

Richmond Housing Authority

Richmond, California

*Basic Component Unit Financial Statements
for the year ended June 30, 2020*

Richmond Housing Authority
Basic Component Unit Financial Statements
For the year ended June 30, 2020
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**DISCLAIMER OF OPINION DUE TO THE AUDITOR'S INABILITY
TO OBTAIN SUFFICIENT APPROPRIATE AUDIT EVIDENCE
ABOUT MULTIPLE ELEMENTS OF THE FINANCIAL STATEMENTS**

Independent Auditor's Report

To the Commission
of the Richmond Housing Authority
Richmond, California

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of the business-type activities and the aggregate discretely presented component units of the Richmond Housing Authority (Authority), a component unit of the City of Richmond, California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

- 1) The Statement of Net Position at June 30, 2019 prepared by the Authority, did not balance by \$6,589,113 with credits exceeding debits. As a result, this difference was reported as Other Debits on the Authority's Statement of Revenues, Expenses and Changes in Net Position for the fiscal year ended June 30, 2019. Therefore, we were not able to rely on opening balances of Authority's Statement of Revenues, Expenses and Changes in Net Position for the Authority.
- 2) The Authority did not perform timely reconciliations of cash, investments and other balance sheet accounts during the fiscal year. We do not believe we can satisfy ourselves with the material accuracy of these account balances.
- 3) The Authority wrote off many account balances, incorrectly carried forward from previous years with no sufficient support and record. These write-offs were reported as Other Debits and Other Credits on the Authority's Statements of Revenues, Expenses and Changes in Net Position for the fiscal year ended June 30, 2020.
- 4) The Authority's component unit, RHA Housing Corporation, which is one of the three discretely presented component units of the Authority, was not able to provide documents to support the activities reported on the Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2020.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded receivables, and the elements making up the statements of activities, the statements of revenues, expenditures, and changes in fund balance for governmental funds, nor the statements of revenues, expenses, and changes in net position for the proprietary funds.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Richmond Housing Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with auditing standards generally accepted in the United States of America. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

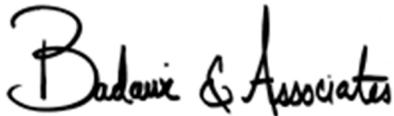
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required pension and OPEB schedules on pages 5-7 and 56-65 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

To the Commission
of the Richmond Housing Authority
Richmond, California
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Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated April 10, 2025 on our consideration of the Authority'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 solely 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 the effectiveness of 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.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs
Berkeley, California
April 10, 2025

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RICHMOND HOUSING AUTHORITY
Management's Discussion and Analysis
June 30, 2020

The Management Discussion and Analysis (MD&A) of the Richmond Housing Authority (the "Authority") provides an overview of the Authority's financial position and performance for the period ending June 30, 2020. The MD&A outlines significant changes in general operations and discusses the activities during the year related to capital assets and long-term debt. The discussion concludes with details on known facts, decisions, and conditions expected to affect the financial position of the Authority's operations. This information should be considered alongside the Basic Financial Statements and the Notes to the Basic Financial Statements. The Authority's financial statements include the discretely presented component units: Richmond Housing Authority (RHA) Properties, RHA Housing Corporation, and RHA Rental Assistance Demonstration (RAD) LLC.

Overview of the Basic Financial Statements

The Authority's Basic Financial Statements include the following: Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, and Notes to Basic Financial Statements. The Authority uses the accrual basis of accounting in compliance with generally accepted accounting principles. Fund accounting is used to ensure and demonstrate compliance with funding-related requirements. These funds are consolidated into a Proprietary Fund, which operates as a single "enterprise fund" with "business-type" activities aimed at recovering all or part of their costs through fees and charges for services. The Proprietary Fund reflects the activities of the Authority as an integrated entity.

- The Statement of Net Position includes all the Authority's assets and liabilities, with the difference between the two reported as the net position. Assets and liabilities are presented in the order of liquidity and are classified as "current" (convertible to cash within one year) and "non-current". This statement also provides a basis of measuring the liquidity and financial flexibility of the Authority. Over time, increases or decreases in net position will serve as useful indicators of whether the Authority's financial health is improving or deteriorating.
- The Statement of Revenues, Expenses and Changes in Net position reports the Authority's revenues by source and its expenses by category to substantiate the changes in net position for the year. This statement measures the success of the Authority's operations over the past year.
- The Statement of Cash Flows reports how the Authority's cash was provided and used during the year. It also provides information about the Agency's operating, investing, and financing activities, and can be used to reconcile cash balances on June 30, 2020. Fundamentally, this statement shows where cash came from, how cash was used, and what the change in cash was during the year.
- The Notes to Basic Financial Statements provide additional information that is integral to a full understanding of the Basic Financial Statements. The Notes to the Basic Financial Statements can be found in this report after the Basic Financial Statements.

The Authority's Programs

- Housing Choice Voucher (HCV) Program - RHA administered and managed the responsibilities for approximately 1,700 HCV's. RHA administered the HCV Program through June 30, 2019. On April 16, 2019, HUD approved the transfer of the HCV Program units and the associated budget authority from RHA to the Housing Authority of Contra Costa County (HACCC) and HUD assigned July 1, 2019, as the effective date of the transfer and determined that the transfer will be in the best interest of the program participants.
- Public Housing Developments – As of June 30, 2020, RHA owned and managed Nevin Plaza and Nystrom Village. Nevin Plaza is a 142-unit high-rise for seniors (62 or older) and disabled households. Nystrom Village is a 100-unit scattered site development for families, including seniors and disabled households. Public housing was established to provide decent and safe rental housing for eligible low-income families, elderly residents, and persons with disabilities.
- The Hacienda Development, completed in 1966, was a 150-unit affordable housing complex with two-bedroom units, one-bedroom units, and studios. In 2014, all residents were relocated using Section 8 Tenant Protection Vouchers, leaving the building vacant. To rehabilitate the Hacienda development, RHA partnered with two nonprofit affordable housing developers and operators: Mercy Housing California (MHC) and Community Housing Development Corporation of North Richmond (CHDC).
- Richmond Village - RHA and McCormack Baron Salazar, as the Development Partner, redeveloped the former Easter Hill site into Richmond Village I, II, and III using funds from a federal Hope VI Revitalization Grant and Low-Income Tax Credit Financing. The RHA Board of Commissioners selected McCormick Baron Salazar as their development partner to carry out the Hope VI project in two phases. These phases resulted in the construction of 238 mixed-income units, including one, two, three, and four-bedroom apartments and two-bedroom townhomes: Richmond Village I with 117 units, Richmond Village II with 85 units, and Richmond Village III with 36 units.

Financial position and analysis

- As of June 30, 2020, the Authority's net position was \$18,155,114, and the Component Units' net position was \$16,676,071
- Cash and cash equivalents amounted to \$2,929,127 for the Authority, while the Component Unit held \$6,239. The Authority's other current assets totaled \$2,309,943.
- The Authority had \$11,221,743 in Other Non-Current Assets and the Component Unit had \$16,669,832 related to the Easter Hill Project (Notes 10A and 12).
- The Authority had current liabilities of \$1,658,852 and long-term liabilities of \$11,070,003, totaling \$12,728,855 at year-end.
- The Authority's rental income at the end of the fiscal year on June 30, 2020, was \$605,737, a decrease of \$86,788 from the previous year due to operational changes and units being vacant or under construction.

- As of June 30, 2020, HUD PHA operating grants for the Authority amounted to \$1,636,874, representing a 94% decrease from the previous year. This substantial reduction is attributable to the transfer of the Section 8 Program to Contra Costa County, resulting in the discontinuation of Housing Choice Vouchers. Other revenue for the Authority at the conclusion of the fiscal year, June 30, 2020, was \$772,208. The total operating revenue for the Authority was \$3,014,819.
- As of June 30, 2020, the Authority's total operating expenses were \$7,385,317, resulting in a net operating deficit of \$4,370,498. The Component Unit reported no operating income or expenses.

Economic Factors Affecting the Authority and Component Units

- The Department of Housing and Urban Development (HUD) has historically experienced insufficient funding to adequately meet the subsidy requirements of public housing authorities (PHAs). This trend is expected to continue.
- Even if HUD received full funding for both the Operating and Capital funds, it is unlikely that Congress would appropriate adequate funding. The Authority continues to explore alternative funding options to reduce reliance on federal support through development activities and pursuit of other grants; however, HUD will most likely remain a significant funding source in the foreseeable future. Despite the challenges and the political and economic realities, the Authority remains committed to becoming more innovative and creative to fulfill its mission.

