressive Highmark PLUS” portfolio; the primary goal of the Highmark Plus portfolio is growth of principal and income. The major portions of the assets are invested in the equity securities and market fluctuations are expected. The portfolio is constructed to control risk through three layers of diversification as follows:

Asset Class	Acceptable Range of Asset Allocation
Equity	50-70%
Fixed income	30-50%
Cash	0-20%

Investments of the OPEB Trust Fund at June 30, 2018 consisted of \$17,422,879 invested in mutual funds.

**C. Changes in Net OPEB Liability**

The changes in the net OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2017	\$191,472,282	\$9,336,893	\$182,135,389
Changes Recognized for the Measurement Period:			
Service Cost	6,730,397		6,730,397
Interest on the total OPEB liability	7,927,217		7,927,217
Changes in benefit terms			
Differences between expected and actual experience	(2,816,969)		(2,816,969)
Changes of assumptions	8,715,168		8,715,168
Contributions from the employer		13,599,120	(13,599,120)
Contributions from the employee		765,475	(765,475)
Net investment income		632,089	(632,089)
Administrative expenses		(49,169)	49,169
Benefit payments (1)	(6,861,529)	(6,861,529)	
Net changes	13,694,284	8,085,986	5,608,298
Balance at June 30, 2018 (Measurement Date)	<u>\$205,166,566</u>	<u>\$17,422,879</u>	<u>\$187,743,687</u>

(1) Benefit payments are comprised of \$3,947,832 direct subsidy payments to retirees and \$2,913,697 estimated implicit subsidy costs incurred during the measurement period ending 6/30/2018

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**D. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using the discount rate that is 1-percentage-point lower or 1-percentage point higher than the current discount rate:

Net OPEB Liability/(Asset)		
Current		
Discount Rate -1%	Discount Rate	Discount Rate +1%
(3.12%)	(4.12%)	(5.12%)
\$218,321,924	\$187,743,687	\$162,834,832

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Net OPEB Liability/(Asset) Healthcare Cost Trend		
Current		
Trend Rates Various -		
1% Decrease	see assumptions above	1% Increase
\$165,359,439	\$187,743,687	\$215,505,846

**E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the City recognized OPEB expense of \$9,971,497. At June 30, 2018, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		(\$2,265,703)
Changes of assumptions	\$7,009,656	
Net differences between projected and actual earnings on plan investments	44,179	
Total	<u>\$7,053,835</u>	<u>(\$2,265,703)</u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2019	\$1,165,291
2020	1,165,291
2021	1,165,291
2022	1,165,290
2023	126,969
Thereafter	

**NOTE 13 – DEFERRED COMPENSATION PLAN**

City employees may defer a portion of their compensation under a City sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under this plan are not the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

**NOTE 14 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets; general liability; errors and omissions; injuries to employees; natural disasters; and inverse condemnation. The City began self-insuring its workers' compensation in 1976. In July 2009 the City joined the California Joint Powers Risk Management Authority (CJPRMA) for general liability and employment practices coverage. In April 2009 the City joined the California State Association of Counties Excess Insurance Authority (CSAC EIA) for worker's compensation insurance. The City has chosen to establish a risk financing internal service fund where assets are accumulated for claim settlements and expenses associated with the above risks of loss up to certain limits.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 14 – RISK MANAGEMENT (Continued)**

Excess coverage for the risk categories excluding inverse condemnation is provided by policies with various commercial insurance carriers. Self-insurance and insurance company limits are as follows:

Type of Coverage	Self-Insurance / Deductible	Coverage Limit	Insurance Carrier
Difference in Conditions	Earthquake: 10% pre-1970, 5% post-1970 of total insured value of each building; minimum \$100,000	\$50,000,000 inclusive of deductible	Various
	All others: \$25,000		
Crime/Employee Dishonesty	\$2,500 per claim	\$15,000,000 inclusive of deductible	National Union Fire Insurance Company
	\$25,000 per claim; except flood zones A&V that have a deductible of \$250,000	\$400,000,000 inclusive of deductible \$100,000,000 limit for flood all zones, except zones A & V, which have a limit of \$50,000,000	
Property	\$25,000 per claim; except flood zones A&V that have a deductible of \$250,000	\$100,000,000 inclusive of deductible	Various
Boiler and Machinery	\$25,000 per claim	\$100,000,000 inclusive of deductible	Various
Port Liability	\$25,000 per claim	\$50,000,000 inclusive of deductible \$1,000,000 per occurrence; \$2,000,000 aggregate	Various
Special Events Program	N/A	N/A	Evanston Insurance
Excess Workers' Compensation	\$750,000 per claim	Statutory limit	Various
Student Volunteer	N/A	\$50,000 limit	Ace American
Pollution Liability - Policy 1	\$250,000 per claim	\$20,000,000 inclusive of deductible	ACE - Illinois Union
Pollution Liability - Policy 2	\$75,000 per claim	\$5,000,000 limit	Illinois Union
Cyber Liability	\$100,000 per claim	\$2,000,000 limit	Lloyds of London

**CJPRMA**

The CJPRMA provides coverage against the following types of loss risks under the terms of a joint powers agreement with the City as follows:

Type of Coverage (Deductible)	Coverage Limits
Property (\$25,000)	\$400,000,000
Liability (\$500,000)	\$40,000,000
Employment Practices (\$500,000)	\$5,000,000

Once the self-insured retention is exhausted on each claim, CJPRMA becomes responsible for payment of future expenses related to the claim. The City paid contributions of \$932,564 for the year ended June 30, 2018. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Audited financial statements for the CJPRMA are available from CJPRMA, 3201 Doolan Road, Suite 285, Livermore, CA 94551.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 14 – RISK MANAGEMENT (Continued)**

**CSAC-EIA**

CSAC-EIA is a public entity risk pool of cities and counties within California. The CSAC-EIA provides workers' compensation coverage up to the statutory limit and the City retains a self-insured retention of \$750,000. Loss contingency reserves established by the CSAC-EIA are funded by contributions from member agencies. The City pays an annual contribution to the CSAC-EIA, which includes its pro-rata share of excess insurance premiums, charges for pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the risk pool. The City paid contributions of \$342,738 for the year ended June 30, 2018. CSAC-EIA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained. CSAC-EIA is currently fully funded. No provision has been made on these financial statements for liabilities related to possible additional assessments.

Audited financial statements for CSAC-EIA are available from CSAC-EIA, 75 Iron Point Circle, Suite 200, Folsom, CA 95630.

**Housing Authority Insurance Group**

The Housing Authority is exposed to various risks of loss related to torts: theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disaster. The Authority joined together with other entities and participates in the Housing Authority Insurance Group, a public entity risk pool currently operating as a common risk management and insurance program for its member entities. The purpose of the Housing Authority Insurance Group is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group, thereby reducing its cost. The Authority pays annual premiums to Housing Authority Insurance Group for its property damage insurance as follows:

Property	Building and Personal Property Premium	Annual Premium	Deductible
Nevin Plaza (#1)	\$6,106	\$6,230	\$25,000
Nystrom Village	22,144	22,807	25,000
Administration Office	902	902	25,000
Hacienda	17,544	21,930	5,000

All of the Housing Authority properties are included in the general liability coverage under the CJPRMA program.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 14 – RISK MANAGEMENT (Continued)**

**Liability for Self Insured Claims**

The City records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers' compensation claims. The estimated liability for workers' compensation claims and general liability claims is based on case reserves and include amounts for claims incurred but not reported (IBNR), and is recorded in the Insurance Reserves Internal Service Fund. At June 30, 2018, the estimated claims payable of \$37,707,574 consisting of reserves for both reported and IBNR losses, as well as allocated loss adjustment expenses, have been recorded in the Insurance Reserves Internal Service Fund. The claims payable are reported at their present value using expected future investment yield assumptions of 3% and an 80% confidence level. The undiscounted claims totaled \$36,228,359 at June 30, 2018. Changes in the claims liabilities for the years ended June 30, 2018 and 2017 were as follows:

	2018	2017
Claims liabilities, beginning of year	\$36,528,414	\$39,403,229
Current year claims	10,536,000	10,014,000
Change in prior year claims	2,518,288	(1,277,997)
Claim payments	(6,694,998)	(8,108,630)
Legal, administrative and other expenses	(5,180,130)	(3,502,188)
<b>Claims liabilities, end of year</b>	<b><u>\$37,707,574</u></b>	<b><u>\$36,528,414</u></b>
<b>Claims liabilities, due in one year</b>	<b><u>\$11,120,445</u></b>	<b><u>\$10,648,489</u></b>

For the years ended June 30, 2018, 2017 and 2016 the amount of settlements did not exceed insurance coverage.

**NOTE 15 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City's non-major enterprise funds include the following:

- Richmond Marina Fund – Marina operations and maintenance, including berth rentals and use of marina facilities.
- Storm Sewer Fund – Storm sewer management and urban runoff control.
- Cable TV Fund – Administration and enforcement of the franchise agreements with two cable television systems, management of a municipal cable channel, departmental video services, media and public information, and telecommunications planning.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 15 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

Fiscal 2018 condensed financial information for the Richmond Marina Enterprise Fund is as follows:

**Condensed Statement of Net Position**

Assets:	
Current assets	\$3,898,056
Capital assets	1,469,256
Total assets	<u>5,367,312</u>
Liabilities:	
Current liabilities	280,777
Long-term liabilities	2,527,227
Total liabilities	<u>2,808,004</u>
Net position:	
Net investment in capital assets	(1,063,279)
Unrestricted	3,622,587
Total net position	<u>\$2,559,308</u>

**Condensed Statement of Revenues, Expenses and Changes in Net Position**

Operating revenues:	
Lease income	\$537,438
Operating expenses:	
General and administrative	(24,406)
Maintenance	(99,419)
Depreciation	(85,563)
Operating income	<u>328,050</u>
Nonoperating revenues (expenses):	
Interest income	35,919
Interest expense	(118,054)
Income (Loss) Before Contributions and Transfers	245,915
Transfers out	(86,778)
Change in net position	159,137
Beginning net position	2,400,171
Ending net position	<u>\$2,559,308</u>

**Condensed Statement of Cash Flows**

Net cash provided (used) by:	
Operating activities	\$411,803
Noncapital and related financing activities	(86,778)
Capital and related financing activities	(231,293)
Investing activities	31,733
Net increase	125,465
Beginning cash and investments	3,690,856
Ending cash and investments	<u>\$3,816,321</u>

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 16 – COMMITMENTS AND CONTINGENCIES**

**A. Lease and Construction Commitments**

The Police Department occupies leased premises owned by DiCon Fiberoptics, Inc. The City's original lease was a three year lease which expired on December 31, 2009, and it had an option to renew for five (5) one year periods until December 31, 2014. In October 2014, the City and DiCon Fiberoptics, Inc. entered into a new five year lease extension with the term commencing January 1, 2015 through December 31, 2019, with an option to renew for five (5) one year periods until December 31, 2024. The lease calls for minimum monthly lease payments of \$142,805.

The Richmond Municipal Sewer District occupies leased premises owned by West County Wastewater District. The City's original lease was a two year lease which expired on December 31, 2012, with an option to renew for one (1) three year period and one (1) two year period until December 31, 2017. In January 2017, the City and West County Wastewater District entered into a first amendment to the ground lease with four possible extensions for terms commencing January 1, 2016 through December 31, 2017; January 1, 2018 through December 31, 2020; and January 1, 2021 through December 31, 2025. The lease calls for minimum monthly lease payments of \$195,383.

The City's future commitments under construction and other projects totaled approximately \$199 million at June 30, 2018 for various projects.

**B. Litigation**

The City is involved in various claims and litigation resulting from its normal operations. The ultimate outcome of these matters is not presently determinable. In City management's opinion these matters will not have a significant adverse effect on the City's or RHA Properties' financial position, with two potential exceptions noted below:

In March 2012, a developer and an associated entity filed a complaint in federal court against the United States of America, two individuals, and the City contending breach of contract related to a Land Disposition Agreement (LDA) between the developer and the City for the development of City-owned property for a specific use. The developer and associated entity seek damages of \$30 million as well as lost profits of over \$750 million. The City disputes the allegations and contends that the LDA did not commit the developer or the City to develop the property for the specific use and that the developer's right to move forward with the development was subject to various federal approvals. The City received a favorable judgement on the matter, but an appeal by the developer and associated entity resulted in the Ninth Circuit reversing the decision, concluding the plaintiffs should be given another opportunity to amend their complaint. The plaintiffs filed an amended complaint and the City answered, denying the plaintiffs' allegations and asserting affirmative defenses and counterclaims. In April 2018, the City again received a favorable judgement on the matter under which the City will pay no monetary damages to the developer and the developer's claims were dismissed. Under the terms of the judgment, future proceeds from the sale of the property will be shared equally between the City and the developer. However, the judgment is being challenged by an environmental rights group. The City may be negatively impacted should the court rule in favor of the group, however any such impact cannot be determined at this time.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)**

**C. Grant Programs**

The City participates in several federal and State grant programs. These programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, except as noted under Grant Programs – Disallowed Costs below.

**D. Grant Programs – Disallowed Costs**

*HOME and CDBG Programs*

During fiscal year 2013, the City was subject to two separate monitoring visits by the Department of Housing and Urban Development (HUD) of the City's HOME investment partnership (HOME) and Community Development Block Grant (CDBG) activities. In its reports, HUD listed thirteen findings covering various activities performed over a six year period applicable to the programs and disallowed costs approximating \$2.4 million.

The City prepared responses to the findings, including assembling and providing additional documentation to HUD as well as performing numerous corrective actions and meetings to negotiate settlements with HUD. In July 2016, HUD determined the City's repayment obligation to be \$366,063, \$786,597, and \$1,807,490 for CDBG-R, CDBG and HOME, respectively.

In August 2016, the City requested a Voluntary Grant Reduction in the amount of \$1,807,409 in unspent HOME funds to be applied toward the obligation in lieu of making payments to HUD. In addition, the City also requested a Voluntary Grant Reduction of \$85,000 in unspent CDBG funds to be used towards the \$786,597 repayment obligation. However, if the City elected to make this request, all remaining obligations would be due within 90 days. Alternatively, the City requested a payment plan with installments over a three-year period for the remaining CDBG and CDBG-R funds.

In December 2016, HUD accepted the City's repayment terms regarding the treatment of the ineligible costs for the CDBG repayment obligation of \$786,597, which is payable in two equal installments in fiscal years 2018 and 2019. The first installment of the CDBG repayment obligation of \$393,298.25 was paid in September 2017 and the final installment in the amount of \$393,298 is due in September 2018. In HUD's January 2017 close-out letter, HUD accepted the Voluntary Grant Reductions for HOME ineligible costs and the City's remaining grant funds were applied against the ineligible costs, reducing the City's repayment obligation under the HOME program to zero. The CDBG-R repayment obligation of \$366,063 was paid in full in March 2017. The City received another Voluntary Grant Reduction approval in August 2017 from HUD of \$86,231 to be applied against CDBG ineligible costs, reducing the total CDBG obligation to \$700,365. The reduction will be applied to the final installment payment in September 2018 of \$307,067. Since HUD moved all the findings to a close, after fiscal year 2019, the City will be free and clear of any obligation to HUD.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)**

*Neighborhood Stabilization Program (NSP1)*

During fiscal year 2014, the City was subject to a monitoring visit from the Office of Inspector General of the City's Neighborhood Stabilization Program (NSP1) and received notification in October 2014 from HUD that it was demanding the repayment of \$914,090 for ineligible expenses. In lieu of making a payment to HUD for the return of the ineligible costs, in November 2014, the City requested a grant reduction of \$595,863 in unspent NSP1 funds to be applied towards the finding. In addition, the City requested approval to use the proceeds from income generated from the pending sale of certain NSP1 properties to make up the \$318,227 difference. Given that the NSP1 is governed by CDBG regulations, the City believes that HUD's Voluntary Grant Reductions in Lieu of Repayment for Ineligible CDBG and HOME Activities "Program" applies to NSP1. In July 2016, HUD notified the City that it could make a request for a Voluntary Grant Reduction of \$595,863 in unspent NSP1 funds to be applied towards the NSP1 repayment obligation. If the request was made, the remaining \$318,227 would be due within 90 days. In August 2016, the City made a second request for the approval of a Voluntary Grant Reduction of \$595,863 in unspent NSP1 funds and for the remaining \$318,227 to be paid using the proceeds from income generated from the sale of NSP1 properties. In December 2016, the City accepted HUD's repayment terms regarding the treatment of the ineligible costs of \$318,227, which are due in two payments in fiscal year 2017 (\$62,645) and fiscal year 2018 (\$255,762). The first NSP1 repayment obligation installment of \$62,645 was paid in March 2017 and the final repayment obligation installment of \$225,762 was paid in September 2017.

*Housing and Urban Development*

On June 3, 2016, the Office of the Inspector General issued a report in response to an allegation that the Authority allowed the City to use HUD funds and Authority assets and that the City charged the Authority for rent and services at an unreasonable price. The report concluded that the allegations held merit and the Authority misspent \$2.2 million in HUD funds and had \$994,910 in unsupported costs due to a lack of independence between the Authority and the City along with a weak internal control environment. The OIG recommended that the Director of the San Francisco Office of Public Housing that monitors the Authority, require the Authority to repay \$2.1 million for ineligible use of HUD funds along with \$53,347 for duplicate charges, and \$60,000 for a City initiated management audit. In addition, it was suggested the Authority be required to provide additional support for \$80,890 of the Executive Director's salary spent on activities, \$180,000 spent on office rent, determine proper use of former maintenance building property, and develop and implement financial policies and procedures for the current operating environment. Further, it was recommended that HUD work with the Authority to improve control and accountability including HUD receivership and separating the Authority finances from the City. The Authority contested several of the conclusions made by the OIG. Although Authority management strongly believed in its response made to OIG that the Authority's actions were proper and agreed to in advance by HUD, Authority and City staff have concluded that neither the participants in the Authority's programs or the residents of the City will be well served by continued discord with HUD distracting from program improvements. Accordingly, City, Authority and OIG staff have negotiated a settlement agreement among the City, Authority and HUD whereby the City agrees to return \$2.1 million to the Authority's accounts (as opposed to returning the funds to the U.S. Treasury) and limit the use of those funds to specific categories identified by HUD. The settlement agreement was approved by City Council in March 2018 and fully executed in April 2018. The General Fund returned the \$2.1 million to the Housing Authority during fiscal year 2018, as discussed in Note 4B.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)**

**E. Housing Authority – Easter Hill Project**

The Authority participates in a number of federally assisted grant programs, principal of which are the Section 8 Housing Assistance and the HOPE VI Revitalization Grant. It is possible that at some future date, it may be determined that the Authority is not in compliance with applicable grant requirements. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Authority does not expect such disallowed amounts, if any, to materially affect the financial statements.

In June 2000, the Richmond Housing Authority received a \$35 million grant (HOPE VI Grant) from the U.S. Department of Housing and Urban Development (“HUD”) for the revitalization of the former Easter Hill Public Housing Project. The original Easter Hill site, owned by the Richmond Housing Authority, included 300 units on 21 acres in the Cortez/Stege neighborhood of Richmond.

The California Tax Credit Committee, City of Richmond, Bank of America, Silicon Valley, Federal Home Loan Bank, California Housing Finance Agency, the Richmond Housing Authority along with the \$35 million dollar HUD grant financed this \$120 million revitalization effort. Physical costs are estimated to be approximately \$108 million and life services, relocation, acquisition, administrative and other costs are estimated to be approximately \$12 million. The physical development includes approximately 320 rental and homeownership units to replace the 300 rental units originally at the site and 273 remaining units at the time of grant approval. Amenities at the revitalized site include a pool and a 5,000 square foot community room with facilities for an after school program, computer center, gymnasium and conference room.

In addition, pursuant to the same agreement, the Authority is entitled to receive reimbursement for certain costs it has incurred in development of these projects. Upon completion of the project, the Authority recorded \$14,276,909, representing reimbursement from the developer which had been recorded in the accompanying financial statements as due from developer. The balance outstanding as of June 30, 2018 is \$11,221,743.

In 2002, the Authority chose the development team of McCormack Baron Salazar, Inc. and Em Johnson Interest, Inc. to develop the site. Em Johnson Interest has developed the 82 homeownership units affordable to low, moderate and market rate buyers. McCormack Baron was charged with the development of 300 rental units, affordable to households 60% or below the area median income for Contra Costa County.

Thus far, all new construction rental units at the former Easter Hill site have been developed. Thirty-six rehab rental units at the site have been constructed. The remaining 202 rental units at the site have been leased. Similarly, all 82 homeownership units at the former Easter Hill and Cortez sites have been constructed. All homeownership units have been sold.

Due to the City Council’s action to not allow the Authority to retain the Fire Training site originally anticipated for phase III of the project, the third phase is being revised to include the Authority’s Nystrom Village and Hacienda Public Housing sites. This will include the demolition and reconstruction of the 252 rental units presently existing at the two sites. As the proposal and conceptual plans are being developed, the final financial and construction plans are not determined at this time.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)**

**F. RHA Properties – Status of Operations**

RHA Properties having sold Westridge at Hilltop Apartments is at the point of being an entity with no activity. It is idle and available to be used in the future. Management currently has no further plans for the entity.

**G. Point Molate – Pollution Remediation**

In September 2008, the City entered into an Early Transfer Cooperative Agreement (ETCA) with the United States Department of the Navy the (Navy) to facilitate the transfer of 41 acres of property that was formerly the Naval Fuel Depot Point Molate (Point Molate). The ETCA identifies certain known pollution issues with the property, and the Navy is the responsible party. However, under the provisions of the ETCA, the Navy advanced \$28 million to the City representing the estimated cost of cleanup, and the City committed to manage the project. Any pollution found that was not caused by the Navy’s use of the land is to be paid by the City, however, as of June 30, 2018, no additional pollution has been identified.

The City also entered into an agreement in September 2008 with a Developer to sell approximately 134 acres of land located on Point Molate along with the 41 acres of which the Navy is to transfer to the City. The Developer is to complete the cleanup on behalf of the City in accordance with the requirements of the ETCA. The City committed to pass-through the funds received from the Navy to the Developer.

In April 2010, the City and Developer entered into an agreement to establish a fiscal agent escrow account to maintain the funds held for the remediation of Point Molate. The funds advanced by the Navy are to be held in escrow with a fiscal agent and the agent is responsible for disbursing funds to the Developer as costs are incurred. The terms of the agreement are effective until a certificate of completion is issued for the remediation of the property.

Under the terms of the agreements with the Navy and the Developer, the City does not retain responsibility for the cleanup of the known pollution. The City is merely acting as a pass-thru of the grant funds from the Navy to the Developer and the activities for the project are reported in the Pt. Molate Private-Purpose Trust Fund.

**H. Other – Major Taxpayer**

In fiscal year 2009, a major business license taxpayer filed a complaint challenging the legality of Measure T, a voter initiative that took effect on January 1, 2009. Measure T amended the City’s business license tax calculation for manufacturers. Although the City believed Measure T to be lawful, the court ruled on December 17, 2009 that the tax was unconstitutional. The court ruled in favor of the business license taxpayer awarding a refund of the \$20.5 million Measure T taxes paid. The City filed an appeal, however in May 2010 the taxpayer and the City entered into a settlement agreement in order to achieve certainty in the tax revenue that the City will receive from the taxpayer over the next 15 years. The agreement provides for annual payments from the taxpayer ranging from \$4 million to \$13 million starting July 1, 2011, with payments totaling \$114 million. In addition, the agreement incorporated the prior settlement of a dispute over fiscal year 2006, 2007 and 2008 utility user’s taxes totaling \$28 million that was paid in four installments beginning in fiscal year 2009. Payments totaling \$75 million were received under the settlement agreements in fiscal years 2011 through 2018.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)**

In fiscal year 2015, the City entered into an Environmental Community Investment Agreement (ECIA) with the same taxpayer that provides for funding to the City and other community agencies totaling \$80 million over the next ten years. During fiscal year 2018, the City received \$9 million that is restricted for use on pre-approved projects, and the City has received \$26 million to date.

**I. Police Communications Systems**

The City administered program to provide records management and dispatch services to participating local agencies. The participating agencies, which include the City, are responsible for maintenance and system enhancements. The City is required to account for the enhancement in a separate account which is shown in the Police Telecommunications Internal Service Fund as unearned revenue as of June 30, 2018. The program dissolved effective June 30, 2017. The distribution of the funds the City holds for enhancement from all participating agencies began in fiscal year 2018 and will be completed by fiscal year 2020.

**J. Housing Authority Rental Assistance Demonstration**

RHA Rental Assistance Demonstration ("RAD") Program conversion of the Friendship Manor and Triangle Court public housing sites occurred during the 2016 calendar year (includes both the 2015 and 2016 fiscal years). The RAD project consists of 156 units of Public Housing will that were converted to non-profit ownership with Section 8-Project Based Voucher rental subsidy on the two separate properties; all 156 units, except for three units (two are reserved for onsite managers and one for a manager's office), will be used to house low-income residents.

On October 8, 2015, the Department of Housing and Urban Development (HUD) issued and executed the RAD Conversion Commitment (RCC) which represents the agreed upon and approved terms of the RAD conversion transaction.

On November 18, 2015, California Tax Credit Allocation Committee made a preliminary reservation of federal tax credits in the amount of \$1,228,999 accommodated upon executing Tax-Exempt Bond Project to raise funding in the amount of \$36.7 million, the approximate estimated cost of the RAD project; of which \$16.5 million shall be provided by a third-party Tax Credit investor.

The Authority has partnered with the John Stewart Company and The Richman Group to form a Limited Partnership, RHA RAD Housing Partners L.P., that will complete the conversion, manage the property and own the buildings. The Authority will relinquish the land via a long term ground lease.

In furtherance of the finances provided by the Authority, the City of Richmond loaned \$5.4 million to RHA RAD Housing Partners L.P. that will be repaid in 55 years and accrues interest at a rate of 1%. The loan was initially signed with RHA Housing Corporation and then it was transferred and reassigned to RHA RAD Housing Partners L.P., as discussed in Note 5.

After the property is placed in service and receives approval of the 8609 documents from the State of California, the Authority will split a developer fee of \$2.5 million with its general partner John Stewart Company (70%/30%). The project has not converted to permanent financing due to unforeseen delays, however the anticipated closing date will be in September 2019, so the majority of the fee will not be received until after that date.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)**

RHA RAD Housing Partners L.P. will also receive \$732,557 in Public Housing and Capital Improvement funds throughout the January 1, 2016 – December 31, 2016 calendar year to cover the RAD Housing Assistance Program (HAP) Voucher commitments of subsidy for the low income housing units at the two developments. The terms of this requirement are consistent with Notice 2012-32 of the Rental Assistance Demonstration program which requires RAD conversions that close after November 30<sup>th</sup> of the calendar year to be funded out of Public Housing and Capital Fund Programs until the next calendar year, at which time the Developments will be funded with Section 8 Housing Choice RAD Vouchers.

In a transaction related to the RAD project during the fiscal year ended June 30, 2016, the Richmond Housing Authority transferred capital assets to RHA RAD LLC, which then sold the capital assets to RHA RAD Housing Partners LP with a carrying value of \$14,358,255 in return for two loans receivable in the amounts of \$8,891,500 and \$5,618,500. These loans are to be repaid in 55 years and bear annual interest rates of 2.82%.

**K. Marina Bay – Pollution Remediation**

The Successor Agency owned a group of land tracts collectively referenced as the "Nine Deed Restricted Properties." The Successor Agency was named as a responsible party at these sites under a Voluntary Cleanup Agreement with the State Department of Toxic Substances Control (DTSC) to conduct pollution monitoring and remediation. However, the Successor Agency received approval from the DOF to transfer the properties and their maintenance to the City at June 30, 2016. Therefore, the City is now the responsible party at the sites. These nine properties sit within the larger Marina Bay development site. A Remediation Action Plan (RAP) was prepared for Marina Bay in 1993 and included references to each of the Deed Restricted Properties. Eight of the nine deed restricted properties are subject to an Operations & Maintenance (O&M) Plan. The O&M Plans require annual inspections of the cap material and reporting of the findings to DTSC. The O&M Plans also require that a five-year review report be prepared and submitted to DTSC. The five-year review reports describe the inspection and maintenance activities that were performed over the previous five years. The annual monitoring costs are estimated at \$8,700, with the five year review estimated at \$45,000. The monitoring costs over a five year period are estimated at \$88,500.

The RAP was subsequently amended in 2008 to address Area T, one of the Nine Deed Restricted Properties. The amended RAP subjects the site to groundwater sampling, analysis, and remediation. The approximate annual costs for the existing groundwater sampling, analysis and remediation program is approximately \$89,000. The known pollution at this site is a layer of petroleum hydrocarbons above groundwater and petroleum hydrocarbons dissolved in groundwater. Active remediation has been conducted since September 2008 by the former Redevelopment Agency and now by the Successor Agency. DTSC requested that the Successor Agency submit a work plan describing the methods to enhance the recovery of free product and dissolved petroleum hydrocarbons at Area T. The Successor Agency submitted a Work Plan for Enhancement of Groundwater Remediation Program to DTSC in March 2015 (Work Plan). DTSC approved the Work Plan in April 2015. The cost to implement the enhanced groundwater remediation program is estimated at \$133,000. This preliminary estimate has not been accrued as a liability in the City's Statement of Net Position. This estimate is also subject to change from price increases or reductions, technology, and changes in applicable laws or regulations.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)**

**L. Other Commitments and Contingencies**

The Authority and its component units RHA Housing Corporation and RHA RAD LLC entered into several arrangements including a Co-Guarantor Contribution Agreement with third parties as participants in a tax credit bonds project to accommodate the required funding to convert two properties from a conventional public housing project to a rental assistance demonstration program, as discussed in Note 16J.

**M. Encumbrances**

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end. Encumbrances outstanding as of June 30, 2018 were as listed below:

	Amount
General Fund	\$72,506
Community Development and Loan Programs	
Special Revenue Fund	2,372,904
Non-Major Governmental Funds	3,220,831
	\$5,666,241

**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**

**A. Redevelopment Dissolution**

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

The suspension provisions prohibit all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

ABx1 26 and AB1484 created three regulatory authorities, the Successor Agency Oversight Board, State Controller and Department of Finance (DOF), to review former Agency's asset transfers, obligation payments and wind down activities. ABx1 26 specifically directs the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the Redevelopment Agency or, on or after February 1, 2012, to the Successor Agency. The State Controller's Office completed its asset transfer review in November 2013 and the State ordered the return of certain assets to the Successor Agency to the Redevelopment Agency. The City complied with certain aspects of the State's order during fiscal year 2013 by returning applicable capital assets to the Successor Agency and the Oversight Board retroactively approved other prior transfers to the City and the State has indicated that no further action is necessary. The State also ordered the return of assets previously transferred to the City as Housing Successor totaling \$16,460,848, because the transfer of the housing assets had not been approved by the Oversight Board. The Oversight Board adopted a Resolution on February 25, 2014 retroactively approving the transfer of the loans to the Housing Successor.

Effective January 31, 2012, the Redevelopment Agency was dissolved. Certain assets of the Redevelopment Agency Low and Moderate Income Housing Fund were distributed to a Housing Successor; and the remaining Redevelopment Agency assets and liabilities were distributed to a Successor Agency.

Under the provisions of AB 1484, the City can elect to become the Housing Successor and retain the housing assets. The City elected to become the Housing Successor and on February 1, 2012, certain housing assets were transferred to the City's Low and Moderate Income Housing Fund which is included in the Community Development and Loan Programs Special Revenue Fund. The activities of the Housing Successor are reported in the Low and Moderate Income Housing Asset Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The City also elected to become the Successor Agency and on February 1, 2012 the Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established in April 2012. As of July 1, 2018, Contra Costa County has formed a county-wide Oversight Board to oversee the activities of all Successor Agencies within the County, including Richmond. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including one member of City Council and one former Redevelopment Agency employee appointed by the Mayor.

AB1484 required the Successor Agency to complete two due diligence reviews – one for the low and moderate income housing assets of the Successor Agency (Housing DDR), and a second for all other balances of the Successor Agency (Non-housing DDR). The due diligence reviews were to calculate the balance of unencumbered balances as of June 30, 2012 available to be remitted to the County for disbursement to taxing entities. The Successor Agency submitted both due diligence reviews to the State Department of Finance for review and approval. The Department of Finance approved the Housing DDR, after making an adjustment, and the Successor Agency remitted the unencumbered balance of \$4,067,242 to the County in November 2014. The Department of Finance approved the Non-housing DDR in December 2014, and no funds were required to be remitted to the County. The Successor Agency received a Finding of Completion on December 9, 2014.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

The activities of the Successor Agency are reported in the Successor Agency to the Richmond Community Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

Cash and investments of the Successor Agency as of June 30, 2018 are discussed in Note 3 above. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2018.

**B. Loans Receivable**

The Successor Agency assumed non-housing loans receivable of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency engaged in programs designed to encourage economic development. Under these programs, grants or loans were provided under favorable terms to developers who agreed to expend these funds in accordance with the Agency's terms.

**Ford Assembly Building Loan**

Under a loan agreement dated November 22, 2004 between the Redevelopment Agency and Ford Point LLC, the Redevelopment Agency agreed to loan \$3,000,000 to fund improvements to the Ford Assembly Building, collateralized by a Deed of Trust. After a period of variable interest rates, the loan has converted to a fixed 5% interest rate. Interest and principal payments are due semi-annually through 2025. The balance of the loan was \$1,574,000 as of June 30, 2018.

**C. Capital Assets**

The Successor Agency assumed the non-housing capital assets of the Redevelopment Agency as of February 1, 2012. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Successor Agency's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

There were no additions or retirements during fiscal year 2018 and capital assets recorded at June 30, 2018 include land and improvements with a balance of \$4,313,167.

**CITY OF RICHMOND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

**D. Long-term Obligations**

The following is a summary of long-term debt transactions during the fiscal year ended June 30, 2018:

	Balance			Balance June 30, 2018	Due Within One Year	Due in More than One Year
	July 01, 2017	Additions (A)	Retirements (B)			
Bonds payable	\$68,290,709	\$1,049,052	(\$7,011,549)	\$62,328,212	\$6,970,000	\$55,358,212
Loans payable	22,515,000		(875,000)	21,640,000	925,000	20,715,000
Notes payable	10,962,412		(325,575)	10,636,837	332,087	10,304,750
<b>Total</b>	<b>\$101,768,121</b>	<b>\$1,049,052</b>	<b>(\$8,212,124)</b>	<b>\$94,605,049</b>	<b>\$8,227,087</b>	<b>\$86,377,962</b>

(A) Includes bond accretion for capital appreciation bonds totaling \$1,049,052.

(B) Retirements of bonds payable includes principle retirements in the amount of \$6,700,000 and amortization of bond premium in the amount of \$311,549.

**Bonds Payable**

Bonds payable at June 30, 2018 consisted of the following:

	Net
Harbour Tax Allocation Refunding Bonds - 1998 Series A	\$6,093,799
Subordinate Tax Allocation Bonds - 2007 Series B	12,149,027
Subordinate Tax Allocation Refunding Bonds - 2010 Series A	25,235,000
Successor Agency of RCRA Refunding Bonds - 2014 Series A & B	18,850,386
<b>Total</b>	<b>\$62,328,212</b>

**1998 Harbour Redevelopment Project Tax Allocation Refunding Bonds Series A – Original Issue \$21,862,779**

The bonds were issued by the Agency to refinance a portion of the 1991 Harbour Redevelopment Project Tax Allocation Refunding Bonds, refinance certain loans from the City to the Agency, which were used by the City to finance certain publicly owned capital projects, finance certain redevelopment activities within the Harbour Redevelopment Project Area, fund a reserve account and pay certain costs of issuance of the 1998 bonds. The bonds mature annually through 2023, in amounts ranging from \$50,000 to \$1,130,000. Interest rates vary from 3.5% to a maximum of 5.2% and are payable semiannually on January 1 and July 1. The bonds are secured by a pledge of tax revenues derived from taxable property within the Harbour Project Area. On March 27, 2014, the Agency issued the Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds 2014 Series A & B which resulted in the defeasance of the outstanding balance of the current interest portion of the bonds in the amount of \$9,180,000, as discussed below.

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**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

At June 30, 2018, the Bonds consisted of the following:

	Value	Accretion/ Amortization	Unamortized Premium (Discount)	Net
Capital appreciation bonds	\$6,900,000	\$303,418	(\$1,109,619)	\$6,093,799

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

For the Years	
Ending June 30,	Principal
2019	\$1,150,000
2020	1,150,000
2021	1,150,000
2022	1,150,000
2023	1,150,000
2024	1,150,000
<b>Total</b>	<b>\$6,900,000</b>

**Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds Series 2007A and Series B - Original Issue Series A \$65,400,000, Series B \$9,772,622**

On July 12, 2007 the Redevelopment Agency issued Series 2007A Subordinate Tax Allocation Bonds in the amount of \$65,400,000. The proceeds from the Bonds were used to pay the amount of \$22,000,000 to the City to assist with the financing of the Civic Center Project, and to fund other Redevelopment Agency projects.

The 2007A Subordinate Tax Allocation Bonds were issued as variable auction rate bonds with interest calculated every thirty-five days, however, the Agency entered into a 29-year interest rate swap agreement for the entire amount of its 2007A Subordinate Tax Allocation Bonds. In fiscal year 2010 the Agency experienced a significant decline in tax increment revenue. In order to bring debt service in line with current revenues and maintain compliance with the required 1.4:1 tax increment to debt service coverage ratio, the Agency suspended a number of projects originally funded by the 2007A Bonds and applied approximately \$36 million of the unspent 2007A proceeds and other available funds along with the proceeds from the issuance of the Subordinate Tax Allocation Refunding Bonds, Series 2010A to refund the outstanding balance of the 2007A Bonds. As part of the issuance of the 2010A Bonds, the interest rate swap agreement associated with the 2007A Bonds was amended and restated as discussed with the Series 2010A Bonds below.

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**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

On July 12, 2007 the Redevelopment Agency issued Series 2007B Housing Set-Aside Subordinate Tax Allocation Capital Appreciation Bonds in the amount of \$9,772,622 at interest rates ranging from 5.57% to 6.40%. The proceeds from the 2007B Bonds will be used to finance certain low and moderate income housing activities of the Redevelopment Agency. The 2007B Bonds mature annually through 2037, in amounts ranging from \$465,000 to \$2,020,000. The 2007B Bonds are secured by a pledge of subordinated housing and non-housing tax revenues.

At June 30, 2018, the 2007B Bonds consisted of the following:

	Maturity Value	Accretion/ Amortization	Unamortized Premium (Discount)	Net
Capital appreciation bonds	\$19,920,000	\$745,634	(\$8,516,607)	\$12,149,027

The annual debt service requirements on the 2007B Bonds are as follows:

For the Years	
Ending June 30,	Principal
2019	\$990,000
2020	1,040,000
2021	1,415,000
2022	1,030,000
2023	1,085,000
2024-2028	6,855,000
2029-2033	4,165,000
2034-2037	3,340,000
<b>Total</b>	<b>\$19,920,000</b>

**2010 Subordinate Tax Allocation Refunding Bonds Series A – Original Issue \$33,740,000**

The 2010A Bonds were issued on March 31, 2010 by the Agency. The proceeds of the 2010A Bonds were used to refund all of the outstanding Series 2007A Subordinate Tax Allocation Bonds. Interest rates range from 3.00% to 6.125% and are payable semiannually on March 1 and September 1. The 2010A Bonds mature annually through 2037 and are secured by a pledge of certain tax increment revenues derived from taxable property within the Merged Project Area.

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**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

In connection with the issuance of the Series 2007A Subordinate Tax Allocation Bonds, the Agency entered into a swap agreement for \$65,400,000, the entire amount of the 2007 A Bonds. With the issuance of the 2010A Bonds, the Agency amended and restated the swap agreement. The amended agreement requires the Agency to make and receive payments based on variable interest rates. The Agency will make payments based on a variable interest rate equal to 100% of SIFMA plus a fixed percentage of 0.83% and the Agency will receive variable rate interest payments equal to 68% of 1-month LIBOR from the swap counterparty. With the issuance of the 2014 Successor Agency to the Richmond Redevelopment Agency Refunding Bonds, the Successor Agency amended the swap agreement to subordinate the termination payment provisions of the swap agreement to the debt service on the 2014 Bonds.

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

For the Years Ending June 30,	Principal	Interest	Total
2019	\$1,325,000	\$1,864,937	\$3,189,937
2020	1,015,000	1,786,325	2,801,325
2021	1,270,000	1,689,437	2,959,437
2022	820,000	1,612,297	2,432,297
2023	880,000	1,547,844	2,427,844
2024-2028	13,180,000	5,739,142	18,919,142
2029-2033	3,140,000	2,225,314	5,365,314
2034-2037	3,605,000	606,516	4,211,516
<b>Total</b>	<b>\$25,235,000</b>	<b>\$17,071,812</b>	<b>\$42,306,812</b>

**Interest Rate Swap Agreement**

The Agency entered into an interest swap agreement in connection with the 2010A Subordinate Tax Allocation Refunding Bonds. The transaction allows the Agency to create a synthetic variable rate on the Bonds. The terms, fair value and credit risk of the swap agreement are disclosed below.

*Terms.* The terms, including the counterparty credit rating of the outstanding swap, as of June 30, 2018 are included below. The swap agreement contains scheduled reductions to the outstanding notional amount.

Outstanding Notional Amount	Effective Date	Counterparty	Long-Term Credit Rating (S&P/Moody's/Fitch)	Variable Rate Paid	Variable Rate Received	Fair Value at June 30, 2018	Termination Date
\$47,700,000	7/12/2007	Royal Bank of Canada	AA-/Aa2/AA	SIFMA Municipal Swap Index	68% of USD-1 Month LIBOR	(\$4,033,000)	9/1/2036

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**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

Based on the swap agreement, the Agency owes interest calculated at a variable rate to the counterparty of the swap, and in return, the counterparty owes the Agency interest based on a variable rate. Debt principal is not exchanged; the outstanding notional amount of the swap is the basis on which the swap receipts and payments are calculated.

*Fair value.* Fair value of the swap takes into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swap. The swap is classified as Level 2 of the fair value hierarchy, using a market approach that considers the observable swap rates commonly quoted for the full term of the swap. As of June 30, 2018, the fair value of the swap was in favor of the counterparty.