Request for Information

This financial report provides a general overview of the Authority's finances for interested parties. For questions regarding the information in this report or requests for additional information, please direct your correspondence to:

Richmond Housing Authority
Attention: Finance Department
450 Civic Center Plaza
Richmond, CA 94804

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BASIC FINANCIAL STATEMENTS

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Richmond Housing Authority

Statement of Net Position

June 30, 2020

	Business-Type Activities	Discretely Presented Component Units
ASSETS		
Current assets:		
Cash	\$ 2,929,127	\$ 6,239
Receivables:		
Accounts receivable - tenants, net of allowance	878,219	-
Due from Federal Government	1,431,724	-
Total current assets	<u>5,239,070</u>	<u>6,239</u>
Capital assets:		
Land	1,708,686	-
Construction in progress	130,426	-
Buildings and improvements	45,103,032	-
Less accumulated depreciation	<u>(31,551,855)</u>	<u>-</u>
Total capital assets, net	<u>15,390,289</u>	<u>-</u>
Other Non-Current Assets:		
Notes receivable	<u>11,221,743</u>	<u>16,669,832</u>
Total assets	<u>31,851,102</u>	<u>16,676,071</u>
DEFERRED OUTFLOWS OF RESOURCES		
OPEB related	115,043	-
Pension related	<u>457,011</u>	<u>-</u>
Total deferred outflows of resources	<u>572,054</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	1,458,206	-
Tenants security deposits	55,558	-
Unearned revenue	143,874	-
Accrued compensated absences	<u>1,214</u>	<u>-</u>
Total current liabilities	<u>1,658,852</u>	<u>-</u>
Long-term liabilities:		
Due to City of Richmond	3,102,589	-
Due to Federal Government	231,502	-
Due to other Agency	82,513	-
Promissory note	301,530	-
Accrued compensated absences	10,927	-
Net OPEB liability	3,005,171	-
Net pension liability	<u>4,335,771</u>	<u>-</u>
Total long-term liabilities	<u>11,070,003</u>	<u>-</u>
Total liabilities	<u>12,728,855</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
OPEB related	1,469,311	-
Pension related	<u>69,876</u>	<u>-</u>
Total deferred inflows of resources	<u>1,539,187</u>	<u>-</u>
NET POSITION		
Investment in capital assets	15,390,289	-
Unrestricted	<u>2,764,825</u>	<u>16,676,071</u>
Total net position	<u>\$ 18,155,114</u>	<u>\$ 16,676,071</u>

See accompanying Notes to Basic Financial Statements.

Richmond Housing Authority

Statement of Revenues, Expenses and Changes in Net Position

For the year ended June 30, 2020

	Business-Type Activities	Discretely Presented Component Units
OPERATING REVENUES:		
HUD PHA grants	\$ 1,636,874	\$ -
Rental revenue - tenant	605,737	-
Other revenue	772,208	-
Total operating revenues	3,014,819	-
OPERATING EXPENSES:		
Administrative	3,331,766	-
Tenant service	319,997	-
Ordinary maintenance and operations	1,511,978	-
Grant expense - operations	737,966	-
Depreciation	1,483,610	-
Total operating expenses	7,385,317	-
OPERATING INCOME (LOSS)	(4,370,498)	-
NONOPERATING REVENUES (EXPENSES):		
Other credits	1,362,869	-
Other non-operating revenues	-	5,000
Investment earnings	11,525	500,544
Total nonoperating revenues (expenses)	1,374,394	505,544
Income (loss) before capital grants	(2,996,104)	505,544
Capital grants	1,705,147	-
Total capital grants	1,705,147	-
Change in net position	(1,290,957)	505,544
NET POSITION:		
Net Position, Beginning of the Fiscal Year	18,686,252	16,383,116
Prior period adjustments (Note 13)	759,819	(212,589)
Net Position, End of the Fiscal Year, as restated	19,446,071	16,170,527
End of year	\$ 18,155,114	\$ 16,676,071

Richmond Housing Authority

Statement of Cash Flows

For the year ended June 30, 2020

	Business-Type Activities	Discretely Presented Component Units
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from dwelling rents	\$ 320,846	\$ -
Subsidies from federal grants	1,636,874	-
Receipts from other miscellaneous sources	772,208	-
Payment for housing assistance	(737,966)	-
Payment for employee expenses	(1,039,266)	-
Payments for administrative expenses	(3,331,766)	-
Payments for general maintenance and other expenses	(2,861,451)	-
Other credits	1,362,869	-
Net cash flows from (used in) operating activities	(3,877,652)	-
CASH FLOWS FROM NONOPERATING ACTIVITIES:		
Receipt of developer fees	-	5,000
Net cash flows from nonoperating activities	-	5,000
CASH FLOWS FROM NONCAPITAL RELATED FINANCING ACTIVITIES:		
Loan receipts from City of Richmond	3,102,589	-
Intrafund short-term loans, net	(1,431,724)	-
Due from other agencies	314,015	-
Net cash flows from noncapital financing activities	1,984,880	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Subsidies from federal capital grants	1,705,147	-
Changes in long term debt	301,530	-
Net cash flows from capital and related financing activities	2,006,677	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	11,525	-
Net cash flows from investing activities	11,525	-
Net change in cash flows	125,430	5,000
CASH AND INVESTMENTS - Beginning of year	2,803,697	1,239
CASH AND INVESTMENTS - End of year	\$ 2,929,127	\$ 6,239
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating income (loss)	\$ (4,370,498)	\$ -
Adjustments to reconcile operating gain (loss) to net cash provided by operating activities		
net cash provided by operating activities:		
Depreciation expense	1,483,610	-
Other credits	1,362,869	-
Decrease/(Increase) in grants and accounts receivable	(247,099)	-
Increase/(Decrease) in accounts payable	(1,349,473)	-
Increase/(Decrease) in unearned revenue	(335,278)	-
Increase/(Decrease) in compensated absences	(7,643)	-
Increase/(Decrease) in due to retirement system	82,912	-
Increase/(Decrease) in due to OPEB system	(459,260)	-
Increase/(Decrease) in tenant security deposits	(37,792)	-
Net cash flows from operating activities	\$ (3,877,652)	\$ -

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

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Richmond Housing Authority

Notes to Basic Financial Statements

For the Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. *Financial Reporting Entity*

The Housing Authority of the City of Richmond (the "Authority") was formed in 1941 as a separate legal entity under the provisions of the Housing Act of 1937. The 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. Under State Laws, the Authority is subject to California Health and Safety Code Sections 34200 - 34606. Although the Authority is a separate legal entity from the City of Richmond, 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 financial statements of the Authority are included in the City of Richmond's basic financial statements.

Component Units - Component units (CUs) are legally separate organizations for which a primary government has some degree of control, or from which it receives a financial benefit or burden. CUs are included within the primary government's financial statements as discretely presented or blended units. CUs are discretely presented unless they qualify as a blended component unit, which includes the governing board being substantially the same as the primary government's governing board and (1) there is a financial benefit or burden relationship between the primary government and the CU or (2) management of the primary government has operational responsibility for the CU. A CU can also be blended if the total outstanding debt of the CU is expected to be paid with resources of the primary government.

The Authority's basic financial statements include three discretely presented CUs. The discretely presented CUs are reported in a separate column within the government wide financial statements for reasons which include that the Authority does not manage the activities of the component units in the same manner in which it manages its own programs.

Descriptions and illustrations of the financial statements for these component units are included in Note 11.

B. *Basis of Presentation*

The Authority's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Presentation, Continued

The Authority's basic financial statements display information about the Authority and its component units. These statements include the financial activities of the overall Authority. All funds of the Authority are accounted for as enterprise funds (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific activity. The activities of an enterprise fund closely resemble those of the private sector in which the purpose is to conserve and add to economic resources. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

C. Basis of Accounting

Proprietary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Non-exchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the Authority may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenses. The Authority's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Compensated Absences

Vacation and related benefits fully vest as earned and are paid in full upon termination. Vested vacation obligations are recorded as accrued compensated absences until paid. Changes in compensated absences during fiscal year ending June 30, 2020, are presented as follows:

	Business-Type Activities
Beginning Balance	\$ 19,784
Payments	(7,643)
Ending Balance	<u>\$ 12,141</u>
Due within one year	<u>\$ 1,214</u>

E. Taxes

The RHA Properties is exempt from Federal and State income taxes. The Authority is also exempt from property taxes but makes payments to the City of Richmond for sewer fees. There is neither a cooperative agreement between the Authority and the City of Richmond, nor existing Payment in Lieu of Taxes (PILOT).

F. Accounts Receivable – Others and Tenants

Accounts receivable consist of Low Rent Public Housing tenants’ unpaid rents and Housing Choice Vouchers overpayments to landlords and tenant fraud. Allowances for uncollectible accounts have been established for both receivables.

G. Fair Value Estimates

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 Authority 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.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. 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.

I. Restatement of Beginning Net Position and Other Debits

Restatement - Aggregate Component Units

As part of the year end closing, the Authority discovered that \$59,819 of revenue earned from prepaid rents has not been recorded. As a result, beginning net position of the Authority fund balance was increased by that amount.