The fair value represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. The Agency has accounted for the change in fair value of the ineffective hedge as noted below:

	Changes in Fair Value		Fair value at June 30, 2018	
	Classification	Amount	Classification	Amount
<b>Pay-Variable, Receive-Variable</b>				
<i>2010A Subordinate Tax Allocation Refunding Bonds</i>	Investment revenue	\$826,300	Investment	(\$4,033,000)

*Credit risk.* As of June 30, 2018, the Agency was not exposed to credit risk on the outstanding swap because the swap had a negative fair value. However, if *interest* rates increase and the fair value of the swap were to become positive, the Agency would be exposed to credit risk. The Agency will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

*Interest rate risk.* The swap increases the Agency's exposure to variable interest rates. As the SIFMA Municipal Swap Index Rate increases or the LIBOR decreases, the Agency's net payment on the swap increases.

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

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**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

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

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

*Swap payments and associated debt.* Using rates as of June 30, 2018, debt service requirements of the Agency's outstanding fixed rate Bonds and net swap payments assuming current interest rates remain the same for their term, are as follows. As rates vary, fixed rate bond *interest* payments and net swap payments will vary. These payments below are included in the Debt Service Requirements above:

For the Years Ending June 30,	Fixed-Rate Bonds		Interest Rate	Total
	Principal	Interest	Swap, Net	
2019	\$1,325,000	\$1,437,361	\$427,576	\$3,189,937
2020	1,015,000	1,377,846	408,479	2,801,325
2021	1,270,000	1,317,325	372,112	2,959,437
2022	820,000	1,260,644	351,653	2,432,297
2023	880,000	1,213,344	334,500	2,427,844
2024-2028	13,180,000	4,475,120	1,264,022	18,919,142
2029-2033	3,140,000	1,617,301	608,013	5,365,314
2034-2037	3,605,000	464,121	142,395	4,211,516
<b>Total</b>	<b>\$25,235,000</b>	<b>\$13,163,062</b>	<b>\$3,908,750</b>	<b>\$42,306,812</b>

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**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

**Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds 2014 Series A & B – Original Issue Amounts \$25,795,000 and \$1,655,000, respectively**

The 2014 A & B Bonds were issued on March 27, 2014 by the Successor Agency to the Richmond Community Redevelopment Agency. The proceeds of the Bonds, together with other available funds, were used to refund and defease the outstanding balance of the current interest portion of the 1998 Harbour Redevelopment Project Tax Allocation Refunding Bonds Series A, and the outstanding balances of the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds Series 2000 A & B and Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds Series 2003A. Interest rates range from 1.40% to 5.00% and is payable semiannually on March 1 and September 1. The 2014A Bonds mature annually on each September 1 through 2025 while the 2014B Bonds mature annually on each September 1 through 2018. Both Bonds are secured by a pledge of Redevelopment Property Tax Trust Fund revenues. The outstanding balances of the defeased debt as of June 30, 2018 were as follows:

Harbour Tax Allocation Refunding Bonds - 1998 Series A	\$6,055,000
JPFA Tax Allocation Revenue Bonds - 2000 Series A & B	3,360,000
JPFA Tax Allocation Revenue Bonds - 2003 Series A	<u>11,025,000</u>
	<u>\$20,440,000</u>

At June 30, 2018, the 2014 A & B Bonds consisted of the following:

Bonds outstanding:	\$17,680,000
Unamortized premium	<u>1,170,386</u>
<b>Net</b>	<u>\$18,850,386</u>

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

For the Years Ending June 30,	Principal	Interest	Total
	2019	\$3,505,000	\$771,512
2020	1,775,000	659,375	2,434,375
2021	1,870,000	568,250	2,438,250
2022	1,960,000	472,500	2,432,500
2023	2,000,000	373,500	2,373,500
2024-2026	6,570,000	490,000	7,060,000
<b>Total</b>	<b>\$17,680,000</b>	<b>\$3,335,137</b>	<b>\$21,015,137</b>

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**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

**Loans Payable**

The Richmond Joint Powers Financing Authority (Authority) has issued the Bonds listed below to assist in financing the Agency’s operations. The Authority has retained reserve amounts required under the respective Bond indentures and loaned the net proceeds of these Bond issues to the Agency. The Authority is responsible for paying principal and interest on the Bonds; the Agency is responsible for making payments to the Authority in the amounts shown below.

The outstanding balances of loans payable to the Authority at June 30, 2018 came from the Bond issues listed below:

JPFA Tax Allocation Revenue Bonds - 2003 Series B	\$8,075,000
JPFA Tax Allocation Revenue Bonds - 2004 Series A & B	<u>13,565,000</u>
<b>Total</b>	<b><u>\$21,640,000</u></b>

**Loan from the Authority dated August 1, 2003**

In 2003, the Authority issued 2003 Tax Allocation Revenue Bonds Series A and Series B in the original amount of \$28,580,000. The net proceeds of the bond issue were loaned to the Agency to provide funding for certain capital improvements and to repay the City of Richmond \$18,000,000 in partial payment of prior obligations. Under the terms of the loan agreement between the Agency and the Authority dated August 1, 2003, repayment of the loan is being made from certain tax increment revenues derived from taxable property within the Post-2004 Limit Area pledged by the Agency for the purpose of loan repayment. On March 27, 2014, the Agency issued the Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds 2014 Series A & B which resulted in the refunding and defeasance of the outstanding balance of the 2003 Series A Bonds in the amount of \$13,290,000 as discussed above.

At issuance, the Bonds were insured by MBIA Insurance Corporation (which was reinsured by National Public Finance Guarantee Corporation (“NPFGC”). On December 5, 2017, Kroll Bond Rating Agency downgraded its insurance financial strength rating for NPFGC from ‘AA+’ to ‘AA’ and subsequently withdrew the rating citing business reasons. On January 17, 2018, Moody’s Investors Service (“Moody’s”) downgraded its insurance financial strength rating on NPFGC from ‘A3’ to ‘Baa2’. As a result of the foregoing, Moody’s downgraded its Insured Rating on the Bonds from ‘A3’ to ‘Baa2’. On February 13, 2019, S&P Global Ratings (formerly Standard and Poor’s Ratings Services) upgraded its Local Currency Long-Term and Underlying Ratings on the Bonds from ‘A+’ to ‘AA-’.

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**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

The annual debt service requirements on the 2003 Series B loan as of June 30, 2018 are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019	\$590,000	\$488,842	\$1,078,842
2020	735,000	448,403	1,183,403
2021	785,000	400,523	1,185,523
2022	835,000	349,493	1,184,493
2023	885,000	295,313	1,180,313
2024-2026	<u>4,245,000</u>	<u>449,348</u>	<u>4,694,348</u>
<b>Total</b>	<b><u>\$8,075,000</u></b>	<b><u>\$2,431,922</u></b>	<b><u>\$10,506,922</u></b>

**Loan from the Authority dated October 1, 2004**

In 2004, the Authority issued the 2004 Tax Allocation Revenue Bonds Series A and Series B in the original amounts of \$15,000,000 and \$2,000,000, respectively. The net proceeds of the bond issue were loaned to the Agency to provide funding for certain capital improvements, low/moderate income housing and to repay the City of Richmond \$6,367,031 in prior obligations. Under the terms of the loan agreement between the Agency and the Authority dated August 1, 2003, repayment of the loan is being made from certain subordinate housing and non-housing tax increment revenues derived from the taxable property within the Merged Project Area pledged by the Agency for the purpose of loan repayment.

The annual debt service requirements for these loans as of June 30, 2018 are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019	\$335,000	\$707,050	\$1,042,050
2020	3,105,000	620,564	3,725,564
2021	680,000	525,014	1,205,014
2022	720,000	488,784	1,208,784
2023	850,000	446,956	1,296,956
2024-2027	<u>7,875,000</u>	<u>1,220,808</u>	<u>9,095,808</u>
<b>Total</b>	<b><u>\$13,565,000</u></b>	<b><u>\$4,009,176</u></b>	<b><u>\$17,574,176</u></b>

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

**Pledge of Redevelopment Tax Increment Revenues**

The Bond issues and loans payable to the Authority discussed above consist of senior and parity obligations secured by future tax increment revenues. The pledge of all future tax increment revenues (housing and non-housing revenue) ends upon repayment of \$118,223,047 remaining debt service on the Bonds and loans which is scheduled to occur in 2037.

With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County’s Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. In addition, under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations. Total property taxes available for distribution to the Successor Agency and other taxing entities for fiscal year 2018 calculated by the County Auditor–Controller were \$26,889,111. The total received by the Successor Agency for fiscal year 2018 debt service and other enforceable obligations was \$12,255,069 and debt service was \$11,670,329.

**Notes Payable**

SERAF Loan	<u>\$10,636,837</u>
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**SERAF Loan**

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by the redevelopment agencies, be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2010 and 2011. The Agency did not have the resources to make these payments and instead was able to enter into a structured payment plan agreement with the State Department of Finance that allows the payments to the County to be made over a ten year period. The loan bears interest at a rate of 2%. Payments of principal and interest are due on an annual basis, commencing May 10, 2014.

For the Years Ending June 30,	Principal	Interest	Total
2019	\$332,087	\$212,737	\$544,824
2020	338,728	206,095	544,823
2021	9,966,022		9,966,022
<b>Total</b>	<u>\$10,636,837</u>	<u>\$418,832</u>	<u>\$11,055,669</u>

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**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

**Debt Without Agency or City Commitment**

A special assessment district has been established in an area of the Agency to provide improvements to properties located in that district. Properties in the district are assessed for the cost of improvements; these assessments are payable solely by property owners over the term of the debt issued to finance these improvements. The Agency is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties in these special assessment districts, nor is it obligated to advance Agency funds to repay these debts in the event of default.

One District, Marina Westshore Community Facilities District No. 1998-1, had issued Community Facilities District No. 1998-1 Special Tax Bonds which had a remaining balance outstanding of \$2,535,000 at June 30, 2018.

**Conduit Debt**

The Agency has assisted private-sector entities by sponsoring their issuance of debt for purposes the Agency deems to be in the public interest. These debt issues are secured solely by the property financed by the debt. The Agency is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties secured by these debts, nor is it obligated to advance Agency funds to repay these debts in the event of default by any of these issuers. At June 30, 2018, the balances of these issuers’ outstanding debts were as follows:

Baycliff Apartment Project, 2004 Revenue Bonds	\$26,490,000
Crescent Park Apartment Project, 2007 Series A & Series A-T Revenue Bonds	25,111,260

**E. Commitments and Contingencies**

**State Approval of Enforceable Obligations**

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) annually that contains all proposed expenditures for the subsequent twelve-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

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**NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

**Miraflores – Pollution Remediation**

The City, through the former Redevelopment Agency, has undertaken a known pollution remediation project at the Miraflores Housing Development site. The Successor Agency assumed the administration of the project as of February 1, 2012. Clean up of the 14 acre former flower nursery site, located at South 45<sup>th</sup> Street and Wall Avenue, will provide future residential and open space land. The remediation phase of the Miraflores project was completed during the fiscal year ended June 30, 2015.

At the time the original Remedial Action Plan was prepared, the original cost of the preferred alternative remediation was estimated to be \$3,200,000. As of June 30, 2015, the estimate had increased to \$13.6 million. During the fiscal year ended June 30, 2016, the Agency decreased the remediation estimate to \$13.4 million. The Agency spent \$13.4 million in pollution remediation costs since the project's inception through June 30, 2018. The project was completed as of June 30, 2018. Subsequent to June 30, 2018, the Miraflores Housing Development site was sold to a private developer.

**NOTE 18 – SUBSEQUENT EVENTS**

**A. Terminal One Land Sale**

The City is in contract with Terminal One Development, LCC, to sell an approximately 10-acre site for development purposes at a price of \$10 million. The developer has paid the City \$500,000 in a non-refundable deposit, with the balance of \$9.5 million due following the granting of all entitlements and close of escrow. Following City Council certification of the environmental impact report (EIR) for the project in July 2016, a lawsuit was filed that challenged certification of the EIR. A settlement was reached by all parties to this lawsuit in November 2016, which allows the project entitlement process to proceed. Close of escrow on the real estate sale by the City to Terminal One Development, LLC, including the transfer of the \$9.5 million balance due from the developer to the City, is anticipated by June 2019.

**B. Transfer of the Section 8 Program to Housing Authority of the County of Contra Costa**

As a result of the Recovery Agreement Action Plan, established and entered into with the U.S. Department of Housing and Urban Development (HUD) and Richmond Housing Authority (RHA), to analyze the following options:

- A. Transfer all operations to another well-managed public housing agency
  - I. Dispose Public Housing operations
  - II. Transfer Housing Choice Voucher (HCV) operations
- B. Separate from the City of Richmond
  - I. Dispose Public Housing operations
  - II. Maintain HCV operations
  - III. Separate and independent RHA Board of Commissioners
- C. Maintain RHA as a component of the City
  - I. Dispose its Public Housing operations
  - II. Maintain its HCV Operations

**CITY OF RICHMOND**  
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**For the Year Ended June 30, 2018**

**NOTE 18 – SUBSEQUENT EVENTS (Continued)**

- III. Board of Commissioners
  - a. Separate and independent
  - b. Maintain existing structure

In February 2019, after conducting research and receiving guidance from the local HUD Office, the Board of Commissioners authorized RHA to issue a "Letter of Intent" to transfer the Housing Choice Voucher (HCV) and Project Based Voucher (PBV) Programs to the Housing Authority of the County of Contra Costa (HACCC) (a well-managed Housing Authority). The Board also directed RHA to formally ask HUD to transfer programs effective July 1, 2019. RHA intends to maintain all of its Public Housing units along with other properties owned or managed under HOPE VI and RAD programs. The request and associated documents from RHA and HACCC were forwarded to HUD for approval.

HUD has issued policies and guidance that authorize one housing authority (PHA) to voluntarily transfer the total budget authority and corresponding baseline units for its Housing Choice Voucher (Voucher) and Project-based Voucher (PBV) Programs to another PHA, subject to approval by HUD. On April 16, 2019, RHA received notice of approval for the Voluntary Transfer of the HCV and PBV programs from RHA to the Housing Authority of the County of Contra Costa effective July 1, 2019. RHA and HACCC plan to enter into a Memorandum of Understanding outlining the facilitation of the program transfer.

**City of Richmond  
Required Supplementary Information**

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**BUDGETARY COMPARISON SCHEDULES**

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CITY OF RICHMOND  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES:</b>				
Property tax	\$38,782,023	\$38,361,265	\$38,961,021	\$599,756
Sales tax	42,299,235	42,876,659	44,474,973	1,598,314
Utility user fees	45,916,543	46,627,843	46,079,755	(548,088)
Other taxes	11,593,174	12,093,174	12,413,127	319,953
Licenses, permits and fees	4,802,874	4,802,874	3,802,576	(1,000,298)
Fines, forfeitures and penalties	943,088	943,088	981,984	38,896
Use of money and property	32,903	32,903	189,599	156,696
Intergovernmental	1,493,660	700,573	1,102,944	402,371
Charges for services	7,238,870	7,713,030	7,823,287	110,257
Rent	808,222	808,222	849,640	41,418
Other	235,927	349,900	414,525	64,625
<b>Total Revenues</b>	<b>154,146,519</b>	<b>155,309,531</b>	<b>157,093,431</b>	<b>1,783,900</b>
<b>EXPENDITURES:</b>				
Current				
General government	24,733,664	26,172,431	28,402,147	(2,229,716)
Public safety	94,289,105	93,651,101	93,646,193	4,908
Public works	22,926,681	23,068,602	22,805,801	262,801
Cultural and recreational	11,023,357	11,022,963	10,734,162	288,801
Capital outlay	432,000	131,213	127,246	3,967
Debt Service:				
Principal	1,040,350	1,040,350	814,494	225,856
Interest and fiscal charges	256,646	256,646	256,830	(184)
<b>Total Expenditures</b>	<b>154,701,803</b>	<b>155,343,306</b>	<b>156,786,873</b>	<b>(1,443,567)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(555,284)</b>	<b>(33,775)</b>	<b>306,558</b>	<b>340,333</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond premium				
Proceeds from sale of property	35,000	35,000	39,226	4,226
Transfers in	6,212,080	6,212,080	6,035,115	(176,965)
Transfers (out)	(5,691,357)	(6,153,382)	(6,166,866)	(13,484)
<b>Total other financing sources (uses)</b>	<b>555,723</b>	<b>93,698</b>	<b>(92,525)</b>	<b>(186,223)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>439</b>	<b>59,923</b>	<b>214,033</b>	<b>154,110</b>
Fund balance, July 1	35,416,890	35,416,890	35,416,890	
Fund balance, June 30	<u>\$35,417,329</u>	<u>\$35,476,813</u>	<u>\$35,630,923</u>	<u>\$154,110</u>

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CITY OF RICHMOND  
COMMUNITY DEVELOPMENT AND LOAN PROGRAMS SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses, permits and fees	\$150,000	\$150,000	\$1,697,222	\$1,547,222
Use of money and property	78,154	78,154	282,805	204,651
Intergovernmental	4,380,049	4,780,049	341,491	(4,438,558)
Other	991,660	991,660	2,062,661	1,071,001
<b>Total Revenues</b>	<b>5,599,863</b>	<b>5,999,863</b>	<b>4,384,179</b>	<b>(1,615,684)</b>
<b>EXPENDITURES</b>				
Current:				
Community development	1,066,010	1,466,011	3,604,538	(2,138,527)
Housing and redevelopment	2,471,308	1,839,322	764,390	1,074,932
Capital outlay	2,774,319	2,774,319	265,715	2,508,604
<b>Total Expenditures</b>	<b>6,311,637</b>	<b>6,079,652</b>	<b>4,634,643</b>	<b>1,445,009</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(711,774)</b>	<b>(79,789)</b>	<b>(250,464)</b>	<b>(170,675)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of property	10,500	10,500		(10,500)
Transfers in	260,202	260,202		(260,202)
Transfers (out)		(255,762)	(255,762)	
<b>Total other financing sources (uses)</b>	<b>270,702</b>	<b>14,940</b>	<b>(255,762)</b>	<b>(270,702)</b>
<b>NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM</b>	<b>(441,072)</b>	<b>(64,849)</b>	<b>(506,226)</b>	<b>(441,377)</b>
<b>SPECIAL ITEM:</b>				
Transfer of loans to housing successor			1,208,259	1,208,259
<b>NET CHANGE IN FUND BALANCE</b>	<b>(441,072)</b>	<b>(64,849)</b>	<b>702,033</b>	<b>766,882</b>
Fund balance, July 1	24,362,160	24,362,160	24,362,160	
<b>Fund balance, June 30</b>	<b>\$23,921,088</b>	<b>\$24,297,311</b>	<b>\$25,064,193</b>	<b>\$766,882</b>

**City of Richmond**  
**Required Supplementary Information**

**NOTES TO BUDGETARY COMPARISON SCHEDULES**

**Budgets and Budgetary Accounting**

The City adopts a budget annually to be effective July 1, for the ensuing fiscal year. Budgeted expenditures are adopted through the passage of a resolution. This resolution constitutes the maximum authorized expenditures for the fiscal year and cannot legally be exceeded except by subsequent amendments of the budget by the City Council.

The City uses an encumbrance system as an extension of normal budgetary accounting for the General Fund, special revenue funds, and capital projects funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund balance since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end.

An operating budget is adopted each fiscal year on a basis consistent with Generally Accepted Accounting Principles (GAAP) for the General Fund, certain Special Revenue Funds (State Gas Tax, General Purpose, Paratransit Operations, Public Safety, Lighting and Landscaping Districts, Developer Impact Fees, Community Development and Loan Programs, Richmond Neighborhood Stabilization Corporation, Rent Control, Cost Recovery and Environmental and Community Investment Agreement) and the debt service funds (2005 Pension Obligation Bonds, General Debt Service and Civic Center Debt Service). Public hearings are conducted on the proposed budgets to review all appropriations and sources of financing. Capital projects funds are budgeted on a project length basis and are therefore not comparable on an annual basis.

Expenditures are controlled at the fund level for all budgeted departments within the City. This is the level at which expenditures may not legally exceed appropriations. Budgeted amounts for the Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual include budget amendments approved by City Council.

**City of Richmond  
Required Supplementary Information**

Miscellaneous Agent Multiple-Employer Defined Benefit Pension Plan

Last 10 Years\*

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017
<b>Total Pension Liability</b>				
Service Cost	\$ 7,816,868	\$ 7,446,410	\$ 7,200,571	\$ 8,053,459
Interest	30,597,498	31,414,256	32,305,003	32,804,733
Differences between expected and actual experience		(5,280,549)	(3,484,064)	(4,464,966)
Changes in assumptions		(7,116,200)		25,548,824
Changes in benefits				
Benefit payments, including refunds of employee contributions	(23,007,539)	(23,302,793)	(23,917,069)	(25,074,448)
<b>Net change in total pension liability</b>	<b>15,406,827</b>	<b>3,161,124</b>	<b>12,104,441</b>	<b>36,867,622</b>
<b>Total pension liability - beginning</b>	<b>415,561,984</b>	<b>430,968,811</b>	<b>434,129,935</b>	<b>446,234,376</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 430,968,811</b>	<b>\$ 434,129,935</b>	<b>\$ 446,234,376</b>	<b>\$ 483,101,998</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 6,661,038	\$ 7,189,716	\$ 8,093,834	\$ 8,860,295
Contributions - employee	3,195,699	3,141,565	3,087,656	2,996,354
Net investment income (1)	51,867,728	7,502,958	1,630,388	35,805,938
Plan to plan resource movement		(6,885)	(4,762)	(50,018)
Administrative expense		(379,925)	(205,714)	(481,651)
Benefit payments, including refunds of employee contributions	(23,007,539)	(23,302,793)	(23,917,069)	(25,074,448)
<b>Net change in plan fiduciary net position</b>	<b>38,716,926</b>	<b>(5,855,364)</b>	<b>(11,315,667)</b>	<b>22,056,470</b>
<b>Plan fiduciary net position - beginning</b>	<b>304,680,611</b>	<b>343,397,537</b>	<b>337,542,173</b>	<b>326,226,506</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 343,397,537</b>	<b>\$ 337,542,173</b>	<b>\$ 326,226,506</b>	<b>\$ 348,282,976</b>
Net pension liability - ending (a)-(b)	\$ 87,571,274	\$ 96,587,762	\$ 120,007,870	\$ 134,819,022
Plan fiduciary net position as a percentage of the total pension liability	79.68%	77.75%	73.11%	72.09%
Covered payroll	\$ 37,210,225	\$ 36,151,102	\$ 36,638,889	\$ 35,964,798
Net pension liability as percentage of covered payroll	235.34%	267.18%	327.54%	374.86%

**Notes to Schedule:**

(1) Net of administrative expense in 2014.

**Benefit changes.** The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).  
**Changes in assumptions.** GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 and 2016 measurement dates. In June 30, 2017 the discount rate was reduced from 7.65% to 7.15%.

\* - Fiscal year 2015 was the 1st year of implementation.

**City of Richmond  
Required Supplementary Information**

Miscellaneous Agent Multiple-Employer Defined Benefit Pension Plan

As of fiscal year ending June 30

Last 10 Years\*

**SCHEDULE OF CONTRIBUTIONS**

Fiscal Year Ended June 30	2015	2016	2017	2018
Actuarially determined contribution	\$ 7,178,549	\$ 8,084,584	\$ 8,867,763	\$ 10,436,250
Contributions in relation to the actuarially determined contributions	(7,178,549)	(8,084,584)	(8,867,763)	(10,436,250)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 36,151,102	\$ 36,638,889	\$ 35,964,798	\$ 35,725,311
Contributions as a percentage of covered payroll	19.86%	22.07%	24.66%	29.21%
<b>Notes to Schedule</b>				
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015
Methods and assumptions used to determine contribution rates:				
Actuarial cost method		Entry age normal		
Amortization method		For details, see June 30 Funding Valuation Report		
Asset valuation method		Market Value of Assets. For details, see June 30 Funding Valuation Report		
Inflation		2.75%		
Payroll Growth		3.00%		
Salary increases		Varies by Entry Age and Service		
Investment rate of return		7.50%, Net of Pension Plan Investment and Administrative Expenses; including Inflation		
Retirement age		The probability of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.		
Mortality Rate Table		The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.		

\* - Fiscal year 2015 was the 1st year of implementation.

**City of Richmond  
Required Supplementary Information**

Safety Agent Multiple-Employer Defined Benefit Pension Plan  
Last 10 Years\*  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017
<b>Total Pension Liability</b>				
Service Cost	\$ 10,167,167	\$ 10,142,245	\$ 10,297,536	\$ 11,650,927
Interest	38,254,517	40,142,006	41,950,593	43,264,626
Differences between expected and actual experience		3,799,388	2,950,295	797,969
Changes in assumptions		(9,563,090)		35,109,898
Changes in benefits				
Benefit payments, including refunds of employee contributions	(27,199,743)	(28,747,508)	(30,593,589)	(33,620,000)
<b>Net change in total pension liability</b>	21,221,941	15,773,041	24,604,835	57,203,420
<b>Total pension liability - beginning</b>	518,576,503	539,798,444	555,571,485	580,176,320
<b>Total pension liability - ending (a)</b>	\$ 539,798,444	\$ 555,571,485	\$ 580,176,320	\$ 637,379,740
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 9,352,438	\$ 10,652,641	\$ 11,488,714	\$ 12,699,049
Contributions - employee	3,348,408	3,797,568	4,607,993	4,471,008
Net investment income (1)	64,842,562	9,408,186	2,062,417	45,166,243
Plan to plan resource movement		3,476	4,762	50,018
Administrative expense		(477,249)	(258,432)	(607,337)
Benefit payments, including refunds of employee contributions	(27,199,743)	(28,747,508)	(30,593,589)	(33,620,000)
<b>Net change in plan fiduciary net position</b>	50,343,665	(5,362,886)	(12,688,135)	28,158,981
<b>Plan fiduciary net position - beginning</b>	379,062,015	429,405,680	424,042,794	411,354,659
<b>Plan fiduciary net position - ending (b)</b>	\$ 429,405,680	\$ 424,042,794	\$ 411,354,659	\$ 439,513,640
Net pension liability - ending (a)-(b)	\$ 110,392,764	\$ 131,528,691	\$ 168,821,661	\$ 197,866,100
Plan fiduciary net position as a percentage of the total pension liability	79.55%	76.33%	70.90%	68.96%
Covered payroll	\$ 35,479,947	\$ 36,151,966	\$ 37,352,212	\$ 37,273,957
Net pension liability as percentage of covered payroll	311.14%	363.82%	451.97%	530.84%

**Notes to Schedule:**

(1) Net of administrative expense in 2014.

**Benefit changes.** The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes in assumptions.** GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 and 2016 measurement dates. In June 30, 2017 the discount rate was reduced from 7.65% to 7.15%.

\* - Fiscal year 2015 was the 1st year of implementation.

**City of Richmond  
Required Supplementary Information**

Safety Agent Multiple-Employer Defined Benefit Pension Plan  
As of fiscal year ending June 30  
Last 10 Years\*  
**SCHEDULE OF CONTRIBUTIONS**

Fiscal Year Ended June 30	2015	2016	2017	2018
Actuarially determined contribution	\$ 10,650,057	\$ 11,492,798	\$ 12,696,582	\$ 14,013,858
Contributions in relation to the actuarially determined contributions	(10,650,057)	(11,492,798)	(12,696,582)	(14,013,858)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 36,151,966	\$ 37,352,212	\$ 37,273,957	\$ 34,439,607
Contributions as a percentage of covered payroll	29.46%	30.77%	34.06%	40.69%
<b>Notes to Schedule</b>				
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015
Methods and assumptions used to determine contribution rates:				
Actuarial cost method		Entry age normal		
Amortization method		For details, see June 30 Funding Valuation Report		
Asset valuation method		Market Value of Assets. For details, see June 30 Funding Valuation Report		
Inflation		2.75%		
Payroll Growth		3.00%		
Salary increases		Varies by Entry Age and Service		
Investment rate of return		7.50%, Net of Pension Plan Investment and Administrative Expenses; includes Inflation		
Retirement age		The probability of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.		
Mortality Rate Table		The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.		

\* - Fiscal year 2015 was the 1st year of implementation.

**City of Richmond  
Required Supplementary Information**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

	Last 10 Fiscal Years *				
	Measurement Period Ended June 30				
	2014	2015	2016	2017	2018
<b>General Pension Plan</b>					
<b>Total Pension Liability</b>					
Service Cost					
Interest	\$ 147,247	\$ 128,954	\$ 107,632	\$ 92,742	\$ 80,100
Differences between expected and actual experience		345,786		40,459	
Changes of assumptions		322,312			(20,669)
Changes of benefit terms					
Benefit payments, including member contribution refunds	(592,105)	(672,546)	(623,662)	(584,272)	(524,939)
Net change in Total Pension Liability	(444,858)	124,506	(516,030)	(451,071)	(465,508)
Total Pension Liability at beginning of year	4,219,909	3,775,051	3,899,557	3,383,527	2,932,456
<b>Total pension liability at end of year</b>	<b>\$ 3,775,051</b>	<b>\$ 3,899,557</b>	<b>\$ 3,383,527</b>	<b>\$ 2,932,456</b>	<b>\$ 2,466,948</b>
<b>Fiduciary Net Position</b>					
Contributions - employer	\$ 602,970	\$ 602,970	\$ 602,970	\$ 73,592	\$ 814,594
Contributions - donations and other income					
Contributions - member					
Net investment income	(837)	2,017	2,255	3,351	2,207
Other additions					
Benefit payments, including member contribution refunds	(592,105)	(672,546)	(623,662)	(584,272)	(524,939)
Administrative expenses					
Other deductibles					
Net change in Fiduciary Net Position	10,028	(67,559)	(18,437)	(507,329)	291,862
Fiduciary Net Position at beginning of year	1,033,168	1,043,196	975,637	957,200	449,871
<b>Fiduciary net position at end of year</b>	<b>\$ 1,043,196</b>	<b>\$ 975,637</b>	<b>\$ 957,200</b>	<b>\$ 449,871</b>	<b>\$ 741,733</b>
<b>Net pension liability (asset) at end of year</b>	<b>\$ 2,731,855</b>	<b>\$ 2,923,920</b>	<b>\$ 2,426,327</b>	<b>\$ 2,482,585</b>	<b>\$ 1,725,215</b>
<b>Fiduciary net position as percentage of total pension</b>	<b>27.6%</b>	<b>25.0%</b>	<b>28.3%</b>	<b>15.3%</b>	<b>30.1%</b>
<b>Covered payroll</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Net pension liability as percentage of covered payroll</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

\* Fiscal year 2014 was the 1st year of implementation.

**City of Richmond  
Required Supplementary Information**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

	Last 10 Fiscal Years *				
	Measurement Period Ended June 30				
	2014	2015	2016	2017	2018
<b>Police and Firemen's Pension Plan</b>					
<b>Total Pension Liability</b>					
Service Cost					
Interest	\$ 1,579,762	\$ 1,464,746	\$ 1,214,089	\$1,111,386	\$ 1,031,753
Differences between expected and actual experience		(323,462)		261,891	
Changes of assumptions		1,380,854			
Changes of benefit terms					
Benefit payments, including member contribution refunds	(3,436,887)	(3,074,421)	(3,140,552)	(2,859,902)	(2,656,508)
Net change in Total Pension Liability	(1,837,125)	(552,283)	(1,926,463)	(1,486,625)	(1,624,755)
Total Pension Liability at beginning of year	25,094,272	23,237,147	22,684,864	20,758,401	19,271,776
<b>Total pension liability at end of year</b>	<b>\$ 23,237,147</b>	<b>\$ 22,684,864</b>	<b>\$ 20,758,401</b>	<b>\$ 19,271,776</b>	<b>\$ 17,647,021</b>
<b>Fiduciary Net Position</b>					
Contributions - employer	\$ 740,235	\$ 740,235	\$ 1,222,197	\$ 1,270,466	\$ 1,270,466
Contributions - donations and other income					
Contributions - member					
Net investment income	2,968,492	369,240	(165,490)	1,340,997	589,027
Other additions					
Benefit payments, including member contribution refunds	(3,436,887)	(3,074,421)	(3,140,552)	(2,859,902)	(2,656,508)
Administrative expenses					
Other deductibles					
Net change in Fiduciary Net Position	(3,152,728)	(1,964,946)	(2,083,845)	(248,439)	(797,015)
Fiduciary Net Position at beginning of year	19,834,552	16,681,824	14,716,878	12,633,033	12,384,594
<b>Fiduciary net position at end of year</b>	<b>\$ 16,681,824</b>	<b>\$ 14,716,878</b>	<b>\$ 12,633,033</b>	<b>\$ 12,384,594</b>	<b>\$ 11,587,579</b>
<b>Net pension liability (asset) at end of year</b>	<b>\$ 6,555,323</b>	<b>\$ 7,967,986</b>	<b>\$ 8,125,368</b>	<b>\$ 6,887,182</b>	<b>\$ 6,059,442</b>
<b>Fiduciary net position as percentage of total pension</b>	<b>71.8%</b>	<b>64.9%</b>	<b>60.9%</b>	<b>64.3%</b>	<b>65.7%</b>
<b>Covered payroll</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Net pension liability as percentage of covered payroll</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

\* Fiscal year 2014 was the 1st year of implementation.

**City of Richmond  
Required Supplementary Information**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

**Last 10 Fiscal Years \***

	Measurement Period Ended June 30				
	2014	2015	2016	2017	2018
<b>Garfield Pension Plan</b>					
<b>Total Pension Liability</b>					
Service Cost					
Interest	\$ 30,759	\$ 28,597	\$ 21,615	\$ 19,517	\$ 19,334
Differences between expected and actual experience		(45,458)		67,810	
Changes of assumptions		64,544			
Changes of benefit terms					
Benefit payments, including member contribution refunds	(87,140)	(88,883)	(90,660)	(92,474)	(94,323)
Net change in Total Pension Liability	(56,381)	(41,200)	(69,045)	(5,147)	(74,989)
Total Pension Liability at beginning of year	863,415	807,034	765,834	696,789	691,642
<b>Total pension liability at end of year</b>	<b>\$ 807,034</b>	<b>\$ 765,834</b>	<b>\$ 696,789</b>	<b>\$ 691,642</b>	<b>\$ 616,653</b>
<b>Fiduciary Net Position</b>					
Contributions - employer	\$ 102,140	\$ 102,140	\$ 102,140	\$ 102,140	\$ 102,140
Contributions - donations and other income					
Contributions - member					
Net investment income	227	577	933	1,517	2,627
Other additions					
Benefit payments, including member contribution refunds	(87,141)	(88,883)	(90,660)	(92,474)	(94,323)
Administrative expenses					
Other deductions					
Net change in Fiduciary Net Position	15,226	13,834	12,413	11,183	10,444
Fiduciary Net Position at beginning of year	244,661	259,887	273,721	286,134	297,317
<b>Fiduciary net position at end of year</b>	<b>\$ 259,887</b>	<b>\$ 273,721</b>	<b>\$ 286,134</b>	<b>\$ 297,317</b>	<b>\$ 307,761</b>
<b>Net pension liability (asset) at end of year</b>	<b>\$ 547,147</b>	<b>\$ 492,113</b>	<b>\$ 410,655</b>	<b>\$ 394,325</b>	<b>\$ 308,892</b>
<b>Fiduciary net position as percentage of total pension</b>	32.2%	35.7%	41.1%	43.0%	49.9%
<b>Covered payroll</b>	n/a	n/a	n/a	n/a	n/a
<b>Net pension liability as percentage of covered payroll</b>	n/a	n/a	n/a	n/a	n/a

\* Fiscal year 2014 was the 1st year of implementation.

**City of Richmond  
Required Supplementary Information**

**SCHEDULE OF CONTRIBUTIONS**

**Last 10 Fiscal Years**

Fiscal Year	(1)	(2)	(3)	(4)	(5)
	Actuarially Determined Contribution (ADC)	Employer Contributions	Contribution Deficiency (Excess) (1)-(2)	Covered-Employee Payroll	ADC / Covered-Employee Payroll (1)/(4)
<b>Police and Firemen's Plan</b>					
June 30, 2008	\$ 2,199,459	\$ 5,000,000	\$ (2,800,541)	n/a	n/a
June 30, 2009	1,887,057	4,800,000	(2,912,943)	n/a	n/a
June 30, 2010	2,477,902	4,600,000	(2,122,098)	n/a	n/a
June 30, 2011	2,257,912	-	2,257,912	n/a	n/a
June 30, 2012	1,596,771	-	1,596,771	n/a	n/a
June 30, 2013	1,813,721	1,596,771	216,950	n/a	n/a
June 30, 2014	740,235	740,234	1	n/a	n/a
June 30, 2015	740,235	740,235	-	n/a	n/a
June 30, 2016	1,270,466	1,222,197	48,269	n/a	n/a
June 30, 2017	1,270,466	1,270,466	-	n/a	n/a
June 30, 2018	1,389,612	1,270,466	119,146	n/a	n/a
<b>General Pension Plan</b>					
June 30, 2008	\$ 307,948	\$ 307,948	\$ -	n/a	n/a
June 30, 2009	307,948	307,948	-	n/a	n/a
June 30, 2010	486,092	486,092	-	n/a	n/a
June 30, 2011	486,092	486,092	-	n/a	n/a
June 30, 2012	455,662	148,186	307,476	n/a	n/a
June 30, 2013	502,278	660,992	(158,714)	n/a	n/a
June 30, 2014	602,970	602,970	-	n/a	n/a
June 30, 2015	602,970	602,970	-	n/a	n/a
June 30, 2016	750,016	602,970	147,046	n/a	n/a
June 30, 2017	750,016	73,592	676,424	n/a	n/a
June 30, 2018	947,219	814,594	132,625	n/a	n/a
<b>Garfield Pension Plan</b>					
June 30, 2008	\$ 72,484	\$ 72,484	\$ -	n/a	n/a
June 30, 2009	72,484	72,484	-	n/a	n/a
June 30, 2010	76,692	76,692	-	n/a	n/a
June 30, 2011	76,692	76,692	-	n/a	n/a
June 30, 2012	78,731	-	78,731	n/a	n/a
June 30, 2013	92,092	77,000	15,092	n/a	n/a
June 30, 2014	102,140	102,140	-	n/a	n/a
June 30, 2015	102,140	102,140	-	n/a	n/a
June 30, 2016	78,987	102,140	(23,153)	n/a	n/a
June 30, 2017	78,987	102,140	(23,153)	n/a	n/a
June 30, 2018	86,103	102,140	(16,037)	n/a	n/a

**City of Richmond  
Required Supplementary Information**

**SCHEDULE OF CONTRIBUTIONS (Continued)**

**Notes to Schedule:**

	<u>Police and Firemen's Plan</u>	<u>General Pension Plan</u>	<u>Garfield Pension Plan</u>
Actuarially determined contribution rates are calculated as of the end of the fiscal year in which contributions are reported.			
From the July 1, 2017 Actuarial Valuation			
Methods and assumptions used to determine contribution rates:			
Actuarial cost method	Entry age normal cost	Entry age normal cost	Entry age normal cost
Amortization method	<b>Investment Gains &amp; Losses:</b> Straight-line amortization over a closed 5-year period.	<b>Effects of Assumptions Changes and Experience Gains and Losses:</b> Straight-line amortization over a closed period equal to the average of the expected remaining service lives of all members that are provided with pensions through the pension plan. Since the plan no longer has active members, the effects of assumption changes and experience gains and losses are recognized immediately.	
Remaining amortization period	6 years	2 years	5 years
Asset valuation method	Market value of assets	Market value of assets	Market value of assets
Inflation	2.75%	2.75%	2.75%
Salary increases used to estimate future increases to pensions	N/A	N/A	N/A
Discount rate, net of investment expenses	5.75%	3.18%	3.00%
Retirement age	Closed to new members	Closed to new members	Closed to new members
Mortality	California PERS Mortality Table in its 2014 experience study (based on CalPERS 2001 - 2011 experience)		

**SCHEDULE OF INVESTMENT RETURNS**

**Last 10 Fiscal Years \***

<b>Annual money-weighted rate of return, net of investment expense</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Police and Fireman's Plan</b>	3.90%	2.40%	-1.20%	11.80%	4.90%
<b>General Pension Plan</b>	0.10%	0.30%	0.30%	0.50%	1.00%
<b>Garfield Pension Plan</b>	0.40%	0.30%	0.40%	0.60%	1.00%

\* Fiscal year 2014 was the 1st year of implementation.

**City of Richmond  
Required Supplementary Information**

**OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULES  
OPEB PLAN TRUST FUND, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN  
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS  
Last Ten Fiscal Years for the Measurement Periods Ended June 30 <sup>(1)</sup>**

	<u>2017</u>	<u>2018</u>
<b>For the Measurement Period Ended June 30</b>		
<b>Total OPEB Liability</b>		
Service Cost	\$7,558,987	\$6,730,397
Interest	7,064,307	7,927,217
Changes in benefit terms		
Differences between expected and actual experience		(2,816,969)
Changes of assumptions	(15,340,529)	8,715,168
Benefit payments	<u>(6,497,645)</u>	<u>(6,861,529)</u>
<b>Net change in total OPEB liability</b>	(7,214,880)	13,694,284
<b>Total OPEB liability - beginning</b>	<u>198,687,162</u>	<u>191,472,282</u>
<b>Total OPEB liability - ending (a)</b>	<u>\$191,472,282</u>	<u>\$205,166,566</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$13,218,475	\$13,599,120
Contributions - employee	278,850	765,475
Net investment income	227,394	632,089
Administrative expense	(11,250)	(49,169)
Benefit payments	<u>(6,497,645)</u>	<u>(6,861,529)</u>
<b>Net change in plan fiduciary net position</b>	7,215,824	8,085,986
<b>Plan fiduciary net position - beginning</b>	<u>2,121,069</u>	<u>9,336,893</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$9,336,893</u>	<u>\$17,422,879</u>
<b>Net OPEB liability - ending (a)-(b)</b>	<u>\$182,135,389</u>	<u>\$187,743,687</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	4.88%	8.49%
<b>Covered-employee payroll</b>	<u>\$66,774,795</u>	<u>\$65,359,713</u>
<b>Net OPEB liability as a percentage of covered-employee payroll</b>	<u>272.76%</u>	<u>287.25%</u>

(1) Fiscal year 2017 was the first year of implementation.

**City of Richmond  
Required Supplementary Information**

**OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULES**

**SCHEDULE OF PLAN CONTRIBUTIONS**

Last 10 Fiscal Years (1)

Fiscal Year Ended June 30,	2017	2018
Contractually Required Contributions (CRC) (2)	\$6,497,645	\$6,861,529
Contributions in relation to the CRC	(6,497,645)	(6,861,529)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>

(1) Fiscal year 2017 was the first year of implementation.

(2) The City does not calculate an Actuarially Determined Contribution, but the City's agreements with its bargaining units provide for various benefit levels as discussed in Note 12 to the financial statements. Contributions reported include the implicit subsidy.

**SCHEDULE OF INVESTMENT RETURNS  
Last Ten Fiscal Years Ended June 30 <sup>(1)</sup>**

For the Fiscal Year Ended June 30	2017	2018
Annual money-weighted rate of return, net of investment expense	10.75%	6.30%

**Notes:**

(1) Fiscal year 2017 was the first year of implementation

**CITY OF RICHMOND  
JUNE 30, 2018**

**NON-MAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

**State Gas Tax Fund** accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code. State gas taxes are restricted to uses for street construction activities including location of underground utilities, geotechnical work relating to identification of soil and groundwater contamination, materials sampling and testing.

**General Purpose Fund** accounts for other restricted monies that are to be used for the specific purposes for which the funds were set up.

**Paratransit Operations Fund** accounts for monies used to provide subsidized, accessible transportation to the seniors and disabled residents of the City of Richmond and the adjacent unincorporated areas of West Contra Costa County.

**Employment & Training Fund** is a fund set up to plan, administer and operate job training programs for the adult and youth residents of Richmond.

**Public Safety Fund** records the receipt and use of grant monies under the Local Law Enforcements Block Grant Program, Office of Traffic Safety Grants, OES Grants, FEMA Grants and various other grants.

**Lighting and Landscaping Districts Fund** was set up to account for maintenance services in the nature of landscaping, lighting, cleaning provided to the Hilltop parking lot area, the Marina Way Development area, and the Marina Bay area.

**Developer Impact Fees Fund** is used to account for monies received from fees levied by the City on new commercial and residential projects. These funds will be used to mitigate the additional public safety and infrastructure costs resulting from these development projects.

**Secured Pension Override Fund** records the receipt of Pension Tax override collected through property taxes for payment of pension contributions.

**Richmond Neighborhood Stabilization Corporation Fund** - The Richmond Neighborhood Stabilization Corporation Special Revenue Fund accounts for the activities of the Corporation.

**Rent Control Fund** is used to account for fees paid by landlords to fund the operation of Richmond's Fair Rent, Just Cause for Eviction, and Homeowner Protection programs.

**Cost Recovery Fund** is used to record the receipt and use of monies for services provided to the public and developers.

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

CITY OF RICHMOND  
JUNE 30, 2018

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NON-MAJOR GOVERNMENTAL FUNDS (Continued)

**DEBT SERVICE FUNDS**

**2005 Pension Obligation Bonds Debt Service Fund** receives transfers from the General Fund and the Pension Tax Override Fund, and pays the debt service on the 2005 Pension Obligation Bonds.

**General Debt Service Fund** accounts for monies received in connection with the 1995A and the 1999 Series A Pension Obligation Bonds and the related payments on such debt. The 1995 Series A bonds were to refinance the cost of capital improvements, and the 1999 Series A bonds were issued to fund a portion of the unfunded accrued actuarial liability in the Pension Fund.

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

**CAPITAL PROJECTS FUNDS**

**General Capital Improvement Fund** accounts for monies designated for capital improvement projects.

**Measure C/J Fund** was set up when the voters of Contra Costa County approved Measure C providing for the creation of the Contra Costa County Transportation Authority. The half-cent transportation sales tax was renewed under Measure J, effective April 1, 2009. The Authority collects one-half of one percent sales and use tax. Twenty percent of this tax is allocated to the City of Richmond to be used for the improvement of local transportation, including streets and roads in accordance with Measure C and Measure J compliance.

**Harbor Navigation Fund** records the expenses relating to the construction of certain public improvements relating to the Port of Richmond consisting of dredging and deepening of the Richmond Harbor.

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CITY OF RICHMOND  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS			
	State Gas Tax	General Purpose	Paratransit Operations	Employment and Training
<b>ASSETS</b>				
Cash and investments	\$682,278	\$1,425,798		\$1,409,377
Restricted cash and investments				4,225
Receivables:				
Accounts, net	138,960	5,773	\$5,149	62,109
Interest	1,701	3,165		
Grants		1,009,674		786,123
Loans				
Total Assets	<u>\$822,939</u>	<u>\$2,444,410</u>	<u>\$5,149</u>	<u>\$2,261,834</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$504,759	\$403,251	\$11,381	\$78,773
Refundable deposits				554,874
Due to other funds			2,902,517	2,681,960
Unearned revenue		<u>635,527</u>		<u>60,000</u>
Total Liabilities	<u>504,759</u>	<u>1,038,778</u>	<u>2,913,898</u>	<u>138,773</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue		<u>721,206</u>		<u>103,798</u>
<b>FUND BALANCE</b>				
Restricted	318,180	684,426		2,019,263
Assigned				
Unassigned			<u>(2,908,749)</u>	
Total Fund Balances (Deficits)	<u>318,180</u>	<u>684,426</u>	<u>(2,908,749)</u>	<u>2,019,263</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$822,939</u>	<u>\$2,444,410</u>	<u>\$5,149</u>	<u>\$2,261,834</u>

	SPECIAL REVENUE FUNDS						
	Public Safety	Lighting and Landscaping Districts	Developer Impact Fees	Secured Pension Override	Richmond Neighborhood Stabilization Corporation	Rent Control	Cost Recovery
Cash and investments	\$310,869	\$1,257,487	\$5,141,810		\$50,700	\$178	
Restricted cash and investments					124,772		
Receivables:							
Accounts, net		7,479				11,649	\$848,931
Interest	708	2,838	8,804		111	309	4,339
Grants	30,353						1,701,210
Loans					<u>779,013</u>		
Total Assets	<u>\$341,930</u>	<u>\$1,267,804</u>	<u>\$5,150,614</u>		<u>\$954,596</u>	<u>\$12,136</u>	<u>\$2,554,480</u>
Accounts payable and accrued liabilities	\$16,969	\$37,473	\$15,843			\$99,815	\$1,201,079
Refundable deposits							554,874
Due to other funds							2,681,960
Unearned revenue							<u>20,093</u>
Total Liabilities	<u>16,969</u>	<u>37,473</u>	<u>15,843</u>			<u>99,815</u>	<u>4,458,006</u>
Unavailable revenue		<u>7,479</u>			<u>\$779,013</u>		<u>1,186,864</u>
Restricted	324,961	1,222,852	5,134,771		175,583		
Assigned							
Unassigned						<u>(87,679)</u>	<u>(3,090,390)</u>
Total Fund Balances (Deficits)	<u>324,961</u>	<u>1,222,852</u>	<u>5,134,771</u>		<u>175,583</u>	<u>(87,679)</u>	<u>(3,090,390)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$341,930</u>	<u>\$1,267,804</u>	<u>\$5,150,614</u>		<u>\$954,596</u>	<u>\$12,136</u>	<u>\$2,554,480</u>

CITY OF RICHMOND  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS			Total Nonmajor Governmental Funds
	Environmental and Community Investment Agreement	2005 Pension Obligation Bonds	General Debt Service	Civic Center Debt Service	General Capital Improvement	Measure C / J	Harbor Navigation	
<b>ASSETS</b>								
Cash and investments	\$15,079,174				\$1,057,597	\$456,257	\$43,810	\$26,915,335
Restricted cash and investments		\$9,844,431	\$150	\$1,046,238	86,361			11,106,177
Receivables:								
Accounts, net						1,906,395		2,986,445
Interest	29,268				13	476	96	51,828
Grants					2,550,798	125,944		6,204,102
Loans								779,013
<b>Total Assets</b>	<u>\$15,108,442</u>	<u>\$9,844,431</u>	<u>\$150</u>	<u>\$1,046,238</u>	<u>\$3,694,769</u>	<u>\$2,489,072</u>	<u>\$43,906</u>	<u>\$48,042,900</u>
<b>LIABILITIES</b>								
Accounts payable and accrued liabilities	\$766,141			\$100	\$51,514	\$313,791		\$3,500,889
Refundable deposits								554,874
Due to other funds			\$237	1,003,477				6,588,191
Unearned revenue				2,895,537				3,611,157
<b>Total Liabilities</b>	<u>766,141</u>		<u>237</u>	<u>3,899,114</u>	<u>51,514</u>	<u>313,791</u>		<u>14,255,111</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue					698,200	125,944		3,622,504
<b>FUND BALANCE</b>								
Restricted	14,342,301	\$9,844,431			2,945,055	2,049,337		39,061,160
Assigned							\$43,906	43,906
Unassigned				(87)	(2,852,876)			(8,939,781)
<b>Total Fund Balances (Deficits)</b>	<u>14,342,301</u>	<u>9,844,431</u>		<u>(87)</u>	<u>2,945,055</u>	<u>2,049,337</u>	<u>43,906</u>	<u>30,165,285</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$15,108,442</u>	<u>\$9,844,431</u>	<u>\$150</u>	<u>\$1,046,238</u>	<u>\$3,694,769</u>	<u>\$2,489,072</u>	<u>\$43,906</u>	<u>\$48,042,900</u>

CITY OF RICHMOND  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS			
	State Gas Tax	General Purpose	Paratransit Operations	Employment and Training
<b>REVENUES</b>				
Property taxes				
Licenses, permits and fees		\$123,002	\$51,889	
Fines, forfeitures and penalties		19,943		
Use of money and property	\$5,974	13,874		
Intergovernmental	2,731,217	1,700,439		\$3,710,793
Private grants				
Charges for services			22,521	51,000
Pension stabilization revenue				
Other	62,974	1,800	5,123	95,434
Rent				3,300
<b>Total Revenues</b>	<b>2,800,165</b>	<b>1,859,058</b>	<b>79,533</b>	<b>3,860,527</b>
<b>EXPENDITURES</b>				
Current:				
General government		375,140	1,284,205	
Public safety		651,808		
Public works	3,068,653	901,398		
Community development				4,153,100
Cultural and recreational		345,993		
Housing and redevelopment				
Capital outlay	130,956			
Debt Service:				
Principal				
Interest and fiscal charges				
<b>Total Expenditures</b>	<b>3,199,609</b>	<b>2,274,339</b>	<b>1,284,205</b>	<b>4,153,100</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(399,444)</b>	<b>(415,281)</b>	<b>(1,204,672)</b>	<b>(292,573)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				999,639
Transfers (out)				
<b>Total Other Financing Sources (Uses)</b>				<b>999,639</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(399,444)</b>	<b>(415,281)</b>	<b>(1,204,672)</b>	<b>707,066</b>
<b>BEGINNING FUND BALANCES (DEFICITS)</b>	<b>717,624</b>	<b>1,099,707</b>	<b>(1,704,077)</b>	<b>1,312,197</b>
<b>ENDING FUND BALANCES (DEFICITS)</b>	<b>\$318,180</b>	<b>\$684,426</b>	<b>(\$2,908,749)</b>	<b>\$2,019,263</b>

	SPECIAL REVENUE FUNDS						
	Public Safety	Lighting and Landscaping Districts	Developer Impact Fees	Secured Pension Override	Richmond Neighborhood Stabilization Corporation	Rent Control	Cost Recovery
		\$1,521,393		\$9,075,692			
			\$3,060,347			\$1,878,958	\$10,938,889
	\$3,021	12,815	33,501	17,873	\$666	1,201	9,626
	312,269						5,006,051
							3,237,648
	108,647		3,105				47,135
<b>Total Revenues</b>	<b>423,937</b>	<b>1,534,208</b>	<b>3,096,953</b>	<b>9,093,565</b>	<b>666</b>	<b>1,880,159</b>	<b>19,239,349</b>
				73,383			7,431,850
	360,310		112,058	1,270,466			384,253
		2,058,074	106,915				4,965,091
			5,667				
			54,940			\$1,178,247	3,622,566
		75,439					
		2,502					
<b>Total Expenditures</b>	<b>360,310</b>	<b>2,136,015</b>	<b>279,580</b>	<b>1,343,849</b>		<b>1,178,247</b>	<b>16,403,760</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>63,627</b>	<b>(601,807)</b>	<b>2,817,373</b>	<b>7,749,716</b>	<b>666</b>	<b>701,912</b>	<b>2,835,589</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
		700,877				255,762	1,084,897
				(7,823,380)			(622,898)
<b>Total Other Financing Sources (Uses)</b>		<b>700,877</b>		<b>(7,823,380)</b>		<b>255,762</b>	<b>461,999</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>63,627</b>	<b>99,070</b>	<b>2,817,373</b>	<b>(73,664)</b>	<b>256,428</b>	<b>701,912</b>	<b>3,297,588</b>
<b>BEGINNING FUND BALANCES (DEFICITS)</b>	<b>261,334</b>	<b>1,123,782</b>	<b>2,317,398</b>	<b>73,664</b>	<b>(80,845)</b>	<b>(789,591)</b>	<b>(6,387,978)</b>
<b>ENDING FUND BALANCES (DEFICITS)</b>	<b>\$324,961</b>	<b>\$1,222,852</b>	<b>\$5,134,771</b>	<b>\$175,583</b>	<b>(\$87,679)</b>	<b>(\$3,090,390)</b>	

CITY OF RICHMOND  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS			Total Nonmajor Governmental Funds
		Environmental and Community Investment Agreement	2005 Pension Obligation Bonds	General Debt Service	Civic Center Debt Service	General Capital Improvement	Measure C / J	
<b>REVENUES</b>								
Property taxes			\$11,405,083					\$22,002,168
Licenses, permits and fees								16,053,085
Fines, forfeitures and penalties								19,943
Use of money and property	\$77,584	82,629	\$612	\$7,994	\$1,089	\$3,560	\$2,102	274,121
Intergovernmental					2,831,366	2,401,023		18,693,158
Private grants	9,000,000							9,000,000
Charges for services				5,910,745				9,221,914
Pension stabilization revenue								
Other	20,000				1,597,375			1,941,593
Rent								3,300
<b>Total Revenues</b>	<b>9,097,584</b>	<b>11,487,712</b>	<b>612</b>	<b>5,918,739</b>	<b>4,429,830</b>	<b>2,404,583</b>	<b>2,102</b>	<b>77,209,282</b>
<b>EXPENDITURES</b>								
Current:								
General government	5,689,718				12,000		740,813	15,607,109
Public safety	120,947							2,899,842
Public works	168,833				34,982	906,748		12,210,694
Community development	300,000							4,453,100
Cultural and recreational	261,614							613,274
Housing and redevelopment								1,178,247
Capital outlay	1,253,333				3,904,368	641,471		9,607,634
Debt Service:								
Principal		6,653,000	1,520,000	1,970,000				10,218,439
Interest and fiscal charges		3,886,206	555,492	6,084,312				10,528,512
<b>Total Expenditures</b>	<b>7,794,445</b>	<b>10,539,206</b>	<b>2,075,492</b>	<b>8,054,312</b>	<b>3,951,350</b>	<b>1,548,219</b>	<b>740,813</b>	<b>67,316,851</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,303,139</b>	<b>948,506</b>	<b>(2,074,880)</b>	<b>(2,135,573)</b>	<b>478,480</b>	<b>856,364</b>	<b>(738,711)</b>	<b>9,892,431</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in		235,339	2,075,043	2,510,344	575,148			8,437,049
Transfers (out)								(8,446,278)
<b>Total Other Financing Sources (Uses)</b>		<b>235,339</b>	<b>2,075,043</b>	<b>2,510,344</b>	<b>575,148</b>			<b>(9,229)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,303,139</b>	<b>1,183,845</b>	<b>163</b>	<b>374,771</b>	<b>1,053,628</b>	<b>856,364</b>	<b>(738,711)</b>	<b>9,883,202</b>
<b>BEGINNING FUND BALANCES (DEFICITS)</b>	<b>13,039,162</b>	<b>8,660,586</b>	<b>(250)</b>	<b>(3,227,647)</b>	<b>1,891,427</b>	<b>1,192,973</b>	<b>782,617</b>	<b>20,282,083</b>
<b>ENDING FUND BALANCES (DEFICITS)</b>	<b>\$14,342,301</b>	<b>\$9,844,431</b>	<b>(\$87)</b>	<b>(\$2,852,876)</b>	<b>\$2,945,055</b>	<b>\$2,049,337</b>	<b>\$43,906</b>	<b>\$30,165,285</b>

CITY OF RICHMOND  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2018

	STATE GAS TAX			GENERAL PURPOSE			PARATRANSIT OPERATIONS			PUBLIC SAFETY			LIGHTING AND LANDSCAPING DISTRICTS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES															
Property taxes													\$1,498,064	\$1,521,393	\$23,329
Licenses, permits and fees				\$25,000	\$123,002	\$98,002									
Fines, forfeitures and penalties				19,000	19,943	943	\$51,889	\$51,889							
Use of money and property		\$5,974	\$5,974		13,874	13,874			\$634	\$3,021	\$2,387				
Intergovernmental	\$3,200,990	2,731,217	(469,773)	3,992,461	1,700,439	(2,292,022)	\$840,000		(840,000)	360,335	312,269	(48,066)	2,800	12,815	10,015
Private grants															
Charges for services							135,000	22,521	(112,479)						
Pension stabilization revenue															
Rent															
Other		62,974	62,974	30,475	1,800	(28,675)	96,000	5,123	(90,877)	38,429	108,647	70,218			
Total Revenues	3,200,990	2,800,165	(400,825)	4,066,936	1,859,058	(2,207,878)	1,071,000	79,533	(991,467)	399,398	423,937	24,539	1,500,864	1,534,208	33,344
EXPENDITURES															
Current:															
General government				1,117,527	375,140	742,387	1,467,906	1,284,205	183,701						
Public safety				887,568	651,808	235,760				411,708	360,310	51,398			
Public works	3,269,304	3,068,653	200,651	1,887,090	901,398	985,692							2,303,757	2,058,074	245,683
Community development															
Cultural and recreational				555,149	345,993	209,156									
Housing and redevelopment															
Capital outlay	108,813	130,956	(22,143)	171,151		171,151									
Debt Service:															
Principal													70,857	75,439	(4,582)
Interest and fiscal charges													4,239	2,502	1,737
Total Expenditures	3,378,117	3,199,609	178,508	4,618,485	2,274,339	2,344,146	1,467,906	1,284,205	183,701	411,708	360,310	51,398	2,378,853	2,136,015	242,838
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(177,127)	(399,444)	(222,317)	(551,549)	(415,281)	136,268	(396,906)	(1,204,672)	(807,766)	(12,310)	63,627	75,937	(877,989)	(601,807)	276,182
OTHER FINANCING SOURCES (USES)															
Transfers in													590,780	700,877	110,097
Transfers (out)				(5,000)		5,000									
Total Other Financing Sources (Uses)				(5,000)		5,000							590,780	700,877	110,097
NET CHANGE IN FUND BALANCES	(\$177,127)	(399,444)	(\$222,317)	(\$556,549)	(415,281)	\$141,268	(\$396,906)	(1,204,672)	(\$807,766)	(\$12,310)	63,627	\$75,937	(\$287,209)	99,070	\$386,279
BEGINNING FUND BALANCES (DEFICITS)		717,624			1,099,707			(1,704,077)			261,334			1,123,782	
ENDING FUND BALANCES (DEFICITS)		\$318,180			\$684,426			(\$2,908,749)			\$324,961			\$1,222,852	

(Continued)

CITY OF RICHMOND  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2018

	DEVELOPER IMPACT FEES			RICHMOND NEIGHBORHOOD STABILIZATION CORPORATION			RENT CONTROL			COST RECOVERY			ENVIRONMENTAL AND COMMUNITY INVESTMENT AGREEMENT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	<b>REVENUES</b>														
Property taxes															
Licenses, permits and fees	\$2,867,688	\$3,060,347	\$192,659				\$2,425,338	\$1,878,958	(\$546,380)	\$5,884,012	\$10,938,889	\$5,054,877			
Fines, forfeitures and penalties											9,626	9,626		\$77,584	\$77,584
Use of money and property	2,433	33,501	31,068		\$666	\$666		1,201	1,201	6,961,658	5,006,051	(1,955,607)			
Intergovernmental										3,730,759	3,237,648	(493,111)	\$9,000,000	9,000,000	
Private grants															
Charges for services															
Pension stabilization revenue															
Rent															
Other	3,105	3,105		\$538,306		(538,306)				3,000	47,135	44,135		20,000	20,000
<b>Total Revenues</b>	<b>2,873,226</b>	<b>3,096,953</b>	<b>223,727</b>	<b>538,306</b>	<b>666</b>	<b>(537,640)</b>	<b>2,425,338</b>	<b>1,880,159</b>	<b>(545,179)</b>	<b>16,579,429</b>	<b>19,239,349</b>	<b>2,659,920</b>	<b>9,000,000</b>	<b>9,097,584</b>	<b>97,584</b>
<b>EXPENDITURES</b>															
Current:															
General government										8,980,008	7,431,850	1,548,158	8,925,405	5,689,718	3,235,687
Public safety	322,628	112,058	210,570								384,253	(384,253)	149,624	120,947	28,677
Public works	679,139	106,915	572,224							4,813,365	4,965,091	(151,726)	220,000	168,833	51,167
Community development													300,000	300,000	
Cultural and recreational	421,000	5,667	415,333										965,000	261,614	703,386
Housing and redevelopment				89,812		89,812	1,951,919	1,178,247	773,672						
Capital outlay	138,373	54,940	83,433							4,570,850	3,622,566	948,284	2,129,315	1,253,333	875,982
Debt Service:															
Principal															
Interest and fiscal charges															
<b>Total Expenditures</b>	<b>1,561,140</b>	<b>279,580</b>	<b>1,281,560</b>	<b>89,812</b>		<b>89,812</b>	<b>1,951,919</b>	<b>1,178,247</b>	<b>773,672</b>	<b>18,364,223</b>	<b>16,403,760</b>	<b>1,960,463</b>	<b>12,689,344</b>	<b>7,794,445</b>	<b>4,894,899</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,312,086</b>	<b>2,817,373</b>	<b>1,505,287</b>	<b>448,494</b>	<b>666</b>	<b>(447,828)</b>	<b>473,419</b>	<b>701,912</b>	<b>228,493</b>	<b>(1,784,794)</b>	<b>2,835,589</b>	<b>4,620,383</b>	<b>(3,689,344)</b>	<b>1,303,139</b>	<b>4,992,483</b>
<b>OTHER FINANCING SOURCES (USES)</b>															
Transfers in					255,762	255,762				1,084,897	1,084,897				
Transfers (out)				(260,202)		260,202				(622,898)	(622,898)				
<b>Total Other Financing Sources (Uses)</b>				<b>(260,202)</b>	<b>255,762</b>	<b>515,964</b>				<b>461,999</b>	<b>461,999</b>				
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$1,312,086</b>	<b>2,817,373</b>	<b>\$1,505,287</b>	<b>\$188,292</b>	<b>256,428</b>	<b>\$68,136</b>	<b>\$473,419</b>	<b>701,912</b>	<b>\$228,493</b>	<b>(\$1,322,795)</b>	<b>3,297,588</b>	<b>\$4,620,383</b>	<b>(\$3,689,344)</b>	<b>1,303,139</b>	<b>\$4,992,483</b>
<b>BEGINNING FUND BALANCES (DEFICITS)</b>		<b>2,317,398</b>			<b>(80,845)</b>			<b>(789,591)</b>			<b>(6,387,978)</b>			<b>13,039,162</b>	
<b>ENDING FUND BALANCES (DEFICITS)</b>		<b>\$5,134,771</b>			<b>\$175,583</b>			<b>(\$87,679)</b>			<b>(\$3,090,390)</b>			<b>\$14,342,301</b>	

(Continued)

CITY OF RICHMOND  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2018

	2005 PENSION OBLIGATION BONDS			GENERAL DEBT SERVICE			CIVIC CENTER DEBT SERVICE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES									
Property taxes	\$11,405,083	\$11,405,083							
Licenses, permits and fees									
Fines, forfeitures and penalties									
Use of money and property		82,629	\$82,629		\$612	\$612		\$7,994	\$7,994
Intergovernmental									
Private grants									
Charges for services							\$5,808,919	5,910,745	101,826
Pension stabilization revenue									
Rent									
Other									
Total Revenues	<u>11,405,083</u>	<u>11,487,712</u>	<u>82,629</u>		<u>612</u>	<u>612</u>	<u>5,808,919</u>	<u>5,918,739</u>	<u>109,820</u>
EXPENDITURES									
Current:									
General government									
Public safety									
Public works									
Community development									
Cultural and recreational									
Housing and redevelopment									
Capital outlay									
Debt Service:									
Principal	6,653,000	6,653,000		\$1,520,000	1,520,000		1,970,000	1,970,000	
Interest and fiscal charges	5,805,973	3,886,206	1,919,767	555,543	555,492	51	6,082,263	6,084,312	(2,049)
Total Expenditures	<u>12,458,973</u>	<u>10,539,206</u>	<u>1,919,767</u>	<u>2,075,543</u>	<u>2,075,492</u>	<u>51</u>	<u>8,052,263</u>	<u>8,054,312</u>	<u>(2,049)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,053,890)</u>	<u>948,506</u>	<u>2,002,396</u>	<u>(2,075,543)</u>	<u>(2,074,880)</u>	<u>663</u>	<u>(2,243,344)</u>	<u>(2,135,573)</u>	<u>107,771</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	221,855	235,339	13,484	2,075,043	2,075,043		2,510,344	2,510,344	
Transfers (out)									
Total Other Financing Sources (Uses)	<u>221,855</u>	<u>235,339</u>	<u>13,484</u>	<u>2,075,043</u>	<u>2,075,043</u>		<u>2,510,344</u>	<u>2,510,344</u>	
NET CHANGE IN FUND BALANCES	<u>(\$832,035)</u>	<u>1,183,845</u>	<u>\$2,015,880</u>	<u>(\$500)</u>	<u>163</u>	<u>\$663</u>	<u>\$267,000</u>	<u>374,771</u>	<u>\$107,771</u>
BEGINNING FUND BALANCES (DEFICITS)		<u>8,660,586</u>			<u>(250)</u>			<u>(3,227,647)</u>	
ENDING FUND BALANCES (DEFICITS)		<u>\$9,844,431</u>			<u>(\$87)</u>			<u>(\$2,852,876)</u>	

**CITY OF RICHMOND**  
**JUNE 30, 2018**

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<b>NON-MAJOR ENTERPRISE FUNDS</b>
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**Richmond Marina Fund** records revenues collected from berth rentals and the use of the marina facilities. The fund also records expenses incurred for the operation of the facility and for the payment of the loan from the California Department of Boating and Waterways.

**Storm Sewer Fund** records the revenues from storm water fees and transfers from operations reserves. It also records the expenses of maintaining a clean storm sewer system so that the City is in compliance with the federally mandated Storm Water Pollution Prevention Program.

**Cable TV Fund** was set up for the administration and enforcement of the franchise agreements with two cable television systems, management of municipal cable channel, departmental video services, media and public information, and telecommunications planning. The fund records revenue received from franchise fees and indirect charges to other funds and administration expenses incurred in operating the system.

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CITY OF RICHMOND  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENTS OF NET POSITION  
JUNE 30, 2018

	Richmond Marina	Storm Sewer	Cable TV	Total
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments	\$3,732,548			\$3,732,548
Restricted cash and investments	83,773			83,773
Receivables:				
Accounts	73,646	\$1,711	\$353,072	428,429
Interest	8,089			8,089
Prepays				
<b>Total Current Assets</b>	<b>3,898,056</b>	<b>1,711</b>	<b>353,072</b>	<b>4,252,839</b>
<b>Noncurrent Assets</b>				
Capital assets:				
Nondepreciable	24,477			24,477
Depreciable, net	1,444,779	1,028,467	4,163	2,477,409
Advances to other funds	167,451			167,451
<b>Total Noncurrent Assets</b>	<b>1,469,256</b>	<b>1,195,918</b>	<b>4,163</b>	<b>2,669,337</b>
<b>Total Assets</b>	<b>5,367,312</b>	<b>1,197,629</b>	<b>357,235</b>	<b>6,922,176</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions		70,793	544,280	615,073
Deferred outflows related to OPEB		3,527	62,779	66,306
<b>Total Deferred Outflows of Resources</b>		<b>74,320</b>	<b>607,059</b>	<b>681,379</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities		172,964	4,222	177,186
Refundable deposits	83,773	1,200		84,973
Interest payable	107,923			107,923
Due to other funds		904,974	56,956	961,930
Compensated absences		16,876	37,295	54,171
Current portion of long term debt	89,081			89,081
<b>Total Current Liabilities</b>	<b>280,777</b>	<b>1,096,014</b>	<b>98,473</b>	<b>1,475,264</b>
<b>Noncurrent Liabilities</b>				
Advance from other funds		2,360,403		2,360,403
Long-term debt	2,527,227			2,527,227
Net pension liability		330,533	2,541,250	2,871,783
Net OPEB liability		93,872	1,670,919	1,764,791
<b>Total Noncurrent Liabilities</b>	<b>2,527,227</b>	<b>2,784,808</b>	<b>4,212,169</b>	<b>9,524,204</b>
<b>Total Liabilities</b>	<b>2,808,004</b>	<b>3,880,822</b>	<b>4,310,642</b>	<b>10,999,468</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions		6,141	47,212	53,353
Deferred inflows related to OPEB		1,133	20,165	21,298
<b>Total Deferred Inflows of Resources</b>		<b>7,274</b>	<b>67,377</b>	<b>74,651</b>
<b>NET POSITION</b>				
Net investment in capital assets	(1,063,279)	1,028,467	4,163	(30,649)
Unrestricted	3,622,587	(3,644,614)	(3,417,888)	(3,439,915)
<b>Total Net Position</b>	<b>\$2,559,308</b>	<b>(\$2,616,147)</b>	<b>(\$3,413,725)</b>	<b>(\$3,470,564)</b>

CITY OF RICHMOND  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018

	Richmond Marina	Storm Sewer	Cable TV	Total
<b>OPERATING REVENUES</b>				
Service charges		\$2,063,828	\$1,281,952	\$3,345,780
Lease income	\$537,438	4,282		541,720
Other				
<b>Total Operating Revenues</b>	<b>537,438</b>	<b>2,068,110</b>	<b>1,281,952</b>	<b>3,887,500</b>
<b>OPERATING EXPENSES</b>				
Salaries and benefits		230,236	1,324,528	1,554,764
General and administrative	24,406	1,312,993	366,665	1,704,064
Maintenance	99,419			99,419
Depreciation	85,563	45,088	5,868	136,519
Other			94	94
<b>Total Operating Expenses</b>	<b>209,388</b>	<b>1,588,317</b>	<b>1,697,155</b>	<b>3,494,860</b>
<b>Operating Income (Loss)</b>	<b>328,050</b>	<b>479,793</b>	<b>(415,203)</b>	<b>392,640</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Grants				
Interest income	35,919		589	36,508
Interest (expense)	(118,054)	(73,491)		(191,545)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(82,135)</b>	<b>(73,491)</b>	<b>589</b>	<b>(155,037)</b>
<b>Income (Loss) Before Transfers</b>	<b>245,915</b>	<b>406,302</b>	<b>(414,614)</b>	<b>237,603</b>
<b>Transfers out</b>	<b>(86,778)</b>			<b>(86,778)</b>
<b>Change in Net Position</b>	<b>159,137</b>	<b>406,302</b>	<b>(414,614)</b>	<b>150,825</b>
<b>BEGINNING NET POSITION (DEFICIT), AS RESTATED</b>	<b>2,400,171</b>	<b>(3,022,449)</b>	<b>(2,999,111)</b>	<b>(3,621,389)</b>
<b>ENDING NET POSITION</b>	<b>\$2,559,308</b>	<b>(\$2,616,147)</b>	<b>(\$3,413,725)</b>	<b>(\$3,470,564)</b>

CITY OF RICHMOND  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018

	Richmond Marina	Storm Sewer	Cable TV	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$541,516	\$2,069,885	\$1,259,249	\$3,870,650
Payments to suppliers	(129,713)	(1,421,961)	(366,315)	(1,917,989)
Payments to employees		(136,814)	(1,044,788)	(1,181,602)
<b>Cash Flows from Operating Activities</b>	<b>411,803</b>	<b>511,110</b>	<b>(151,854)</b>	<b>771,059</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers out	(86,778)			(86,778)
Interfund receipts (payments)		(437,628)	56,956	(380,672)
<b>Cash Flows from Noncapital Financing Activities</b>	<b>(86,778)</b>	<b>(437,628)</b>	<b>56,956</b>	<b>(467,450)</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>				
Grants				
Acquisition of capital assets	(24,478)	1		(24,477)
Repayment of long-term borrowing	(85,245)			(85,245)
Interest paid	(121,570)	(73,491)		(195,061)
<b>Cash flows from capital financing activities</b>	<b>(231,293)</b>	<b>(73,490)</b>		<b>(304,783)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received	31,733		765	32,498
<b>Cash Flows from Investing Activities</b>	<b>31,733</b>		<b>765</b>	<b>32,498</b>
<b>Net Cash Flows</b>	<b>125,465</b>	<b>(8)</b>	<b>(94,133)</b>	<b>31,324</b>
Cash and investments at beginning of period	3,690,856	8	94,133	3,784,997
<b>Cash and investments at end of period</b>	<b>\$3,816,321</b>			<b>\$3,816,321</b>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>				
Operating income (loss)	\$328,050	\$479,793	(\$415,203)	\$392,640
<b>Adjustments to reconcile operating income to net cash flows from operating activities:</b>				
Depreciation	85,563	45,088	5,868	136,519
<b>Change in assets and liabilities:</b>				
Accounts receivable	4,078	1,775	(22,703)	(16,850)
Prepays			608	608
Accounts payable and accrued liabilities and other accrued expenses	(5,888)	(108,968)	(164)	(115,020)
Compensated absences		9,460	(10,118)	(658)
Net pension liability and deferred outflows/inflows of resources		83,552	282,558	366,110
Net OPEB liability and deferred outflows/inflows of resources		410	7,300	7,710
<b>Cash Flows from Operating Activities</b>	<b>\$411,803</b>	<b>\$511,110</b>	<b>(\$151,854)</b>	<b>\$771,059</b>

CITY OF RICHMOND  
JUNE 30, 2018

**INTERNAL SERVICE FUNDS**

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

**Insurance Reserves Fund** is used to report activities related to employee's claims due to industrial injuries and activities related to general claims against the City for damages incurred.

**Equipment Services and Replacement Fund** is used to report activities related to maintenance and replacement of City vehicles.

**Police Telecommunications Fund** is used to report activities related to CAD dispatch, RMS records maintenance, and 800 MHz equipment expense.

**Compensated Absences Fund** is used to account for sick, vacation and compensatory time leave payouts related to employee retirements.

CITY OF RICHMOND  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF NET POSITION  
JUNE 30, 2018

	Insurance Reserves	Equipment Services and Replacement	Police Tele- communications	Compensated Absences	Total
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and investments	\$19,348,889	\$1,849,033	\$909,626		\$22,107,548
Restricted cash and investments		1,230,731			1,230,731
Receivables:					
Accounts	73,353		76,632		149,985
Interest	72,783	1,331	2,634		76,748
Loan	150,000				150,000
Due from other funds	14,467,306				14,467,306
Total Current Assets	34,112,331	3,081,095	988,892		38,182,318
<b>Noncurrent Assets</b>					
<b>Capital assets:</b>					
Nondepreciable		1,451,985			1,451,985
Depreciable, net		4,469,296	70,053		4,539,349
Advances to other funds	2,360,403				2,360,403
Total Noncurrent Assets	2,360,403	5,921,281	70,053		8,351,737
Total Assets	36,472,734	9,002,376	1,058,945		46,534,055
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows related to pensions	774,178				774,178
Deferred outflows related to OPEB	77,592				77,592
Total Deferred Outflows of Resources	851,770				851,770
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable and accrued liabilities	233,487	47,716	6,221		287,424
Interest payable		12,565			12,565
Accrued claims liabilities	11,120,445				11,120,445
Current portion of long-term debt		224,192			224,192
Total Current Liabilities	11,353,932	284,473	6,221		11,644,626
<b>Noncurrent Liabilities</b>					
Compensated absences	73,851		158,225		232,076
Unearned revenue			783,820		783,820
Accrued claims liabilities	26,587,129				26,587,129
Long-term debt, net		2,463,453			2,463,453
Net pension liability	3,614,648				3,614,648
Net OPEB liability	2,065,181				2,065,181
Total Noncurrent Liabilities	32,340,809	2,463,453	942,045		35,746,307
Total Liabilities	43,694,741	2,747,926	948,266		47,390,933
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to pensions	67,154				67,154
Deferred inflows related to OPEB	24,923				24,923
Total Deferred Inflows of Resources	92,077				92,077
<b>NET POSITION (DEFICIT)</b>					
Net investment in capital assets		4,464,367	70,053		4,534,420
Unrestricted	(6,462,314)	1,790,083	40,626		(4,631,605)
Total Net Position (Deficit)	(\$6,462,314)	\$6,254,450	\$110,679		(\$97,185)

CITY OF RICHMOND  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018

	Insurance Reserves	Equipment Services and Replacement	Police Tele- communications	Compensated Absences	Total
<b>OPERATING REVENUES</b>					
Charges for services-internal	\$19,248,324	\$1,253,000	\$3,931,905	\$2,156,267	\$26,589,496
Charges for services-external			1,007,391		1,007,391
Total Operating Revenues	19,248,324	1,253,000	4,939,296	2,156,267	27,596,887
<b>OPERATING EXPENSES</b>					
Salaries and benefits	1,559,549		3,787,143	2,156,273	7,502,965
General and administrative	1,361,785	7,535	980,497		2,349,817
Maintenance	2,774,204	64,671	96,379		2,935,254
Depreciation		1,151,488	5,228		1,156,716
Claims losses	12,509,419				12,509,419
Other	11,029				11,029
Total Operating Expenses	18,215,986	1,223,694	4,869,247	2,156,273	26,465,200
Operating Income (Loss)	1,032,338	29,306	70,049	(6)	1,131,687
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Gain (loss) from sale of property		(5,372)			(5,372)
Grants	779,596	1,255,325			2,034,921
Interest income	394,166	7,065			401,231
Interest expense		(16,287)			(16,287)
Total Nonoperating Revenues (Expenses)	1,173,762	1,240,731			2,414,493
Income (Loss) Before Transfers	2,206,100	1,270,037	70,049	(6)	3,546,180
Transfers in	200,000	283,520			483,520
Change in Net Position	2,406,100	1,553,557	70,049	(6)	4,029,700
<b>BEGINNING NET POSITION (DEFICIT), AS RESTATED</b>					
	(8,868,414)	4,700,893	40,630	6	(4,126,885)
<b>ENDING NET POSITION (DEFICIT)</b>					
	(\$6,462,314)	\$6,254,450	\$110,679		(\$97,185)

CITY OF RICHMOND  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018

	Insurance Reserves	Equipment Services and Replacement	Police Tele- communications	Compensated Absences	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$19,374,971	\$1,253,000	\$4,523,317	\$2,156,267	\$27,307,555
Payments to employees	(1,661,059)		(3,799,028)	(2,156,273)	(7,616,360)
Payments to suppliers	(4,258,484)	(32,689)	(1,073,948)		(5,365,121)
Insurance premiums and claims paid	(11,330,259)				(11,330,259)
Cash Flows from Operating Activities	<u>2,125,169</u>	<u>1,220,311</u>	<u>(349,659)</u>	<u>(6)</u>	<u>2,995,815</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Interfund receipts	3,343,754				3,343,754
Transfers in	200,000	283,520			483,520
Cash Flows from Noncapital Financing Activities	<u>3,543,754</u>	<u>283,520</u>			<u>3,827,274</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Grant receipts	779,596	1,255,325			2,034,921
Acquisition of capital assets		(2,629,436)	(75,281)		(2,704,717)
Issuance of long-term debt		2,687,645			2,687,645
Principal payments on capital debt		(168,760)			(168,760)
Interest and fiscal charges paid		(3,805)			(3,805)
Cash Flows from Capital and Related Financing Activities	<u>779,596</u>	<u>1,140,969</u>	<u>(75,281)</u>		<u>1,845,284</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest	354,974	6,481	(1,570)		359,885
Cash Flows from Investing Activities	<u>354,974</u>	<u>6,481</u>	<u>(1,570)</u>		<u>359,885</u>
Net Cash Flows	6,803,493	2,651,281	(426,510)	(6)	9,028,258
Cash and investments at beginning of period	12,545,396	428,483	1,336,136	6	14,310,021
Cash and investments at end of period	<u>\$19,348,889</u>	<u>\$3,079,764</u>	<u>\$909,626</u>	<u>\$23,338,279</u>	
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$1,032,338	\$29,306	\$70,049	(\$6)	\$1,131,687
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation		1,151,488	5,228		1,156,716
Change in assets and liabilities:					
Receivables, net	126,647		183,202		309,849
Prepays			5,300		5,300
Accounts and other payables	(111,466)	39,517	(2,372)		(74,321)
Unearned revenue			(599,181)		(599,181)
Compensated absences	16,561		(11,885)		4,676
Claims payable	1,179,160				1,179,160
(Decrease) increase in due to retirement system	(127,094)				(127,094)
(Decrease) increase in due to OPEB	9,023				9,023
Cash Flows from Operating Activities	<u>\$2,125,169</u>	<u>\$1,220,311</u>	<u>(\$349,659)</u>	<u>(\$6)</u>	<u>\$2,995,815</u>
Non cash transactions:					
Retirement of capital assets		(\$5,372)			(\$5,372)

CITY OF RICHMOND  
JUNE 30, 2018

**TRUST FUNDS**

**TRUST FUNDS** are used to account for assets held by the City as a trustee agent for individuals, private organizations, and other governments. These funds include the following:

**PENSION TRUST FUNDS**

**General Pension Fund** records the activity of the General Pension Plan, a defined benefit pension plan that covers 28 former City employees not covered by PERS, all of whom have retired.

**Police and Firemen's Pension Fund** records the activity of the Police and Firemen's Pension Plan, a defined benefit pension plan that covers 75 police and fire personnel employed prior to October 1964.

**Garfield Pension Fund** records the activity of the Garfield Pension Plan, a defined contribution pension plan that was set up for a retired police chief.

**OPEB TRUST FUND**

**OPEB Plan Fund** was established to account for the medical benefits for former employees of the City.

**PRIVATE-PURPOSE TRUST FUNDS**

**Pt. Molate Fund** is used to account for assets held by the City as an agent for the U.S. Navy and a private developer for the cleanup of Point Molate.