Also, the Authority discovered that Discretely presented component unit incorrectly recorded receivable and revenue for \$212,589 in prior years. The receivable was corrected via prior year adjustment. As a result, beginning net position of the Discretely presented component unit fund balance was decreased by net effect of \$212,589.

	Net Position/ Fund Balance as Previously Reported	Notes Receivable Adjustments	Prior Year Revenue Adjustments	Net Position/ Fund Balance Net Position as Restated
Business Type activities	\$ 18,686,252	\$ -	\$ 59,819	\$ 18,746,071
Discretely Presented Component Unit	\$ 16,383,116	\$ (212,589)	\$ -	\$ 16,170,527

Other Debits

The Statement of Net Position at June 30, 2020 prepared by the Authority, includes write off of various net position account balances being incorrectly carried forward from previous years. City wrote all of them off. As a result, this difference was reported as Other Debits on the Authority's Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows for the fiscal year ended June 30, 2020.

2. CASH AND INVESTMENTS

A. Policies

California Law generally requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Authority's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the Authority's name and places the Authority ahead of general creditors of the institution. As of June 30, 2020, the Authority's cash in bank was insured or collateralized as discussed above.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

2. CASH AND INVESTMENTS, Continued

A. Policies, Continued

The Authority's investments are carried at fair value, as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

B. Cash, Cash Equivalents and Investments

For purposes of reporting cash flows, the Authority considers each entity's share of cash and investments to be cash equivalents.

C. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of the Authority's agreements with tenants.

	Authority	Component Units
Cash and cash equivalents	\$ 2,929,127	\$ 6,239
Total cash and cash equivalents	<u>\$ 2,929,127</u>	<u>\$ 6,239</u>
Cash in banks	\$ 2,042,200	\$ 6,239
Investments	<u>886,927</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 2,929,127</u>	<u>\$ 6,239</u>

D. Fair Value Measurement

Fair value is 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. Also, GAAP establishes a hierarchy of inputs used to measure fair value that prioritizes the inputs into three categories: Level 1, Level 2 and Level 3 inputs, considering the relative reliability of the inputs. The level is determined based on the lowest level of input significant to the measurement in its entirety.

Level 1 Inputs:

This level inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.

Level 2 Inputs:

These are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means, e.g., "market-corroborated" inputs.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

2. CASH AND INVESTMENTS, Continued

D. Fair Value Measurement, Continued

This level inputs include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability, such as: interest rates and yield curves observable at commonly quoted intervals, implied volatilities, and credit spreads.
- Market-corroborated inputs.

Level 3 Inputs:

These are unobservable inputs for the asset or liability; they should be used only when relevant Level 1 and Level 2 are unavailable. Governments may use their own data to develop unobservable inputs if there is no information available without undue cost and effort.

The following is a summary of the fair value hierarchy of the Authority's investments at June 30, 2020:

	Total	Fair Value Measurement Using	
		Quoted prices in Active market for Identical Asset (Level 1)	Not Subject to Fair Value Hierarchy
California Local Agency Investment Fund	\$ 6,697	\$ 6,697	\$ -
U.S. Treasury Bills	880,230	880,230	-
Total	\$ 886,927	\$ 886,927	\$ -

E. 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. The Authority invests in cash, LAIF and U.S. Treasury Notes which may be drawn down as needed. The maturity date of the U.S. Treasury Bills held by the Authority is July 30, 2020.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

2. CASH AND INVESTMENTS, Continued

F. Investments Authorized by the California Government Code and the Authority's Investment Policy

The California Government Code allows the Authority to invest in the following; and 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	Maximum Maturity
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

G. Local Agency Investment Fund

The Authority 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 Authority 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 available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2020 the Short-Term Fund investments matured in an average of 230 days.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

3. CAPITAL ASSETS

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 the acquisition value on the date contributed. Outlays for capital assets in excess of \$5,000 for the Authority and RHA Properties, respectively, are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets. Depreciation is provided using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Authority has assigned the useful lives listed below to capital assets:

Buildings	27.5-40 years
Land and site improvements (fences, sewer, roads, etc.)	10 years
Dwelling and Non-Dwelling - Furniture/Equipment	5 years
Autos/Trucks/other motor vehicles	5 years
Computer hardware and software	3 years

A. Capital Asset Additions and Retirements

Changes in the Authority's capital assets are summarized below:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 1,708,686	\$ -	\$ -	\$ 1,708,686
Construction in progress	130,426	-	-	130,426
Total capital assets not being depreciated	<u>1,839,112</u>	<u>-</u>	<u>-</u>	<u>1,839,112</u>
Capital assets being depreciated:				
Buildings and improvements	44,225,334	-	-	44,225,334
Furniture and Equipment	877,698	-	-	877,698
Total capital assets being depreciated	<u>45,103,032</u>	<u>-</u>	<u>-</u>	<u>45,103,032</u>
Less accumulated depreciation for:				
Buildings and improvements	29,190,547	1,471,736	-	30,662,283
Furniture and Equipment	877,698	11,874	-	889,572
Total accumulated depreciation	<u>30,068,245</u>	<u>1,483,610</u>	<u>-</u>	<u>31,551,855</u>
Net capital assets being depreciated	<u>15,034,787</u>	<u>(1,483,610)</u>	<u>-</u>	<u>13,551,177</u>
Total capital assets, net	<u>\$ 16,873,899</u>	<u>\$ (1,483,610)</u>	<u>\$ -</u>	<u>\$ 15,390,289</u>

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

3. CAPITAL ASSETS, Continued

A. Capital Asset Additions and Retirements, Continued

Included in buildings and improvements is the Authority's Hacienda Development with a net book value of \$6,688,163 at June 30, 2020 that was deemed uninhabitable in fiscal year 2013 and as a result necessitates major rehabilitation. The property was appraised in July 2019 at \$6,290,000 "as is" and Mercy Housing is in negotiation with the City and the Housing Authority to acquire the improvements and to undertake significant renovation that would result in to 150 units, a fitness center and a library. The current site encompasses a total of 2.98 acres of land which is intended to be split into two parcels upon approval by HUD for which the currently improved portion of 1.941 acres will be subject to a ground lease to Mercy Housing and the remaining 1.043 acres will be retained by the City for future development. Authority staff believes the impairment of the capital asset to be temporary and no provision for impairment has been recorded in the financial statements.

4. LONG TERM OBLIGATION

CDBG Loan Agreement

On December 1, 2019, Richmond Housing Authority entered into an agreement with the County of Contra Costa and promised to pay a principal amount of \$401,523.

The proceeds on this Note were then used to perform elevators repair of real property commonly known as Nevin Plaza, to maintain the supply of affordable rental housing in Contra Costa County.

5. NET POSITION

Net Position is the excess of all the Authority's assets over all its liabilities. Net position is divided into the following captions on the Statement of Net Position.

Invested in Capital Assets describes the portion of Net Position which is represented by the current net book value of the capital assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter. These principally include capital projects and debt service requirements.

Unrestricted describes the portion of Net Position which is not restricted as to use.

6. PENSION PLAN

The Authority, an integral part of the City of Richmond (City), participates in the California Public Employees' Retirement System (PERS). The Authority's employees are included in a Plan the City has with CalPERS.

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.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

6. PENSION PLAN, Continued

A. General Information about the Pension Plan

Plan Description - All qualified permanent, probationary and part-time employees are eligible to participate in the City's Miscellaneous Plan ("the Plan"), a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS. Benefit provisions under the Plan are established by State statute and City's Ordinances. CalPERS issues publicly available reports that include a full description of the pension plan 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 the plan are applied as specified by the Public Employees' Retirement Law.

The Authority's employees hired on or before December 31, 2012 participate in the Miscellaneous Plan under the 2.7% @ 55 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 Authority's employees hired on or after January 1, 2013 participate under the Miscellaneous Plan 2.0% @ 62 Benefit Formula.

The Plan's provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to</u> <u>January 1, 2013</u>	<u>On or after</u> <u>January 1, 2013</u>
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-55	52-67
Monthly benefits , as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.75%
Required employer contribution rates	13.060%	13.060%
Required UAL Contribution	<u>\$305,614</u>	

Employees Covered (1) - As of the June 30, 2018 actuarial valuation date and the June 30, 2019 measurement date, the following City employees were covered by the benefit terms for the Plan:

	<u>Miscellaneous</u>	
	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Inactive employees or beneficiaries currently receiving benefits	935	958
Inactive employees entitled to but not yet receiving benefits	517	523
Active employees	468	459
Total	<u>1,920</u>	<u>1,940</u>

(1) Employees Covered represents all employees under Miscellaneous Plan for the City of Richmond.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

6. PENSION PLAN, Continued

A. General Information about the Pension Plan, Continued

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 the Plan 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 of Richmond is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B. Net Pension Liability

The Authority’s net pension liability for the Plan is measured as the proportionate share of the net pension liability which represents total pension liability less the pension plan fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2019, using an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

	Miscellaneous (1)
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increase	0.4% - 8.50%
Investment Rate of Return	7.15%
Mortality	Derived using CalPERS Membership Data for all Funds (4)
Post Retirement Benefit Increase	The lesser of contract COLA or 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% 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 15 years of mortality improvements. Using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study reports available on CalPERS website.