**Successor Agency to the Richmond Community Redevelopment Agency Fund** accounts for the activities of the Successor Agency to the former Redevelopment Agency.

CITY OF RICHMOND  
PENSION AND OPEB TRUST FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2018

	PENSION				
	General Pension	Police and Firemen's Pension	Garfield Pension	OPEB Plan	Total
ASSETS					
Pension and OPEB plan cash and investments:					
City of Richmond investment pool	\$741,688	\$652,968	\$131,418		\$1,526,074
Local Agency Investment Fund			176,245		176,245
Mutual fund investments		10,932,280		\$17,422,879	28,355,159
Receivables:					
Accounts Interest	45	2,331	98		2,474
Total Assets	<u>741,733</u>	<u>11,587,579</u>	<u>307,761</u>	<u>17,422,879</u>	<u>30,059,952</u>
NET POSITION					
Restricted for employees' pension and OPEB benefits	<u>\$741,733</u>	<u>\$11,587,579</u>	<u>\$307,761</u>	<u>\$17,422,879</u>	<u>\$30,059,952</u>

CITY OF RICHMOND  
PENSION AND OPEB TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018

	PENSION				
	General Pension	Police and Firemen's Pension	Garfield Pension	OPEB Plan	Total
ADDITIONS					
Net investment income:				\$632,089	\$632,089
Interest income	\$2,195	\$254,046	\$2,620		\$258,861
Net increase (decrease) in the fair value of investments	12	400,794	7		400,813
Investment management fees		(65,812)			(65,812)
Contributions to trust - employer	814,594	1,270,466	102,140	13,599,120	15,786,320
Contributions to trust - employee				765,475	765,475
Total Additions	<u>816,801</u>	<u>1,859,494</u>	<u>104,767</u>	<u>14,996,684</u>	<u>17,777,746</u>
DEDUCTIONS					
Pension and OPEB benefits	524,939	2,656,508	94,323	6,861,529	10,137,299
Other				49,169	49,169
Total Deductions	<u>524,939</u>	<u>2,656,508</u>	<u>94,323</u>	<u>6,910,698</u>	<u>10,186,468</u>
Net Increase (Decrease)	<u>291,862</u>	<u>(797,014)</u>	<u>10,444</u>	<u>8,085,986</u>	<u>7,591,278</u>
NET POSITION RESTRICTED FOR PENSION AND OPEB BENEFITS					
Beginning of year	<u>449,871</u>	<u>12,384,593</u>	<u>297,317</u>	<u>9,336,893</u>	<u>22,468,674</u>
End of year	<u>\$741,733</u>	<u>\$11,587,579</u>	<u>\$307,761</u>	<u>\$17,422,879</u>	<u>\$30,059,952</u>

CITY OF RICHMOND  
PRIVATE PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2018

	Pt. Molate	Successor Agency to the Richmond Community Redevelopment Agency	Total
<b>ASSETS</b>			
Cash and investments		\$15,051,204	\$15,051,204
Restricted cash and investments	\$3,220,147	21,746,419	24,966,566
Accounts receivable		177,409	177,409
Grants receivable		2,177,084	2,177,084
Loans receivable		1,574,000	1,574,000
Prepays and other assets		6,366,928	6,366,928
Capital assets: Nondepreciable		4,313,167	4,313,167
<b>Total Assets</b>	<u>3,220,147</u>	<u>51,406,211</u>	<u>54,626,358</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities		916,416	916,416
Interest payable		1,203,574	1,203,574
Derivative instrument at fair value-liability		4,033,000	4,033,000
Long-term debt:			
Due within one year		8,227,087	8,227,087
Due in more than one year		86,377,962	86,377,962
<b>Total Liabilities</b>		<u>100,758,039</u>	<u>100,758,039</u>
<b>NET POSITION</b>			
Held in trust other governments	<u>\$3,220,147</u>	<u>(\$49,351,828)</u>	<u>(\$46,131,681)</u>

CITY OF RICHMOND  
PRIVATE PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018

	Pt. Molate	Successor Agency to the Richmond Community Redevelopment Agency	Total
<b>ADDITIONS</b>			
Property taxes		\$12,255,069	\$12,255,069
Investment income	\$12,409	1,145,394	1,157,803
Intergovernmental revenue		4,898,936	4,898,936
Proceeds from sale of property		1,614,529	1,614,529
Miscellaneous revenue		398,321	398,321
<b>Total Additions</b>	<u>12,409</u>	<u>20,312,249</u>	<u>20,324,658</u>
<b>DEDUCTIONS</b>			
Community development		4,835,285	4,835,285
Payments in accordance with trust agreements	444,739		444,739
Interest and fiscal charges		4,993,687	4,993,687
<b>Total Deductions</b>	<u>444,739</u>	<u>9,828,972</u>	<u>10,273,711</u>
Change in net position	(432,330)	10,483,277	10,050,947
<b>NET POSITION (DEFICIT), BEGINNING OF YEAR</b>	<u>3,652,477</u>	<u>(59,835,105)</u>	<u>(56,182,628)</u>
<b>NET POSITION (DEFICIT), END OF YEAR</b>	<u>\$3,220,147</u>	<u>(\$49,351,828)</u>	<u>(\$46,131,681)</u>

CITY OF RICHMOND  
SUBCOMBINING SCHEDULE OF NET POSITION OF THE  
SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY  
PRIVATE PURPOSE TRUST FUNDS  
JUNE 30, 2018

	Redevelopment Property Tax Trust Fund	Administration	Capital Projects	Bond Funded Capital Projects	Bond Payments	Intra Fund Eliminations	Total
<b>ASSETS</b>							
Cash and investments	\$10,282,073	\$6,238	\$4,762,893				\$15,051,204
Restricted cash and investments			2,065,472	\$148,735	\$19,532,212		21,746,419
Accounts receivable		2,225	175,184				177,409
Grants receivable			2,177,084				2,177,084
Loans receivable			1,574,000				1,574,000
Due from other funds			36,993			(\$36,993)	
Prepays and other assets			6,366,928				6,366,928
Capital assets: Nondepreciable			4,313,167				4,313,167
<b>Total Assets</b>	<u>10,282,073</u>	<u>8,463</u>	<u>21,471,721</u>	<u>148,735</u>	<u>19,532,212</u>	<u>(36,993)</u>	<u>51,406,211</u>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities		8,464	906,702		1,250		916,416
Due to other funds				36,993		(36,993)	
Interest payable					1,203,574		1,203,574
Derivative instrument at fair value-liability					4,033,000		4,033,000
Long-term debt:							
Due within one year					8,227,087		8,227,087
Due in more than one year					86,377,962		86,377,962
<b>Total Liabilities</b>		<u>8,464</u>	<u>906,702</u>	<u>36,993</u>	<u>99,842,873</u>	<u>(36,993)</u>	<u>100,758,039</u>
<b>NET POSITION (DEFICIT)</b>							
Held in trust for other governments	<u>\$10,282,073</u>	<u>(\$1)</u>	<u>\$20,565,019</u>	<u>\$111,742</u>	<u>(\$80,310,661)</u>		<u>(\$49,351,828)</u>

CITY OF RICHMOND  
SUBCOMBINING SCHEDULE OF CHANGES IN NET POSITION OF THE  
SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY  
PRIVATE PURPOSE TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Redevelopment Property Tax Trust Fund	Administration	Capital Projects	Bond Funded Capital Projects	Bond Payments	Intra Fund Eliminations	Total
<b>ADDITIONS</b>							
Property taxes	\$12,255,069						\$12,255,069
Investment income			\$99,796	\$1,557	\$1,044,041		1,145,394
Intergovernmental revenue			4,898,936				4,898,936
Transfers from other funds		\$522,252	437,773		12,693,675	(\$13,653,700)	
Proceeds from sale of property			1,614,529				1,614,529
Miscellaneous revenue			398,321				398,321
<b>Total Additions</b>	<u>12,255,069</u>	<u>522,252</u>	<u>7,449,355</u>	<u>1,557</u>	<u>13,737,716</u>	<u>(13,653,700)</u>	<u>20,312,249</u>
<b>DEDUCTIONS</b>							
Community development		522,254	3,053,002		1,260,029		4,835,285
Interest and fiscal charges					4,993,687		4,993,687
Transfers to other funds	12,960,693		652,234	40,773		(13,653,700)	
<b>Total Deductions</b>	<u>12,960,693</u>	<u>522,254</u>	<u>3,705,236</u>	<u>40,773</u>	<u>6,253,716</u>	<u>(13,653,700)</u>	<u>9,828,972</u>
Change in net position	(705,624)	(2)	3,744,119	(39,216)	7,484,000		10,483,277
<b>NET POSITION (DEFICIT), BEGINNING OF YEAR</b>	<u>10,987,697</u>	<u>1</u>	<u>16,820,900</u>	<u>150,958</u>	<u>(87,794,661)</u>		<u>(59,835,105)</u>
<b>NET POSITION (DEFICIT), END OF YEAR</b>	<u>\$10,282,073</u>	<u>(\$1)</u>	<u>\$20,565,019</u>	<u>\$111,742</u>	<u>(\$80,310,661)</u>		<u>(\$49,351,828)</u>

**CITY OF RICHMOND  
JUNE 30, 2018**

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<b>AGENCY FUNDS</b>
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**AGENCY FUNDS** account for assets held by the City as an agent for individuals, governmental entities, and non-public organizations. These funds include the following:

**Special Assessment Fund** accounts for the monies collected and disbursed for land-based debt, where the City is not obligated for the debt.

**General Agency Fund** accounts for assets held by the City as an agent for individuals, private organizations, and other governments.

**Johnson Library Fund** accounts for nonexpendable trust funds to be used to provide funding for special library projects.

**Senior Center Fund** accounts for assets held by the City in an agent capacity for programs benefiting the senior citizens residing within the City.

**JPFA Reassessment Fund** receives secured tax payments (from assessment rolls), and makes payments on the JPFA Revenue Reassessment Bonds; Series 2011A.

**Payroll Benefits Fund** accounts for accumulation of monies relating to employee and employer payroll liabilities.

**2006 A&B Reassessment District Fund** receives payments of principal and interest on prior assessment bonds, and makes payments on the JPFA Reassessment Revenue Bonds Series A and B.

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CITY OF RICHMOND  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
<u>Special Assessment</u>				
Cash and investments	\$914,106	\$311,031	\$318,287	\$906,850
Restricted cash and investments	341,408	1,900		343,308
Interest receivable	985	1,799	985	1,799
Total Assets	<u>\$1,256,499</u>	<u>\$314,730</u>	<u>\$319,272</u>	<u>\$1,251,957</u>
Due to assessment district bondholders	<u>\$1,256,499</u>	<u>\$314,730</u>	<u>\$319,272</u>	<u>\$1,251,957</u>
<u>General Agency</u>				
Cash and investments	\$1,236,124	\$101,853	\$124,268	\$1,213,709
Restricted cash and investments		16,679		16,679
Interest receivable	1,356	2,569	1,356	2,569
Total Assets	<u>\$1,237,480</u>	<u>\$121,101</u>	<u>\$125,624</u>	<u>\$1,232,957</u>
Accounts payable and accrued liabilities	\$44,888	\$6,185	\$44,888	\$6,185
Refundable Deposits	1,192,592	114,916	80,736	1,226,772
Total Liabilities	<u>\$1,237,480</u>	<u>\$121,101</u>	<u>\$125,624</u>	<u>\$1,232,957</u>
<u>Johnson Library</u>				
Cash and investments	\$10,286	\$114	\$22	\$10,378
Interest receivable	11	23	11	23
Total Assets	<u>\$10,297</u>	<u>\$137</u>	<u>\$33</u>	<u>\$10,401</u>
Refundable deposits	<u>\$10,297</u>	<u>\$137</u>	<u>\$33</u>	<u>\$10,401</u>
<u>Senior Center</u>				
Cash and investments	\$78,344	\$53,824	\$68,960	\$63,208
Interest receivable	80	158	80	158
Total Assets	<u>\$78,424</u>	<u>\$53,982</u>	<u>\$69,040</u>	<u>\$63,366</u>
Accounts payable and accrued liabilities	\$11,572	\$3,618	\$11,572	\$3,618
Refundable Deposits	66,852	50,364	57,468	59,748
Total Liabilities	<u>\$78,424</u>	<u>\$53,982</u>	<u>\$69,040</u>	<u>\$63,366</u>

(Continued)

CITY OF RICHMOND  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
<u>JPFA Reassessment</u>				
Cash and investments	\$2,537,694	\$960,933	\$810,056	\$2,688,571
Restricted cash and investments	661,567		8,680	652,887
Interest receivable	2,738	5,697	2,738	5,697
Investment in reassessment bonds	2,255,000		605,000	1,650,000
Total Assets	<u>\$5,456,999</u>	<u>\$966,630</u>	<u>\$1,426,474</u>	<u>\$4,997,155</u>
Accounts payable and accrued liabilities		\$82		\$82
Due to assessment district bondholders	<u>\$5,456,999</u>	<u>966,548</u>	<u>\$1,426,474</u>	<u>4,997,073</u>
Total Liabilities	<u>\$5,456,999</u>	<u>\$966,630</u>	<u>\$1,426,474</u>	<u>\$4,997,155</u>
<u>Payroll Benefits</u>				
Cash and investments		\$1,621,296	\$431,014	\$1,190,282
Accounts receivable	<u>\$345,968</u>	<u>431,012</u>	<u>345,968</u>	<u>431,012</u>
Total Assets	<u>\$345,968</u>	<u>\$2,052,308</u>	<u>\$776,982</u>	<u>\$1,621,294</u>
Accounts payable and accrued liabilities	<u>\$345,968</u>	<u>\$2,052,308</u>	<u>\$776,982</u>	<u>\$1,621,294</u>
<u>2006 A&amp;B Reassessment District</u>				
Cash and investments	\$692,960	\$780,265	\$674,484	\$798,741
Restricted cash and investments	91,929	107,296		199,225
Interest receivable	719	1,564	719	1,564
Investment in reassessment bonds	8,065,000		379,393	7,685,607
Total Assets	<u>\$8,850,608</u>	<u>\$889,125</u>	<u>\$1,054,596</u>	<u>\$8,685,137</u>
Accounts payable and accrued liabilities		\$226		\$226
Due to assessment district bondholders	<u>\$8,850,608</u>	<u>888,899</u>	<u>\$1,054,596</u>	<u>8,684,911</u>
Total Liabilities	<u>\$8,850,608</u>	<u>\$889,125</u>	<u>\$1,054,596</u>	<u>\$8,685,137</u>

(Continued)

CITY OF RICHMOND  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
<b>Total Agency Funds</b>				
Cash and investments	\$5,469,514	\$3,829,316	\$2,427,091	\$6,871,739
Restricted cash and investments	1,094,904	125,875	8,680	1,212,099
Investment in reassessment bonds	10,320,000		984,393	9,335,607
Accounts receivable	345,968	431,012	345,968	431,012
Interest receivable	5,889	11,810	5,889	11,810
Total Assets	<u>\$17,236,275</u>	<u>\$4,398,013</u>	<u>\$3,772,021</u>	<u>\$17,862,267</u>
Accounts payable and accrued liabilities	\$402,428	\$2,062,419	\$833,442	\$1,631,405
Refundable Deposits	1,269,741	165,417	138,237	1,296,921
Due to assessment district bondholders	<u>15,564,106</u>	<u>2,170,177</u>	<u>2,800,342</u>	<u>14,933,941</u>
Total Liabilities	<u>\$17,236,275</u>	<u>\$4,398,013</u>	<u>\$3,772,021</u>	<u>\$17,862,267</u>

CITY OF RICHMOND  
 JUNE 30, 2018

**STATISTICAL SECTION**

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

**Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and wellbeing have changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

**Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Principal Property Tax Payers
4. Property Tax Levies and Collections
5. Utility Users Tax Collections
6. Utility Users Tax Direct Rates
7. Top Ten Utility Users Taxpayers

**Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Revenue Bond Coverage – 1999, 2006, 2008, 2010A & 2010B Wastewater Revenue Bonds
3. Revenue Bond Coverage – 1996, 1999, 2004, 2007 and 2009 Port Terminal Lease Revenue Bonds, Note and Point Potrero Lease Revenue Bonds.
4. General Bonded Debt – Pension Obligation Bonds
5. Bonded Debt Pledged Revenue Coverage – Tax Allocation Bonds all Refunding Bonds
6. Computation of Direct and Overlapping Debt
7. Computation of Legal Bonded Debt Margin

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

**CITY OF RICHMOND**  
**JUNE 30, 2018**

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***Operating Information***

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

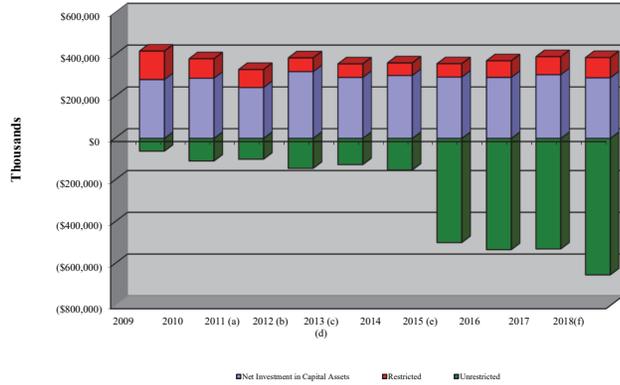
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

***Sources***

Unless otherwise noted, the information in these schedules is derived from the Annual Financial Reports for the relevant year.

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**CITY OF RICHMOND  
Net Position by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)**



	Fiscal Year Ended June 30				
	2009	2010	2011 (a)	2012 (b)	2013 (c) (d)
<b>Governmental activities</b>					
Net investment in capital assets	\$201,607,368	\$201,197,639	\$164,739,567	\$242,281,323	\$214,572,546
Restricted	135,801,179	72,114,985	78,105,002	57,989,820	55,396,056
Unrestricted	(57,236,422)	(66,103,671)	(83,013,306)	(118,620,471)	(119,231,699)
<b>Total governmental activities net position</b>	<b>\$280,172,125</b>	<b>\$207,208,953</b>	<b>\$159,831,263</b>	<b>\$181,650,672</b>	<b>\$150,736,903</b>
<b>Business-type activities</b>					
Net investment in capital assets	\$79,540,643	\$86,432,590	\$78,162,970	\$76,731,871	\$76,966,448
Restricted	612,613	21,150,740	8,334,722	8,169,878	9,196,255
Unrestricted	(3,963,417)	(42,004,396)	(16,389,951)	(24,759,367)	(6,365,742)
<b>Total business-type activities net position</b>	<b>\$76,189,839</b>	<b>\$65,578,934</b>	<b>\$70,107,741</b>	<b>\$60,142,382</b>	<b>\$79,796,961</b>
<b>Primary government</b>					
Net investment in capital assets	\$281,148,011	\$287,630,229	\$242,902,537	\$319,013,194	\$291,538,994
Restricted	136,413,792	93,265,725	86,439,724	66,159,698	64,592,311
Unrestricted	(61,199,839)	(108,108,067)	(99,403,257)	(143,379,838)	(125,597,441)
<b>Total primary government net position</b>	<b>\$356,361,964</b>	<b>\$272,787,887</b>	<b>\$229,939,004</b>	<b>\$241,793,054</b>	<b>\$230,533,864</b>

	Fiscal Year Ended June 30				
	2014	2015 (e)	2016	2017	2018(f)
<b>Governmental activities</b>					
Net investment in capital assets	\$227,828,243	\$218,144,811	\$228,292,389	\$233,619,046	\$221,336,363
Restricted	50,461,923	54,578,939	70,322,707	76,810,440	87,380,363
Unrestricted	(148,161,106)	(479,961,080)	(508,981,299)	(504,602,583)	(625,067,289)
<b>Total governmental activities net position</b>	<b>\$130,129,060</b>	<b>(\$207,237,330)</b>	<b>(\$210,366,203)</b>	<b>(\$194,173,097)</b>	<b>(\$316,350,563)</b>
<b>Business-type activities</b>					
Net investment in capital assets	\$72,911,000	\$74,922,303	\$63,405,228	\$71,000,240	\$68,213,687
Restricted	9,793,767	9,408,237	9,008,038	9,441,288	9,514,522
Unrestricted	(3,096,845)	(18,432,590)	(23,382,659)	(24,096,174)	(27,908,968)
<b>Total business-type activities net position</b>	<b>\$79,607,922</b>	<b>\$65,897,950</b>	<b>\$49,030,607</b>	<b>\$56,345,354</b>	<b>\$49,819,241</b>
<b>Primary government</b>					
Net investment in capital assets	\$300,739,243	\$293,067,114	\$291,697,617	\$304,619,286	\$289,550,050
Restricted	60,255,690	63,987,176	79,330,745	86,251,728	96,894,885
Unrestricted	(151,257,951)	(498,393,670)	(532,363,958)	(528,698,757)	(652,976,257)
<b>Total primary government net position</b>	<b>\$209,736,982</b>	<b>(\$141,339,380)</b>	<b>(\$161,335,596)</b>	<b>(\$137,827,743)</b>	<b>(\$266,531,322)</b>

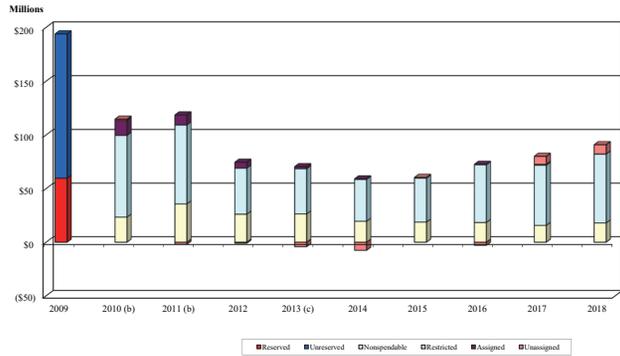
- (a) Balance was restated in fiscal year 2012. Years prior to 2011 have not been restated.  
 (b) Balance was restated in fiscal year 2013. Years prior to 2012 have not been restated.  
 (c) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".  
 (d) Balance was restated in fiscal year 2014. Years prior to 2013 have not been restated.  
 (e) The City implemented the provisions of GASB Statement No. 68 in fiscal year 2015. Years prior to 2015 have not been restated.  
 (f) The City implemented the provisions of GASB Statement No. 75 in fiscal year 2018. Years prior to 2018 have not been restated.

**CITY OF RICHMOND**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year Ended June 30				
	2009	2010	2011	2012	2013 (b)
<b>Expenses</b>					
<b>Governmental Activities:</b>					
General Government	\$18,745,594	\$19,044,449	\$17,127,696	\$32,549,754	\$35,272,517
Public Safety	9,142,506	95,147,888	101,613,767	100,403,365	97,136,602
Public Works	42,289,843	42,322,529	41,094,033	42,747,958	46,011,618
Community Development	4,316,710	7,698,693	7,685,733	5,885,968	4,909,158
Cultural and Recreational	16,618,663	14,952,438	14,647,978	14,583,687	11,219,262
Housing and Redevelopment	19,209,243	18,014,624	15,524,912	19,368,765	2,816,094
Interest and Fiscal Charges	22,961,838	30,251,260	23,108,139	19,633,486	15,411,831
<b>Total Governmental Activities Expenses</b>	<b>216,574,497</b>	<b>228,451,881</b>	<b>220,712,528</b>	<b>235,529,983</b>	<b>213,687,782</b>
<b>Business-Type Activities:</b>					
Richmond Housing Authority	23,335,623	27,709,496	27,246,056	28,909,229	28,992,229
Port of Richmond	4,739,269	8,611,216	7,033,016	7,868,918	9,923,282
Richmond Marina	235,571	222,835	343,734	1,681,461	266,918
Municipal Sewer	14,200,516	13,611,998	14,193,822	14,657,552	16,284,175
Storm Sewer	4,466,645	2,527,838	2,670,397	2,744,775	2,815,541
Cable TV	898,370	991,506	961,059	1,017,142	990,802
<b>Total Business-Type Activities Expenses</b>	<b>47,966,014</b>	<b>53,684,059</b>	<b>52,488,084</b>	<b>58,977,727</b>	<b>59,166,917</b>
<b>Total Primary Government Expenses</b>	<b>\$264,540,511</b>	<b>\$282,135,940</b>	<b>\$273,160,612</b>	<b>\$294,507,710</b>	<b>\$272,854,699</b>
<b>Program Revenues</b>					
<b>Governmental Activities:</b>					
Charges for Services:					
General Government	\$7,813,724	\$6,612,893	\$8,155,496	\$8,496,532	\$11,596,612
Public Safety	3,931,893	5,674,457	5,177,825	5,075,588	5,400,290
Public Works	1,669,681	1,656,353	3,741,601	3,760,312	3,090,211
Community Development	170,872	504,726	135,215	361,706	234,836
Cultural and Recreational	594,205	1,294,476	1,151,534	1,118,777	516,499
Housing and Redevelopment	7,000	222,459			
Operating Grants and Contributions	8,402,636	12,286,127	17,934,341	11,259,829	9,703,416
Capital Grants and Contributions	6,997,666	9,685,842	20,016,974	17,238,037	11,360,151
<b>Total Government Activities Program Revenues</b>	<b>49,587,627</b>	<b>37,937,933</b>	<b>56,312,820</b>	<b>46,146,801</b>	<b>41,902,071</b>
<b>Business-Type Activities:</b>					
Charges for Services:					
Richmond Housing Authority	3,096,831	2,100,519	1,916,352	2,354,197	2,619,669
Port of Richmond	5,095,840	3,882,153	6,249,914	7,745,580	9,043,026
Richmond Marina	476,588	417,679	220,838	239,777	466,921
Municipal Sewer	14,442,849	15,991,488	17,342,276	17,565,632	17,733,454
Storm Sewer	1,579,698	1,593,792	1,697,475	1,800,536	1,842,001
Cable TV	1,084,389	1,157,502	1,099,919	1,020,100	1,320,552
Operating Grants and Contributions	18,663,329	21,549,967	23,321,167	22,742,102	22,323,336
Capital Grants and Contributions	50,027	2,429,709	2,685,479	3,775,002	10,087,538
<b>Total Business-Type Activities Program Revenues</b>	<b>44,499,551</b>	<b>49,122,809</b>	<b>54,324,440</b>	<b>57,564,927</b>	<b>65,436,497</b>
<b>Total Primary Government Program Revenues</b>	<b>\$74,087,178</b>	<b>\$87,060,742</b>	<b>\$110,637,260</b>	<b>\$103,711,727</b>	<b>\$107,338,514</b>
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$(186,986,820)	\$(190,513,948)	\$(164,399,432)	\$(189,366,182)	\$(171,785,765)
Business-Type Activities	(4,466,463)	(4,561,240)	1,767,356	(1,712,351)	6,069,580
<b>Total Primary Government Net Expense</b>	<b>\$(191,453,283)</b>	<b>\$(195,075,188)</b>	<b>\$(162,632,076)</b>	<b>\$(191,080,533)</b>	<b>\$(165,716,185)</b>
<b>General Revenues and Other Changes in Net Position</b>					
<b>Governmental Activities:</b>					
Taxes:					
Property Taxes:					
Current Collections	\$78,279,818	\$62,620,002	\$61,155,604	\$52,219,777	\$47,207,734
Sales Taxes	27,922,698	25,000,182	23,025,923	27,788,339	29,865,548
Utility User Taxes	48,953,004	50,298,719	45,009,206	45,984,215	48,398,249
Documentary Transfer Taxes				2,955,842	2,957,834
Other Taxes	7,959,683	6,092,050	3,361,146	3,784,966	3,289,518
Use of Money and Property	6,851,266	(7,618,093)	8,877,982	(22,064,252)	11,331,823
Unrestricted Intergovernmental	2,197,148	957,140	2,457,575	4,752,245	44,814
Miscellaneous	9,230,595	5,465,467	6,723,228	7,917,715	3,461,402
Gain From Sale of Capital Assets	5,000,000				
Pension Subsidization Revenue	5,292,746	2,728,314	2,728,314	2,544,175	2,549,922
Developer Revenue Sharing	51,767	138,454	101,739	55,958	
Transfers	(692,391)	500,000	(85,629)	1,030,428	(590,394)
Special Extraordinary Items:					
Swap Termination					
Transfer of Loans to Housing Successor					(16,321,171)
Assets Transferred To/Liabilities Assumed By Housing Successor/Successor Agency				84,426,106 (a)	(5,328,244)
<b>Total Government Activities</b>	<b>191,036,314</b>	<b>146,182,235</b>	<b>153,323,778</b>	<b>211,205,991</b>	<b>143,188,306</b>
<b>Business-Type Activities:</b>					
Taxes:					
Property Taxes					
Use of Money and Property	390,189	(2,768,103)	1,657,791	(5,331,300)	4,054,073
Settlement	7,701	1,922,260			
Other			609,031		
Special Item	692,391	(500,000)	85,629	(1,030,428)	590,394
Transfers					
Extraordinary Items					9,023,704
<b>Total Business-Type Activities</b>	<b>1,090,281</b>	<b>(1,157,700)</b>	<b>2,552,451</b>	<b>(6,361,728)</b>	<b>13,668,171</b>
<b>Total Primary Government</b>	<b>\$192,126,615</b>	<b>\$145,024,535</b>	<b>\$155,876,229</b>	<b>\$204,844,263</b>	<b>\$156,856,477</b>

	Fiscal Year Ended June 30				
	2014	2015 (c)	2016	2017	2018 (d)
<b>Expenses</b>					
<b>Governmental Activities:</b>					
General Government	\$36,119,297	\$28,879,074	\$32,197,941	\$34,851,005	\$45,715,329
Public Safety	102,664,551	102,732,652	107,380,286	104,919,259	114,932,219
Public Works	46,403,520	43,363,799	44,410,102	41,558,084	46,617,290
Community Development	4,618,101	4,771,475	5,003,045	3,290,142	4,589,328
Cultural and Recreational	10,808,931	10,492,020	11,021,226	10,996,526	14,280,985
Housing and Redevelopment	1,984,908	2,751,290	2,051,898	7,449,423	3,442,239
Interest and Fiscal Charges	19,432,548	17,219,905	18,902,831	16,387,887	16,127,479
<b>Total Governmental Activities Expenses</b>	<b>232,038,866</b>	<b>210,216,615</b>	<b>220,967,329</b>	<b>219,452,326</b>	<b>247,704,869</b>
<b>Business-Type Activities:</b>					
Richmond Housing Authority	29,771,151	30,989,474	26,385,133	26,241,916	30,978,813
Port of Richmond	9,530,693	9,923,282	11,132,992	10,102,104	10,257,553
Richmond Marina	253,190	235,054	237,129	230,621	327,442
Municipal Sewer	16,286,623	15,965,608	16,446,626	17,220,735	21,698,370
Storm Sewer	3,210,678	3,282,406	2,465,929	2,320,723	1,661,808
Cable TV	890,346	898,426	2,114,436	1,028,185	1,697,155
<b>Total Business-Type Activities Expenses</b>	<b>59,555,181</b>	<b>58,404,250</b>	<b>58,782,230</b>	<b>57,644,284</b>	<b>66,019,141</b>
<b>Total Primary Government Expenses</b>	<b>\$291,594,047</b>	<b>\$268,620,865</b>	<b>\$279,749,559</b>	<b>\$277,096,610</b>	<b>\$313,724,010</b>
<b>Program Revenues</b>					
<b>Governmental Activities:</b>					
Charges for Services:					
General Government	\$16,917,113	\$11,107,654	\$12,468,525	\$15,543,381	\$16,838,782
Public Safety	6,217,749	10,466,292	7,271,472	8,932,212	8,147,458
Public Works	4,160,804	3,696,577	3,996,242	4,796,586	6,529,172
Community Development	405,440	1,385,689	1,069,767	615,388	1,748,222
Cultural and Recreational	584,475	475,091	1,126,267	1,252,192	1,545,399
Housing and Redevelopment			4,240		1,878,958
Operating Grants and Contributions	8,434,018	9,231,039	20,994,534	16,083,370	20,556,989
Capital Grants and Contributions	2,436,808	21,997,186	17,534,952	14,608,008	10,471,376
<b>Total Government Activities Program Revenues</b>	<b>41,250,471</b>	<b>57,572,528</b>	<b>64,445,839</b>	<b>61,211,962</b>	<b>67,716,356</b>
<b>Business-Type Activities:</b>					
Charges for Services:					
Richmond Housing Authority	2,638,834	1,917,602	1,851,337	3,067,020	1,740,399
Port of Richmond	10,201,751	9,480,367	10,581,419	10,182,777	10,580,246
Richmond Marina	456,956	488,201	517,108	540,567	537,438
Municipal Sewer	18,560,191	19,033,606	19,737,363	20,767,825	24,247,439
Storm Sewer	1,697,064	1,805,548	1,966,537	1,992,758	2,068,110
Cable TV	1,228,864	1,376,194	1,320,486	1,339,104	1,281,952
Operating Grants and Contributions	21,953,401	22,112,391	21,951,328	22,636,922	26,098,804
Capital Grants and Contributions	1,673,598	2,189,724	2,155,686	969,910	1,155,536
<b>Total Business-Type Activities Program Revenues</b>	<b>58,901,459</b>	<b>58,443,533</b>	<b>60,101,764</b>	<b>61,496,983</b>	<b>65,909,924</b>
<b>Total Primary Government Program Revenues</b>	<b>\$129,841,930</b>	<b>\$115,816,061</b>	<b>\$124,547,603</b>	<b>\$122,728,945</b>	<b>\$133,626,280</b>
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$(150,398,595)	\$(152,838,087)	\$(156,521,490)	\$(158,220,364)	\$(179,988,513)
Business-Type Activities	(1,363,722)	39,283	1,319,514	3,853,699	7,091,212
<b>Total Primary Government Net Expense</b>	<b>\$(151,762,317)</b>	<b>\$(152,800,804)</b>	<b>\$(155,201,976)</b>	<b>\$(154,366,665)</b>	<b>\$(180,697,301)</b>
<b>General Revenues and Other Changes in Net Position</b>					
<b>Governmental Activities:</b>					
Taxes:					
Property Taxes:					
Current Collections	\$42,226,820	\$45,129,392	\$51,302,638	\$56,588,547	\$9,441,796
Sales Taxes	29,627,711	33,155,376	40,877,125	41,620,189	44,474,973
Utility User Taxes	48,033,706	48,299,549	43,362,249	44,966,489	46,079,755
Documentary Transfer Taxes	3,461,473	4,818,936	2,187,096	7,452,985	6,486,347
Other Taxes	3,592,218	5,099,511	5,734,802	5,329,465	6,144,968
Use of Money and Property	(1,164,987)	(4,752,198)	1,198,266	12,220,256	7,000,785
Unrestricted Intergovernmental		1,806,532	43,312	49,448	58,942
Miscellaneous	3,229,898	2,151,042	4,258,061	5,138,724	4,195,794
Gain From Sale of Capital Assets	174,874	268,927	262,667	64,651	39,226
Pension Subsidization Revenue	998,839	954,202	915,860	885,938	
Transfers		1,78,487	600,000		86,778
Special Extraordinary Items:					
Swap Termination					
Transfer of Loans to Housing Successor				(16,321,171)	
Assets Transferred To/Liabilities Assumed By Housing Successor/Successor Agency					

**CITY OF RICHMOND**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**



	Fiscal Year Ended June 30									
	2009	2010 (b)	2011 (b)	2012	2013 (c)	2014	2015	2016	2017	2018
<b>General Fund</b>										
Reserved	\$34,682,489									
Unreserved	20,855,189									
Nonspendable		\$23,360,596	\$28,021,103	\$25,944,325	\$26,366,829	\$19,505,987	\$18,708,682	\$18,404,669	\$15,697,680	\$17,967,653
Assigned	1,069,480	380,999	377,181	219,646	56,786	23,934	4,460	10,013	72,506	
Unassigned	14,836,337	12,077,471	11,036,847	10,238,862	7,979,055	9,949,120	10,988,266	19,709,197	17,590,764	
<b>Total General Fund</b>	<b>\$45,517,676</b>	<b>\$39,206,413</b>	<b>\$40,479,573</b>	<b>\$37,158,353</b>	<b>\$36,825,337</b>	<b>\$27,241,828</b>	<b>\$28,681,736</b>	<b>\$29,397,395</b>	<b>\$35,416,890</b>	<b>\$35,630,923</b> (a)
<b>All Other Governmental Funds</b>										
Reserved	\$34,982,192									
Unreserved, reported in:										
Special revenue funds	10,128,026									
Debt service funds	26,219,974									
Capital project funds	77,066,114									
Nonspendable		\$19,160	\$7,666,605	\$174,067			\$484	\$550		
Restricted		76,120,393	73,538,765	42,888,150	\$42,117,459	\$39,066,351	41,017,602	53,752,247	\$56,052,014	\$64,125,353
Assigned		12,925,706	8,925,705	5,147,506	1,734,260	428,766	430,083	431,867	782,617	43,906
Unassigned		(13,673,750)	(13,944,556)	(11,929,833)	(14,357,112)	(15,499,990)	(9,755,130)	(13,824,433)	(17,190,388)	(8,939,781)
<b>Total all other governmental funds</b>	<b>\$148,396,306</b>	<b>\$75,191,209</b>	<b>\$76,186,139</b>	<b>\$36,279,890</b>	<b>\$29,499,607</b>	<b>\$23,095,127</b>	<b>\$31,692,039</b>	<b>\$40,360,211</b>	<b>\$44,644,245</b>	<b>\$55,226,478</b> (a)

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(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.  
(b) The City implemented the provisions of GASB Statement 54 in fiscal year 2010, and years prior to 2009 have not been restated to conform with the new regulations.  
(c) Balance was restated in fiscal year 2014. Years prior to 2013 have not been restated.

**CITY OF RICHMOND**  
**Changes in Fund Balance of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,					Fiscal Year Ended June 30,				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Property taxes	\$79,047,050	\$63,858,143	\$57,113,666	\$51,964,005	\$48,518,328	\$43,559,305	\$46,498,061	\$52,714,540	\$58,042,766	\$60,963,189
Sales taxes	27,922,698	25,000,182	23,025,923	27,788,339	29,865,548	29,627,711	33,131,486	40,877,125	41,620,189	44,474,973
Utility user fees	48,953,004	40,298,719	50,007,806	50,984,315	48,398,349	48,033,706	48,299,958	43,365,249	44,966,489	46,079,755
Other taxes	7,959,683	6,092,050	7,824,181	6,550,828	6,247,352	7,053,691	9,918,447	11,628,519	12,566,579	12,413,127
Licenses, permits and fees	6,415,896	7,598,407	7,495,563	9,393,833	11,830,426	7,713,634	12,409,625	12,235,483	16,577,695	21,552,883
Developer revenue sharing	51,767	138,454	101,739	55,958						
Fines, forfeitures and penalties	359,870	481,264	474,889	536,510	617,509	821,411	1,353,518	901,838	1,065,421	1,001,927
Use of money and property	5,278,605	1,849,884	1,031,746	932,393	557,936	153,958	225,529	212,787	422,324	746,525
Intergovernmental	15,753,684	21,627,513	38,605,526	36,121,561	19,995,922	17,078,035	19,228,997	14,440,543	19,913,858	20,137,593
Private grants								12,971,138	5,000,000	9,000,000
Charges for services	5,585,383	8,517,238	9,425,484	9,204,016	9,350,051	20,022,968	13,607,840	13,462,270	15,947,909	17,045,201
Pension stabilization revenue	5,292,746	2,728,314	2,728,314	2,544,175	2,549,922	998,839	954,202	915,860	885,938	
Rent	312,096	766,017	793,144	793,144	681,141	708,626	809,113	768,753	839,821	852,940
Other	11,685,170	4,766,408	6,686,908	7,142,854	2,703,133	2,845,117	1,977,688	4,300,150	5,472,719	4,418,779
<b>Total Revenues</b>	<b>214,617,652</b>	<b>183,722,593</b>	<b>205,482,406</b>	<b>204,011,931</b>	<b>181,315,617</b>	<b>178,617,001</b>	<b>188,414,464</b>	<b>208,794,255</b>	<b>223,321,708</b>	<b>238,686,892</b>
<b>Expenditures</b>										
Current:										
General government	19,044,304	14,412,971	15,053,928	30,303,614	33,251,610	32,005,878	29,786,089	31,819,369	36,973,645	44,009,256
Public safety	93,507,626	95,989,053	94,269,101	87,286,248	87,573,539	91,676,955	90,219,981	94,774,545	95,479,682	96,546,035
Public works	20,513,373	20,997,847	21,144,011	25,555,928	26,065,996	26,363,885	25,806,437	25,690,663	30,327,553	35,016,495
Community development	4,334,599	7,692,545	7,655,697	5,643,542	4,709,478	4,357,885	4,586,333	4,843,687	6,374,607	8,057,638
Cultural and recreational	16,796,528	15,137,648	14,559,213	12,183,399	11,175,362	10,223,708	10,021,481	10,551,337	10,786,216	11,347,436
Housing and redevelopment	22,049,876	12,098,783	11,767,304	6,267,418	3,089,640	2,266,265	2,625,533	3,038,135	7,672,540	1,942,637
SERAF		10,118,826	2,083,288							
Capital outlay	80,466,151	25,142,692	27,189,722	28,721,772	15,704,486	14,365,888	8,178,649	8,566,563	3,667,134	10,000,595
Debt service:										
Principal repayment	9,684,582	171,714,191	14,879,506	14,312,544	8,691,629	6,775,769	7,842,830	9,148,909	9,966,416	11,032,933
Interest and fiscal charges	14,038,265	21,418,597	14,559,340	11,393,091	7,504,922	10,989,996	13,407,604	12,503,442	11,471,169	10,785,342
Swap termination payment								28,554,000		
<b>Total Expenditures</b>	<b>280,435,304</b>	<b>394,723,153</b>	<b>225,161,110</b>	<b>221,667,556</b>	<b>197,766,662</b>	<b>199,026,229</b>	<b>192,474,937</b>	<b>229,490,650</b>	<b>212,718,962</b>	<b>228,738,367</b>
Excess (deficiency) of revenues over (under) expenditures	(65,817,652)	(211,000,560)	(19,678,704)	(17,655,625)	(16,451,045)	(20,409,228)	(4,060,473)	(20,696,395)	10,602,746	9,948,525
<b>Other Financing Sources (Uses)</b>										
Transfers in	79,414,731	49,963,245	62,507,821	38,456,022	21,145,031	20,145,264	12,879,975	12,124,166	18,770,780	14,472,164
Transfers out	(80,148,188)	(43,560,606)	(55,482,457)	(33,437,663)	(19,666,470)	(20,859,344)	(13,815,569)	(12,091,206)	(19,251,041)	(14,868,906)
Sale of property	5,040,000	23,300	188,489	53,618		174,874	268,927	262,667	181,022	39,226
Payment to refund bond escrow agent										
Issuance of long-term debt		121,076,391	14,721,130	3,214,243	2,621,558	6,165,445	11,175,436	28,390,000		
Bond issuance premium				109,701	106,740		82,880	1,393,619		
<b>Total other financing sources (uses)</b>	<b>4,306,543</b>	<b>127,502,330</b>	<b>21,746,494</b>	<b>8,530,792</b>	<b>4,260,477</b>	<b>5,626,239</b>	<b>10,591,649</b>	<b>30,079,246</b>	<b>(299,239)</b>	<b>(357,516)</b>
<b>Special and Extraordinary Items</b>										
Assets transferred to liabilities assumed by Housing Successor/Successor Agency				(33,902,636) (b)						
Transfer of loans to housing successor					745,119					1,208,259
Interfund advance restructuring										
<b>Total Special and Extraordinary Items</b>					<b>745,119</b>					<b>1,208,259</b>
<b>Net Change in fund balances</b>	<b>(\$61,511,109)</b>	<b>(\$83,498,230)</b>	<b>\$2,067,790</b>	<b>(\$43,027,469)</b>	<b>(\$11,445,449)</b>	<b>(\$14,782,989)</b>	<b>\$6,531,176</b>	<b>\$9,382,851</b>	<b>\$10,303,507</b>	<b>\$10,799,268</b>
Debt service as a percentage of noncapital expenditures	11.1%	51.9%	14.5%	12.3%	8.7%	9.4%	11.4%	22.6%	10.3%	10.0%

NOTE:  
(a) Debt service in 2010 includes the current refunding of the 2007 Tax Allocation Bonds of \$64,275,000.  
(b) The Redevelopment Agency was dissolved effective January 31, 2012 and its net assets transferred to a Successor Agency.

**CITY OF RICHMOND**  
**ASSESSED AND ESTIMATED ACTUAL**  
**VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
*(In Thousands)*

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>ASSESSED VALUE <sup>(1)</sup></b>										
Land	\$4,498,812	\$3,541,992	\$3,427,021	\$3,329,164	\$3,216,147	\$3,218,339	\$3,781,609	\$4,186,239	\$4,520,312	\$4,946,654
Improvements	8,995,536	8,071,718	6,721,515	7,413,276	9,268,934	7,181,567	8,187,280	8,683,770	9,216,704	9,400,903
Total Real Property	13,494,348	11,613,710	10,148,536	10,742,440	12,485,081	10,399,906	11,968,889	12,870,009	13,737,016	14,347,557
Personal Property	632,670	683,995	671,258	681,204	795,573	53,195	460,661	669,634	585,832	\$589,457
<b>TOTAL</b>	<b>\$14,127,018</b>	<b>\$12,297,705</b>	<b>\$10,819,794</b>	<b>\$11,423,644</b>	<b>\$13,280,654</b>	<b>\$10,453,101</b>	<b>\$12,429,550</b>	<b>\$13,539,643</b>	<b>\$14,322,848</b>	<b>\$14,937,014</b>
<b>EXEMPTIONS <sup>(2)</sup></b>										
Homesteads <sup>(3)</sup>	\$113,296	\$111,793	\$110,280	\$107,571	\$104,144	\$100,680	\$98,456	\$96,539	\$95,052	\$94,266
Other <sup>(4)</sup>	364,531	432,140	473,917	495,341	519,976	527,179	587,350	641,475	688,713	760,841
<b>TOTAL</b>	<b>\$477,827</b>	<b>\$543,933</b>	<b>\$584,197</b>	<b>\$602,915</b>	<b>\$624,120</b>	<b>\$627,859</b>	<b>\$685,806</b>	<b>\$738,014</b>	<b>\$783,765</b>	<b>\$855,107</b>
<b>ASSESSED VALUE</b>										
(Net of Exemptions)	\$13,649,191	\$11,753,772	\$10,235,597	\$10,820,729	\$12,656,334	\$9,825,242	\$11,743,744	\$12,801,629	\$13,539,083	\$14,081,907
<b>Less:</b> <b>Redevelopment Tax</b> <b>Increments <sup>(5)</sup></b>	<b>2,404,325</b>	<b>1,736,546</b>	<b>1,594,287</b>	<b>1,578,082</b>	<b>1,558,233</b>	<b>1,595,033</b>	<b>1,799,831</b>	<b>2,055,811</b>	<b>2,248,742</b>	<b>2,567,061</b>
<b>NET ASSESSED VALUE</b>	<b>\$11,244,866</b>	<b>\$10,017,226</b>	<b>\$8,641,310</b>	<b>\$9,242,647</b>	<b>\$11,098,301</b>	<b>\$8,230,209</b>	<b>\$9,943,913</b>	<b>\$10,745,818</b>	<b>\$11,290,341</b>	<b>\$11,514,846</b>
<b>NET INCREASE (DECREASE)</b>	<b>\$787,429</b>	<b>(\$1,227,640)</b>	<b>(\$1,375,916)</b>	<b>\$601,337</b>	<b>\$1,855,654</b>	<b>(\$2,868,092)</b>	<b>\$1,713,704</b>	<b>\$801,905</b>	<b>\$544,523</b>	<b>\$224,505</b>
<b>% OF INCREASE (DECREASE)</b>	<b>7.53%</b>	<b>-10.92%</b>	<b>-13.74%</b>	<b>6.96%</b>	<b>20.08%</b>	<b>-25.84%</b>	<b>20.82%</b>	<b>8.06%</b>	<b>5.07%</b>	<b>1.99%</b>
<b>Total Direct Tax Rates <sup>(6)</sup></b>	<b>0.42216%</b>	<b>0.40770%</b>	<b>0.41395%</b>	<b>0.40619%</b>	<b>0.38653%</b>	<b>0.41948%</b>	<b>0.41930%</b>	<b>0.42781%</b>	<b>0.43675%</b>	<b>0.43591%</b>

<sup>(1)</sup> Assessed value (full cash value) of taxable property represents all property within the City. For the fiscal year 1981-82 and thereafter, the assessed value is 100% of the full cash value in accordance with State legislation. The maximum tax rate is 1% of the full cash value or \$1/\$100 of the assessed value, excluding the tax rate for debt service.

<sup>(2)</sup> Exemptions are summarized as follows:  
(a) Homesteaders' exemption arises from Article XIII(b)(2) which reimburses local governments for revenues lost through the homesteaders' exemption to Article XIII(b)(3).  
(b) Other exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(c).

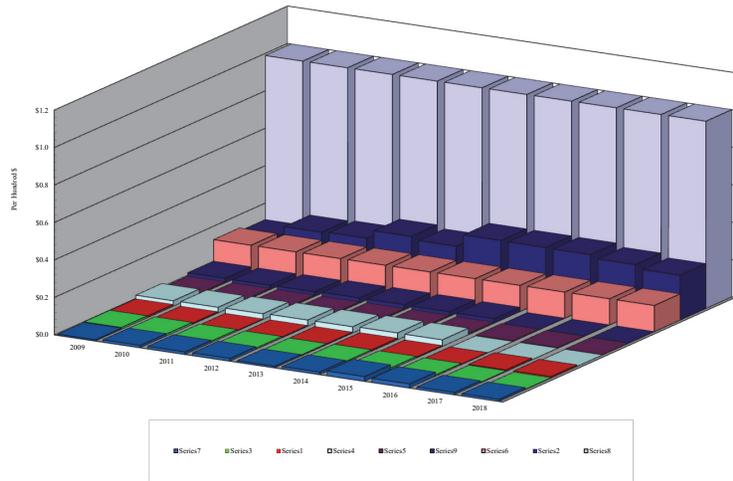
<sup>(3)</sup> Tax increments are allocations made to the Redevelopment Agency under authority of California Constitution, Article XVI.

<sup>(4)</sup> California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area. The City of Richmond encompasses more than 92 tax rate areas. See Property Tax Rates statistics for additional information.

Source: County of Contra Costa, Office of the Auditor-Controller  
HLL reports

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**CITY OF RICHMOND  
PROPERTY TAX RATES  
ALL OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**



Fiscal Year	Basic County Wide Levy (1)	City of Richmond 1981 Pension Liability (2)	BART	East Bay Regional Parks District	Acalanes Union	East Bay MUD Dist. 1 Bond	Orinda Elementary	West Contra Costa Unified	Contra Costa Community College	Total Direct & Overlapping Tax Rates (3)	City's Share of 1% Levy Per Prop 13 (4)	General Obligation Debt Rate	Redevelopment Rate (5)	Total Direct Rate (6)
2009	\$1.00000	\$0.14000	\$0.09900	\$0.01000	\$0.02900	\$0.00640	\$0.02470	\$0.12300	\$0.00660	\$1.34860	\$0.28784	\$0.14000	\$1.15000	\$0.43216
2010	1.00000	0.14000	0.09570	0.01080	0.02980	0.00650	0.02360	0.18280	0.01260	1.41180	0.28784	0.14000	1.15080	0.40770
2011	1.00000	0.14000	0.00310	0.00840	0.03110	0.00670	0.02440	0.18690	0.01330	1.41390	0.28784	0.14000	1.14840	0.41395
2012	1.00000	0.14000	0.00410	0.00710	0.03330	0.00670	0.02740	0.23220	0.01440	1.46520	0.28784	0.14000	1.14710	0.40618
2013	1.00000	0.14000	0.00430	0.00510	0.03330	0.00680	0.02730	0.21570	0.00870	1.44120	0.28784	0.14000	0.00000	0.38653
2014	1.00000	0.14000	0.00750	0.00780	0.03610	0.00660	0.02550	0.28180	0.01330	1.51860	0.28784	0.14000	0.00000	0.41948
2015	1.00000	0.14000	0.00450	0.00850	0.03580	0.00470	0.02320	0.28030	0.02520	1.52140	0.28784	0.14000	0.00000	0.41930
2016	1.00000	0.14000	0.00260	0.00670	0.00000	0.00340	0.00000	0.27810	0.02200	1.45280	0.28784	0.14000	0.00000	0.43781
2017	1.00000	0.14000	0.00800	0.00320	0.00000	0.00280	0.00000	0.26040	0.01200	1.42640	0.28784	0.14000	0.00000	0.43675
2018	1.00000	0.14000	0.00840	0.00210	0.00000	0.00110	0.00000	0.23970	0.01140	1.40270	0.28784	0.14000	0.00000	0.43591

**NOTES:**

- (1) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
- (2) Voter approved debt.
- (3) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.
- (4) City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.
- (5) RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California state statute. RDA direct and overlapping rates are applied only to the incremental property values.
- (6) Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes the rates reported, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

Source: County of Contra Costa, Office of the Auditor-Controller

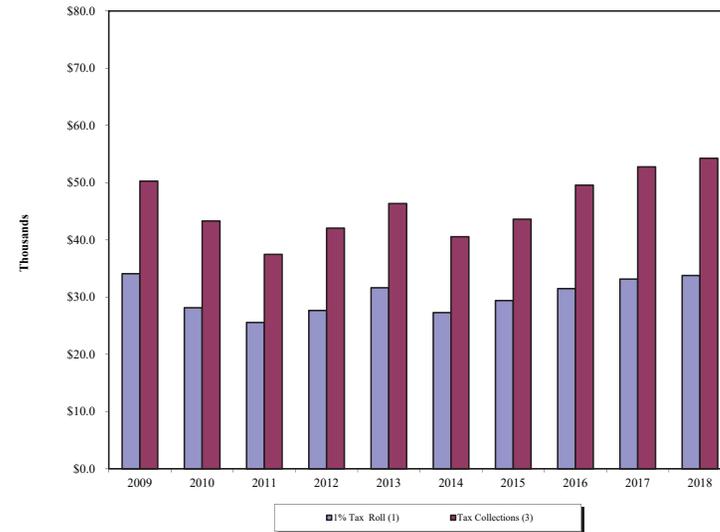
**CITY OF RICHMOND**  
**Principal Property Tax Payers**  
**Current Year and Nine Years Ago**  
**(In Thousands)**

Taxpayer	Type of Business	2017-2018		2008-2009	
		Taxable Assessed Value	Rank	Taxable Assessed Value	Rank
Chevron USA Inc.	Industrial	\$3,458,826,102	1	\$3,806,016,395	1
Guardian KW Hilltop LLC	Residential	195,893,231	2		
LIPT Giant Road Inc.	Industrial	85,200,000	3		
Richmond Essex LP	Residential	77,070,899	4	67,858,721	6
Kaiser Foundation Hospitals	Industrial	71,371,353	5		
Western B Northwest California LLC	Industrial	44,676,000	6		
KM Phoenix Holdings LLC	Industrial	44,525,532	7		
Dicon Fiberoptics INC	Industrial	43,349,741	8		
Ford Point LLC	Residential	41,235,340	9		
LBG Hilltop	Commercial	41,157,093	10		
Lennar Emerald Marina Shores	Industrial			130,136,960	2
Richmond Parkway Associates	Commercial			122,770,226	3
Bayer healthcare Pharm INC	Industrial			114,423,602	4
DDRM Hilltop Plaza LP	Commercial			88,858,116	5
Richmond Associates	Commercial			63,726,624	7
Crescent Park EAH LP	Residential			48,443,500	8
Cherokee Simeon Venture I LLC	Residential			46,837,270	9
Foss Maritime Company	Unsecured			45,888,847	10
Subtotal		<b>\$4,103,305,291</b>	<b>29.14%</b>	<b>\$4,534,960,261</b>	<b>33.23%</b>

Total Net Assessed Valuation:  
 Fiscal Year 2017-2018 \$14,081,907,000  
 Fiscal Year 2008-2009 \$13,649,191,000

Source: Contra Costa County Assessor Fiscal Year Combined Tax Rolls and the SBE Non Unitary Tax Roll

**CITY OF RICHMOND**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
**(In Thousands)**

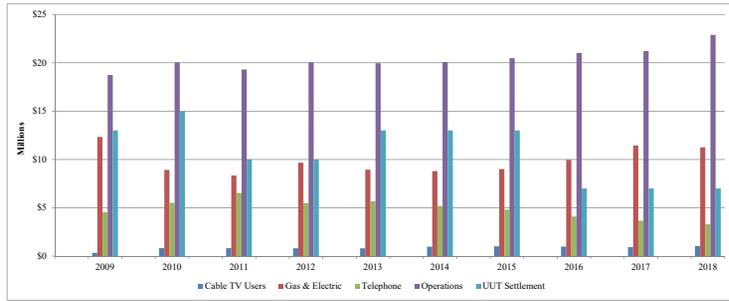


Fiscal Year	1% Tax Roll (1)	Voter Approve Debt Tax Rolls (2)	Total Tax Collections (3)	Percent of Total Tax Collections to Tax Levy
2009	\$34,096	\$16,172	\$50,268	100%
2010	28,147	15,155	43,302	100%
2011	25,573	11,900	37,473	100%
2012	27,669	14,377	42,046	100%
2013	31,638	14,718	46,356	100%
2014	27,289	13,267	40,556	100%
2015	29,392	14,225	43,617	100%
2016	31,490	18,071	49,561	100%
2017	33,152	19,618	52,770	100%
2018	33,780	20,481	54,261	100%

Source: City of Richmond Records

- NOTES: (1) The maximum tax rate is 1% of the assessed value or \$1/\$100 of the assessed value, excluding the tax rate for debt.  
 (2) Voter approved tax roll for debt is in addition to the 1% rate shown in note (1).  
 (3) During fiscal year 1995, the County began providing the City 100% of its tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.

**CITY OF RICHMOND  
UTILITY USERS TAX COLLECTIONS  
LAST TEN FISCAL YEARS**



	Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Cable TV Users	\$334,347	\$835,226	\$824,723	\$810,755	\$809,972	\$983,465	\$1,016,552	\$988,547	\$924,912	\$1,036,854
Gas & Electric	12,326,977	8,919,561	8,336,362	9,660,557	8,943,183	8,787,715	9,003,928	9,966,642	11,433,006	11,250,415
Telephone	4,558,009	5,510,933	6,539,983	5,473,445	5,688,505	5,183,418	4,807,499	4,093,128	3,668,092	3,300,001
Operations	18,733,671	20,032,999	19,306,738	20,039,558	19,956,689	20,079,108	20,471,979	21,004,080	21,209,540	22,884,443
UUT Settlement	13,000,000	15,000,000	10,000,000	10,000,000	13,000,000	13,000,000	13,000,000	7,000,000	7,000,000	7,000,000
Prepaid Wireless Combined (A)								312,852	730,939	608,042
	<u>\$48,953,004</u>	<u>\$50,298,719</u>	<u>\$45,007,806</u>	<u>\$45,984,315</u>	<u>\$48,398,349</u>	<u>\$48,033,706</u>	<u>\$48,299,958</u>	<u>\$43,365,249</u>	<u>\$44,966,489</u>	<u>\$46,079,755</u>

NOTES:

(A) Components of collections by type are not available, therefore amount represents total UUT collections for the fiscal year, and these amounts have been excluded from the graph

SOURCE: City of Richmond, Finance Department (Revenue)

**CITY OF RICHMOND  
UTILITY USERS TAX DIRECT RATES  
ON CHARGES FOR SERVICES  
LAST TEN FISCAL YEARS (A)**

	2015	2016	2017	2018
Cable TV Users	5%	5%	5%	5%
Gas & Electric	10%	10%	10%	10%
Telephone	9.50%	9.50%	9.50%	9.50%
Operations	(B)	(B)	(B)	(B)
UUT Settlement	(C)	(C)	(C)	(C)

NOTES:

- (A) Historical information prior to 2015 is not available.
- (B) Based on the Cap Provision in the City of Richmond Municipal Code Section 13.52.100 - Maximum Tax Payable of the Richmond Municipal Code.
- (C) Annual amount is per agreement signed by a Major Taxpayer and the City in 2010.

SOURCE: City of Richmond, Finance Department (Revenue)

**CITY OF RICHMOND  
TOP TEN UTILITY USERS TAXPAYERS  
(ALPHABETICAL ORDER)  
Current Year (A)**

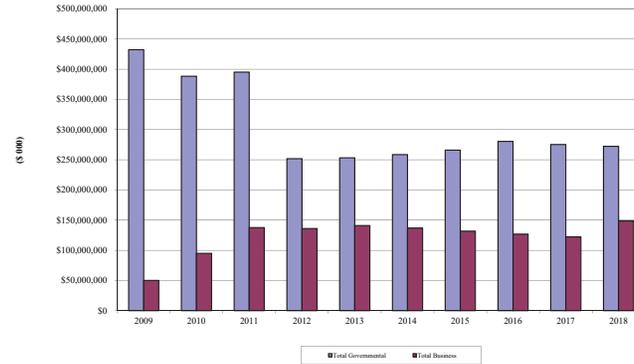
Taxpayer	Type of Business (B)
Chevron	Industrial
PG&E	Utility
Marin Clean Energy	Utility
Comcast	Cable
New Cingular Wireless	Telecommunications
Pacific Bell Telephone Co	Telecommunications
GTE Mobilnet of California LTD	Telecommunications
T-Mobile	Telecommunications
MetroPCS California LLC	Telecommunications
Constellation new Energy	Gas

**NOTES:**

- (A) Information for 2008 is not available.
- (B) Revenue base information by taxpayer is confidential.

SOURCE: City of Richmond, Finance Department (Revenue)

**CITY OF RICHMOND  
Ratio of Outstanding Debt by Type  
Last Ten Fiscal Years**



Fiscal Year	Governmental Activities					
	Tax Allocation Bonds	Pension Obligation Bonds	Revenue Bonds	Loans and Notes Payable	Capital Leases	Total
2009	\$165,200,399	\$150,493,392	\$97,750,000	\$10,544,185	\$8,300,966	\$432,288,942
2010	130,953,999	152,059,727	88,271,545	10,460,463	6,536,310	388,282,044
2011	125,899,530	153,589,314	87,906,545	20,723,084	7,022,284	395,140,757
2012	(B)	155,060,554	87,526,545	635,646	8,523,072	251,745,817
2013	(B)	156,483,676	87,121,545	1,231,880	8,269,494	253,106,595
2014	(B)	157,555,624	87,121,545	2,631,887	11,186,685	258,495,741
2015	(B)	156,491,679	87,121,545	12,970,813	9,295,123	265,879,160
2016	(B)	155,070,539	115,218,619	2,143,560	7,944,891	280,377,609
2017	(B)	153,058,033	113,275,266	1,993,820	6,872,843	275,199,962
2018	(B)	150,485,289	111,241,920	1,844,775	8,650,840	272,222,824

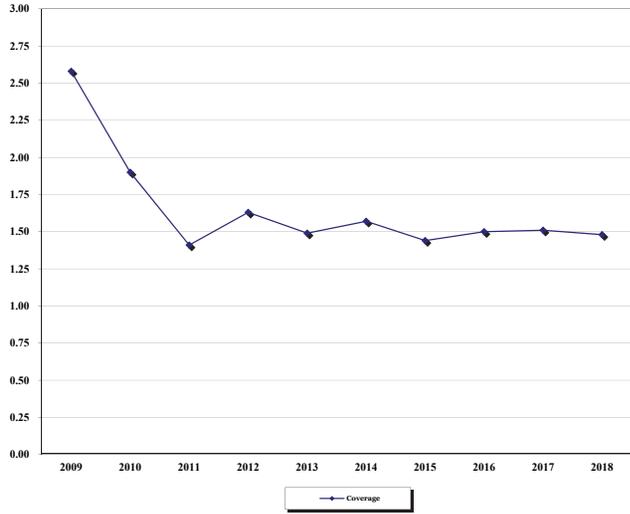
Fiscal Year	Business-Type Activities				Total Primary Government	Percentage of Personal Income (A)	Per Capita (A)
	Wastewater Revenue Bonds	Port Lease Revenue Bonds	Loans and Notes Payable	Total			
2009	\$41,934,902	\$3,203,312	\$4,971,846	\$50,110,060	\$482,399,002	18.70%	\$4,643
2010	41,416,658	49,015,199	4,501,732	94,933,589	483,215,633	19.08%	4,620
2011	84,893,408	48,683,747	4,016,617	137,593,772	532,734,529	21.12%	5,043
2012	84,246,892	48,252,294	3,516,009	136,015,195	387,761,012	15.26%	3,697
2013	90,096,593 (C)	47,834,187	3,007,372	140,938,152	394,044,747	15.06%	3,733
2014	89,012,056	44,944,399	2,935,889	136,892,244	395,388,085	14.54%	3,725
2015	86,867,520	41,984,610	2,861,189	131,713,319	397,592,479	14.68%	3,737
2016	84,637,983	39,354,875	2,783,127	126,775,985	407,153,594	14.84%	3,689
2017	82,313,447	36,588,791	3,401,553	122,303,791	397,503,753	14.21%	3,556
2018	111,698,772	33,587,707	3,316,308	148,602,787	420,825,611	14.41%	3,765

Notes: Debt amounts exclude any premiums, discounts, or other amortization amounts.

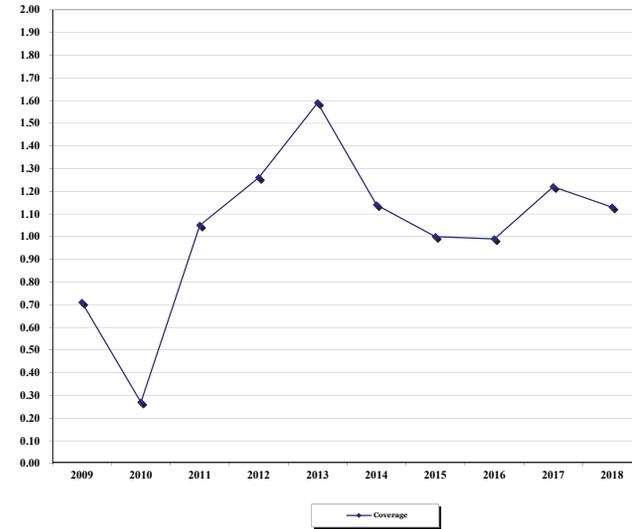
- (A) See Demographic Statistics for personal income and population data.
- (B) Due to the dissolution of the Redevelopment Agency, the Tax Allocation Bonds and the Loans and Notes Payable that were related to the Redevelopment Agency were transferred to the Successor Agency as of February 1, 2012 and are no longer governmental commitments.
- (C) With the implementation of GASB Statement No. 65, the deferred amount on refunding previously reported as a component of the long-term debt balance is not reported as a deferred inflows of resources.

Sources: City of Richmond  
State of California, Department of Finance (population)  
U.S. Department of commerce, Bureau of the Census (income)

**CITY OF RICHMOND  
REVENUE BOND COVERAGE  
1999, 2006, 2008, 2010A, 2010B and 2017A WASTEWATER REVENUE BONDS  
LAST TEN FISCAL YEARS**



**CITY OF RICHMOND  
REVENUE BOND COVERAGE  
1996, 1999, 2004, 2007 AND 2009 PORT TERMINAL LEASE REVENUE BONDS, NOTE  
AND POINT POTRERO LEASE REVENUE BONDS  
LAST TEN FISCAL YEARS**



Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2009	\$14,498,712	\$8,287,431	\$6,211,281		\$2,403,307	\$2,403,307	2.58
2010	16,075,782	10,362,653	5,713,129	\$865,000	2,146,974	3,011,974	1.90
2011	17,399,624	9,154,788	8,244,836	905,000	4,943,042	5,848,042	1.41
2012	17,697,208	8,956,411	8,740,797	975,000	4,399,406	5,374,406	1.63
2013	17,840,042	9,447,236	8,392,806	1,005,000	4,613,635	5,618,635	1.49
2014	18,569,191	9,734,277	8,834,914	1,055,000	4,560,528	5,615,528	1.57
2015	19,098,835	9,524,878	9,573,957	2,115,000	4,536,302	6,651,302	1.44
2016	19,843,677	9,954,037	9,889,640	2,200,000	4,393,375	6,593,375	1.50
2017	20,880,739	10,831,250	10,049,489	2,295,000	4,344,233	6,639,233	1.51
2018	23,752,946	11,885,819	11,867,127	2,400,000	5,599,008	7,999,008	1.48

Notes: (1) Includes all Municipal Sewer Operating Revenues and Non-operating Interest Revenue excluding Derivative Investment Interest.  
 (2) Includes all Municipal Sewer Operating Expenses less Depreciation and Pension Expense related to GASB Statement 68.

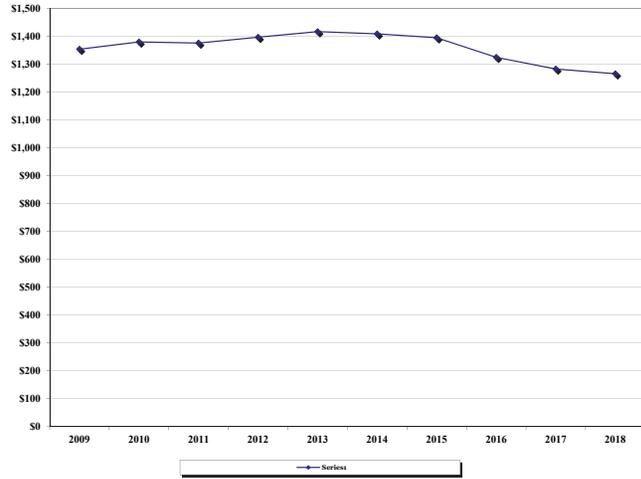
Source: City of Richmond Annual Financial Statements

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2009	\$5,292,289	\$3,129,349	\$2,162,940	\$2,745,000	\$292,367	\$3,037,367	0.71
2010	4,334,422	3,007,455	1,326,967	3,270,000	1,671,265	4,941,265	0.27
2011	6,357,466	2,035,968	4,321,498	405,000	3,728,541	4,133,541	1.05
2012	7,822,496	2,931,799	4,890,697	505,000	3,381,546	3,886,546	1.26
2013	9,138,193	2,964,060	6,174,133	525,000	3,348,154	3,873,154	1.59
2014	10,280,894	3,189,866	7,091,028	2,955,000	3,255,221	6,210,221	1.14
2015	9,481,315	3,380,916	6,100,399	3,025,000	3,077,165	6,102,165	1.00
2016	10,081,074	4,533,796	5,547,278	2,723,455	2,869,343	5,592,798	0.99
2017	10,194,121	3,522,216	6,671,905	2,830,000	2,641,797	5,471,797	1.22
2018	10,633,233	4,450,592	6,182,641	3,065,000	2,393,977	5,458,977	1.13

Notes: (1) Includes all Port of Richmond Operating Revenues and Non-operating Interest Revenue excluding Derivative Investment Interest.  
 (2) Includes all Port of Richmond Operating Expenses, less Depreciation and Pension Expense related to GASB Statement 68.

Source: City of Richmond Annual Financial Statements

**CITY OF RICHMOND  
GENERAL BONDED DEBT  
PENSION OBLIGATION BONDS (1)  
LAST TEN FISCAL YEARS**

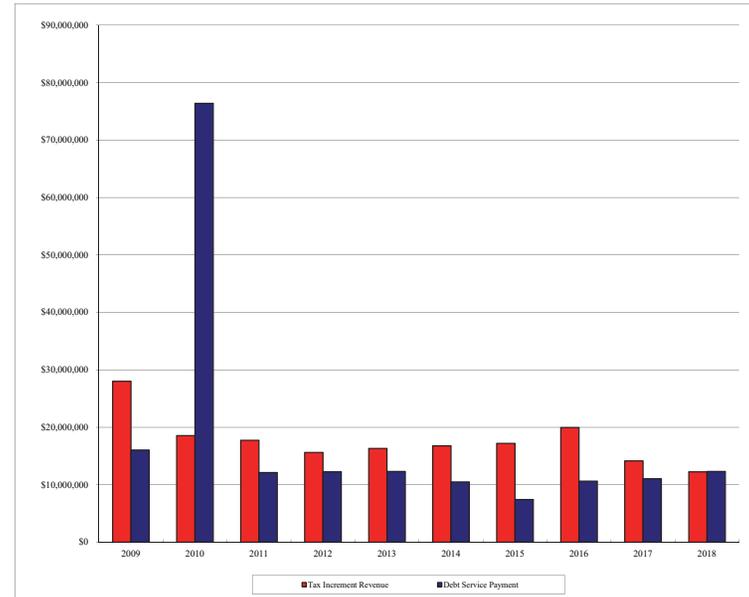


Fiscal Year	Bonds Outstanding	Restricted Cash and Investments (2)	Net Bonds Outstanding	Net Assessed Value of Property	Ratio of General Bonded Debt to Net Assessed Value of Property	Net General Bonded Debt per Capita
2009	\$150,493,392	\$9,916,755	\$140,576,637	\$11,244,866,000	1.25%	1,353
2010	152,059,727	7,841,951	144,217,776	10,017,226,000	1.44%	1,379
2011	153,589,314	8,314,362	145,274,952	8,641,310,346	1.68%	1,375
2012	155,060,554	8,617,952	146,442,602	9,242,647,000	1.58%	1,396
2013	156,483,676	7,054,942	149,428,734	11,098,301,000	1.35%	1,416
2014	157,555,624	8,089,647	149,465,977	8,230,209,000	1.82%	1,408
2015	156,491,679	8,148,121	148,343,558	9,943,913,000	1.49%	1,394
2016	155,070,539	8,936,523	146,134,016	10,745,818,000	1.36%	1,324
2017	153,058,033	9,777,863	143,280,170	11,290,341,000	1.27%	1,282
2018	150,485,289	9,075,692	141,409,597	11,514,846,000	1.23%	1,265

Note: (1) Includes the 1999 Bonds issued in fiscal year 2000, and the 2005 Bonds issued in fiscal year 2006.  
(2) Restricted cash is being held with the City's fiscal agent, Union Bank, and is restricted for the payment of the bonds.

Source: City of Richmond Annual Financial Statements

**CITY OF RICHMOND  
BONDED DEBT PLEDGED REVENUE COVERAGE  
TAX ALLOCATION BONDS AND REFUNDING BONDS (1)  
LAST TEN FISCAL YEARS**



Fiscal Year	Tax Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2009	\$28,012,195	\$6,450,000	\$9,589,715	\$16,039,715	1.75
2010	18,559,284	69,170,000 (2)	7,220,349	76,390,349	0.24
2011	17,743,295	6,225,000	5,905,703	12,130,703	1.46
2012	15,619,530 (3) (4)	6,285,000	5,972,529	12,257,529	1.27
2013	16,320,481 (4)	6,565,000	5,754,825	12,319,825	1.32
2014	16,776,169 (4)	5,030,000	5,461,989	10,491,989	1.60
2015	17,206,306 (4)	2,930,000	4,500,409	7,430,409	2.32
2016	19,953,198 (4)	6,180,000	4,445,674	10,625,674	1.88
2017	14,156,746 (4)	6,395,000	4,653,678	11,048,678	1.28
2018	12,255,069 (4)	7,575,000	4,746,564	12,321,564	0.99

Note: (1) Includes the 1991, 1998, 2000, 2003, 2004, 2007, 2010 and 2014 Bonds.  
(2) Includes current refunding of the 2007 Bonds of \$64,275,000.  
(3) The Redevelopment Agency was dissolved effective January 31, 2012, and its liabilities were assumed by a Successor Agency. Amounts reported here include tax revenue and debt service of both the former Redevelopment Agency and the Successor Agency.  
(4) Beginning in fiscal year 2012, tax increment reported in this table is the amount calculated by the County Auditor-Controller. Under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations.

Source: City of Richmond Annual Financial Statements

**CITY OF RICHMOND  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
JUNE 30, 2018**

2017-2018 Assessed Valuation: \$14,081,907,000

	Total Debt June 30, 2018	% Applicable (1)	City's Share of Debt June 30, 2018
<b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>			
Bay Area Rapid Transit District	\$837,820,000	2.038%	\$17,074,772
Contra Costa Community College District	403,600,000	7.374%	29,761,464
West Contra Costa Unified School District	1,149,663,353	47.344%	544,296,618
West Contra Costa Healthcare District Parcel Tax Obligations	54,635,000	44.219%	24,159,051
East Bay Regional Park District	187,800,000	3.186%	5,983,308
City of Richmond Community Facilities District No. 1998-1	2,535,000	100%	2,535,000
City of Richmond 1915 Act Bonds	8,965,000	100%	8,965,000
California Statewide Community Development Authority 1915 Act Bonds	1,692,414	100%	1,692,414
<b>TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<u><b>634,467,627</b></u>
<b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			
Contra Costa County General Fund Obligations	\$291,777,297	7.348%	\$21,439,796
Contra Costa County Pension Obligation Bonds	155,880,000	7.348%	11,454,062
Alameda-Contra Costa Transit District Certificates of Participation	13,795,000	6.110%	842,875
Contra Costa Community College District Certificates of Participation	330,000	7.374%	24,334
West Contra Costa Unified School District Certificates of Participation	10,145,000	47.344%	4,803,049
<b>City of Richmond General Fund Obligations</b>	<b>143,725,000</b>	<b>100%</b>	<b>143,725,000</b>
<b>City of Richmond Pension Obligations Bonds</b>	<b>81,519,953</b>	<b>100%</b>	<b>81,519,953</b>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			263,809,069
Less: Contra Costa County general fund obligations supported by revenue funds			8,449,424
<b>City of Richmond obligations supported by port revenues</b>			<u><b>33,750,000</b></u>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>			<u><b>\$221,609,645</b></u>
<b>OVERLAPPING TAX INCREMENT DEBT (Successor Agency)</b>	<b>\$73,063,530</b>	<b>100%</b>	<b>\$73,063,530</b>
<b>TOTAL GROSS DIRECT DEBT</b>			<u><b>\$225,244,953</b></u>
<b>TOTAL NET DIRECT DEBT</b>			<u><b>\$191,494,953</b></u>
<b>TOTAL GROSS OVERLAPPING DEBT</b>			<u><b>\$746,095,273</b></u>
<b>TOTAL NET OVERLAPPING DEBT</b>			<u><b>\$737,645,849</b></u>
<b>GROSS COMBINED TOTAL DEBT</b>			<u><b>\$971,340,226</b></u> (2)
<b>NET COMBINED TOTAL DEBT</b>			<u><b>\$929,140,802</b></u>

- (1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping districts' assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

**Ratios to 2017-18 Assessed Valuation:**  
Total Net Overlapping Tax and Assessment Debt 4.51%

**Ratios to Adjusted Assessed Valuation:**  
**Gross Combined Direct Debt (\$225,244,953) 1.60%**  
**Net Combined Direct Debt (\$191,494,953) 1.36%**  
Combined Total Debt 6.90%  
Net Combined Total Debt 6.60%

**Ratios to Successor Agency Redevelopment Incremental Valuation (\$2,567,060,724):**  
Total Overlapping Tax Increment Debt 2.85%

Source: HDL Coren & Cone, Contra Costa County Assessor and Auditor, City of Richmond Finance Department

**CITY OF RICHMOND  
COMPUTATION OF LEGAL BONDED DEBT MARGIN  
JUNE 30, 2018**

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property \$14,081,907,000

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a) \$528,071,513

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt \$0

Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit 0

Amount of debt subject to limit 0

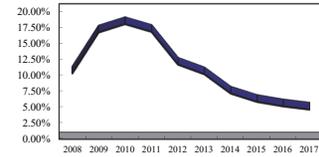
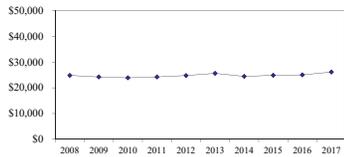
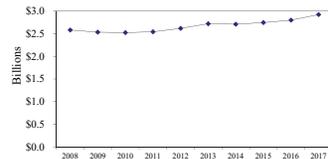
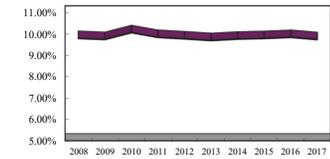
LEGAL BONDED DEBT MARGIN \$528,071,513

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2009	\$511,844,663	\$0	\$511,844,663	0.00%
2010	440,766,450	0	440,766,450	0.00%
2011	383,834,888	0	383,834,888	0.00%
2012	405,777,338	0	405,777,338	0.00%
2013	474,620,025	0	474,620,025	0.00%
2014	368,446,575	0	368,446,575	0.00%
2015	440,390,400	0	440,390,400	0.00%
2016	480,061,088	0	480,061,088	0.00%
2017	507,715,613	0	507,715,613	0.00%
2018	528,071,513	0	528,071,513	0.00%

NOTE:

- (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

CITY OF RICHMOND  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN CALENDAR YEARS



Calendar Year	City Population	Total Personal Income	Per Capita Personal Income	Unemployment Rate (%)	Contra Costa County Population	City Population % of County
2008	103,895	\$2,579,939,000	\$24,832	10.2%	1,060,435	9.80%
2009	104,602	2,532,776,000	24,213	16.6%	1,073,055	9.75%
2010	105,630	2,522,550,000	23,881	17.9%	1,049,025	10.07%
2011	104,887	2,540,888,000	24,225	16.7%	1,065,117	9.85%
2012	105,562	2,615,932,000	24,781	11.6%	1,079,597	9.78%
2013	106,138	2,718,619,000	25,614	10.1%	1,094,205	9.70%
2014	106,388	2,707,894,000	24,453	7.1%	1,089,291	9.77%
2015	110,378	2,743,560,000	24,856	5.8%	1,126,745	9.80%
2016	111,785	2,797,360,000	25,024	5.1%	1,135,127	9.85%
2017	111,785	2,920,370,000	26,124	4.6%	1,147,439	9.74%

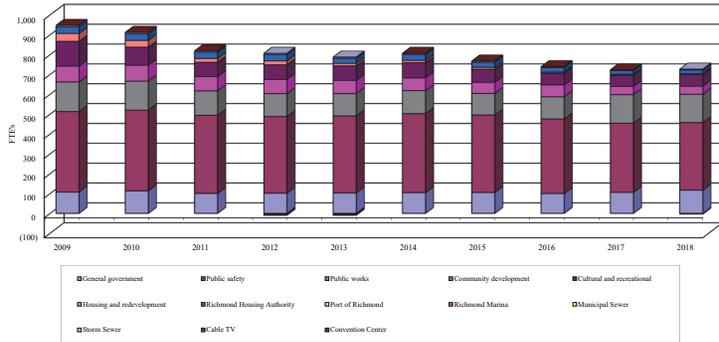
Source: HdL, Coren & Cone

CITY OF RICHMOND  
 Principal Employers  
 Current Year and Nine Years Ago

Employer	2017-2018			2008-2009		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Chevron Refinery	3,510	1	3.6%	2,461	1	2.5%
West Contra Costa Unified School District	1,658	2	1.7%			
Social Security Administration	1,259	3	1.3%			
Blue Apron, Inc.	1,200	4	1.2%			
U.S. Postal Service	1,047	5	1.1%			
City of Richmond	888	6	0.9%			
Contra Costa County	844	7	0.9%			
Kaiser Foundation Hospitals	805	8	0.8%			
Costco Wholesale #482	431	9	0.4%	278	4	0.3%
Sunpower Corporation	291	10	0.3%			
The Permanente Medical Group				786	2	0.8%
Wal-Mart Store 3455				350	3	0.4%
California Autism Foundation, Inc.				250	5	0.3%
Macy's Hilltop				242	6	0.2%
The Home Depot #643				209	7	0.2%
Veriflo Division				185	8	0.2%
Sealy Mattress Co.				184	9	0.2%
TPMG Regional Laboratory				176	10	0.2%
Subtotal	11,933		12.1%	5,121		5.3%
Total City Day Population	98,760			97,391		

Source: City of Richmond Community Development Department

**CITY OF RICHMOND**  
Full-Time Equivalent City Government Employees by Function  
Last Ten Fiscal Years



Adopted for Fiscal Year Ended June 30										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Function</b>										
General government	107.2	113.2	100.2	101.7	102.9	104.4	105.2	99.8	105.4	116.5
Public safety	406.0	407.0	394.0	386.0	388.0	398.0	390.0	375.5	349.0	341.0
Public works	149.0	146.0	123.0	116.0	113.0	116.0	109.0	112.0	144.0	143.0
Community development	83.0	80.0	72.0	71.0	66.0	64.0	56.0	59.5	41.0	40.0
Cultural and recreational	124.4	91.2	72.2	73.8	73.2	76.8	66.0	59.0	57.0	59.1
Housing and redevelopment	40.0	34.0	19.0	19.6	13.0	12.0	10.0	5.9	3.8	3.8
Richmond Housing Authority and RHA Properties	33.0	33.0	32.0	32.0	25.0	29.0	25.0	23.0	19.0	19.0
Part of Richmond	7.0	7.0	6.0	6.0	6.0	6.0	6.0	4.0	4.0	4.0
Richmond Marina	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Municipal Sewer	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Storm Sewer	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Cable TV	(1)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Convention Center	(2)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
<b>Total</b>	<b>946.6</b>	<b>911.4</b>	<b>818.4</b>	<b>806.1</b>	<b>787.1</b>	<b>806.2</b>	<b>767.2</b>	<b>738.7</b>	<b>723.2</b>	<b>726.4</b>

Source: City of Richmond Budget

- Notes:
- (1) These services are provided by outside contractors.
  - (2) Convention Center closed during renovation and staff moved under cultural and recreational.
  - (3) Staff that perform these functions are included under General Government and Cultural and Recreational.