Actuarial Assumptions - All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

6. PENSION PLAN, Continued

B. Net Pension Liability, Continued

Discount Rate – The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 adjusted to account for assumed administrative expenses.

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 (a)	Current Target Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100%		

(a) In the CalPERS ACFR, Fixed Income is included in Global Debt Securities. Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.0% used for this period.

(c) An expected inflation of 2.92% used for this period.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

6. PENSION PLAN, Continued

C. Changes in the Net Pension Liability

The change in the Authority's proportionate share of the Net Pension Liability as of the June 30, 2018 Measurement Date for the Plan follows:

	Increase (Decrease)			Authority's Proportionate Share
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	
Balance at June 30, 2019	\$ 490,225,435	\$ 363,003,886	\$ 127,221,549	\$ 4,218,230
Changes in the year:				
Service cost	7,652,864	-	7,652,864	254,075
Interest on the total pension liability	34,315,542	-	34,315,542	1,139,276
Differences between actual and expected experience	(331,531)	-	(331,531)	(11,007)
Contribution - employer	-	12,156,723	(12,156,723)	(403,603)
Contribution - employees	-	2,843,043	(2,843,043)	(94,389)
Net investment income	-	23,350,283	(23,350,283)	(775,229)
Administrative expenses	-	(259,047)	259,047	8,600
Benefit payments, including refunds of employee contributions	(27,565,398)	(27,565,398)	-	-
Other miscellaneous income/expense	-	842	(842)	(28)
Other	-	-	-	(154)
Net changes	14,071,477	10,526,446	3,545,031	117,541
Balance at June 30, 2020	\$ 504,296,912	\$ 373,530,332	\$ 130,766,580	\$ 4,335,771

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority's proportionate share of the 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:

	If decreased by 1%	Current Rate	If increased by 1%
Discount Rate	6.15%	7.15%	8.15%
Collective Plan's Net Pension Liability	\$ 192,192,608	\$ 130,766,580	\$ 79,578,684
Authority's Proportion	\$ 6,380,795	\$ 4,341,450	\$ 2,642,012

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

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

6. PENSION PLAN, Continued

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

For the year ended June 30, 2020, the Authority recognized pension expense of \$82,912. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resource related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 13,783,427	\$ -
Differences between Expected and Actual Experience	-	(394,751)
Changes in Assumptions	-	(153,564)
Net Differences between Projected and Actual Earnings on Pension Plan Investments	-	(1,559,198)
Total	<u>\$ 13,783,427</u>	<u>\$ (2,107,513)</u>
Authority's Proportionate Share	<u>\$ 457,011</u>	<u>\$ (69,876)</u>

The portion of deferred outflows of resources related to pension contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as net deferred inflows of resources related to pension will be recognized as future pension expense as follows:

Year Ended June 30	Annual Amortization
2020	\$ 36,017
2021	(103,533)
2022	(16,336)
2023	13,976
	<u>\$ (69,876)</u>

7. OTHER POSTEMPLOYMENT BENEFITS

A. General Information about the Other Post Employment Benefit (OPEB) Plan

In addition to the pension benefits described in Note 6, the Authority also provides postretirement health care benefits, in accordance with City ordinances, to all employees who retire from the Authority on or after attaining retirement age of 55 and who have at least ten years of service. The following is information of the City's OPEB Plan. The city has two plans.

City 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.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

7. OTHER POSTEMPLOYMENT BENEFITS, Continued

A. General Information about the Other Post Employment Benefit (OPEB) Plan, 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.

RPOA OPEB Plan

The City of Richmond's Police Officers Association (RPOA) Plan was established during fiscal year 2019 and the RPOA OPEB Plan joined the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CALPERS, consisting of an aggregation of single- employer plans. RPOA members who were actively employed as of January 1, 2017 transferred from the City OPEB Plan to the RPOA OPEB Plan. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94229-2703.

A summary of the City OPEB 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: \$136 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: \$136	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: \$136	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: \$136	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 PERMHCA minimum or percentage of premium for retiree/dependents/surviving spouse but no more than \$827 per month, minus dental and vision premiums. Percentage is 50%, increased to 90% after 15 years of service, and 100% after 25 years of service Plus PEMHCA Minimum: \$136 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 premiums (medical premium minus PEMHCA minimum) for retiree/dependents/surviving spouse up to Kaiser (1) (Pre Medicare) and 2 nd 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.

**Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020**

7. OTHER POSTEMPLOYMENT BENEFITS, Continued

A. General Information about the Other Post Employment Benefit (OPEB) Plan, Continued

Plan Provision 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: \$244/\$184
	Retired before November 5, 1999	Same as future retirees, but caps are: Retiree only or surviving spouse: \$124/\$82 Retiree +1 or more: \$244/\$184
Fire Local 188		Same as future retirees
Fire Management	Retire on or after 7/1/2006	Same as future retirees
	Retire before 7/1/2006	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.
Richmond Police Officer Association (RPOA)	Retire on or after 7/1/2008 but before 1/1/2017	Lesser of: percentage of premium for retiree/dependents/surviving spouse times medical premium minus PEMHCA minimum or percentage of premium for retiree/dependents/surviving spouse but no more than \$827 per month, minus dental and vision premiums. Percentage is 50% after 10 years of service, increased to 90% after 15 years of service, and 100% after 25 years of service. Plus PEMHCA Minimum: \$136 City also pays 100% of dental and vision premiums.
	Retired between 7/1/2004 and 6/30/2008	Lesser of: percentage of premium for retiree/dependents/surviving spouse times medical premium minus PEMHCA minimum or percentage of premium for retiree/dependents/surviving spouse but no more than \$827 per month, minus dental and vision premiums. Percentage is 50% after 10 years of service, increased to 90% after 15 years of service, and 100% after 25 years of service. Plus PEMHCA Minimum: \$136 City also pays 100% of dental and vision premiums. Reimbursement capped at \$614.
	Retired between 7/1/1997 and 6/30/2004	Lesser of: percentage of premium for retiree/dependents/surviving spouse times medical premium minus PEMHCA minimum or percentage of premium for retiree/dependents/surviving spouse but no more than \$827 per month, minus dental and vision premiums. Percentage is 50% after 10 years of service, increased to 90% after 15 years of service, and 100% after 25 years of service. Plus PEMHCA Minimum: \$136 City also pays 100% of dental and vision premiums. 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 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: \$136
	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: \$136
Police Management and Police Executive Management	Retired on or after 7/1/2008	Same as future retirees
	Retired between 1/1/1995 and 6/30/2008	Percentage of premium (medical premiums 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 2 nd highest premium plan for post-Medicare for coverage selected. Retired on or before 1/1/2007 - Reimbursement capped at 2 nd highest premium plan, excluding the PEMHCA minimum, for coverage selected. Retired on or after 7/1/1995: Reimbursement allowed towards non-PERS plans. Plus PEMHCA minimum: \$136.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

7. OTHER POSTEMPLOYMENT BENEFITS, Continued

A. General Information about the Other Post Employment Benefit (OPEB) Plan, Continued

A summary of the RPOA OPEB Plan provisions follows:

Plan Provisions for Future Retirees			
Classification	Eligibility (Age/Service Years)	Monthly Premium Paid by City Before/After Medicare Eligibility	Employee Monthly Contributions
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 or percentage of premium for retiree/dependents/surviving spouse but no more than \$827 per month, minus dental and vision premiums. Percentage is 50% after 10 years of service, increased to 90% after 15 years of service, and 100% after 25 years of service Employer pays PEMHCA Minimum.	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

Plan Provisions for Current Retirees		
Classification	Eligibility (Age/Service Years)	Monthly Premium Paid by City Before/After Medicare Eligibility
Richmond Police Officer Association (RPOA)	Retired January 1, 2017 or later	Lesser of: percentage of premium for retiree/dependents/surviving spouse times medical premium or percentage of premium for retiree/dependents/surviving spouse but no more than \$827 per month, minus dental and vision premiums. Percentage is 50% after 10 years of service, increased to 90% after 15 years of service, and 100% after 25 years of service Employer pays PEMHCA Minimum.

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 \$136 in 2020.

City's OPEB Plan Membership - 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	485
Active employees waiving coverage	31
Retiree and beneficiaries receiving benefits	620
Total	1,136

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

7. OTHER POSTEMPLOYMENT BENEFITS, Continued

A. General Information about the Other Post Employment Benefit (OPEB) Plan, Continued

RPOA Plan Membership - As of the June 30, 2019 valuation date, membership in the RPOA OPEB Plan consisted of the following:

Active employees electing coverage	145
Active employees waiving coverage	2
Retiree and beneficiaries receiving benefits	10
Total	157

B. Funding Policy and Actuarial Assumptions

City OPEB Plan

Funding Policy - During the year ended June 30, 2008, the City joined the Public Agencies Postretirement 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, 2020 was \$22,861,318.

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. The City did not make any additional transfers to the PARS Trust in fiscal year 2020.

RPOA OPEB Plan

A new Richmond Police Officers Association (RPOA) contract was implemented on January 17, 2017. The new RPOA plan includes members who were actively employed as of the January 17, 2017 contract date. The RPOA members were transferred from the OPEB Plan to the new RPOA OPEB Plan during fiscal year 2020.

Funding Policy - The RPOA plan has assets designated for OPEB. These assets are invested in California Employers' Retiree Benefit Trust (CERBT) Strategy 2, which is a qualified irrevocable trust. Annual contributions by the City are made on an ad hoc basis as funds are available. Benefit payments are not expected to be made from the trust in the near future. The City currently pays the annual retiree benefit payments using its general assets plus the annual active member contributions.

The balance in the CERBT trust account was \$4,170,603 as of June 30, 2020.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

7. OTHER POSTEMPLOYMENT BENEFITS, Continued

B. Funding Policy and Actuarial Assumptions, Continued

Actuarial Assumptions – The total OPEB liability for each plan was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The City OPEB plan valuation used the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

	Actuarial Assumptions
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal Cost, level perfect of pay
Actuarial Assumptions:	
Discount Rate	5.76%
Inflation	2.75%
CPI Medical Care	3.75%
Payroll Growth	2.75%
Investment Rate of Return	6.50%
Index Rate for 20 year, tax exempt municipal bonds	2.45%
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	6.40% for 2020, 6.20% for 2021 and 5.90% for 2022, 5.50% for 2023, and 5.20% for 2024-2051, transitioning to ultimate rate of 4.00% in 2076 and further years
Health - Medicare Eligible	5.10% for 2020, 2021 and 2023 and 5.20% for 2024-2051, transitioning to ultimate rate of 4.00% in 2076 and further years
Dental	To increase 3.75% annually
Vision	To increase 2.75 % 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.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

7. OTHER POSTEMPLOYMENT BENEFITS, Continued

B. Funding Policy and Actuarial Assumptions, Continued

The RPOA OPEB Plan valuation used the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

	Actuarial Assumptions
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal Cost, level percent of pay
Actuarial Assumptions:	
Discount Rate	2.89%
Inflation	2.50%
CPI Medical Care	3.75%
Payroll Growth	2.75%
Investment Rate of Return	6.00%
Index Rate for 20 year, tax exempt municipal bonds	2.45%
Mortality	Based on assumptions for Public Agency Police members published in the December 2017 CalPERS Experience Study.
Healthcare Cost Trend Rates:	
Health - Not Medicare Eligible	6.40% for 2020, 6.20% for 2021, 5.90% for 2022, 5.50% for 2023 and 5.20% for 2024-2051, transitioning to ultimate rate of 4.00% in 2076 and further years
Health - Medicare Eligible	5.10% for 2020, 5.10% for 2021, 5.10% for 2022, 5.20% for 2023 and 5.20% for 2024-2051, transitioning to ultimate rate of 4.00% in 2076 and further years
Dental	To increase 3.75% annually
Vision	To increase 2.75% annually

Discount rate – The discount rate used to measure the total OPEB liability was 5.76% for the City OPEB Plan and 2.89% for the RPOA OPEB Plan. 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.

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, 2020 the Fidelity 20-Year General Obligation AA Municipal Bond Index.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

7. OTHER POSTEMPLOYMENT BENEFITS, Continued

B. Funding Policy and Actuarial Assumptions, Continued

Changes of assumptions since the prior actuarial valuation for City’s OPEB plan were:

- The long-term investment return assumption was changed from 6.75% to 6.50% based on updated capital market assumptions.
- The discount rate was changed from 3.84% to 5.76% based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- An underlying wage growth rate of 2.75% per year was added to the salary scale table based on a revised understanding of the CalPERS assumption.

City OPEB Plan

Rate of Return – For the year ended June 30, 2020, the annual money-weighted rate of return on City OPEB Trust Fund investments, net of City OPEB plan investment expense, for the City OPEB Plan was 3.48%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 City OPEB Trust Fund at June 30, 2020 consisted of \$22,861,318 invested in mutual funds.

The long-term expected rate of return on City OPEB Plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of City OPEB Plan investment expense and inflation) are developed for each major asset class. The weighted asset class estimates are combined with the inflation and investment expense assumptions to produce the portfolio long-term expected rate of return.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

7. OTHER POSTEMPLOYMENT BENEFITS, Continued

B. Funding Policy and Actuarial Assumptions, Continued

The target allocation for the City OPEB Plan's asset allocation as of the measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
US equity-large cap	32.00%	4.76%	7.26%
US equity-small/mid cap	15.00%	5.25%	7.75%
International equity	7.00%	5.41%	7.91%
Emerging market equity	4.00%	6.38%	8.88%
REITs	2.00%	4.53%	7.03%
Core fixed income	33.75%	2.01%	4.51%
High yield fixed income	1.25%	3.53%	6.03%
Cash and equivalents	5.00%	0.74%	3.24%
Total	100.00%		6.78%
Reduction for assumed investment expense			-0.33%
Net assumed investment return (round to 1/4%)			6.50%

RPOA OPEB Plan

The long-term expected rate of return on RPOA OPEB Plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of RPOA OPEB Plan investment expense and inflation) are developed for each major asset class. The weighted asset class estimates are combined with the inflation and investment expense assumptions to produce the portfolio long-term expected rate of return. The target allocation for the RPOA OPEB Plan's asset allocation as of the measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Equity	40.0%	4.76%	7.26%
Fixed Income	43.0%	2.01%	4.51%
TIPS	5.0%	1.20%	3.70%
Commodities	4.0%	2.39%	4.89%
REITs	8.0%	4.53%	7.03%
Total	100.0%		6.20%
Reduction for assumed investment expense			-0.10%
Net assumed investment return (round to 1/4%)			6.00%

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

7. OTHER POSTEMPLOYMENT BENEFITS, Continued

C. Changes in Net OPEB Liability

The changes in the Authority's proportionate share of the net OPEB liability were as follows:

	Increase (Decrease)			Authority's Proportionate Share
	Total OPEB Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	
	(a)	(b)	(a) - (b)	
Balance at June 30, 2019*	\$ 187,676,917	\$ 16,631,743	\$ 171,045,174	\$ 4,310,338
Changes Recognized for the Measurement Period:				
Service Cost	4,292,499	-	4,292,499	108,171
Interest on the total OPEB liability	7,222,766	-	7,222,766	182,014
Differences between expected and actual experience (1)	(28,723,614)	-	(28,723,614)	(723,835)
Changes of assumptions (2)	(42,412,472)	-	(42,412,472)	(1,068,794)
Contributions from the employer	-	12,720,085	(12,720,085)	(320,546)
Contributions from the employee	-	642,475	(642,475)	(16,189)
Net investment income	-	709,908	(709,908)	(17,890)
Administrative expenses	-	(89,764)	89,764	2,262
Benefit payments (3)	(7,753,129)	(7,753,129)	-	-
Net changes	(67,373,950)	6,229,575	(73,603,525)	(1,854,808)
Balance at June 30, 2020 (Measurement Date)	\$ 120,302,967	\$ 22,861,318	\$ 97,441,649	\$ 2,455,530

(1) Approximately \$(30.4M) of the increase/(decrease) is due to the change in premiums and assumed claims costs and \$1.7M is due to all other experience changes.

(2) Approximately \$(30.7M) of the increase/(decrease) is due to the change in the discount rate and \$(11.7M) is due to all other

(3) Benefit payments are comprised of \$4,344,861 direct subsidy payments to retirees and \$3,408,268 implicit subsidy costs incurred during the measurement period ending 6/30/2020.

* Authority's OPEB proportionate share opening balance restated to present RPOA as separate OPEB liability plan.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

7. OTHER POSTEMPLOYMENT BENEFITS, Continued

C. Changes in Net OPEB Liability, Continued

The changes in the net OPEB liability for the RPOA OPEB Plan is as follows:

	Increase (Decrease)			Authority's Proportionate Share
	Total OPEB Liability	Plan Fiduciary Net OPEB	Net Position Liability/(Asset)	
	(a)	(b)	(a) - (b)	
Balance at June 30, 2019*	\$ 24,616,908	\$ 1,879,640	\$ 22,737,268	\$ 572,979
Service Cost	2,053,367	-	2,053,367	51,745
Interest on the total OPEB liability	850,944	-	850,944	21,444
Differences between expected and actual experience (1)	(1,784,304)	-	(1,784,304)	(44,964)
Changes of assumptions	401,383	-	401,383	10,115
Contributions from the employer	-	1,851,964	(1,851,964)	(46,669)
Contributions from the employee	-	425,213	(425,213)	(10,715)
Net investment income	-	171,970	(171,970)	(4,334)
Benefit payments (2)	(156,536)	(156,536)	-	-
Administrative expense	-	(1,648)	1,648	42
Net changes	1,364,854	2,290,963	(926,109)	(23,338)
Balance at June 30, 2020 (Measurement Date)	\$ 25,981,762	\$ 4,170,603	\$ 21,811,159	\$ 549,641

(1) Approximately \$(3.5M) of the increase/(decrease) is due to the change in premiums and assumed claims costs and \$1.7M is due to all other experience changes.