**CITY OF RICHMOND**  
Operating Indicators by Function/Program  
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Function/Program</b>										
<b>Public safety:</b>										
Fire:										
Fire calls for service	9,861	11,723	12,237	12,770	12,868	12,988	13,670	14,497	14,372	14,375
Primary fire inspections conducted	6,201	5,752	5,055	1,071	2,716	3,000	1,569	1,134	1,160	5,378
Number of firefighters	98	109	83	85	93	85	94	91	90	91
Number of firefighters and civilians per thousand population	1.1	1.0	1.2	0.8	0.8	0.8	0.8	0.8	0.8	0.1
Police:										
Number of police officers per thousand population	1.7	1.9	1.7	1.8	1.8	1.7	1.8	1.7	1.6	1.6
Number of sworn officers	176	200	188	191	195	186	196	185	182	178
<b>Water</b>										
Daily average consumption in gallons per family	250	250	250	250	250	250	250	250	250	250

Source: City of Richmond

**CITY OF RICHMOND**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Function/Program</b>										
Public safety:										
Fire stations	7	7	7	7	7	7	7	7	7	7
Police stations	6	6	4	4	4	4	4	4	4	4
Library (#) of Locations	3	3	3	3	3	3	3	3	3	3
Public works										
Miles of streets	280	280	280	280	280	280	280	280	280	280
Street lights	7,000	7,000	7,000	7,000	7,000	6,543	8,343	8,543	9,000	9,000
Urban Forest (trees) (a)	40,200	40,757	41,293	41,562	26,000	21,609	22,009	35,620	35,782	36,231
Culture and recreation:										
Community services:										
City parks	55	55	55	55	55	55	55	55	55	55
City parks acreage	336.6	336.6	336.6	336.6	336.6	336.6	336.6	336.6	336.6	336.6
Open Space & Public Landscapes acreage	510.0	510.0	510.0	510.0	510.0	510.0	510.0	510.0	510.0	510.0
Lawn bowling	1	1	1	1	1	1	1	1	1	1
Recreation centers	8	8	8	8	8	8	8	8	8	8
Auditorium/Theater	1	1	1	1	1	1	1	1	1	1
Gymnasiums	3	3	3	3	3	3	3	3	3	3
Senior centers	2	2	2	2	2	2	2	2	2	2
Headstart centers/day cares	6	6	6	6	6	6	6	6	6	6
Putting green	1	1	1	1	1	1	1	1	1	1
Basketball courts	28	28	28	28	28	28	28	28	28	28
Swimming pools	1	1	2	2	2	2	2	2	2	2
Tennis courts	20	20	20	20	20	20	20	20	20	20
Baseball/softball diamonds	26	26	26	26	26	26	26	26	26	26
Soccer/football fields	17	17	17	17	17	17	17	17	17	17
Cricket fields	2	2	2	2	2	2	2	2	2	2
Water										
Fire hydrants	3,153	3,153	3,153	3,153	3,153	3,153	3,153	3,153	3,153	3,153
Wastewater										
Miles of sanitary sewers	183	183	183	183	183	183	183	183	183	183
Miles of storm sewers	310	310	310	310	310	310	310	310	310	310
Land Area (square miles)	33.7	33.7	33.7	33.7	33.7	33.7	33.7	33.7	33.7	33.7
Miles of waterfront	32	32	32	32	32	32	32	32	32	32

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Source: City of Richmond

(a) Trees managed by the City for 2013 to present.

Data Prior to 2013 includes trees managed by other entities, such as East Bay Regional Park District, National Parks and Privately owned.

## APPENDIX C

### THE PORT OF RICHMOND

#### Description and Location

Immediately prior to the beginning of the 20th century, the Richmond area was selected as the western terminus by the Santa Fe Railroad because of the availability of deepwater access to San Francisco Bay. During the first half of the 20th century, the Port of Richmond (the “Port”) was developed and expanded by private interests, the federal government and the City of Richmond (the “City”). The Port consists of and comprises five City owned terminals, five dry docks and 11 privately owned terminals. There are of 32 deep water berths with piers, wharves and docks in the Port area, and extensive on shore facilities to store, service and handle inbound and outbound cargoes.

At the City-owned facilities the principal cargoes handled are foreign automobiles and, vegetable oils and molasses. In addition, the Port operates layberthing activities, ship repairs, and scrapping operations, and accommodates a number of specialized maritime activities. Chevron U.S.A. (“Chevron”) operates extensive petroleum shipping and terminal operations at its own facilities on a portion of the City’s waterfront.

The Port facilities are located on approximately 600 acres of land immediately adjacent to the Richmond harbor channels. The City owns approximately 200 acres landside, which include the seven marine terminals which are leased and operated by private lessors under lease contract with the Port. While the leases provide monthly rental income, revenues derived by the Port come primarily from dockage and wharfage fees. See also “–Rates and Charges.” In addition to the six City owned terminals, the Port of Richmond has 11 privately owned and operated terminals. The largest privately owned and operated terminal in terms of volume is the Chevron terminal which handles more than 20.8 million metric tons of general, liquid and dry bulk commodities each year. The Port of Richmond does not charge any wharfage or dockage fees for cargo loaded or unloaded at the privately-owned terminals. However, the privately-owned terminals do contribute to the local Richmond economy, and provide revenue to the City through the levy of property taxes and other fees.

Water access from the entrance to San Francisco Bay to Richmond is provided by the federally-maintained John F. Baldwin Ship Channel and the Richmond Harbor Channel. The Baldwin Channel and the Long Wharf maneuvering area at the entrance to the Richmond Harbor Channel are maintained at 45 feet Mean Lower Low Water (“MLLW”). The Richmond Inner Harbor was deepened from 35 to 38 feet in 1998. Land Access is provided by the interstate highway system. Transcontinental Interstate 80 leads to Sacramento, Reno, and eastward, and connects with north-south, Canada-to-Mexico, Interstate 5. The John T. Knox Freeway, designated Interstate 580, passes through the port area and connects Interstate 80 with the Richmond-San Rafael Bridge, which leads to north-south U.S. Highway 101. On-dock rail service is provided to many port terminals by the BNSF Railway Company (“BNSF”) and the Union Pacific Southern Pacific railways and can be quickly reached by low-cost truck service. It is only three days to or from Chicago by rail, and five days by truck.

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

The City recently undertook a 10-year Port improvement plan designed to increase the capacity and profitability of the Port.

Since 2004, the City has had a lease agreement with Auto Warehousing Co. (“AWC”) for the operation on City property of an auto importation business. See “AWC FACILITY REVENUES.”

## **Administration**

The Port of Richmond is a public enterprise fund established by the City and is administered as a department of the City. Operations include the marine terminal facilities and commercial property rentals. The financial statements are included as an enterprise fund in the general purpose financial statements of the City. The City Council acts as the governing board of the Port, and sets the Tariff which details the rates, charges, rules and regulations applying at the Port owned municipal terminals. Resumes of the key administrative staff of the Port are set forth below.

The Port Department is managed by the Port Director who reports to the City Manager, who in turn reports to the City Council. The City Council is comprised of a directly elected Mayor and eight City Councilmembers. The Mayor and Councilmembers are elected by the voters of the City of Richmond for four-year terms with the Mayor and four Councilmembers elected at one election and the three other Councilmembers elected at elections two years after (mid-term) the Mayor’s election. The Port Department administers the City of Richmond owned marine terminal facilities on the City shoreline by acting as the landlord to the terminal lessees. The City Council in effect acts as a Board of Port Commissioners.

***James C. Matzorkis, Executive Director.*** James C. Matzorkis became Port Director in 2001. He is responsible for the overall management and operation of the Port. From 1998 to 2001, Mr. Matzorkis served as the Marketing Manager at the Port. Mr. Matzorkis has been in the Maritime Industry since 1981. His experience includes management of stevedoring and terminal operations, international and domestic vehicle distribution, sales and marketing, and business planning and development. Mr. Matzorkis has a Bachelor of Arts degree in Business Administration from the University of Maryland, is on the Board of Directors of the Bay Planning Coalition and is on the Executive Advisory Committee of the California Association of Port Authorities.

***Lucy Zhou, Port Operations/Marketing Manager.*** Lucy Zhou is responsible for operations at the City-owned terminals and marketing for these facilities. She has a Bachelor of Science degree for Beijing University. She previously worked for the Pasha Group, a diversified global logistics and transportation services company.

## **Facilities**

***Terminals and Dry Docks.*** Richmond has 32 miles of shoreline along the northern and eastern reaches of San Francisco Bay. There are six City-owned terminals and five dry docks. These tenant operated terminals handle a wide range of liquid commodities, automobiles, steel products and other diversified cargoes. The Port of Richmond also encompasses 10 privately owned terminals handling bulk liquid, dry bulk materials, metals, and break-bulk cargoes. A description of the City-owned terminals follows:

Terminal 2. This Terminal is comprised of approximately eight acres located at 1145 Harbour Way South and docking with berthing depth of approximately 35 feet below MLLW for vessels up to 720 feet in length. Terminal 2 is equipped with a 50 foot by 45 foot concrete wharf, a 225 foot by 45 foot timber wharf and two warehouses with a total of approximately 140,000 square feet for storage and distribution of liquid bulk commodities. This Terminal also features a rail connection to the BNSF railway line.

Terminal 3. This Terminal is comprised of approximately 20 acres located at 1411 Harbour Way South and docking with berthing depth of approximately 35 feet below MLLW for vessels up to 1,000 feet in length. Terminal 3 is equipped with a 1,009 foot by 105 foot concrete wharf and an approximately 80,000 square foot warehouse for import, storage and distribution of break bulk, project cargo, and containers. This Terminal also features two 37 short ton wharf-side container cranes.

Terminal 4. This Terminal is comprised of approximately 37 acres located at 2101 Western Drive and is has berthing facilities for vessels up to 1,000 feet at a MLLW of 28 feet at dockside. Terminal 4 is equipped with a 1,000 foot by 25 foot concrete wharf and an approximately 12,000 square foot transit shed. This terminal also features a rail connection to the BNSF railway line

Point Potrero Marine Terminal (Terminals 5, 6 and 7). This terminal is comprised of approximately 130 acres located at 1301 Canal Boulevard and has docking facilities for vessels up to 500 feet at Terminal 5, 400 feet at Terminal 6 and 1,000 feet at Terminal 7 with berthing depths varying from 20 to 35 feet below MLLW. The Point Potrero facility consists of two 2,300 foot by 135 foot concrete wharves, two 550 foot by 50 foot concrete piers, one 750 foot by 100 foot and four 575 foot by 100 foot graving docks and two warehouses with a total of approximately 140,000 square feet for import, storage and distribution of autos, break bulk and dry bulk. This Terminal also features a rail connection to the BNSF railway line with 11 rail car spots.

## **Cargo**

*City Owned Terminals.* The Port of Richmond handles bulk liquid, break bulk and vehicles as its primary cargoes. Bulk liquid cargo includes petroleum products, chemicals and petro-chemicals, coconut oil, vegetable oils, tallow and molasses. Dry bulk commodities include coal bauxite, gypsum, iron, ore, cement logs, and mineral products. Automobiles, agricultural vehicles, steel products, scrap metals are also significant. The following tables shows a five-year history of cargo tonnage and vessel landings for the Port of Richmond City owned terminals.

The following tables set forth the principal customers of the Port for the last five Fiscal Years by revenue and by tonnage.

**Table C-1**  
**Port of Richmond**  
**City Owned Terminals**  
**Principal Customers by Revenue**

<u>Name</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Auto Warehousing Co.	\$7,581,088	\$6,996,642	\$7,357,738	\$7,433,745	\$7,558,870
ISS Marine Service	502,555	482,052	532,220	435,839	588,597
Foss Marine	388,417	340,066	335,446	335,076	353,275
Marine Spill Response	254,780	207,442	316,104	331,520	332,394
California Oils	<u>352,781</u>	<u>366,892</u>	<u>381,568</u>	<u>339,996</u>	<u>414,396</u>
SUBTOTAL	\$9,075,465	\$8,490,283	\$8,923,076	\$8,936,176	\$9,247,532
All Other	986,001	990,900	1,000,237	1,115,527	1,148,186
TOTAL†	\$10,061,466	\$9,481,184	\$ 9,923,313	\$10,051,703	\$10,395,718
Percent change	13%	(6%)	5%	1%	3%

*Source: Port of Richmond.*

† Totals may not add due to independent rounding.

**Table C-2**  
**Port of Richmond**  
**City Owned Terminals**  
**Principal Customers by Tonnage**  
**(Metric Tons)**

<u>Name</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Auto Warehousing Co.	164,628	187,846	178,552	163,289	168,488
California Oils	<u>103,852</u>	<u>85,221</u>	<u>66,359</u>	<u>63,613</u>	<u>95,311</u>
TOTAL	268,480	273,067	244,911	226,902	263,799

*Source: Port of Richmond*

**Table C-3**  
**Port of Richmond**  
**City Owned Terminals**  
**Vessel Landings**

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Number of Vessel Landings	105	114	113	106	117

*Source: Port of Richmond.*

***Privately Owned Terminals.*** There are also 10 privately owned terminals for handling bulk liquid, dry bulk materials, metals and break-bulk cargo located at the Port from which the Port collects tariffs. See “–Rates and Charges.” These terminals are owned by: BP-West Coast Product Co., Chevron U.S.A. Products Co., Conoco Phillips Richmond Terminal, International Matex Tank Terminals, Kinder Morgan, Levin-Richmond Terminal, Manson Construction Co., National Gypsum Co., Pacific Atlantic Terminals and Sims America.

## **Rates and Charges**

***Overview.*** While each of the 11 State public ports, including the Port, control their individual charges and tariff structures, these ports cooperate in setting tariff rates through membership in the California Association of Port Authorities (“CAPA”). CAPA was established in 1940 to promote the interests of the State’s ports, maintain the formal agreements on behalf its member ports with the Federal Maritime Commission (the “FMC”) and provides regular communication with the FMC and other national interests. CAPA strives to establish and maintain reasonable ad, as far as practicable, uniform terminal rates, charges, classifications, rules and regulations for the handling and movements of domestic and foreign waterborne cargo. Tariffs cover assignment of marine terminal facilities as well as other rate and provisions for vessel dockage, wharfage, wharf storage, wharf demurrage (the detention in port of a vessel by the shipowner, as in loading or unloading, beyond the time allowed or agreed upon), container crane rental and other miscellaneous charges necessary for the orderly movement of cargo. CAPA is exempt from federal antitrust laws in connection with its cooperative rate-setting. If CAPA declines approval of any member’s proposed rate, such member may still act independently with regard to its specific tariff structure by giving a written 10 day notice to CAPA. Upon receipt of such notice CAPA may consult with other CAPA members and make advisory, but purely non-binding recommendations. Federal, State and local governmental entities also have the ability to impose additional charges on various port activities.

In addition to the tariffs, the Port negotiates other charges (*i.e.* rentals and leases of Port property) that are not within the purview of CAPA but must be fixed and filed with the FMC, on a case-by-case basis. The Port sets such charges based on its labor costs, competition, the amount of equipment and investment required and long-term business considerations.

Management of the Port estimates that the tariff charges constitute approximately 78% of the Port’s revenues from cargo operations.

## **Grant Funding**

From time to time, the Port receives grants from federal, State and local entities for various port related projects, including security projects relating to federal and State requirements. Proceeds of grants are not part of Net Port Revenues.

## **Capital Improvement Plan**

The Port maintains multi-year capital plans for budgeting and planning purposes. These plans are periodically revised by Port staff and approved by the City based upon available funding sources, anticipated capital needs, and project priority.

## **Competition**

The Port competes for cargo with the other ports in the San Francisco Bay Area located in Benicia, Oakland, Redwood City, Sacramento, San Francisco and Stockton and with other modes of transportation. Competition principally occurs when shippers modify distribution systems to integrate an intermodal segment more efficiently, principally rail and truck.

## **Budgetary and Financial Procedures**

Maintenance, operations and capital expenditures costs and debt service requirements of the Port are developed annually by the Port Director. These estimates/projects are submitted as expenditures plan to the City Council prior to June 1 of the fiscal year. The City Council then conducts a public hearing to receive comments regarding the proposed expenditure plan. The City Council also holds an in-depth study session of the proposed expenditures plan with management of the Port. Prior to July 1, the City Council adopts the expenditure plan, as adjusted in the study session, as the budget of the Port.

The City Manager is authorized by the City Council to transfer budget amounts as needed between expenditure categories within the Port enterprise fund. However, revisions that increase the total budgeted expenditures of such fund must be taken to the City Council for approval.

## **Outstanding Port Obligations**

The Port has no direct bonded debt outstanding. Net Port Revenues are pledged to secure Base Rental Payments with respect to the \$26,830,000 aggregate principal amount of Richmond Joint Powers Financing Authority Point Potrero Lease Revenue Bonds, Series 2009A (the "Series 2009A Bonds"), all of which are currently outstanding. The Series 2009A Bonds are expected to be redeemed on the delivery date of the Series 2019B Bonds from proceeds of the Series 2019B Bonds and funds on deposit with respect to the Series 2009A Bonds.

As of June 30, 2018, the Port also owed the General Fund \$13,917,312 for advances made by the City to the Port to assist the Port with various lease transaction and other projects. The repayment terms, among other matters, provides that the proceeds of the sale of any Port property, including Terminal 1 and Terminal 4 are to be applied to repayment. The sale of Terminal 1 is in contract and expected to close by the end of calendar year 2019, with proceeds of approximately \$9,500,000 expected to be applied to reduce this borrowing.

## **Financial Statements**

The financial statements of the Port are included as a Major Proprietary Fund of the City.

The Port allocates to each of its revenue divisions (Aviation, Maritime and Commercial Real Estate) expenses directly related to their respective operations. In addition, the Port annually allocates indirect costs to those divisions based on a cost allocation plan. Allocated indirect costs include general operating expenses, maintenance, advertising and promotion, administrative expenses, depreciation and amortization and interest expense.

## Historical Net Port Revenues

The following table sets forth the statements of revenues and expenses of the Port for the last five Fiscal Years, which have been summarized from the financial statements of the City.

**Table C-4**  
**Historical Net Port Revenues**  
**Fiscal Years Ending June 30**

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Operating Revenues					
Lease Income	\$7,708,287	\$7,063,233	\$7,421,299	\$7,533,185	7,691,234
Service Charges	2,353,177	2,417,134	2,631,766	2,549,167	2,852,569
Other	140,487	0	27,354	425	36,443
TOTAL OPERATING REVENUES	<u>\$10,201,751</u>	<u>\$9,480,367</u>	<u>\$10,080,419</u>	<u>\$10,182,777</u>	<u>\$10,580,246</u>
Operating Expenses					
Salaries and Benefits	\$1,038,924	\$883,260	\$694,471	\$895,338	\$586,419
General and Administrative	1,919,894	1,854,273	2,278,144	2,077,409	1,994,000
Maintenance <sup>†</sup>	222,425	648,781	1,778,312	454,317	1,559,527
Depreciation	3,097,121	3,476,105	3,510,058	4,077,251	3,775,336
Other	8,623	1,634	3,928	10,851	8,347
TOTAL OPERATING EXPENSES	<u>\$6,286,987</u>	<u>\$6,864,053</u>	<u>\$8,264,913</u>	<u>\$7,515,166</u>	<u>\$7,923,629</u>
Operating Income (Loss)	\$3,914,764	\$2,161,314	\$1,815,506	\$2,667,661	\$2,656,617
Net Port Revenues (excludes depreciation)	\$7,011,885	\$5,637,419	\$5,325,564	\$6,744,912	\$6,431,953

<sup>†</sup> The Port incurred significant one-time PCB cleanup costs in Fiscal Year 2015-16 and extraordinary dredging costs in Fiscal Year 2017-18.

Sources: Audited Financial Statements of the City—Major Enterprise Funds—Port of Richmond for periods ending June 30, 2014 through June 30, 2018.

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## **APPENDIX D**

### **SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS**

The following summary discussion of selected features of the Site Lease, dated as of July 1, 2009 (the “Site Lease”), the Facility Lease, dated as of August 1, 2019 (the “Facility Lease”) and the Trust Agreement, dated as of August 1, 2019 (the “Trust Agreement”), is made subject to all of the provisions of such documents and to the discussions of such documents contained elsewhere in this Official Statement. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Series 2019B Bonds are referred to the complete texts of said documents, copies of which are available upon request from the office of the City Manager, City of Richmond.

### **CERTAIN DEFINITIONS**

The following are definitions of certain of the terms used in the Facility Lease, Site Lease or Trust Agreement, to which reference is hereby made. The following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

“Accreted Value” means, with respect to Capital Appreciation Bonds, as of the date of calculation, the Denominational Amount thereof plus the interest accrued thereon to such date of calculation, compounded from the date of initial delivery at the interest rate thereof on each May 1 and November 1, as determined in accordance with the Supplemental Trust Agreement authorizing such Bonds.

“Act” means the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the Government Code of the State, as amended) and all laws amendatory thereof or supplemental thereto.

“Additional Bonds” means all bonds of the Authority authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance with the Trust Agreement.

“Additional Payments” means all amounts payable to the Authority or the Trustee or any other person from the City as Additional Payments pursuant to the Facility Lease.

“AHM” means the American Honda Motors Co., Inc.

“AHM MAG Agreement” means that certain Minimum Annual Guaranty Agreement, dated as of June 12, 2009, by and among the City, AHM and AWC.

“Authority” means the Richmond Joint Powers Financing Authority created pursuant to the Act and its successors and assigns in accordance with the Trust Agreement.

“Authorized Denominations” means, with respect to the Series 2019B Bonds, denominations of \$5,000 or any integral multiple thereof.

“AWC” means the Auto Warehousing Co., a corporation organized and existing under and by virtue of the laws of the State of Washington.

“AWC Payments” means payments payable to the City under the Operating Lease.

“Base Rental” and “Base Rental Payments” means all amounts payable to the Authority from the City as Base Rental Payments pursuant to the Facility Lease.

“Base Rental Payment Schedule” means the schedule of Base Rental Payments payable to the Authority from the City pursuant to the Facility Lease and attached thereto.

“Bond Counsel” means counsel of recognized national standing in the field of law relating to municipal bonds, appointed by the Authority.

“Bond Insurance Policy” means any policy or policies of insurance or financial guaranty bond insuring the scheduled payment of the principal of and interest on the Bonds when due and issued by a Bond Insurer.

“Bond Insurer” means any insurance company or companies which has or have issued any Bond Insurance Policy insuring the scheduled payment of principal of and interest on any Outstanding Bonds or any series or portion thereof when due.

“Bond Year” means the twelve (12)-month period ending on May 1 of each year to which reference is made.

“Bondholder or “Owner” means any person who will be the registered owner of any Outstanding Bond.

“Bonds” means the Series 2019B Bonds and all Additional Bonds of the Authority authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance with the Trust Agreement.

“Business Day” means a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State of New York or California is authorized to remain closed, or a day on which the Federal Reserve system is closed.

“Capital Appreciation Bonds” means Bonds the interest on which is compounded semiannually on each Interest Payment Date and paid at maturity as specified in the accreted value table for such Bonds in an exhibit to a Supplemental Trust Agreement.

“Certificate of the Authority” means an instrument in writing signed by any of the following officials of the Authority: President, Secretary, Assistant Secretary, Executive Director or Treasurer of the Authority, or a designee of any such officer, or by any other person (whether or not an officer of the Authority) who is specifically authorized by resolution of the Authority for that purpose.

“Certificate of the City” means an instrument in writing signed by any of the following City officials: Mayor, Director of Finance, City Manager, or by any such officials’ duly appointed designee, or by any other officer of the City duly authorized by the City Council of the City for that purpose.

“City” means the City of Richmond, a charter city and municipal corporation duly organized and validly existing under the Constitution and general laws of the State.

“Code” means the Internal Revenue Code of 1986, as amended.

“Common Reserve Account” means a Reserve Account of that name which may be established in the Reserve Fund pursuant to the Trust Agreement to secure Common Reserve Bonds.

“Common Reserve Bonds” means any Series of Bonds secured by the Common Reserve Account as provided in the Supplemental Trust Agreement providing for the issuance of such Series of Bonds.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement executed by the City and the Dissemination Agent dated the date of issuance and delivery of the Series 2019B Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority and related to the authorization, execution and delivery of the Facility Lease, the Site Lease, the Trust Agreement and the issuance and sale of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and charges for preparation, execution and safekeeping of the Bonds, title search and title insurance fees, fees of the Authority, fees for bond insurance for all or a portion of the Bonds and/or a Reserve Facility, and any other authorized cost, charge or fee in connection with the issuance of the Bonds.

“Costs of Issuance Fund” means the fund by that name established pursuant to the Trust Agreement.

“County” means the County of Contra Costa, California.

“Current Interest Bonds” means Bonds the interest on which is payable on each Interest Payment Date to the maturity date for each such Bond.

“Debt Service” means, for any Fiscal Year or other period, the sum of (1) the interest accruing during such Fiscal Year or other period on all Outstanding Bonds, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds so long as such funded interest is in an amount equal to the gross amount necessary to pay such interest on the Bonds and is invested in Government Securities which mature no later than the related Interest Payment Date), (2) the principal amount of all Outstanding Serial Bonds maturing during such Fiscal Year or other period, and (3) the principal amount of all Outstanding Term Bonds required to be redeemed or paid (together with the redemption premiums, if any, thereon) during such Fiscal Year or other period; provided, that the foregoing will be subject to adjustment and recalculation as follows.

(a) with respect to Capital Appreciation Bonds, the Accreted Value payment will be deemed a principal payment and interest that is compounded and paid as Accreted Value will be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond.

“Denominational Amount” means, with respect to Capital Appreciation Bonds, the initial offering price thereof, which represents the principal amount thereof, and, with respect to the Current Interest Bonds, the principal amount thereof.

“Depository” means DTC or another recognized securities depository selected by the Authority which maintains a book-entry system for the Bonds.

“Dissemination Agent” means the Willdan Financial Services or any successor appointed under the Continuing Disclosure Agreement.

“DTC” means The Depository Trust Company, New York, New York.

“Enterprise” means the City’s entire port and harbor property, facilities and equipment, including the Port Enterprise Facilities and all additions, extensions and improvements which may be hereafter made thereto, but excluding any Special Facilities.

“Event of Default” will have the meaning specified in the Trust Agreement.

“Facilities” means the real property and the improvements thereon, as set forth in Exhibit A to the Facility Lease, or any City buildings, other improvements and facilities added thereto or substituted therefor, or any portion thereof, or any portion thereof remaining after release in accordance with the Facility Lease and the Trust Agreement.

“Facility Lease” means that certain lease entitled “Facility Lease,” by and between the Authority and the City, dated as of August 1, 2019, as originally executed and recorded or as it may from time to time be supplemented, modified or amended pursuant to the provisions thereof and of the Trust Agreement.

“Fiscal Year” means the twelve (12)-month period terminating on June 30 of each year, or any other annual accounting period thereafter selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

“Fitch” means Fitch Ratings, and its successors and assigns, except that if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, then the term “Fitch” will be deemed to refer to any other Rating Agency.

“Fixed Rate Bonds” means Bonds of any Series which bear interest at a fixed interest rate from the date of such Bonds until the maturity or redemption date thereof.

“Government Securities” means (1) cash; (2) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – “SLGS”); (3) direct obligations of the U.S. Treasury which have been stripped by the Treasury itself, such as CATS, TIGRS and similar securities; (4) Resolution Funding Corp. (REFCORP) strips (interest component only) which have been stripped by request to the Federal Reserve Bank of New York in book entry form; (5) pre-refunded municipal bonds rated by S&P at the level that U.S. obligations are rated, or if not rated by S&P, then pre-refunded bonds that have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or other pre-refunded municipal obligations; and (6) obligations issued by the following agencies which are backed by the full faith and credit of the U.S.: (a) U.S. Export-Import Bank direct obligations or fully guaranteed certificates of beneficial ownership, (b) Farmers Home Administration (FmHA) certificates of beneficial ownership, (c) Federal Financing Bank, (d) General Services Administration participation certificates, (e) U.S. Maritime Administration Guaranteed Title XI financing, (f) U.S. Department of Housing and Urban Development (HUD) Project Notes, Local Authority Bonds, New Communities Debentures – U.S. government guaranteed debentures, and U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds.

“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 another state of the United States of America or a comparable successor, appointed and paid by the Authority, 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 Authority or the City;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the Authority or the City; and
- (3) is not connected with the Authority or the City as a member, officer or employee of the Authority or the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the Authority or the City.

“Interest Account” means the Interest Account established pursuant to the Trust Agreement.

“Interest Payment Date” means, with respect to the Series 2019B Bonds, May 1 and November 1 in each year, commencing November 1, 2019.

“Interest Payment Period” means the period from and including each Interest Payment Date (or, for the first Interest Payment Period, the date of the Bonds) to and including the day immediately preceding the next succeeding Interest Payment Date.

“Net Port Revenues” means Net Revenues as defined in the Ordinance; provided that “Net Port Revenues” will expressly exclude Special Facility Revenue.

“Operating Lease” means the operating lease, entitled “Second Amended and Restated Lease Agreement” and dated as of May 19, 2009, by and between the City and AWC.

“Opinion of Counsel” means a written opinion of Bond Counsel.

“Ordinance” means Ordinance No. 27-08 N.S. of the City, as adopted on November 25, 2008, amending and restating Ordinance No. 1-99 N.S., adopted by the City Council on January 12, 1999.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Trust Agreement) 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 the Trust Agreement;
- (3) Bonds deemed tendered but not yet presented for purchase; and
- (4) Bonds in lieu of or in substitution for which other Bonds will have been executed, issued and delivered by the Authority pursuant to the Trust Agreement.

“Permitted Encumbrances” means (1) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, pursuant to the Facility Lease, permit to remain unpaid; (2) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of the Facility

Lease in the office of the County Recorder of the County of Contra Costa and which the City certifies in writing will not materially impair the use of the Facilities; (3) the Site Lease, as it may be amended from time to time and the Facility Lease, as it may be amended from time to time; (4) the Trust Agreement, as it may be amended from time to time; (5) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (6) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions to which the Authority and the City consent in writing and certify to the Trustee will not materially impair the ownership interests of the Authority or use of the Facilities by the City; and (7) subleases and assignments of the City which will not adversely affect the exclusion from gross income of interest on the Bonds.

“Permitted Investments” means any of the following:

(1) Government Securities;

(2) any obligations which are then legal investments for moneys of the City under the laws of the State of California and comply with the City’s investment policy; provided that such investments will be rated in the highest short-term or one of the three highest long-term rating categories by S&P;

(3) money markets or mutual funds which are rated by S&P “AAAm-G” or “AAAm” or higher, which funds may include funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services, but excluding funds with a floating net asset value;

(4) the County of Contra Costa Investment Pool; and

(5) the Local Agency Investment Fund of the State of California. The Trustee may conclusively rely on the written instructions of the Authority and the City that such investment is a Permitted Investment.

“Person” means a corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Port Obligations” means Port Obligations as defined in the Ordinance.

“Port Revenue Fund” means the fund by that name established pursuant to the Trust Agreement.

“Principal Account” means the Principal Account established pursuant to the Trust Agreement.

“Principal Office” refers to the office of the Trustee noted in the Trust Agreement, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange or surrender and cancellation such term will mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business will be conducted, or such other offices as the Trustee may designate from time to time

“Principal Payment Date” means any date on which principal of the Bonds is required to be paid (whether by reason of maturity, redemption or acceleration).

“Prior Bonds” means the outstanding Richmond Joint Powers Financing Authority Point Potrero Lease Revenue Bonds, Series 2009A.

“Project” means any additional facilities or improvements financed with proceeds of Additional Bonds.

“Project Costs” means all costs of acquisition and construction of any Project and of expenses incident thereto (or for making reimbursements to the Authority or the City or any other person, firm or corporation for such costs theretofore paid by him or it), including, but not limited to, architectural and engineering fees and expenses, interest during construction, furnishings and equipment, tests and inspection, surveys, land acquisition, insurance premiums, losses during construction not insured against because of deductible amounts, costs of accounting, feasibility, environmental and other reports, inspection costs, permit fees, filing and recording costs, printing costs, reproduction and binding costs.

“Rating Agency” means any nationally recognized credit rating service selected and designated by the City and providing a rating on the Bonds at the request of the City, and will initially mean and refer to S&P; provided that with respect to Reserve Facilities, Rating Agency may also include Fitch.

“Rating Category” means one of the general long-term (or short-term, if so specifically provided) rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category by a numerical modifier (unless a short-term rating) or otherwise.

“Record Date” means the close of business on the fifteenth (15th) calendar day (whether or not a Business Day) of the month preceding any Interest Payment Date.

“Redemption Date” means the date fixed for redemption of any Bonds.

“Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Trust Agreement.

“Related Obligations” means the obligations of the Authority under any Reserve Facility, credit agreement, liquidity agreement or similar agreement entered into in connection with or related to the Bonds or a series thereof.

“Rental Payment Period” means the twelve month period commencing May 2 of each year and ending the following May 1, and the initial period commencing on the effective date of the Facility Lease and ending on May 1, 2020.

“Representation Letter” means the blanket letter of representation of the Authority to DTC or any similar letter to a substitute depository.

“Reserve Account” means a reserve account established pursuant to the Trust Agreement.

“Reserve Facility” means a surety bond, an insurance policy, or a letter of credit deposited with the Trustee by the Authority pursuant to the Trust Agreement in order to satisfy the Reserve Requirement for a Series of Bonds.

“Reserve Facility Provider” means the entity providing a Reserve Facility to satisfy all or a portion of a Reserve Requirement for a Series of Bonds.

“Reserve Fund” means the fund by that name established pursuant to the Trust Agreement.

“Reserve Requirement” means with respect to the Series 2019B Bonds, the Series 2019B Reserve Account Requirement and with respect to any other Series of Bonds the amount, if any, specified in the Supplemental Trust Agreement providing for the issuance of such Series of Bonds.

“Responsible Officer” means any officer of the Trustee assigned to administer its duties under the Trust Agreement.

“Revenue Fund” means the fund by that name created pursuant to the Trust Agreement.

“Revenues” means (i) all Base Rental Payments and other payments paid by the City and received by the Authority pursuant to the Facility Lease (but not Additional Payments), and (ii) all interest or other income from any investment, pursuant to the Trust Agreement, of any money in any fund or account (other than the Rebate Fund) established pursuant to the Trust Agreement or the Facility Lease.

“Serial Bonds” means Bonds for which no sinking fund payments are provided.

“Series” whenever used in the Trust Agreement with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Trust Agreement.

“Series 2019B Bond Insurance Policy” means the insurance policy issued by the Series 2019B Bond Insurer guaranteeing the scheduled payment of principal and interest on the Series 2019B Insured Bonds.

“Series 2019B Bond Insurer” means any insurance company or companies which has or have issued any Bond Insurance Policy insuring the scheduled payment of the principal of and interest on the Series 2019B Bonds. Initially, the Series 2019B Bond Insurer will be Assured Guaranty Municipal Corp. (“AGM”), a New York stock insurance company, or any successor thereto or assignee thereof.

“Series 2019B Bonds” means the Bonds designated “Richmond Joint Powers Financing Authority Point Potrero Lease Revenue Refunding Bonds, Series 2019B” issued by the Authority under and pursuant to the Trust Agreement.

“Series 2019B Insured Bonds” means the Series 2019B Bonds insured by the Series 2019B Bond Insurance Policy.

“Series 2019B Reserve Account” means the fund of that name established pursuant to the Trust Agreement.

“Series 2019B Reserve Account Requirement” means, as of the date of issuance of the Series 2019B Bonds and any date of calculation thereafter, (calculated on a Bond Year basis), an amount equal to the lesser of (i) maximum annual Debt Service on all Outstanding Series 2019B Bonds; (ii) 125% of average annual debt service on all Outstanding Series 2019B Bonds; or (iii) 10% of the proceeds from the sale of the Series 2019B Bonds.

“Series 2019B Reserve Facility” means the Municipal Bond Debt Service Reserve Insurance Policy, and any endorsement thereto, issued by the Series 2019B Reserve Provider pursuant to its Municipal Bond Debt Service Reserve Insurance Commitment, dated June 4, 2019, under which

claims may be made in order to provide moneys in the Series 2019B Reserve Account available for the purpose thereof, and which is a qualified instrument for deposit into the Series 2019B Reserve Account under the Trust Agreement.

“Series 2019B Reserve Provider” means Assured Guaranty Municipal Corp., or any successor thereto or assignee thereof.

“Site Lease” means that certain Site Lease, dated as of July 1, 2009 by and between the Richmond Surplus Property Authority, as lessor, and the Authority, as lessee, as originally executed and recorded or as it may from time to time be supplemented, modified or amended pursuant to the provisions thereof and of the Trust Agreement.

“Special Facilities” will have the meaning specified in the Facility Lease.

“Special Facility Revenue” will have the meaning specified in the Facility Lease.

“State” means the State of California.

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

“Surplus Property Authority” means the Richmond Surplus Property Authority, a public agency duly formed and validly existing under Section 40500 et seq. of the Government Code of the State.

“S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, which is a subsidiary of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, then the term “S&P” will be deemed to refer to any other Rating Agency.

“Tax Certificate” means the Tax Certificate delivered by the Authority and the City at the time of the issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

“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.

“Trust Agreement” means the Trust Agreement, dated as of August 1, 2019, between the Authority 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 MUFJ Union Bank, N.A., or any other association or corporation which may at any time be substituted in its place as provided in the Trust Agreement.

“Written Request of the Authority” means an instrument in writing signed by or on behalf of the Authority by its President, Secretary, Assistant Secretary, or Treasurer of the Authority, or a designee of any such officer or by any other person (whether or not an officer of the Authority) who is

specifically authorized by resolution of the Board of Directors of the Authority to sign or execute such a document on its behalf.

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

### **SITE LEASE**

The Surplus Property Authority and the Authority have entered into the Site Lease to provide for the lease of the Facilities from the Surplus Property Authority to the Authority. The term of the Site Lease commenced on the date of issuance of the Prior Bonds, and will end on the date identified in Exhibit B of the Site Lease unless such term is extended or sooner terminated as provided in the Site Lease. If on such date the Base Rental Payments and all other amounts then due under the Trust Agreement are not fully paid, then the term of the Site Lease will be extended until ten (10) days after the Prior Bonds and all other amounts then due under the Trust Agreement and the Facilities Lease, dated July 1, 2009, by and between the Authority and the City have been fully paid, except that the term of the Site Lease will in no event be extended beyond ten (10) years after the date identified in the Site Lease. If prior to such date the Prior Bonds and all other amounts then due under the Trust Agreement are fully paid, the term of the Site Lease will end ten (10) days thereafter.

The Surplus Property Authority covenants that it is the owner in fee of the Facilities.

### **FACILITY LEASE**

The City and the Authority will enter into the Facility Lease to provide for the lease of the Facilities.

#### Commencement of Lease Term; Abatement

The term of the Facility Lease will commence on the date of recordation of the Facility Lease in the office of the County Recorder of Contra Costa County, State of California, or on the date of delivery of the Series 2019B Bonds, whichever is earlier, and will end on the date specified in the Facility Lease, unless such term is extended or sooner terminated as provided in the Facility Lease. If on such date, the Base Rental Payments and all other amounts then due under the Facility Lease are not fully paid, or if the rental payable under the Facility Lease has been abated at any time and for any reason, then the term of the Facility Lease with respect to the Facilities will be extended until all Bonds and Related Obligations corresponding to the Base Rental Payments attributable to the Facilities and all other amounts then due under the Facility Lease with respect to the Facilities are fully paid, except that the term of the Facility Lease will in no event be extended beyond the maximum extension date identified in the Facility Lease. If prior to such date the Base Rental Payments or all the Bonds and Related Obligations payable therefrom and all other amounts then due under the Facility Lease are fully paid, or provision therefor made, the term of the Facility Lease will end ten (10) days thereafter or upon written notice by the City to the Authority, whichever is earlier.

#### Rental Payments

Base Rental Payments. The City agrees to pay to the Authority, as Base Rental Payments for the use and occupancy of the Facilities (subject to the provisions of the Facility Lease) annual rental payments comprised of the principal components and semi-annual interest components in accordance with the Base Rental Payment Schedule attached to the Facility Lease and made a part thereof. The City

is directed to pay all such Base Rental Payments directly to the Trustee for application as provided in the Trust Agreement. Base Rental Payments will be calculated on an annual basis, for each Rental Payment Period, and each annual Base Rental will be divided into two interest components, due on May 1 and November 1, and one principal component, due on May 1, except that the first Rental Payment Period commences on the date of recordation of the Facility Lease and ends on May 1, 2020. Each Base Rental Payment installment will be payable fifteen (15) days before its due date. The interest components of the Base Rental Payments will be paid by the City as and constitute interest paid on the principal components of the Base Rental Payments to be paid by the City under the Facility Lease, computed on the basis of a 360-day year composed of twelve 30-day months. Each annual payment of Base Rental (to be payable in installments as aforesaid) will be for the use of the Facilities for the twelve month period commencing on the May 2 of the period in which such installments are payable.

If the term of the Facility Lease will have been extended pursuant to the Facility Lease, Base Rental Payment installments will continue to be due on May 1 and November 1 in each year, and payable prior thereto as described above, continuing to and including the date of termination of the Facility Lease. Upon such extension of the Facility Lease, the City will deliver to the Trustee a Certificate setting forth the extended rental payment schedule, which schedule will establish the principal and interest components of the Base Rental Payments at amounts not exceeding maximum annual Base Rental payable under the Facility Lease but sufficient to pay all unpaid principal and interest on the Bonds and Related Obligations plus interest.

If at any time the Base Rental will not have been paid by the City when due, for any reason whatsoever, and no other source of funds will have been available to make the payments of principal and interest on the Bonds, the principal and interest components of the Base Rental will be recalculated by the City to reflect interest on the unpaid Base Rental Payments as provided in the Facility Lease. Upon request by the Authority or the Trustee, a revised Exhibit B to the Facility Lease will be prepared by the City and supplied to the Authority and the Trustee reflecting such recalculation.

Additional Payments. The City will also pay such amounts (the “Additional Payments”) as will be required by the Authority for the payment of all costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Facility Lease, or any pledge of Base Rental payable under the Facility Lease, the Trust Agreement, its interest in the Facilities and the lease of the Facilities to the City, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Authority related to the Bonds, the Related Obligations, the Facilities and any Project, including, without limiting the generality of the foregoing, salaries and wages of employees, all expenses (including legal fees and expenses), compensation and indemnification of the Trustee payable by the Authority under the Trust Agreement, fees and expenses of auditors, accountants, attorneys or architects, and all other necessary administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Bonds or of the Trust Agreement; but not including in Additional Payments amounts required to pay the principal of or interest on the Bonds. Such Additional Payments will be billed to the City by the Authority or the Trustee from time to time together with a statement certifying that the amount billed has been paid by the Authority or by the Trustee on behalf of the Authority, for one or more of the items above described, or that such amount is then payable by the Authority or the Trustee for such items; provided that such certification will not be included on the Trustee’s invoices for compensation or with respect to payment of any indemnification obligation. Amounts so billed will be paid by the City to the billing party within 30 days after receipt of the bill by the City. The City reserves the right to audit billings for Additional Payments although exercise of such right will in no way affect the duty of the City to make full and timely payment for all Additional Payments.

### Rental Abatement

The Base Rental Payments and Additional Payments will be abated proportionately during any period in which by reason of any damage or destruction or defect in title (other than by condemnation which is provided for pursuant to the Facility Lease) there is substantial interference with the use and occupancy of the Facilities by the City, in the proportion in which the cost of that portion of the Facilities rendered unusable bears to the cost of the whole of the Facilities. Such abatement will continue for the period commencing with such damage or destruction or defect in title and ending with the substantial completion of the work of repair or reconstruction or resolution of the defect. In the event of any such damage, destruction or defect, the Facility Lease will continue in full force and effect and will be extended pursuant to the provisions of the Facility Lease, and the City waives the benefits of California Civil Code Section 1932(2) and 1933(4) and of Title 11 of the United States Code, Section 365(h) and any and all other rights to terminate the Facility Lease by virtue of any such damage, destruction or defect. Notwithstanding the foregoing, to the extent that moneys are available for the payment of Base Rental Payments from the Net Port Revenues (including payments by AHM under the AHM MAG Agreement and AWC Payments) in any of the funds and accounts established under the Trust Agreement (except the Reserve Fund), Base Rental Payments will not be abated as provided above but, rather, will be payable by the City as a special obligation payable solely from said funds and accounts. Base Rental Payments by the City will commence upon use and occupancy of the Facilities as provided in the Facility Lease.

### Payments to be Unconditional

Notwithstanding any dispute between the Authority and the City, the City will make all Base Rental Payments, Additional Payments and other payments when due without deduction or offset of any kind and will not withhold any rental or other payments pending the final resolution of such dispute. In the event of a determination that the City was not liable for said payments or any portion thereof, said payments or excess of payments, as the case may be, will be credited against subsequent payments due under the Facility Lease or refunded at the time of such determination. Amounts required to be deposited by the City with the Trustee pursuant to the Facility Lease for payment of Base Rental Payments on any date will be reduced to the extent of amounts assigned thereunder to and received by the Trustee from AHM pursuant to the AHM MAG Agreement or AWC pursuant to the Operating Lease.

### Appropriations Covenant

The City covenants to take such action as may be necessary to include all such Base Rental Payments and Additional Payments due under the Facility Lease in its annual budgets, to make necessary annual appropriations for all such Base Rental Payments and Additional Payments as will be required to provide funds in such year for such Base Rental Payments and Additional Payments. The City will deliver to the Authority and the Trustee within sixty (60) days of adoption of the initial City budget, copies of the portion of the budget as adopted which appropriates all moneys necessary for the payment of Base Rental Payments and Additional Payments under the Facility Lease. The covenants on the part of the City contained in the Facility Lease will be deemed to be and will be construed to be duties imposed by law and it will be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Facility Lease agreed to be carried out and performed by the City. The City waives notice of acceptance by the Trustee of the assignment set forth in the Facility Lease.

The Authority and the City understand and intend that the obligation of the City to pay Base Rental Payments and Additional Payments will constitute a current expense of the City and will not

in any way be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, nor will anything contained in the Facility Lease constitute a pledge of the general tax revenues, funds or moneys of the City. Base Rental Payments and Additional Payments due under the Facility Lease will be payable only from current funds which are budgeted and appropriated or otherwise legally available for the purpose of paying Base Rental Payments and Additional Payments or other payments due under the Facility Lease as consideration for the use of the Facilities. The City has not pledged the full faith and credit of the City, the State or any agency or department thereof to the payment of the Base Rental Payments and Additional Payments or any other payments due under the Facility Lease.

#### Changes to the Facilities

Subject to the Facility Lease and the provisions of the Operating Lease, the City will, at its own expense, have the right to remodel the Facilities or to make additions, modifications and improvements to the Facilities. All such additions, modifications and improvements will thereafter comprise part of the Facilities and be subject to the provisions of the Facility Lease. Such additions, modifications and improvements will not in any way damage the Facilities or cause them to be used for purposes other than those authorized under the provisions of state and federal law; and the Facilities, upon completion of any additions, modifications and improvements made pursuant to the Facility Lease, will be of a value which is at least equal to the value of the Facilities immediately prior to the making of such additions, modifications and improvements.

#### Installation of City's Equipment

The City and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Facilities. All such items will remain the sole property of such party, in which neither the Authority nor the Trustee will have any interest, and may be modified or removed by such party at any time provided that such party will repair and restore any and all damage to the Facilities resulting from the installation, modification or removal of any such items. Nothing in the Facility Lease will prevent the City from purchasing items to be installed pursuant to said Facility Lease under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest will attach to any part of the Facilities.

#### Maintenance, Utilities

During such time as the City is in possession of the Facilities, all maintenance and repair, both ordinary and extraordinary, of the Facilities will be the responsibility of the City (which may be performed by AWC under the Operating Lease), which will at all times maintain or otherwise arrange for the maintenance of the Facilities in good condition, and the City will pay for or otherwise arrange for the payment of all utility services supplied to the Facilities, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services, and will pay for or otherwise arrange for payment of the cost of the repair and replacement of the Facilities resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof or any other cause and will pay for or otherwise arrange for the payment of all insurance policies required to be maintained with respect to the Facilities. In exchange for the rental provided in the Facility Lease, the Authority agrees to provide only the Facilities. The City waives the benefits of subsections 1 and 2 of Section 1932 and Section 1933(4) of the California Civil Code, but such waiver does not limit any of the rights of the City under the terms of the Facility Lease.

In the event the City fails to keep the Facilities in good repair and working order or fails to maintain any insurance required under the Facility Lease, the Authority may, but will be under no obligation to, maintain and repair the Facilities or obtain and maintain any such insurance coverages, as the case may be, and pay the cost thereof. All amounts so advanced by the Authority will constitute Additional Payments under the Facility Lease, and the City covenants and agrees to pay such amounts so advanced by the Authority with interest thereon from the date advanced until paid as provided in the Facility Lease.

### Taxes and Assessments

The City will pay or cause to be paid all taxes and assessments of any type or nature charged to the Authority or affecting the Facilities or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City will be obligated to pay only such installments as are required to be paid during the term of the Facility Lease as and when the same become due.

The City will also pay directly such amounts, if any, in each year as will be required by the Authority for the payment of all license and registration fees and all taxes (including, without limitation, income, excise, license, franchise, capital stock, recording, sales, use, value-added, property, occupational, excess profits and stamp taxes), levies, imposts, duties, charges, withholdings, assessments and governmental charges of any nature whatsoever, together with any additions to tax, penalties, fines or interest thereon, including, without limitation, penalties, fines or interest arising out of any delay or failure by the City to pay any of the foregoing or failure to file or furnish to the Authority or the Trustee for filing in a timely manner any returns, levied or imposed against the Authority or the Facilities, the rentals and other payments required under the Facility Lease or any parts thereof or interests of the City or the Authority or the Trustee therein by any governmental authority.

The City may, at the City's expense and in its name, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee will notify the City that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Authority in the Facilities will be materially endangered or the Facilities, or any part thereof, will be subject to loss or forfeiture, in which event the City will promptly pay such taxes, assessments or charges or provide the Authority with full security and bond against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

### Insurance

Fire and Extended Coverage Insurance. Subject to the Operating Lease and AHM MAG Agreement, the City is required to procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facility Lease, insurance against loss or damage to any structures constituting any part of the Facilities by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance and sprinkler system leakage insurance, flood insurance, but only with respect to such portions of the Facilities that are situated in any zone designated by the U.S. Government as a flood zone, and earthquake insurance, if available on the open market from reputable insurance companies at a reasonable cost, as determined by the City. Said extended coverage insurance will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance will be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Facilities, excluding the cost of excavations, of grading and filling, and of the land (except that such insurance may be subject to deductible clauses for any one loss of not to exceed \$100,000 or comparable

amount adjusted for inflation or more in the case of earthquake insurance), or, in the alternative, will be in an amount and in a form sufficient (together with moneys held under the Trust Agreement), in the event of total or partial loss, to enable the City to prepay the Base Rental Payments then unpaid, pursuant to the provisions of the Facility Lease regarding liability insurance and to redeem all Outstanding Bonds.

In the event of any damage to or destruction of any part of the Facilities, caused by the perils covered by such insurance, the Authority, except as provided in the Facility Lease, will cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Facilities, and (pursuant to the provisions of the Trust Agreement regarding application of insurance funds) the Trustee will hold said proceeds separate and apart from all other funds, in a special fund to be designated the "Insurance and Condemnation Fund," to the end that such proceeds will be applied to the repair, reconstruction or replacement of the Facilities to at least the same good order, repair and condition as they were in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee will permit withdrawals of said proceeds from time to time upon receiving the Written Request of the Authority, stating that the Authority has expended moneys or incurred liabilities in an amount equal to the amount therein requested to be paid over to it for the purpose of repair, reconstruction or replacement, and specifying the items for which such moneys were expended, or such liabilities were incurred. Any balance of said proceeds not required for such repair, reconstruction or replacement will be treated by the Trustee as Base Rental Payments and applied in the manner provided by the provisions of the Trust Agreement regarding receipt and deposit of Revenues in the Revenue Fund. Alternatively, the Authority, at its option, with the written consent of the City, and if the proceeds of such insurance together with any other moneys then available for the purpose (including allocable portions of the Reserve Fund established under the Trust Agreement) are at least sufficient to redeem an aggregate principal amount of Outstanding Bonds, equal to the amount of Base Rental attributable to the portion of the Facilities so destroyed or damaged (determined by reference to the proportion which the cost of such portion of the Facilities bears to the cost of the Facilities), may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Facilities and thereupon will cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the provisions of the Trust Agreement.

The Authority and the City will promptly apply for Federal disaster aid or State of California disaster aid in the event that the Facilities are damaged or destroyed as a result of an earthquake or any other cause for which Federal disaster aid or State of California disaster aid is available occurring at any time. Any proceeds received as a result of such disaster aid will be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Facilities, or, at the option of the City and the Authority, to enable the City to prepay all or any part of the Base Rental Payments then unpaid, pursuant to the Facility Lease, and to redeem Outstanding Bonds if such use of such disaster aid is permitted.

As an alternative to providing such insurance, or any portion thereof, the City may provide a self insurance or plan of protection if and to the extent such self insurance method or plan of protection will afford reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State of California other than the City. So long as such method or plan is being provided to satisfy the requirements of the Facility Lease, there will be filed annually with the Trustee a statement of an actuary, insurance consultant or other qualified person (which may be a Risk Manager of the City), stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the Facility Lease and, when effective, would afford reasonable coverage for the risks required to be insured against. There will also be filed a Certificate of the City setting forth the details of such substitute method or plan. In the event of loss covered by any such self

insurance method, the liability of the City under the Facility Lease will be limited to the amounts in the self insurance reserve fund or funds created under such method.

Liability Insurance. Subject to the Operating Lease and AHM MAG Agreement and except as provided in the Facility Lease, the City will procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facility Lease, a standard comprehensive general liability insurance policy or policies in protection of the Authority and its members, directors, officers, agents and employees and the Trustee, insuring said parties against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the operation of the Facilities, with minimum liability limits of \$1,000,000 per occurrence and \$3,000,000 covering all such risks in aggregate. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks in aggregate. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the City.

As an alternative to providing such insurance required by the Facility Lease, or any portion thereof, the City may provide self insurance or plan of protection or participate in a joint powers authority or other program providing pooled insurance to the extent such self insurance method or plan of protection will afford reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State of California other than the City. So long as such method or plan is being provided to satisfy the requirements of the Facility Lease, there will be filed annually with the Trustee a statement of an actuary, independent insurance consultant or other qualified person (which may be the Risk Manager of the City), stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the Facility Lease and, when effective, would afford reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee against loss and damage from the hazards and risks covered thereby. There will also be filed a Certificate of the City setting forth the details of such substitute method or plan.

Rental Interruption or Use and Occupancy Insurance. The City will procure or cause to be procured and maintain or cause to be maintained, rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Facilities as the result of any of the hazards covered by the insurance required by the Facility Lease (provided with respect to earthquake insurance, only if available on the open market from reputable insurance companies at a reasonable cost, as determined by the City, and provided further that such rental interruption insurance coverage may not be provided by a plan of self insurance), in an amount sufficient to pay the part of the total rent attributable under the Facility Lease to the portion of the Facilities rendered unusable (determined by reference to the proportion which the cost of such portion bears to the cost of the Facilities) for a period of at least two years, except that such insurance may be subject to a deductible clause of not to exceed two hundred fifty thousand dollars (\$250,000) or a comparable amount adjusted for inflation (or more in the case of earthquake coverage). Any proceeds of such insurance will be used by the Trustee to reimburse to the City any rental theretofore paid by the City under the Facility Lease attributable to such structure for a period of time during which the payment of rental under the Facility Lease is abated, and any proceeds of such insurance not so used will be applied as provided in the Facility Lease (to the extent required for the payment of Base Rental) and in the Facility Lease (to the extent required for the payment of Additional Payments) and any remainder will be treated as Revenue under the Trust Agreement.

Worker's Compensation. The City will also maintain worker's compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure its employees against liability for compensation under the California Labor Code, as applicable to Cities, or any act

enacted as an amendment or supplement thereto. As an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the City. Such insurance may be maintained by the City in the form of self-insurance.

Title Insurance. The City will obtain, for the benefit of the Authority and the Trustee, upon the execution and delivery of the Facility Lease, title insurance on the Facilities, in an amount equal to the aggregate principal amount of the Series 2019B Bonds, issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances.

#### Eminent Domain

If the whole of the Facilities or so much thereof as to render the remainder unusable for the purposes for which it was used by the City will be taken under the power of eminent domain, the term of the Facility Lease will cease as of the day that possession will be so taken. If less than the whole of the Facilities will be taken under the power of eminent domain and the remainder is usable for the purposes for which it was used by the City at the time of such taking, then the Facility Lease will continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there will be a partial abatement of the rental due under the Facility Lease in an amount equivalent to the amount by which the annual payments of principal and interest on the Outstanding Bonds will be reduced by the application of the award in eminent domain to the redemption of Outstanding Bonds. So long as any of the Bonds will be Outstanding, any award made in eminent domain proceedings for taking the Facilities or any portion thereof will be paid to the Trustee and applied to the prepayment of the Base Rental Payments as provided in the Facility Lease. Any such award made after all of the Base Rental Payments and Additional Payments have been fully paid, or provision therefor made, will be paid to the to the City.

#### Default: Remedies

(a) If (i) the City will fail to pay any rental payable under the Facility Lease when the same becomes due, time being expressly declared to be of the essence of the Facility Lease or (ii) the City will fail to keep, observe or perform any other term, covenant or condition contained therein to be kept or performed by the City (other than as referred to in (i) for a period of sixty (60) days after notice of the same has been given to the City by the Authority or the Trustee or if the City notifies the Authority and the Trustee in writing that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 60 day period, subject to the provisions of the Facility Lease relating to bond insurance, the failure will not constitute an Event of Default if the City commences to cure the failure within such 60 day period and thereafter diligently and in good faith cures such failure in a reasonable period of time), or upon the happening of any of the events specified in subsection (b) of this section (any such case above being an “Event of Default”), the City will be deemed to be in default under the Facility Lease and it will be lawful for the Authority and the Trustee to exercise any and all remedies available pursuant to law or granted pursuant to the Facility Lease. Upon any such default, the Authority, in addition to all other rights and remedies it may have at law, will have the option to do any of the following:

(1) To terminate the Facility Lease in the manner described therein on account of default by the City, notwithstanding any re-entry or re-letting of the Facilities as hereinafter provided for in subparagraph (2) hereof, and to re-enter the Facilities and, to the extent permitted by law, remove all persons in possession thereof and all personal property whatsoever situated upon the Facilities and place such personal property in storage in any warehouse or other suitable place located within the County of Contra Costa, California. In the event of such termination, the City agrees to surrender immediately possession of the Facilities, without let or hindrance, and to

pay the Authority all damages recoverable at law that the Authority may incur by reason of default by the City, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Facilities and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Facility Lease. Neither notice to pay rent or to deliver up possession of the Facilities given pursuant to law nor any entry or re-entry by the Authority nor any proceeding in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Facilities nor the appointment of a receiver upon initiative of the Authority to protect the Authority's interest under the Facility Lease will of itself operate to terminate the Facility Lease, and no termination of the Facility Lease on account of default by the City will be or become effective by operation of law or acts of the parties to the Facility Lease, or otherwise, unless and until the Authority will have given written notice to the City of the election on the part of the Authority to terminate the Facility Lease. The City covenants and agrees that no surrender of the Facilities or of the remainder of the term of the Facility Lease or any termination of the Facility Lease will be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.

(2) Without terminating the Facility Lease, (i) to collect each installment of rent as it becomes due and enforce any other terms or provision of the Facility Lease to be kept or performed by the City, regardless of whether or not the City has abandoned the Facilities, or (ii) to exercise any and all rights of entry and re-entry upon the Facilities. In the event the Authority does not elect to terminate the Facility Lease in the manner provided for in subparagraph (1) above, the City will remain liable and agrees to keep or perform all covenants and conditions contained in the Facility Lease to be kept or performed by the City and, if the Facilities are not re-let, to pay the full amount of the rent to the end of the term of the Facility Lease or, in the event that the Facilities are re-let, to pay any deficiency in rent that results therefrom; and further agrees to pay said rent and/or rent deficiency punctually at the same time and in the same manner as provided in the Facility Lease for the payment of rent under the Facility Lease (without acceleration), notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental specified in the Facility Lease, and notwithstanding any entry or re-entry by the Authority or suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such entry or re-entry or obtaining possession of the Facilities. Should the Authority elect to enter or re-enter as provided in the Facility Lease, the City thereby irrevocably appoints the Authority as the agent and attorney-in-fact of the City to re-let the Facilities, or any part thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable, and to remove all persons in possession thereof and all personal property whatsoever situated upon the Facilities and to place such personal property in storage in any warehouse or other suitable place located in the County of Contra Costa, California, for, to the extent permitted by law, the account of and at the expense of the City, and the City, to the extent permitted by law, thereby exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Facilities and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions therein contained. The City agrees that the terms of the Facility Lease constitute full and sufficient notice of the right of the Authority to re-let the Facilities and to do all other acts to maintain or preserve the Facilities as the Authority deems necessary or desirable in the event of such re-entry without effecting a surrender of the Facility Lease, and further agrees that no acts of the Authority in effecting such re-letting will constitute a surrender or termination of the Facility Lease irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the City the

right to terminate the Facility Lease will vest in the Authority to be effected in the sole and exclusive manner provided for in the Facility Lease. The City further waives the right to any rental obtained by the Authority in excess of the rental therein specified and hereby conveys and releases such excess to the Authority as compensation to the Authority for its services in re-letting the Facilities or any part thereof. The City further agrees, to the extent permitted by law, to pay the Authority the reasonable cost of any alterations or additions to the Facilities necessary to place the Facilities in condition for re-letting immediately upon notice to the City of the completion and installation of such additions or alterations.

Pursuant to the Facility Lease, the City also waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Facilities as therein provided and all claims for damages that may result from the destruction of or injury to the Facilities and all claims for damages to or loss of any property belonging to the City, or any other person, that may be in or upon the Facilities.

(b) If (1) the City's interest in the Facility Lease or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Authority, as provided for in the Facility Lease, or (2) the City or any assignee will file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or obligations, or offers to the City's creditors to effect a composition or extension of time to pay the City's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the City, or if a receiver of the business or of the property or assets of the City will be appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the City will make a general or any assignment for the benefit of the City's creditors, or (3) the City will abandon or vacate the Facilities, then the City will be deemed to be in default under the Facility Lease.

The Authority will in no event be in default in the performance of any of its obligations under the Facility Lease or imposed by any statute or rule of law unless and until the Authority will have failed to perform such obligations within sixty (60) days or, subject to the provisions of the Facility Lease relating to bond insurance, such additional time as is reasonably required to correct any such default after notice by the City to the Authority properly specifying wherein the Authority has failed to perform any such obligation. In the event of default by the Authority, the City will be entitled to pursue any remedy provided by law.

In addition to the other remedies set forth in the Facility Lease, upon the occurrence of an event of default as described in the Facility Lease, the Authority will be entitled to proceed to protect and enforce the rights vested in the Authority by the Facility Lease and under the Site Lease or by law or by equity. The provisions of the Facility Lease and the duties of the City and of its trustees, officers or employees will be enforceable by the Authority by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority will have the right to bring the following actions:

(1) Accounting. By action or suit in equity to require the City and its trustees, officers and employees and its assigns to account as the trustee of an express trust.

(2) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Authority.

(3) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the Authority's rights against the City (and its city council, officers and employees) and to compel the City to perform and carry out its duties and obligations under the law and its covenants and agreements with the City as provided in the Facility Lease.

The exercise of any rights or remedies under the Facility Lease will not permit acceleration of Base Rental Payments.

Each and all of the remedies given to the Authority thereunder or by any law now or hereafter enacted are cumulative and the single or partial exercise of any right, power or privilege thereunder will not impair the right of the Authority to other or further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as used in this Section will include, but not be limited to, re-letting by means of the operation by the Authority of the Facilities. If any statute or rule of law validly will limit the remedies given to the Authority thereunder, the Authority nevertheless will be entitled to whatever remedies are allowable under any statute or rule of law.

In the event the Authority will prevail in any action brought to enforce any of the terms and provisions of the Facility Lease, the City agrees to pay a reasonable amount as and for attorney's fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority thereunder, whether or not a lawsuit has been filed and whether or not any lawsuit culminates in a judgment.

#### Prepayment

The City will prepay on any date from insurance (including proceeds of title insurance) and eminent domain proceeds, to the extent provided in the Facility Lease (provided, however, that in the event of partial damage to or destruction of the Facilities caused by perils covered by insurance, if in the judgment of the Authority the insurance proceeds are sufficient to repair, reconstruct or replace the damaged or destroyed portion of the Facilities, such proceeds will be held by the Trustee and used to repair, reconstruct or replace the damaged or destroyed portion of the Facilities, pursuant to the procedure set forth in the Facility Lease for proceeds of insurance), all or any part of Base Rental Payments then unpaid so that the aggregate annual amounts of Base Rental Payments which will be payable after such prepayment date will be as nearly proportional as practicable to the aggregate annual amounts of Base Rental Payments unpaid prior to the prepayment date (taking into account the reduction in Base Rental allocable to future interest on the Bonds that are redeemed), at a prepayment amount equal to the redemption payment of the maximum amount of Bonds, including the principal thereof and the interest thereon to the date of redemption, plus any applicable premium redeemable from such proceeds.

If all requirements of the Trust Agreement regarding Discharge of Bonds have been satisfied, the City may prepay, from any source of available funds, all or any portion of Base Rental Payments by depositing with the Trustee moneys or securities as provided in the Defeasance provisions of the Trust Agreement sufficient to defease Bonds corresponding to such Base Rental Payments when due; provided, if required by the Trust Agreement, that the City furnishes the Trustee with an Opinion of Counsel that such deposit will not cause interest on the Bonds to be includable in gross income for federal income tax purposes. The City agrees that if following such prepayment the Facilities are damaged or destroyed or taken by eminent domain, it is not entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and will not be entitled to any reimbursement of such Base Rental Payments.

### Option to Purchase

When (1) there will have been deposited with the Trustee at or prior to the due dates of the Base Rental Payments or date when the City may exercise its option to purchase the Facilities or any portion or item thereof, in trust for the benefit of the Owners of the Bonds and irrevocably appropriated and set aside to the payment of the Base Rental Payments or option price, sufficient moneys and Permitted Investments described in subsection (1) of the definition thereof in the Trust Agreement, not redeemable prior to maturity, the principal of and interest on which when due will provide money sufficient to pay all principal, premium, if any, and interest on the Bonds to the due date of the Bonds or date when the City may exercise its option to purchase the Facilities, as the case may be; (2) all requirements of the Trust Agreement for the discharge of Bonds have been satisfied; and (3) a written agreement will have been entered into with the Trustee for the payment of its fees and expenses so long as any of the Bonds will remain unpaid, then and in that event the right, title and interest of the Authority in the Facility Lease and the obligations of the City under the Facility Lease will thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Authority and the obligation of the City to have such moneys and such Permitted Investments applied to the payment of the Base Rental Payments or option price) and the Authority's interest in and title to the Facilities or applicable portion or item thereof will be transferred and conveyed to the City. In such event, the Authority will cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the Authority and evidence such discharge and satisfaction, and the Authority will pay over to the City as an overpayment of Base Rental Payments all such moneys or Permitted Investments held by it pursuant to the Facility Lease other than such moneys and such Permitted Investments as are required for the payment or prepayment of the Base Rental Payments or the option price and the fees and expenses (including the legal fees and expenses) of the Trustee, which moneys and Permitted Investments will continue to be held by the Trustee in trust for the payment of Base Rental Payments or the option price and the fees and expenses (including the legal fees and expenses) of the Trustee, and will be applied by the Authority to the payment of the Base Rental Payments or the option price and the fees and expenses (including the legal fees and expenses) of the Trustee.

The City will have the option to purchase the Authority's interest in any part of Facilities upon payment of an option price consisting of moneys or securities of the category specified in clause (1) of the definition of the term Permitted Investments contained in the Trust Agreement (not callable by the issuer thereof prior to maturity) in an amount sufficient (together with the increment, earnings and interest on such securities) to provide funds to pay the aggregate amount for the entire remaining term of the Facility Lease of the part of the total rent attributable under the Facility Lease to such part of the Facilities (determined by reference to the proportion which the cost of such part of the Facilities bears to the cost of all of the Facilities). Any such payment will be made to the Trustee and will be treated as rental payments and will be applied by the Trustee pursuant to the terms of the Trust Agreement to pay the principal of the Bonds and interest on the Bonds and to redeem Bonds if such Bonds are subject to redemption pursuant to the terms of the Trust Agreement. Upon the making of such payment to the Trustee and the satisfaction of all requirements set forth in the provisions of the Trust Agreement regarding Discharge of Bonds, (a) the Base Rental thereafter payable under the Facility Lease will be reduced by the amount thereof attributable to such part of the Facilities and theretofore paid pursuant to this section, (b) the provisions of the Facility Lease regarding Rental Abatement and this section will not thereafter be applicable to such part of the Facilities, (c) the insurance required by the provisions of the Facility Lease regarding fire and extended coverage insurance, liability insurance and rental interruption or use and occupancy insurance of the Facility Lease need not be maintained as to such part of the Facilities, and (d) title to such part of the Facilities, including the portion of the Facilities upon which such part of the Facilities is located will vest in the City and the term of the Facility Lease will end as to Facilities, including the portion of the Facilities upon which such part of the Facilities is located.

### Sale of Personal Property

The City, in its discretion, may request the Authority to sell or exchange any personal property which may at any time constitute a part of the Facilities, and to release said personal property from the Facility Lease, if (a) in the opinion of the City the property so sold or exchanged is no longer required or useful in connection with the operation of the Facilities, (b) the consideration to be received from the property is of a value substantially equal to the value of the property to be released, and (c) if the value of any such property will, in the opinion of the Authority, exceed the amount of \$100,000, the Authority will have been furnished a certificate of an independent engineer or other qualified independent professional consultant (satisfactory to the Authority) certifying the value thereof and further certifying that such property is no longer required or useful in connection with the operation of the Facilities. In the event of any such sale, the full amount of the money or consideration received for the personal property so sold and released will be paid to the Authority. Any money so paid to the Authority may, so long as the City is not in default under any of the provisions of the Facility Lease, be used upon the Written Request of the City either to prepay Base Rental pursuant to the Facility Lease or to purchase personal property, which property will become a part of the Facilities leased under the Facility Lease. The Authority may require such opinions, certificates and other documents as it may deem necessary before permitting any sale or exchange of personal property subject to the Facility Lease or before releasing for the purchase of new personal property money received by it for personal property so sold.

### Continuing Disclosure Agreement

Under the Facility Lease, the City covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Facility Lease, failure of the City to comply with the Continuing Disclosure Agreement will not be considered an event of default under the Facility Lease; however, the Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Holders of at least 25% aggregate principal amount of Series 2019B Bonds Outstanding and provided indemnification satisfactory to the Trustee is provided to the Trustee, will) or any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to compel the City to comply with its obligations under the Facility Agreement.

### Provisions Relating to Bond Insurance

Notwithstanding any other provision in the Facility Lease, so long as the Series 2019B Bond Insurance Policy is in full force and effect, the City and the Authority agree to comply with the following provisions:

(a) The City hereby covenants and agrees, to the extent it may lawfully do so, that so long as any of the Series 2019B Insured Bonds remain outstanding and unpaid, the City will not exercise the power of condemnation with respect to the Facilities. The City further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the City should fail or refuse to abide by such covenant and condemns the Facilities, the appraised value of the Facilities will not be less than the greater of (i) if such Series 2019B Insured Bonds are then subject to redemption, the principal and interest components of the Series 2019B Insured Bonds outstanding through the date of their redemption, or (ii) if such Series 2019B Insured Bonds are not then subject to redemption, the amount necessary to defease such Series 2019B Insured Bonds to the first available redemption date in accordance with the Trust Agreement.

(b) The sublessee (under the Facility Lease) and the sublessor (under the Facility Lease) will not have the right to terminate those agreements for default by the respective counterparties.

(c) The City agrees to pay, or reimburse the Series 2019B Bond Insurer, as Additional Payments for the use and occupancy of the Facility (subject to certain provisions of the Facility Lease), any and all charges, fees, costs and expenses that the Series 2019B Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document (as defined below); (ii) the pursuit of any remedies under the Trust Agreement, the Marine Terminal Operating Agreement, made and entered into as of May 19, 2009, by and between The Port of Richmond and Translogix, L.L.C., the AHM MAG Agreement, the Operating Lease or the Facility Lease or the Site Lease (each a “Related Document” for purposes of the Facility Lease) or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to any Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Series 2019B Bond Insurer to honor its obligations under the Series 2019B Bond Insurance Policy. The Series 2019B Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of any Related Document.

(d) The Series 2019B Bond Insurer is a third-party beneficiary of the Facility Lease.

(e) The City and the Authority covenant and agree to be bound by the control rights and other remedies for the Series 2019B Bond Insurer’s benefit as set forth in the Trust Agreement, including the Series 2019B Bond Insurer’s right to control all remedies for default under the Facility Lease.

(f) The City will pay any and amounts due to the Series 2019B Bond Insurer as further provided in the Trust Agreement (due directly or by right of subrogation).

(g) Any sale, substitution, release, transfer, lease, assignment, mortgage or encumbrance with respect to the Facilities under the Facility Lease will be subject to the prior written consent of the Series 2019B Bond Insurer. Notwithstanding the preceding sentence, the Series 2019B Bond Insurer’s prior written consent will not be unreasonably withheld or delayed with respect to a substitution permitted under the Facility Lease upon receipt of evidence that all other requirements therefor have been satisfied.

(h) The City may only contest taxes, assessments, utility and other such charges with respect to the Facility upon notice to Series 2019B Bond Insurer and must pay such taxes, assessments, utility and other charges if requested to do so by Series 2019B Bond Insurer.

(i) No grace period for a covenant default with respect to the Facility Lease will exceed more than 60 days, without the prior written consent of the Series 2019B Bond Insurer. No grace period will be permitted for payment defaults.

Amendment of 2009 Facility Lease; Applicability of the AWC Sublease

*Amendment of Exhibits.* Exhibit A-1 of that certain Facilities Lease by and between the City and the Authority dated as of July 1, 2009 and recorded with the County (the “2009 Facilities Lease”) is hereby amended to exclude from the Facilities Wharves No. 6A, 6B, 6C and 7 located at Terminal No. 7 at the Point Potrero Marine Terminal.

Exhibit B-1 of the 2009 Facilities Lease is deleted in its entirety and no further base rental payments from the City to the Authority shall be due thereunder.

*Applicability of AWC Sublease.* For purposes of that certain Second Amended and Restated Lease Agreement by and between AWC and the City dated as of May 19, 2009 (the “AWC

Lease Agreement”), the Series 2019B Bonds are bonds issued to finance the construction of the Projects (as defined therein). The City and the SPA shall consider the Facility Lease the “Facilities Lease” as referenced in the AWC Lease Agreement.

## **TRUST AGREEMENT**

The Trust Agreement, among other things, provides for the issuance, execution and delivery of the Series 2019B Bonds and sets forth the terms thereof, provides for the creation of certain of the funds described below, includes certain covenants of the Authority, defines events of default and remedies therefor, and sets forth the rights and responsibilities of the Trustee. Certain provisions of the Trust Agreement setting forth the terms of the Series 2019B Bonds, the redemption provisions thereof and the use of the proceeds of the Series 2019B Bonds are set forth elsewhere in this Official Statement. See “ESTIMATED SOURCES AND USES OF FUNDS,” “THE SERIES 2019B BONDS” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019B BONDS.”

### The Trustee

MUFG Union Bank, N.A. will serve as the initial Trustee for the Bonds for the purpose of receiving all money which the Authority is required to deposit with the Trustee under the Trust Agreement 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, with the rights and obligations provided therein. The Authority agrees that it will at all times maintain a Trustee having a corporate trust office in California.

### Pledge of Revenues; Creation of Special Funds and Accounts

All Revenues, any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund created pursuant to the Trust Agreement) and any other amounts (excluding Additional Payments) received by the Authority in respect of the Facilities are thereby irrevocably pledged and assigned to the payment of the interest and premium, if any, on and principal of the Bonds (and Related Obligations) as provided in the Trust Agreement, and the Revenues and other amounts pledged under the Trust Agreement will not be used for any other purpose while any of the Bonds (and Related Obligations) remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted under the Trust Agreement. This pledge will constitute a pledge of and charge and first lien upon the Revenues, all other amounts pledged under the Trust Agreement and all other moneys on deposit in the funds and accounts established under the Trust Agreement (excluding amounts on deposit in the Rebate Fund created pursuant to the Trust Agreement) for the payment of the interest on and principal of the Bonds (and Related Obligations) in accordance with the terms thereof and of the Trust Agreement.

All money in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity). All money in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal or Redemption Price of the Bonds as it becomes due and payable, whether at maturity or redemption, except that any money in any Sinking Account will be used and withdrawn by the Trustee only to redeem or to pay Term Bonds for which such Sinking Account was created. All money in the Series 2019B Reserve Account will be used and withdrawn by the Trustee for the purpose of replenishing the Interest Account or the Principal Account, in that order, in the event of any deficiency at any time in either of such accounts with respect to the Series 2019B Bonds, except that so long as the Authority is not in default under the Trust Agreement,

any cash amounts in the Series 2019B Reserve Account in excess of the Series 2019B Reserve Account Requirement will be withdrawn from the Series 2019B Reserve Account and deposited in the Revenue Fund on or before each Interest Payment Date for the Series 2019B Bonds. All money in the Costs of Issuance Fund will be used and withdrawn by the Trustee to pay the Costs of Issuance of the Bonds upon receipt of a Written Request of the Authority, in substantially the form attached to the Trust Agreement, filed with the Trustee, each of which will be sequentially numbered and will state the person(s) to whom payment is to be made, the amount(s) to be paid, the purpose(s) for which the obligation(s) was incurred and that such payment is a proper charge against said fund. At the date designated in the Trust Agreement or upon the earlier Written Request of the Authority, any remaining balance in the Costs of Issuance Fund will be transferred to the Interest Account to pay interest on the Series 2019B Bonds and the Costs of Issuance Fund will be closed.

#### Assignment of Interests

The Authority, to the extent permitted by law, will unconditionally grant, transfer and assign to the Trustee for the benefit of the Owners without recourse all of the Authority's right, title and interest as lessee under the Site Lease and as lessor under the Facility Lease, including without limitation the following: (i) all its rights to receive the Base Rental Payments scheduled to be paid by the City under the Facility Lease, (ii) all rents, profits, products and proceeds from the Facilities to which the Authority has any right or claim whatsoever under the Facility Lease, (iii) the right to take all actions and give all consents under the Site Lease or the Facility Lease, (iv) any right of access provided in the Site Lease or the Facility Lease, and (v) any and all other rights and remedies of the Authority in the Site Lease as lessee thereunder and in the Facility Lease as lessor thereunder; provided that, so long as no Event of Default (as defined in the Facility Lease) will have occurred or be continuing, the Authority will have and may exercise all rights of the lessee under the Site Lease and of the lessor under the Facility Lease other than the right to receive the Base Rental Payments due and owing under the Facility Lease.

#### Revenue Fund

All moneys in the Revenue Fund will be set aside by the Trustee in the following respective special accounts or funds within the Revenue Fund (each of which is created pursuant to the Trust Agreement and each of which the Trustee covenants and agrees to cause to be maintained) in the following order of priority:

- (1) Interest Account,
- (2) Principal Account, and
- (3) Reserve Fund.

(1) Interest Account. On or before each Interest Payment Date, the Trustee will set aside from the Revenue 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 and available to pay interest on the Bonds 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 will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it will become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(2) Principal Account. On or before each May 1, commencing May 1, 2020, the Trustee will set aside from the Revenue 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 May 1 into the respective sinking fund accounts for all Outstanding Term Bonds and the principal amount of all Outstanding Serial Bonds maturing on such May 1. On or before each Redemption Date, the Trustee will set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the Redemption Price required to be paid on such Redemption Date. No deposit need be made in the Principal Account if the amount contained therein and available to pay principal of the Bonds is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such May 1 plus the aggregate amount of all sinking fund payments required to be made on such May 1 for all Outstanding Term Bonds. The Trustee will 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 will 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 the Trust Agreement.

All money in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal or Redemption Price of the Bonds as it will become due and payable, whether at maturity or redemption, except that any money in any Sinking Account will be used and withdrawn by the Trustee only to redeem or to pay Term Bonds for which such Sinking Account was created.

(3) Reserve Fund. The Trustee will establish, maintain and hold in trust a separate fund designated the “Reserve Fund” and within such fund a separate account designated as the “Series 2019B Reserve Account,” which will be available to pay only the principal of and interest on the Series 2019B Bonds. The Trustee may establish additional Reserve Accounts (each a “Reserve Account”) to secure additional Series of Bonds issued under the Trust Agreement, including a Common Reserve Account for Common Reserve Bonds, as specified in the Supplemental Trust Agreement providing for the issuance of such additional Series of Bonds.

#### Application of Insurance Proceeds

In the event of any damage to or destruction of any part of the Facilities covered by insurance, the Authority will cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Facilities, and the Trustee will hold said proceeds in a fund established by the Trustee for such purpose separate and apart from all other funds designated the “Insurance and Condemnation Fund”, to the end that such proceeds will be applied to the repair, reconstruction or replacement of the Facilities to at least the same good order, repair and condition as they were in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The City, as agent of the Authority, will file a Certificate of the City with the Trustee that sufficient funds from insurance proceeds or from any funds legally available to the Authority or the City, or from any combination thereof, are available in the event it elects to repair, reconstruct or replace the Facilities. The Trustee will invest said proceeds in Permitted Investments pursuant to the Written Request of the City, as agent for the Authority under the Facility Lease, and withdrawals of said proceeds will be made from time to time upon the filing with the Trustee and the Authority of a Written Request of the City, stating that the City has expended moneys or incurred liabilities in an amount equal

to the amount therein stated for the purpose of the repair, reconstruction or replacement of the Facilities, and specifying the items for which such moneys were expended, or such liabilities were incurred, in reasonable detail. Any balance of such proceeds not required for such repair, reconstruction or replacement and the proceeds of use and occupancy insurance will be paid to the Trustee as Base Rental Payments and applied in the manner provided in the Trust Agreement. Alternatively, the Authority with the written consent of the City, and if the proceeds of such insurance together with any other moneys then available for such purpose (including allocable portions of the Reserve Fund) are sufficient to prepay all, in case of damage or destruction in whole of the Facilities, or that portion, in the case of partial damage or destruction of the Facilities, of the Base Rental Payments and all other amounts relating to the damaged or destroyed portion of the Facilities, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Facilities and thereupon will cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the applicable provisions of the Trust Agreement relating to extraordinary redemption. The City will not apply the proceeds of insurance as set forth in this section to redeem the Bonds in part due to damage or destruction of a portion of the Facilities unless the Base Rental Payments on the undamaged portion of the Facilities will be sufficient to pay the scheduled principal and interest on the Bonds remaining unpaid after such redemption.