(2) Benefit payments are comprised of \$131,326 direct subsidy payments to retirees and \$25,210 implicit subsidy costs incurred during the measurement period ending 6/30/2020.

* Authority's OPEB proportionate share opening balance restated to present RPOA as separate OPEB liability plan.

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 both plans, as well as what the 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:

City's OPEB Plan	Net OPEB Liability		
	If decreased by 1%	Current Rate	If increased by 1%
Discount Rate	4.76%	5.76%	6.76%
Collective Plan's Net Pension Liability	\$ 111,694,967	\$ 97,441,651	\$ 85,516,387
Authority's Proportion	\$ 2,814,713	\$ 2,455,530	\$ 2,155,013
RPOA OPEB plan	Net OPEB Liability		
	If decreased by 1%	Current Rate	If increased by 1%
Discount Rate	1.89%	2.89%	3.89%
Collective Plan's Net Pension Liability	\$ 26,562,735	\$ 21,811,159	\$ 18,032,019
Authority's Proportion	\$ 669,381	\$ 549,641	\$ 454,407

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

7. OTHER POSTEMPLOYMENT BENEFITS, Continued

D. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates, Continued

The following presents the net OPEB liability of the both plans, as well as what the 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:

City OPEB Plan	Net OPEB Liability Healthcare Cost Trend		
	1% Decrease	Current Trend Rates Various - see assumptions above	1% Increase
Collective Plan's Net Pension Liability	\$ 86,533,024	\$ 97,441,651	\$ 110,442,417
Authority's Proportion	\$ 2,180,632	\$ 2,455,530	\$ 2,783,149
RPOA OPEB plan	Net OPEB Liability Healthcare Cost Trend		
	1% Decrease	Current Trend Rates Various - see assumptions above	1% Increase
Collective Plan's Net Pension Liability	\$ 19,062,300	\$ 21,811,159	\$ 25,783,612
Authority's Proportion	\$ 480,370	\$ 549,641	\$ 649,747

E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the City recognized OPEB expense on the City OPEB Plan and RPOA OPEB Plan of (\$5,799,808) and \$2,147,252, respectively. At June 30, 2020, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	City OPEB Plan		RPOA OPEB Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 23,283,655	\$ -	\$ 1,621,354
Changes of assumptions	3,598,632	33,401,021	364,727	-
Net differences between projected and actual earnings on plan investments	566,637	-	35,230	-
Contributions between measurement date and reopening date	N/A	N/A	N/A	N/A
Total	\$ 4,165,269	\$ 56,684,676	\$ 399,957	\$ 1,621,354
Authority's Proportionate Share	\$ 104,965	\$ 1,428,454	\$ 10,079	\$ 40,858

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

7. OTHER POSTEMPLOYMENT BENEFITS, Continued

E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB, Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the City OPEB Plan and RPOA OPEB Plan will be recognized as part of OPEB expense as follows:

<i>City OPEB Plan</i>		
Year Ended June 30,	Annual Amortization	Authority's Proportion
2021	\$ (15,386,421)	\$ (387,738)
2022	(15,386,422)	(387,738)
2023	(16,156,180)	(407,136)
2024	(5,590,384)	(140,878)
Total	<u>\$ (52,519,407)</u>	<u>\$ (1,323,489)</u>

<i>RPOA OPEB Plan</i>		
Year Ended June 30	Annual Amortization	Authority's Proportion
2021	\$ (117,487)	\$ (2,961)
2022	(117,487)	(2,961)
2023	(117,487)	(2,961)
2024	(117,487)	(2,961)
2025	(126,294)	(3,183)
Thereafter	(625,157)	(15,754)
Total	<u>\$ (1,221,399)</u>	<u>\$ (30,779)</u>

8. DEFERRED COMPENSATION PLANS

Authority 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 or Authority's property and are not subject to claims by general creditors of the City or Authority, they have been excluded from these financial statements.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

9. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts: theft, damage, and destruction of assets; errors and omissions; injuries to employees, natural disasters and inverse condemnation. 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)	\$ 20,704	\$ 9,128	\$ 25,000
Nystrom Village	13,973	25,999	25,000
Administration Office	1,493	1,043	25,000
Hacienda (A)	55,825	55,825	25,000

(A) Policy was effective through June 30, 2020. Subsequent policy was effective beginning July 1, 2020.

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.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

9. 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
	Earthquake: 10% pre-1970, 5% post-1970 of total insured value of each building, minimum \$100,000		
Difference in Conditions	All others: \$25,000	\$50,000,000 inclusive of deductible	Various
Crime/Employee Dishonesty	\$2,500 per claim	\$15,000,000 inclusive of deductible	National Union Fire Insurance Company
Property	\$100,000 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	Various
Boiler and Machinery	\$100,000 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 Compensation	N/A	Statutory limit	Evanston Insurance
	\$750,000 per claim		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	2000000 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)	\$5,000,000
Liability (\$500,000)	\$40,000,000
Employment Practices (\$500,000)	\$5,000,000

Once the City's self-insured retention for general liability claims is met, CJPRMA becomes responsible for payment of all claims up to the limit. During fiscal year ended June 30, 2020, the Authority participated with the City in paying premiums of \$1,162,400 the year ended June 30, 2020. 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.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

9. RISK MANAGEMENT, Continued

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 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 premiums of \$501,841 for the year ended June 30, 2020. CSAC EIA provides insurance through the pool up to a certain level, 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 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.

10. COMMITMENTS AND CONTINGENCIES

A. 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, 2020 was \$11,221,743.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

10. COMMITMENTS AND CONTINGENCIES, Continued

A. *Easter Hill Project, Continued*

In 2002, the Authority chose the development team of McCormack Baron Salazar, Inc. and Em Johnson Interest, Inc. to develop the site. Em Johnson Interest has developed the 82 homeownership units affordable to low, moderate and market rate buyers. McCormack Baron was charged with the development of 300 rental units, affordable to households 60% or below the area median income for Contra Costa County.

Thus far, all new construction rental units at the former Easter Hill site have been developed. Thirty-six rehab rental units at the site are underway. The remaining 202 rental units at the site have been leased. Similarly, all 82 homeownership units at the former Easter Hill and Cortez sites have been constructed. With the exception of one unit at the Cortez site, all homeownership units have been sold.

Due to the City Council's action to not allow the Authority to retain the Fire Training site originally anticipated for phase III of the project, the third phase is being revised to include the Authority's Nystrom Village and Hacienda Public Housing sites. This will include the demolition and reconstruction of the 252 rental units presently existing at the two sites. As the proposal and conceptual plans are being developed, the final financial and construction plans are not determined at this time.

B. *Due to City of Richmond, Repayment and Forgiveness*

In fiscal years 2007 through 2014, the City's General Fund and the Municipal Sewer and Storm Sewer Enterprise Funds made advances to the Authority for police, sewer, and other services as well as the 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 had since been repaid. The remaining balance of the interfund advance as of June 30, 2020 was \$3,102,589.

In fiscal years 2015 to 2019, the City's General Fund advanced \$6,381,745 to the Authority.

In May 2022, the City determined that the City's General Fund and the Municipal Sewer and Storm Sewer Enterprise Funds advances totaling \$9,841,280 were uncollectible and authorized the write-off or forgiveness of that balance. Therefore, the Authority had reduced the balance of those advances to zero and recorded the forgiveness as a special item in June 30, 2019 financials.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

10. COMMITMENTS AND CONTINGENCIES, Continued

C. Housing and Urban Development - Disallowed Costs

On June 3, 2016, the Office of the Inspector General (OIG) 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 City's General Fund returned the \$2.1 million to the Housing Authority during fiscal year 2018.

D. 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.

E. 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 the conventional public housing project to a rental assistance demonstration program as discussed in Note 12.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

10. COMMITMENTS AND CONTINGENCIES, Continued

F. Delinquent Tax

The Richmond Housing Authority (RHA) made Section 8 payments to various landlords in calendar year 2018 and 2019. RHA failed to file the tax Form 1099's for payments made to these landlords for calendar year 2018 and 2019. During a subsequent IRS audit, it was determined that RHA could not provide a completed W9 to the IRS for these landlords which resulted in a 'backup withholding tax' on the landlords' behalf, totaling \$476,006 for calendar year 2018 and \$389,880 for calendar year 2019. Essentially, the Richmond Housing Authority is being asked to pay 24-26% of the payments made to those Landlords towards their income tax for tax years 2018 and 2019.

Under penalty code section 6721(a) and (b) and section 6722(a), RHA has accumulated a penalty amount of \$482,626 and \$367,400 for 2019 and 2018, respectively. Under IRS regulations, RHA can seek relief from paying backup withholding taxes on the landlords' behalf for prior years' taxes if the landlords complete the tax Form 4669 which attests that they reported the payments RHA made to them during 2018 and 2019 tax year to the IRS on their tax returns.

11. DISCRETELY PRESENTED COMPONENT UNITS

A. RHA Properties

RHA Properties was formed by a joint powers agreement between the City and the Authority in 2004 for the purpose of owning and managing the operations of an affordable housing residential complex known as The Hilltop at Westridge Apartments, dedicated to the needs of elderly persons. The City and the Authority funded the acquisition of this complex through the issuance of debt. The City and 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 Authority. Therefore, the financial activities of RHA Properties are discretely presented in the financial statements.

RHA Properties does not issue separate financial statements.

B. 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 Authority 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. The City and 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 Authority. Therefore, the financial activities of RHA Housing Corporation are discretely presented in the financial statements. Separate financial statements for RHA Housing Corporation may be obtained by contacting the Richmond Housing Authority, 330 24th Street, Richmond, California 94804.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

11. DISCRETELY PRESENTED COMPONENT UNITS, Continued

C. 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 the 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 Authority. Therefore, the financial activities of RHA RAD LLC are discretely presented in the financial statements. Separate financial statements for RHA RAD LLC may be obtained by contacting the Richmond Housing Authority, 330 24th Street, Richmond, California 94804.

Transfers from the Authority to RHA RAD LLC of \$14,510,000 represent the advances (notes receivable) made to finance the sale of assets from the Authority to RHA RAD Housing Partners LP during the year ended June 30, 2016 as discussed in Note 12.

The most current audited statement of net position and the statement of revenues, expenses and changes in net position are as follows:

	June 30, 2020		December 31, 2019	
	RHA Properties	RHA RAD LLC	RHA Housing Corporation	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 6,239	\$ 6,239
Total current assets	-	-	6,239	6,239
Other non-current assets:				
Notes receivable	-	16,669,832	-	16,669,832
Total assets	\$ -	\$ 16,669,832	\$ -	\$ 16,676,071
Liability				
Interest payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
Net Position (Deficit):				
Restricted	-	16,669,832	6,239	16,676,071
Unrestricted	-	16,669,832	6,239	16,676,071
Total net position	\$ -	\$ 16,669,832	\$ 6,239	\$ 16,676,071

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

11. DISCRETELY PRESENTED COMPONENT UNITS, Continued

C. RHA RAD LLC, Continued

	For the Year Ended			Total
	June 30, 2020	December 31, 2019		
	RHA Properties	RHA RAD LLC	RHA Housing Corporation	
Operating expenses:				
General expenses	\$ -	\$ -	\$ -	\$ -
Total operating expenses	-	-	-	-
Non-Operating Revenues (Expenses)				
Interest earnings		500,544		500,544
Other Credits	-	-	5,000	5,000
Total non-operating revenues (expenses)	-	500,544	5,000	505,544
Changes in net position	-	500,544	5,000	505,544
Net Position, Beginning of the Fiscal Year, As Restated	-	16,169,288	1,239	16,170,527
Net Position, End of the Fiscal Year	\$ -	\$ 16,669,832	\$ 6,239	\$ 16,676,071

	For the Year Ended			Total
	June 30, 2020	December 31, 2019		
	RHA Properties	RHA RAD LLC	RHA Housing Corporation	
Cash Flows from non operating Activities				
Receipt of developer fees	\$ -	\$ -	\$ 5,000	\$ 5,000
Net cash provided by non operating activities	-	-	5,000	5,000
Net increase in cash	-	-	5,000	5,000
Cash at Beginning of Year	-	-	1,239	1,239
Cash at End of the Year	\$ -	\$ -	\$ 6,239	\$ 6,239

12. RENTAL ASSISTANCE DEMONSTRATION

A Rental Assistance Demonstration ("RAD") Program conversion of the Friendship Manor and Triangle Court public housing sites occurred during the 2016 calendar year (includes both the 2015 and 2016 fiscal years). Starting in December 2015, 156 units of Public Housing will convert to non-profit ownership with Section 8-Project Based Voucher rental subsidy on two separate properties; All of 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 08, 2015, the Department of Housing and Urban Development (HUD) has 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 estimate cost of the RAD project; of which \$16.5 million shall be provided by a third-party Tax Credit investor.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

12. RENTAL ASSISTANCE DEMONSTRATION, Continued

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, City of Richmond advanced \$1,770,522 to RHA RAD Housing Partners L.P as a portion of a \$5.4 Million, 55-year, 1% loan which was initially signed with RHA Housing Corporation (the Authority's component unit) and transferred and reassigned to RHA RAD Housing Partners L.P.

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 was converted to permanent financing on June 6, 2019.

RHA RAD Housing Partners LP 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 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 30th 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%.

As of June 30, 2020, RHA RAD LLC's outstanding loan receivable balance was \$ 16,417,101, which included \$1,907,101 in accrued interest.

13. POST NET POSITION DATE-EVENTS

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 the Authority, 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
 - III. Board of Commissioners
 - a. Separate and independent
 - b. Maintain existing structure

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

13. POST NET POSITION DATE-EVENTS, Continued

In February 2019, after conducting research and receiving guidance from the local HUD Office, the Board of Commissioners authorized the Authority 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. The Authority 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 the Authority 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, the Authority received notice of approval for the Voluntary Transfer of the HCV and PBV programs from the Authority to the Housing Authority of the County of Contra Costa and the programs were transferred effective July 1, 2019.

Duplicate Payments to Property Owners

The Richmond Housing Authority (RHA) is operationally and financially stressed. To address this fiscal and operational stress long term the RHA, US Department of Housing and Urban Development (HUD) and the City of Richmond entered into a Public Housing Authority Recovery and Sustainability (PHARS) Agreement. One of the main tasks of the PHARS was to determine the future of RHA. On December 4, 2018, the RHA Board of Commissioners directed staff to move forward with the transfer of the Housing Choice Voucher Program (HCV) (Section 8) to a well-managed housing authority and repositioning RHA's public housing developments and other real estate holdings. This strategy supports the underlying goals of RHA to ensure no reduction in rental housing options for Richmond residents, and to maximize the benefit/utilization of the federal funds.

As discussed above, RHA transferred its Housing Choice Voucher (HCV) Program to the Housing Authority of Contra Costa County (HACCC) in July 2019 and is disposing of its Public Housing properties via RAD, Section 18, and other asset repositioning strategies. CVR Associates, Inc. was contracted to provide Technical Assistance (TA) to RHA by assisting with the HCV Program transfer. During this TA, potential duplicate payments to HCV owners were identified.

As part of the process, in January 2021, CVR identified 1,320 potential duplicate Housing Assistance Payments (HAP) to Section 8 property owners during the period of January 1 to June 30, 2019. There were indications that the material weaknesses that lead to these potential duplicate payments had existed for several years.

RHA's System of Record (SOR), Yardi, indicates that the payments in question were processed twice. However, due to certain inconsistencies in payment processing, further detailed review was required to determine if the duplicate payments were in fact remitted to property owners. The City's finance department, acting on behalf of RHA, processed all payments. In some instances, it appeared that the RHA processed duplicate payments due to the method used to remit retroactive HAP amounts. In other instances, it appeared that the duplicate payments may have been processed in RHA's system but not actually remitted. Finally, RHA often voided check runs or held large payments due to cash flow issues and subsequent remittance of these funds gave the appearance of duplicate payments in RHA's SOR.

Richmond Housing Authority
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

13. POST NET POSITION DATE-EVENTS, Continued

CVR submitted an updated memo with the final results of its analysis of duplicate payments in August 2022. CVR's analysis determined that some duplicate payments had been remitted. As a result, the final amount of the duplicate payments was revised to \$301,417.

After further investigation, it was discovered that some overpayments are no longer due from property owners, but instead were used as credits during the transfer to the Housing Authority of Contra Costa County in July 2019. Upon confirmation of which payments these credits were applied to, an adjustment to the receivable due from Contra Costa County will be recorded.