### Investments

Subject to certain provisions of the Trust Agreement, all money held by the Trustee in any of the accounts or funds established pursuant to the Trust Agreement will be invested in Permitted Investments at the Written Request of the Authority or, if no instructions are received, the funds will remain uninvested. Investment instructions may be requested by the Trustee until received. Such investments will, 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; provided, however, that moneys in the Reserve Fund will be invested in Permitted Investments with a term to maturity not exceeding five (5) years. For purposes of this restriction, Permitted Investments containing a repurchase option or put option by the investor will be treated as having a maturity of no longer than such option. Unless otherwise instructed by the Authority, all interest or profits received on any money so invested will be deposited first in the Reserve Fund, to the extent necessary to make amounts on deposit in the Reserve Fund equal to the Reserve Fund Requirement for all Bonds that have a Reserve Requirement, and then to any project fund until completion of any Project and then in the Revenue Fund; provided that, with respect to any project fund, earnings on amounts in such fund will be credited to such fund until completion of the respective Projects. The Trustee will value Permitted Investments held in the Reserve Fund no later than May 1 and November 1 in each year; provided that for purposes of the Trust Agreement, the value of any such Permitted Investment will be an amount equal to the lesser of the cost or the fair market value of such Permitted Investment. The Trustee and its affiliates may act as principal, agent, sponsor or advisor with respect to any investments. The Trustee will not be liable for any losses, fee, tax or other charge on investments made in accordance with the terms and provisions of the Trust Agreement.

### Additional Bonds

The Authority may at any time issue Additional Bonds pursuant to a Supplemental Trust Agreement, payable from the Revenues as provided in the Trust Agreement and secured by a pledge of and charge and lien upon the Revenues as provided in the Trust Agreement equal to the pledge, charge and lien securing the Outstanding Bonds theretofore issued under the Trust Agreement, but only subject to the following specific conditions, which are made conditions precedent to the issuance of any such Additional Bonds:

(a) The Authority will be in compliance with all agreements and covenants contained in the Trust Agreement, including, but not limited to the provisions relating to the discharge of bonds and the Series 2019B Reserve Facility.

(b) The Supplemental Trust Agreement will require that the proceeds of the sale of such Additional Bonds will be applied to the acquisition (by purchase or lease) or construction of facilities or for the refunding of Outstanding Bonds or other obligations of the City.

(c) The aggregate principal amount of Bonds at any time Outstanding under the Trust Agreement will not exceed any limit imposed by law, by the Trust Agreement or by any Supplemental Trust Agreement, and when issued will not be more than the value (as determined by the City) of the Facilities at the time the Additional Bonds are issued.

(d) The Facility Lease will have been amended, if necessary, and duly recorded in the official records of the County Recorder of the County, so that the Base Rental Payments payable by the City thereunder in each Fiscal Year will at least equal Debt Service, including Debt Service on the Additional Bonds, in each Fiscal Year, and to include any additional Facilities to be leased and any property added to the Site Lease pursuant to the Trust Agreement.

(e) The City will certify in writing that the Base Rental Payments payable by the City under the Facility Lease does not exceed the fair rental value of the Facilities.

(f) If any additional Facilities to be leased are not situated on property described in the Facility Lease, the Site Lease will have been amended so as to lease to the Authority such additional real property.

(g) If the additional Facilities to be leased are to be constructed, the Trustee will be paid an amount of capitalized interest on the Additional Bonds for the estimated period of construction and six months thereafter; in the event that the annual Debt Service on the Additional Bonds when combined with the annual Debt Service on the Outstanding Bonds is greater than the fair rental value of the Facilities during the construction period.

(h) The Supplemental Trust Agreement may specify as to whether such Additional Bonds will (A) constitute Common Reserve Bonds secured by the Common Reserve Account, (B) be secured by any other Reserve Account, or (C) not be secured by any Reserve Account.

(i) The City will certify in writing that, for each of the three fiscal years following the issuance of such Additional Bonds, Net Port Revenues are projected to equal at least 115% of average annual Debt Service on all Outstanding Bonds.

#### Limitations on the Issuance of Obligations Payable from Revenues

The Authority will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, however denominated, payable in whole or in part from Revenues except the following:

(a) Bonds of any Series authorized in accordance with the Additional Bonds provisions of the Trust Agreement;

(b) Related Obligations that provide security for a Series of Bonds;

(c) Obligations which are junior and subordinate to the payment of the principal, premium, interest and reserve fund requirements for the Bonds and which subordinated obligations are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Revenues after the prior payment of all amounts then required to be paid under the Trust Agreement from Revenues for principal, premium, interest and reserve fund requirements for the Bonds, as the same become due and payable and at the times and in the manner as required in the Trust Agreement.

#### Against Encumbrances

The Authority will not make any pledge or assignment of or place any charge or lien upon the Revenues except as provided in the Trust Agreement, and will not issue any other bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except as provided in the Trust Agreement.

#### Defaults and Remedies

If one or more of the following events (called “events of default” pursuant to the Trust Agreement) will happen, that is to say:

(a) if default will be made by the Authority in the due and punctual payment of the interest on any Bond when and as the same will become due and payable;

(b) if default will be made by the Authority in the due and punctual payment of the principal or premium, if any, of any Bond when and as the same will become due and payable, whether at maturity as therein expressed or by proceedings for mandatory redemption;

(c) if default will be made by the Authority in the performance of any of the other agreements or covenants required in the Trust Agreement to be performed by the Authority, and such default will have continued for a period of sixty (60) days or (or if the Authority notifies the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 60 day period, the failure will not constitute an event of default if the Authority commences to cure the failure within such 60 day period and thereafter diligently and in good faith cures such failure in a reasonable period of time);

(d) if the Authority will 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 will approve a petition filed with or without the consent of the Authority 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 will assume custody or control of the Authority or of the whole or any substantial part of its property; or

(e) if an Event of Default has occurred under the Facility Lease or under the provisions of the Site Lease relating to Default.

then, subject to the provisions of the Trust Agreement relating to bond insurance, and in each and every such case during the continuance of such event of default the Trustee, upon the written request of the Bondholders of not less than a majority in aggregate principal amount of the Bonds then Outstanding will, by notice in writing to the Authority, 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 will become due and payable, anything contained in the Trust Agreement or in the Bonds to the contrary

notwithstanding. The Trustee will promptly notify all Bondholders by first class mail of any such event of default which is continuing of which a Responsible Officer has actual knowledge or written notice.

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

#### Application of Funds Upon Acceleration

All moneys in the accounts and funds provided in certain provisions of the Trust Agreement upon the date of the declaration of acceleration by the Trustee as provided in the Trust Agreement and all Revenues (other than Revenues on deposit in the Rebate Fund) thereafter received by the Authority thereunder will be transmitted to the Trustee and will be applied by the Trustee in the following order:

First, to the payment of the reasonable fees, costs and expenses of the Trustee in providing for the declaration of such event of default and carrying out its duties under the Trust Agreement, including reasonable compensation (including fees and expenses) to their accountants and counsel together with interest on any amounts advanced as provided therein and thereafter to the payment of the reasonable costs and expenses of the Bondholders, if any, in carrying out the provisions of the Trust Agreement, including reasonable compensation to their accountants and counsel; 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, and premium, with (to the extent permitted by law) interest on the overdue interest and principal and premium at the rate borne by such Bonds, and in case such money will 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 premium and (to the extent permitted by law) interest on overdue interest and principal and premium without preference or priority among such interest, principal and premium and interest on overdue interest and principal and premium ratably to the aggregate of such interest, principal and premium and interest on overdue interest and principal and premium; provided that any funds held in a Reserve Account for a Series of Bonds will be used solely to pay principal of and interest on such Series of Bonds.

#### Amendments to Facility Lease or Site Lease

The Authority will not supplement, amend, modify or terminate any of the terms of the Facility Lease, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Trustee. The Trustee will give such written consent if the Authority certifies in writing that such supplement, amendment, modification or termination (a) will not materially adversely

affect the interests of the Bondholders or result in any material impairment of the security given for the payment of the Bonds (provided that such supplement, amendment or modification will not be deemed to have such adverse effect or to cause such material impairment solely by reason of substitution or release of real property pursuant to the Facility Lease, or solely by reason of the issuance of Additional Bonds pursuant to the Trust Agreement), or (b) is to add to the agreements, conditions, covenants and terms required to be observed or performed thereunder by any party thereto, or to surrender any right or power therein reserved to the Authority or the City, or (c) is to cure, correct or supplement any ambiguous or defective provision contained therein, or (d) is to accommodate any substitution or release in accordance with the Facility Lease, or is to provide for the issuance of Additional Bonds pursuant to the Trust Agreement, or (e) is to modify the legal description of the Facilities to conform to the requirements of title insurance or otherwise to add or delete property descriptions to reflect accurately the description of the parcels intended or preferred to be included therein, or substituted for the Facilities or released from the Facilities pursuant to the Facility Lease, or (f) if the Authority (with the assistance of the Trustee, which assistance will not be unreasonably withheld) first obtains the written consent of the Bondholders of a majority in principal amount of the Bonds then Outstanding; provided, that no such supplement, amendment, modification or termination will reduce the amount of Base Rental Payments to be made to the Authority or the Trustee by the City pursuant to the Facility Lease to an amount less than the scheduled principal and interest payment on the Outstanding Bonds, or extend the time for making such payments, or permit the creation of any lien prior to or on a parity with the lien created by the Trust Agreement on the Base Rental Payments (except as expressly provided in the Facility Lease), in each case without the written consent of all of the Bondholders of the Bonds then Outstanding.

The Authority will not supplement, amend, modify or terminate any of the terms of the Site Lease, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Trustee. The Trustee will give such written consent if the Authority certifies in writing that such supplement, amendment, modification or termination (a) will not materially adversely affect the interests of the Bondholders or result in any material impairment of the security given in the Trust Agreement for the payment of the Bonds, or (b) is to add to the agreements, conditions, covenants and terms required to be observed or performed thereunder by any party thereto, or to surrender any right or power therein reserved to the Authority or the City, or (c) is to cure, correct or supplement any ambiguous or defective provision contained therein, or (d) is to modify the legal description of the Facilities to conform to the requirements of title insurance or otherwise to add or delete property descriptions to reflect accurately the description of the parcels intended or preferred to be included therein, or substituted for the Facilities or released from the Facilities pursuant to the provisions of the Facility Lease, or is to provide for the issuance of Additional Bonds pursuant to the Trust Agreement, or (e) if the Authority (with the assistance of the Trustee, which assistance will not be unreasonably withheld) first obtains the written consent of the Bondholders of a majority in principal amount of the Bonds then Outstanding to such supplement, amendment, modification or termination.

#### Amendment of Trust Agreement

The Trust Agreement and the rights and obligations of the Authority and of the Bondholders may be amended at any time by a Supplemental Trust Agreement which will become binding when the written consent of the Bondholders of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Trust Agreement, are filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity or Series remain Outstanding, the consent of the Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under the Trust Agreement. In addition, consent of the Bondholders may be evidenced by documents providing that Bondholders consent to an amendment by purchasing Bonds if the official statement or other disclosure document related to such purchase disclosed

that purchase of the Bonds was deemed to evidence that the Bondholder consented to the amendment. In such case, Bondholders consent will be certified by the Authority by filing such disclosure documents with the Trustee. No such amendment will (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, on any Bond without the express written consent of the Bondholder of such Bond, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Revenues as provided in the Trust Agreement superior to or on a parity with the pledge, charge and lien created in the Trust Agreement for the benefit of the Bonds, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify any rights or obligations of the Trustee, the Authority or the City without their prior written assent thereto, respectively. It will not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Trust Agreement, but it will be sufficient if such consent will approve the substance thereof. Promptly after the execution by the Authority and the Trustee of any Supplemental Trust Agreement pursuant to this paragraph, the Trustee will mail a notice on behalf of the Authority, setting forth in general terms the substance of such Supplemental Trust Agreement to the Bondholders at the addresses shown on the registration books maintained by the Trustee. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such Supplemental Trust Agreement.

The Trust Agreement and the rights and obligations of the Authority and of the Bondholders may also be amended at any time by a Supplemental Trust Agreement which will become binding upon adoption but without the consent of any Bondholders, for any of the following purposes:

- (i) to add to the agreements and covenants required in the Trust Agreement to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power reserved to or conferred on the Authority in the Trust Agreement;
- (ii) 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 or in regard to questions arising under the Trust Agreement which the Authority may deem desirable or necessary;
- (iii) 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 the Trust Agreement (which will be deemed not to adversely affect Bondholders);
- (iv) to add to the agreements and covenants required in the Trust Agreement, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939;
- (v) to grant or pledge to the Bondholders of any Series any additional bond security;
- (vi) to make any change therein necessary, in the Opinion of Counsel, to maintain the exclusion from gross income for federal income tax purposes of the interest on any Outstanding Bonds intended by the Authority to bear federally tax-exempt status;
- (vii) to make modifications or adjustments necessary in order to provide for payment or reimbursement under a credit agreement, liquidity agreement or similar support agreement relating to any Bonds or a Reserve Facility; or

(viii) to modify, alter, amend or supplement the Trust Agreement if (1) all of the Bonds of the Series to be affected thereby are variable interest rate bonds, (2) the modification, alteration, amendment or supplement will not become effective until written notice thereof will have been given to Bondholders of the affected Series by the Trustee, and (3) thirty (30) days will have passed during which time such Bondholders will have had the opportunity to tender their variable interest rate bonds for purchase.

The provisions of the Trust Agreement relating to Amendment of the Trust Agreement will be subject to provisions of the Trust Agreement relating to bond insurance. The existence of the Series 2019B Bond Insurance Policy will not be taken into account in determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Trust Agreement would adversely affect the security for the Series 2019B Bonds or the rights of the Series 2019B Bondholders.

#### Discharge of Bonds

If the Authority will pay or cause to be paid or there will otherwise be paid to the Bondholders of all or any portion of the Outstanding Bonds the interest thereon and principal thereof and redemption premiums, if any, thereon at the times and in the manner stipulated therein and in the Trust Agreement, and the Authority will pay in full all other amounts due under the Trust Agreement and under the Facility Lease, then the Bondholders of such Bonds will cease to be entitled to the pledge of and charge and lien upon the Revenues as provided in the Trust Agreement, and all agreements, covenants and other obligations of the Authority to the Bondholders of such Bonds under the Trust Agreement will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, the Trustee will pay over or deliver to the Authority all money or securities held by it pursuant to the Trust Agreement which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds and for the payment of all other amounts due under the Trust Agreement and under the Facility Lease.

Any Outstanding Bonds will 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 the Trust Agreement if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority will have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the Trust Agreement, (2) there will have been deposited with the Trustee (A) cash in an amount which will be sufficient and/or (B) noncallable Government Securities, the interest on and principal of which when paid will provide cash which, together with the cash, if any, deposited with the Trustee at the same time, will 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 Authority will have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Bondholders 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 the Trust Agreement 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.

In the event of an advance refunding (i) the Authority will cause to be delivered, on the deposit date and upon any reinvestment of the defeasance amount, a report of an Independent Certified Public Accountant verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity date or redemption date (“Verification”) (which Verification will verify the mathematical

accuracy of the computations relating to the adequacy of cash plus Government Securities to be held in escrow to pay debt service requirements (principal, interest and redemption price, including premium, to the applicable redemption or maturity dates) when due on the Bonds to be refunded), (ii) the escrow agreement will provide that no (A) substitution of a Government Security will be permitted except with another Government Security and upon delivery of a new Verification and (B) reinvestment of a Government Security will be permitted except as contemplated by the original Verification or upon delivery of a new Verification, and (iii) there will be delivered an Opinion of Counsel to the effect that the Bonds are no longer “Outstanding” under the Trust Agreement; each Verification and opinion will be addressed to the Authority and the Trustee.

#### General Provisions Relating to Series 2019B Bond Insurance

So long as any Series 2019B Insured Bonds remain outstanding and the Series 2019B Bond Insurer will not have defaulted under the Series 2019B Bond Insurance Policy (and subject to any amounts owed to the Series 2019B Bond Insurer directly or by right of subrogation), the provisions listed here will govern, notwithstanding anything to the contrary set forth in the Trust Agreement, or individually in any appropriate sections:

(a) The Series 2019B Bond Insurer will be deemed to be the sole holder of the Series 2019B Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 2019B Insured Bonds are entitled to take pursuant to the provisions of the Trust Agreement relating to Events of Default and Remedies of Bondholders and the Trustee. In furtherance thereof and as a term of the Trust Agreement and each Series 2019B Bond, the Trustee and each Bondholder appoint the Series 2019B Bond Insurer as their agent and attorney-in-fact and agree that the Series 2019B Bond Insurer may at any time during the continuation of any proceeding by or against the Authority or City under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an “Insolvency Proceeding” for purposes of the Trust Agreement) direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a “Claim” for purposes of the Trust Agreement), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each Bondholder delegate and assign to the Series 2019B Bond Insurer, to the fullest extent permitted by law, the rights of the Trustee and each Bondholder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. Remedies granted to the Bondholders will expressly include mandamus.

(b) The Series 2019B Insured Bonds will not be accelerated without the consent of the Series 2019B Bond Insurer and in the event the maturity of the Series 2019B Insured Bonds is accelerated, the Series 2019B Bond Insurer may elect, in its sole discretion, to pay accelerated principal, and interest accrued on such principal, to the date of acceleration (to the extent unpaid by the Authority) and the Trustee will be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Series 2019B Bond Insurer’s obligations under the Series 2019B Bond Insurance Policy with respect to such Series 2019B Insured Bonds will be fully discharged.

(c) No grace period for a covenant default will exceed more than 60 days, without the prior written consent of the Series 2019B Bond Insurer. No grace period will be permitted for payment defaults.

(d) The exercise of any provision of the Trust Agreement which permits the purchase of Series 2019B Insured Bonds in lieu of redemption will require the prior written approval of the Series 2019B Bond Insurer if any Series 2019B Bond so purchased is not cancelled upon purchase.

(e) Any amendment, supplement, modification to, or waiver of, the Trust Agreement, the Facility Lease, the Site Lease, the Marine Terminal Operating Agreement, made and entered into as of May 19, 2009, by and between The Port of Richmond and Translogix, L.L.C., the AHM MAG Agreement, the Operating Agreement or any other transaction document, including any underlying security agreement (each a "Related Document" for purposes of the Trust Agreement), that requires the consent of Bondholders or adversely affects the rights and interests of the Series 2019B Bond Insurer will be subject to the prior written consent of the Series 2019B Bond Insurer.

(f) The rights granted to the Series 2019B Bond Insurer under the Trust Agreement or any other Related Document to request, consent to or direct any action are rights granted to the Series 2019B Bond Insurer in consideration of its issuance of the Series 2019B Bond Insurance Policy. Any exercise by the Series 2019B Bond Insurer of such rights is merely an exercise of the Series 2019B Bond Insurer's contractual rights and will not be construed or deemed to be taken for the benefit, or on behalf, of the Bondholders and such action does not evidence any position of the Series 2019B Bond Insurer, affirmative or negative, as to whether the consent of the Bondholders or any other person is required in addition to the consent of the Series 2019B Bond Insurer.

(g) Amounts paid by the Series 2019B Bond Insurer under the Series 2019B Bond Insurance Policy will not be deemed paid for purposes of the Trust Agreement and the Series 2019B Insured Bonds relating to such payments will remain Outstanding and continue to be due and owing until paid by the Authority in accordance with the Trust Agreement. The Trust Agreement will not be discharged unless all amounts due or to become due to the Series 2019B Bond Insurer have been paid in full or duly provided for.

(h) The Series 2019B Bond Insurer will, to the extent it makes any payment of principal of or interest on the Series 2019B Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series 2019B Bond Insurance Policy (which subrogation rights will also include the rights of any such recipients in connection with any Insolvency Proceeding). Each obligation of the Authority to the Series 2019B Bond Insurer under the Related Documents will survive discharge or termination of such Related Documents.

(i) The Authority will pay or reimburse (or cause the City to pay or reimburse) the Series 2019B Bond Insurer any and all charges, fees, costs and expenses that the Series 2019B Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Trust Agreement or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Trust Agreement or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Trust Agreement or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Series 2019B Bond Insurer to honor its obligations under the Series 2019B Bond Insurance Policy. The Series 2019B Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Trust Agreement or any other Related Document.

(j) After payment of reasonable expenses of the Trustee (including legal fees and expenses), the application of funds realized upon default will be applied to the payment of expenses of the Authority or rebate only after the payment of past due and current debt service on the Series 2019B Bonds

and amounts required to restore the Series 2019B Reserve Account to the Series 2019B Reserve Account Requirement.

(k) The Series 2019B Bond Insurer will be entitled to pay principal or interest on the Series 2019B Insured Bonds that will become Due for Payment but will be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Series 2019B Bond Insurance Policy), and any amounts due on the Series 2019B Insured Bonds as a result of acceleration of the maturity thereof, whether or not the Series 2019B Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Series 2019B Bond Insurance Policy) or a claim upon the Series 2019B Bond Insurance Policy.

(l) No contract will be entered into or any action taken by which the rights of the Series 2019B Bond Insurer or security for the payment of the Series 2019B Insured Bonds may be impaired or prejudiced in any material respect except upon obtaining prior written consent of the Series 2019B Bond Insurer.

(m) Only (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries” for purposes of the Trust Agreement), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Series 2019B Bond Insurer, pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, or (5) subject to the prior written consent of the Series 2019B Bond Insurer, securities eligible for “AAA” defeasance under then existing criteria of S&P or any combination thereof, will be used to effect defeasance of the Series 2019B Insured Bonds unless the Series 2019B Bond Insurer otherwise approves.

To accomplish defeasance, the Authority will cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as will be acceptable to the Series 2019B Bond Insurer (“Accountant” for purposes of the Trust Agreement) verifying the sufficiency of the escrow established to pay the Series 2019B Insured Bonds in full on the maturity or redemption date (“Verification” for purposes of the Trust Agreement), (ii) an Escrow Deposit Agreement (which will be acceptable in form and substance to the Series 2019B Bond Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the Series 2019B Insured Bonds are no longer “Outstanding” under the Trust Agreement and (iv) a certificate of discharge of the Trustee with respect to the Series 2019B Insured Bonds; each Verification and defeasance opinion will be acceptable in form and substance, and addressed, to the Authority, Trustee and the Series 2019B Bond Insurer. The Series 2019B Bond Insurer will be provided with final drafts of the above referenced documentation not less than five business days prior to the funding of the escrow.

Series 2019B Insured Bonds will be deemed “Outstanding” under the Trust Agreement unless and until they are in fact paid and retired or the above criteria are met.

(n) Notwithstanding satisfaction of the other conditions to the issuance of Additional Bonds set forth in the Trust Agreement, no such issuance may occur (1) if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default will be cured upon such issuance and (2) unless the Series 2019B Reserve Account is fully funded at the Series 2019B Reserve Account Requirement (including the Reserve Requirement, if any, for the proposed issue) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by the Series 2019B Bond Insurer.

(o) The prior written consent of the Series 2019B Bond Insurer will be a condition precedent to the deposit of any Reserve Facility provided in lieu of a cash deposit into the Series 2019B Reserve Account, if any. Notwithstanding anything to the contrary set forth in the Trust Agreement, amounts on deposit in the Series 2019B Reserve Account will be applied solely to the payment of debt service due on the Series 2019B Bonds.

Claims Upon the Series 2019B Bond Insurance Policy and Payments by and to the Series 2019B Bond Insurer

(a) If, on the third Business Day prior to the related scheduled Interest Payment Date or Principal Payment Date (each, a “Payment Date” for purposes of the Trust Agreement) there is not on deposit with the Trustee, after making all transfers and deposits required under the Trust Agreement, moneys sufficient to pay the principal of and interest on the Series 2019B Insured Bonds due on such Payment Date, the Trustee will give notice to the Series 2019B Bond Insurer and to its designated agent (if any) (the “Insurer’s Fiscal Agent” for purposes of the Trust Agreement) by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 2019B Insured Bonds due on such Payment Date, the Trustee will make a claim under the Series 2019B Bond Insurance Policy and give notice to the Series 2019B Bond Insurer and the Insurer’s Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 2019B Insured Bonds and the amount required to pay principal of the Series 2019B Insured Bonds, confirmed in writing to the Series 2019B Bond Insurer and the Insurer’s Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Series 2019B Bond Insurance Policy.

(b) The Trustee will designate any portion of payment of principal on the Series 2019B Insured Bonds paid by the Series 2019B Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 2019B Insured Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and will issue a replacement Bond to the Series 2019B Bond Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee’s failure to so designate any payment or issue any replacement Series 2019B Bond will have no effect on the amount of principal or interest payable by the Authority on any Series 2019B Bond or the subrogation rights of the Series 2019B Bond Insurer.

(c) The Trustee will keep a complete and accurate record of all funds deposited by the Series 2019B Bond Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Series 2019B Bond. The Series 2019B Bond Insurer will have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(d) Upon payment of a claim under the Series 2019B Bond Insurance Policy, the Trustee will establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the “Policy Payments Account” and over which the Trustee will have exclusive control and sole right of withdrawal. The Trustee will receive any amount paid under the Series 2019B Bond Insurance Policy in trust on behalf of Bondholders and will deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts will be disbursed by the Trustee to Bondholders in the same manner as principal and interest payments are to be made with respect to the Series 2019B Insured Bonds under the sections

hereof regarding payment of Series 2019B Insured Bonds. It will not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the Authority agrees, and will cause the City to agree, to pay to the Series 2019B Bond Insurer (i) a sum equal to the total of all amounts paid by the Series 2019B Bond Insurer under the Series 2019B Bond Insurance Policy (the “Insurer Advances” for purposes of the Trust Agreement); and (ii) interest on such Insurer Advances from the date paid by the Series 2019B Bond Insurer until payment thereof in full, payable to the Series 2019B Bond Insurer at the Late Payment Rate per annum (collectively, the “Insurer Reimbursement Amounts” for purposes of the Trust Agreement). “Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (“Prime Rate” for purposes of the Trust Agreement) (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Series 2019B Insured Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate will be computed on the basis of the actual number of days elapsed over a year of 360 days. The Authority hereby covenants and agrees that Insurer Reimbursement Amounts are secured by a lien on and pledge of the Revenues (and otherwise payable from lawfully available moneys in the General Fund of the City), and payable from such Revenues (and other lawfully available moneys in the General Fund of the City), on a parity with debt service due on the Series 2019B Insured Bonds.

(e) Funds held in the Policy Payments Account will not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following an Interest Payment Date will promptly be remitted to the Series 2019B Bond Insurer.

#### Provision of Information and Notice to Bond Insurer

So long as any Series 2019B Bonds remain outstanding and the Series 2019B Bond Insurer has not defaulted under the Series 2019B Bond Insurance Policy, the Series 2019B Bond Insurer will be provided with the following information by the City, Authority or Trustee, as the case may be:

(a) Annual audited financial statements within 190 days (or such longer period agreed to by the Series 2019B Bond Insurer) after the end of the City’s fiscal year (together with a certification of the City that it is not aware of any default or Event of Default under the Trust Agreement), and the City’s annual budget within 30 days after the approval thereof together with such other information, data or reports as the Series 2019B Bond Insurer will reasonably request from time to time;

(b) Notice of any draw upon the Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Fund Requirement and (ii) withdrawals in connection with a refunding of Bonds;

(c) Notice of any default known to the Trustee or Authority within five Business Days after knowledge thereof;

(d) Prior notice of the advance refunding or redemption of any of the Series 2019B Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(e) Notice of the resignation or removal of the Trustee and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(f) Notice of the commencement of any proceeding by or against the Authority or the City (or any party to a Related Document) commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an “Insolvency Proceeding”);

(g) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Bonds;

(h) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Related Documents;

(i) All reports, notices and correspondence to be delivered to Owners under the terms of the Related Documents;

In addition, to the extent that the Authority or the City has entered into a continuing disclosure agreement, covenant or undertaking with respect to the Series 2019B Bonds, all information furnished pursuant to such agreements will also be provided to AGM, simultaneously with the furnishing of such information.

The Series 2019B Bond Insurer will have the right to receive such additional information as it may reasonably request.

The Authority and the City will permit the Series 2019B Bond Insurer to discuss the affairs, finances and accounts of the Authority and the City or any information the Series 2019B Bond Insurer may reasonably request regarding the security for the Series 2019B Bonds with appropriate officers of the Authority and the City and will use commercially reasonable efforts to enable the Series 2019B Bond Insurer to have access to the facilities, books and records of the Authority on any business day upon reasonable prior notice.

The Trustee will notify the Series 2019B Bond Insurer of any failure of the Authority or the City to provide notices, certificates and other information pursuant to the Trust Agreement and the Related Documents.

#### Provisions of Information and Notice to Bond Insurer

So long as any Series 2019B Insured Bonds remain outstanding and the Series 2019B Bond Insurer will not have defaulted under the Series 2019B Bond Insurance Policy, the Series 2019B Bond Insurer will be provided with the following information by the Authority or the Trustee (or the City at the request of the Authority or the Trustee), as the case may be:

(a) Annual audited financial statements within 270 days (or such longer period agreed to by the Series 2019B Bond Insurer) after the end of the City’s fiscal year (together with a certification of the City that it is not aware of any default or Event of Default under the Trust Agreement), and the City’s annual budget within 30 days after the approval thereof together with such other information, data or reports as the Series 2019B Bond Insurer will reasonably request from time to time;

(b) Notice of any draw upon the Series 2019B Reserve Account within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Series 2019B Reserve Account Requirement and (ii) withdrawals in connection with a refunding of Series 2019B Insured Bonds;

(c) Notice of any default known to the Trustee or Authority within five Business Days after knowledge thereof;

(d) Prior notice of the advance refunding or redemption of any of the Series 2019B Insured Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(e) Notice of the resignation or removal of the Trustee and Series 2019B Bond registrar and the appointment of, and acceptance of duties by, any successor thereto;

(f) Notice of the commencement of any Insolvency Proceeding by or against the Authority or the City (or any party to a Related Document);

(g) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Bonds;

(h) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Related Documents;

(i) All reports, notices and correspondence to be delivered to Owners under the terms of the Related Documents;

(j) In addition, all information furnished pursuant to the Continuing Disclosure Agreement related to the Series 2019B Insured Bonds will also be provided to the Series 2019B Bond Insurer, simultaneously with the furnishing of such information;

(k) The Series 2019B Bond Insurer will have the right to receive such additional information as it may reasonably request;

(l) The Authority (and the City at the request of the Authority) will permit the Series 2019B Bond Insurer to discuss the affairs, finances and accounts of the Authority and the City or any information the Series 2019B Bond Insurer may reasonably request regarding the security for the Series 2019B Insured Bonds with appropriate officers of the Authority and the City and will use commercially reasonable efforts to enable the Series 2019B Bond Insurer to have access to the facilities, books and records of the Authority on any business day upon reasonable prior notice; and

(m) The Trustee will notify the Series 2019B Bond Insurer whenever the Trustee provides a written notice pursuant to the terms of the Trust Agreement of any failure of the Authority or the City to provide notices, certificates and other information pursuant to the Trust Agreement and the Related Documents.

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the City of Richmond (the “City”) and Willdan Financial Services, as dissemination agent (the “Dissemination Agent”) in connection with the issuance of \$20,580,000 principal amount of Richmond Joint Powers Financing Authority Point Potrero Lease Revenue Refunding Bonds, Series 2019B (the “Series 2019B Bonds”). The Series 2019B Bonds are being issued pursuant to the terms of a Trust Agreement, dated as of August 1, 2019 (the “Trust Agreement”), by and between the Authority and MUFG Union Bank, N.A., as trustee (the “Trustee”). Pursuant to the Facility Lease, dated as of August 1, 2019 (the “Facility Lease”), by and between the City and the Richmond Joint Powers Financing Authority (the “Authority”), the City has covenanted to comply with its obligations hereunder and to assume all obligations for continuing disclosure with respect to the Series 2019B Bonds. The City and the Dissemination Agent hereby covenant and agree as follows:

SECTION 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the Owners and Beneficial Owners of the Series 2019B Bonds and in order to assist the Participating Underwriter (as defined below) in complying with the Rule (as defined below).

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

“*Annual Report*” means any Annual Report of the City provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Beneficial Owner*” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2019B Bonds (including persons holding Series 2019B Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2019B Bonds for federal income tax purposes.

“*Commission*” means the Securities and Exchange Commission.

“*Disclosure Representative*” means the Director of Finance of the City or any designee, or such other officer or employee as the City may designate in writing to the Trustee and the Dissemination Agent from time to time.

“*Dissemination Agent*” means initially Willdan Financial Services, or any successor Dissemination Agent designated in writing by the City and which has filed a written acceptance of such designation with the City.

“*Financial Obligation*” means a debt obligation; derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or a guarantee of a debt obligation or derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation. The term financial obligation excludes municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule.

“*MSRB*” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“*Official Statement*” means the Official Statement dated August 13, 2019 relating to the Series 2019B Bonds.

“*Owners*” means either the registered owners of the Series 2019B Bonds, or, if the Series 2019B Bonds are registered in the name of Depository Trust Company or another recognized depository, any applicable participant in its depository system.

“*Participating Underwriter*” means the original underwriter of the Series 2019B Bonds required to comply with the Rule in connection with the offering of the Series 2019B Bonds.

“*Repository*” means the Electronic Municipal Market Access site maintained by the MSRB at <http://emma.msrb.org> or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule.

“*Rule*” means paragraph (b) (5) of Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*Specified Events*” means any of the events listed in Section 5(a) of this Disclosure Agreement.

“*State*” means the State of California.

### SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than March 26 following the end of the City’s Fiscal Year (currently June 30), commencing with the report for the City’s Fiscal Year ended June 30, 2019, file with the Repository copies of an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the Repository, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of such Annual Report and later than the date required above for the filing of such Annual Report if they are not available by that date. If the City’s fiscal year changes, the City shall give notice of such change in the same manner as for a Specified Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to the Filing Date, the City shall provide such Annual Report to the Dissemination Agent; provided, however, that the City may file the Annual Report to the Repository itself after providing written notice to the Dissemination Agent. If by said date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the City of such failure to receive the Annual Report.

(c) If the City is unable to provide to the Dissemination Agent an Annual Report by the date required in subsection (a), the Dissemination Agent is irrevocably instructed to file a notice, in electronic format, to the Repository in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall file a report with the City certifying that the Annual Report has been filed with the Repository pursuant to this Disclosure Agreement and stating the date it was provided.

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

(a) The audited financial statements of the City, including the Port of Richmond, for the fiscal year most recently ended, 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 Reports are required to be filed pursuant to subsection 3(a) of this Disclosure Agreement, the Annual Reports shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Series 2019B Bonds, and the audited financial statements shall be filed in the same manner as the Annual Reports when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3(a), financial information and operating data with respect to the City and the Port for preceding Fiscal Year, substantially similar to that provided in the tables and charts in the Official Statement, as follows:

(i) a summary financial information on revenues, expenditures and fund balances for the City's general fund for the fiscal year of the City most recently ended, similar to the information presented in Table A-7;

(ii) a summary financial information on the proposed and adopted budgets of the City for the current fiscal year and any changes in the adopted budget, similar to the information presented in Table A-8;

(iii) a summary of assessed valuation of taxable property of the City for the current fiscal year, similar to the information presented in Table A-14;

(iv) a summary of property tax receipts of the City for the current fiscal year, similar to the information presented in Table A-16;

(v) a summary of secured tax levies and delinquencies in the City for the current fiscal year, similar to the information presented in Table A-15;

(vi) a summary of the largest secured taxpayers in the City for the current fiscal year, similar to the information presented in Table A-17;

(vii) a summary of sales tax receipts in the City for the current fiscal year, similar to the information presented in Table A-12;

(viii) principal customers by revenue for the Port of Richmond for the fiscal year of the City most recently ended, similar to the information presented in Table C-1;

(ix) principal customers by tonnage for the Port of Richmond for the fiscal year of the City most recently ended, similar to the information presented in Table C-2;

(x) cargo tonnage/vessel landings for the Port of Richmond for the fiscal year of the City most recently ended, similar to the information presented in Table C-3; and

(xi) historical Net Port Revenues for the fiscal year of the City most recently ended, similar to the information presented in Table C-4.

Any or all of the items listed above may be included by specific reference to other documents, including official statements or other disclosure documents of debt issues of the City or related public entities, which have been filed with the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Repository. The City shall clearly identify each such other document so included by reference.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the City to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the City or to reflect changes in the business, structure, operations, legal form of the City or any mergers, consolidations, acquisitions or dispositions made by or affecting the City; provided that any such modifications shall comply with the requirements of the Rule.

#### SECTION 5. Reporting of Specified Events.

(a) 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 Series 2019B Bonds:

(i) Principal and interest payment delinquencies on the Series 2019B Bonds;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2019B Bonds, or other material events affecting the tax status of the Series 2019B Bonds;

(vii) Modifications to rights of the Series 2019B Bondholders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property, if any, securing repayment of the Series 2019B Bonds, if material;

(xi) Rating changes.

(xii) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.

(xiii) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the Successor Agency or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(xv) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Specified Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the Specified Event.

(c) The City acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(x), (a)(xiii), (a)(xiv), (a)(xiv), and (a)(xv) of this Section 5 contain the qualifier “if material”. The City shall cause a notice to be filed as set forth in this Section 5 with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Specified Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in Section 5(c).

(d) If in response to a request under Section 5(b), the City determines that the Specified Event would not be material under applicable federal securities laws, the City shall instruct the Dissemination Agent not to report the occurrence.

(e) If the Dissemination Agent has been instructed by the City to report the occurrence of a Specified Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing, notice of Specified Events described in Section 5(a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Series 2019B Bonds pursuant to the Trust Agreement.

(f) For purposes of this Disclosure Agreement, any event described in Section 5(a)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of

reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(g) The Dissemination Agent may conclusively rely on an opinion of counsel that the City's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2019B Bonds. If such termination occurs prior to the final maturity of the Series 2019B Bonds, the City shall give notice of such termination in the same manner as for a Specified Event under Section 5(c).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing sixty (60) days written notice to the City. 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 Agreement. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent.

The initial Dissemination Agent shall be Willdan Financial Services.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement (and the Dissemination Agent shall consent to any amendment so requested by the City provided such amendment does not impose any greater duties, or risk of liability on the Dissemination Agent) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), Section 4, or Section 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 Series 2019B Bonds, or the type of business conducted;

(b) The undertakings, 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 Series 2019B Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Series 2019B Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners of the Series 2019B Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Series 2019B Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in its 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 Specified Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made shall 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 Agreement shall be deemed to prevent the City from disseminating any other information, including the information then contained in the City's official statements or other disclosure documents relating to debt issuances, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Specified Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Specified Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Specified Event.

SECTION 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner of the Series 2019B Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement with respect to the Series 2019B Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Disclosure Agreement.

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 Agreement, and the City agrees, to the extent permitted by law, 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 negligence or willful misconduct. The obligations of the City under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Series 2019B Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the City: City of Richmond  
Richmond City Hall  
450 Civic Center Plaza  
Richmond, California 94804  
Attention: Finance Director  
Telephone: 510-620-6512  
Fax: 510-620-6542

If to the Dissemination Agent: Willdan Financial Services  
27368 Via Industria, Suite 200  
Temecula, California 92590  
Attention: Manager  
Phone: 951-587-3500  
Fax: 951-587-3510

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter, the Owners and Beneficial Owners from time to time of the Series 2019B Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: August 27, 2019

CITY OF RICHMOND

By: \_\_\_\_\_  
Finance Director

WILLDAN FINANCIAL SERVICES,  
as Dissemination Agent

By: \_\_\_\_\_  
Authorized Officer

EXHIBIT A

FORM OF NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Richmond, California

Name of Bond Issue: Richmond Joint Powers Financing Authority Point Potrero Lease Revenue Refunding Bonds, Series 2019B

Date of Issuance: August 27, 2019

NOTICE IS HEREBY GIVEN that the CITY OF RICHMOND (the “City”) has not provided an Annual Report with respect to the above-named Series 2019B Bonds as required by Section 8.11 of the Facility Lease dated as of August 1, 2019, executed and delivered by the City. [The City anticipates the Annual Report will be filed by \_\_\_\_\_]

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

CITY OF RICHMOND

By: \_\_\_\_\_  
Authorized Officer

cc: City of Richmond

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## APPENDIX F

### PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

Richmond Joint Powers Financing Authority  
Richmond, California

Richmond Joint Powers Financing Authority  
Point Potrero Lease Revenue Refunding Bonds, Series 2019B  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Richmond Joint Powers Financing Authority (the “Authority”) in connection with the issuance of \$20,580,000 aggregate principal amount of its Point Potrero Lease Revenue Refunding Bonds, Series 2019B (the “Bonds”), issued pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code and pursuant to a trust agreement, dated as of August 1, 2019 (the “Trust Agreement”), by and between the Authority and MUFG Union Bank, N.A., as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, the Facility Lease, dated as of August 1, 2019 (the “Facility Lease”), by and between the Authority and the City of Richmond (the “City”), the Site Lease, dated as of July 1, 2009 (the “Site Lease”), by and between the Richmond Surplus Property Authority and the Authority, the Tax Certificate, dated the date hereof (the “Tax Certificate”), delivered by the City and the Authority, certificates of the Authority, the City, the Trustee and others, opinions of counsel to the Authority, the City and the Trustee, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions 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 any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. 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 Authority and the City. We have assumed, without undertaking to verify, 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, the Facility Lease, the Site Lease, and the Tax Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Trust Agreement, the Facility Lease, the Site Lease, and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, 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 joint powers authorities or cities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Site Lease, the Facility Lease, or the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. 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 the valid and binding limited obligations of the Authority.
2. The Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Trust Agreement, except the Rebate Fund, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.
3. The Facility Lease and the Site Lease have been duly executed and delivered by, and constitute the valid and binding obligations of, the City and the Authority.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Bond for any period that such Bond is held by a "substantial user" of the facilities financed or refinanced by the Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

## APPENDIX G

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Series 2019B Bonds, payment of principal, interest and other payments on the Series 2019B Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Series 2019B Bonds and other related transactions between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

Neither the City (the “Issuer”) nor the Trustee appointed with respect to the Series 2019B Bonds (the “Trustee”) takes any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2019B Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2019B Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2019B Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2019B Bonds. The Series 2019B 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 certificate will be issued for the Series 2019B Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world’s largest depository, 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 and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available

to others such as both U.S. and non- U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Series 2019B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019B Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2019B 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 their purchase. Beneficial Owners are, however, 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 the Series 2019B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2019B Bonds, except in the event that use of the book-entry system for the Series 2019B Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2019B Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2019B Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019B Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2019B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. 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 Series 2019B Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2019B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2019B Bonds may wish to ascertain that the nominee holding the Series 2019B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Series 2019B Bonds within an issue 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.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2019B Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 the Series 2019B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal and interest payments on the Series 2019B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, 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 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 nor its nominee, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Series 2019B Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, security certificates are required to be printed and delivered.

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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**APPENDIX H**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100