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REQUIRED SUPPLEMENTARY INFORMATION

Richmond Housing Authority
Required Supplementary Information
For the year ended June 30, 2020

PENSION PLAN SCHEDULES

*Miscellaneous Plan, a Multiple-Employer Defined Benefit Pension Plan - Last 10 Years**

Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date

Measurement Date	6/30/2014	6/30/2015	6/30/2016
Plan's Proportion of the Net Pension Liability (Asset)	6.70%	6.17%	4.69%
Plan's Proportion Share of the Net Pension Liability (Asset)	\$ 5,867,274	\$ 5,959,464	\$ 5,625,703
Authority's Share of Covered Payroll	\$ 3,130,080	\$ 36,295,759	\$ 1,169,034
Plan's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	285.57%	190.39%	1541.67%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.68%	77.75%	73.11%

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. None in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

*Fiscal year 2015 was the 1st year of implementation

6/30/2017	6/30/2018	6/30/2019
4.18%	3.31%	3.32%
\$ 4,637,201	\$ 4,218,230	\$ 4,335,771
\$ 1,685,950	\$ 1,228,799	\$ 1,201,390
275.05%	343.28%	360.90%
66.46%	74.05%	74.07%

Richmond Housing Authority
Required Supplementary Information
For the year ended June 30, 2020

PENSION PLAN SCHEDULES, Continued

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	City of Richmond			
	2015	2016	2017	2018
Actuarially determined contributions	\$ 7,178,549	\$ 8,084,548	\$ 8,867,763	\$ 10,436,250
Contributions in relation to the actuarially determined contributions	(7,178,549)	(8,084,548)	(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%

Notes to Schedule:

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 / period	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% for 2015 to 2018 and 7.375% for 2019, Net 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 mortality 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		Richmond Housing Authority					
2019	2020	2015	2016	2017	2018	2019	2020
\$ 12,150,650	\$ 13,783,427	\$ 480,963	\$ 498,819	\$ 415,701	\$ 358,963	\$ 402,874	\$ 457,611
(12,150,650)	(13,783,427)	(480,963)	(498,819)	(415,701)	(358,963)	(402,874)	(457,611)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 36,295,759	\$ 35,129,597	\$ 2,054,558	\$ 1,169,034	\$ 1,685,950	\$ 1,228,799	\$ 1,201,390	\$ 1,166,303
33.48%	39.24%	23.41%	42.67%	24.66%	29.21%	33.53%	39.24%
6/30/2016	6/30/2017	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017

Richmond Housing Authority
Required Supplementary Information
For the year ended June 30, 2020

OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULES

Schedule of Changes in the Net OPEB Liability and Related Ratios

PARS OPEB Trust Program

Last 10 fiscal years*

For the Measurement Period Ended June 30	City of Richmond			
	2017	2018	2019	2020
Total OPEB Liability				
Service cost	\$ 7,558,987	\$ 6,730,397	\$ 3,452,679	\$ 4,292,499
Interest	7,064,307	7,927,217	7,625,498	7,222,766
Changes in benefit terms	-	-	(19,910,800)	-
Differences between expected and actual experience	-	(2,816,969)	-	(28,723,614)
Changes in assumptions	(15,340,529)	8,715,168	(1,409,953)	(42,412,472)
Benefit payments	(6,497,645)	(6,861,529)	(7,247,073)	(7,753,129)
Net change in the total OPEB liability	(7,214,880)	13,694,284	(17,489,649)	(67,373,950)
Total OPEB liability - beginning	198,687,162	191,472,282	205,166,566	187,676,917
Total OPEB liability - ending (a)	\$ 191,472,282	\$ 205,166,566	\$ 187,676,917	\$ 120,302,967
Plan fiduciary net position				
Contributions - employer	\$ 13,218,475	\$ 13,599,120	\$ 6,714,785	\$ 12,720,085
Contributions - employee	278,850	765,475	532,288	642,475
Net investment income	227,394	632,089	1,170,454	709,908
Administrative expense	(11,250)	(49,169)	(81,950)	(89,764)
Benefit payments	(6,497,645)	(6,861,529)	(7,247,073)	(7,753,129)
Plan to Plan Transfer (2)	-	-	(1,879,640)	-
Net change in plan fiduciary net position	\$ 7,215,824	\$ 8,085,986	\$ (791,136)	\$ 6,229,575
Plan fiduciary net position - beginning	2,121,069	9,336,893	17,422,879	16,631,743
Plan fiduciary net position - ending (b)	\$ 9,336,893	\$ 17,422,879	\$ 16,631,743	\$ 22,861,318
Net OPEB liability - ending (a)-(b)	\$ 182,135,389	\$ 187,743,687	\$ 171,045,174	\$ 97,441,649
Plan fiduciary net position as a percentage of the total OPEB liability	4.88%	8.49%	8.86%	19.00%
Covered-employee payroll	\$ 66,774,795	\$ 65,359,713	\$ 49,511,523	\$ 50,016,647
Net OPEB liability as a percentage of covered-employee payroll	272.76%	287.25%	345.47%	194.82%

(1) Fiscal year 2017 was the first year of implementation.

(2) Transferred to the RPOA Plan established in fiscal year 2019.

Richmond Housing Authority

2017	2018	2019	2020
\$ 190,486	\$ 169,606	\$ 87,008	\$ 108,171
178,021	199,766	192,163	182,014
-	-	(501,752)	-
-	(70,988)	-	(723,835)
(386,581)	219,622	(35,531)	(1,068,794)
(163,741)	(172,911)	(182,626)	(195,379)
(181,815)	345,095	(440,738)	(1,697,823)
5,006,916	4,825,101	5,170,196	4,729,458
<u>\$ 4,825,101</u>	<u>\$ 5,170,196</u>	<u>\$ 4,729,458</u>	<u>\$ 3,031,635</u>
\$ 333,106	\$ 342,698	\$ 169,213	\$ 320,546
7,027	19,290	13,414	16,190
5,730	15,929	29,495	17,890
(284)	(1,239)	(2,065)	(2,262)
(163,741)	(172,911)	(182,626)	(195,379)
-	-	(47,367)	-
<u>\$ 181,838</u>	<u>\$ 203,767</u>	<u>\$ (19,936)</u>	<u>\$ 156,985</u>
53,451	235,289	439,056	419,120
<u>\$ 235,289</u>	<u>\$ 439,056</u>	<u>\$ 419,120</u>	<u>\$ 576,105</u>
<u>\$ 4,589,812</u>	<u>\$ 4,731,140</u>	<u>\$ 4,310,338</u>	<u>\$ 2,455,530</u>
4.88%	8.49%	8.86%	19.00%
<u>\$ 1,682,725</u>	<u>\$ 1,647,065</u>	<u>\$ 1,247,690</u>	<u>\$ 1,260,420</u>
<u>272.76%</u>	<u>287.25%</u>	<u>345.47%</u>	<u>194.82%</u>

Richmond Housing Authority
Required Supplementary Information
For the year ended June 30, 2020

OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULES, Continued

Schedule of Contributions

PARS OPEB Trust Program

Last 10 fiscal years*

Fiscal Year Ended June 30,	City of Richmond			
	2017	2018	2019	2020
Contractually Required Contributions (CRC) (2)	\$ 6,497,645	\$ 6,861,529	\$ 7,247,073	\$ 12,720,085
Contributions in relation to the CRC	(6,497,645)	(6,861,529)	(7,247,073)	(12,720,085)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -

(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.



Richmond Housing Authority			
2017	2018	2019	2020
\$ 163,741	\$ 172,911	\$ 182,626	\$ 320,546
(163,741)	(172,911)	(182,626)	(320,546)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Richmond Housing Authority
Required Supplementary Information
For the year ended June 30, 2020

OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULES, Continued

RPOA OPEB Plan, an Agent Multiple-Employer Defined Benefit Plan

*Schedule of Changes in the Net OPEB Liability and Related Ratios - Last 10 Years**

	City of Richmond		Richmond Housing Authority	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
For the Measurement Period Ended:				
Total OPEB Liability				
Service cost	\$ 2,053,367	\$ 1,939,517	\$ 51,745	\$ 48,876
Interest	850,944	764,597	21,444	19,268
Changes in benefit terms	-	21,995,467	-	554,286
Differences between actual and expected experience	(1,784,304)	-	(44,967)	-
Changes in assumptions	401,383	-	10,115	-
Benefit payments	(156,536)	(82,673)	(3,945)	(2,083)
Net change in the total OPEB liability	1,364,854	24,616,908	34,392	620,347
Total OPEB liability - beginning	24,616,908	-	620,347	-
Total OPEB liability - ending (a)	\$ 25,981,762	\$ 24,616,908	\$ 654,739	\$ 620,347
Plan Fiduciary Net Position				
Contributions - employer	\$ 1,851,964	\$ -	\$ 46,669	\$ -
Contributions - employee	425,213	82,673	10,715	2,083
Net investment income	170,322	-	4,292	-
Plan to Plan transfer (1)	-	1,879,640	-	47,367
Benefit payments	(156,536)	(82,673)	(3,945)	(2,083)
Net change in the total OPEB liability	2,290,963	1,879,640	57,731	47,367
Plan fiduciary net position - beginning	1,879,640	-	47,367	-
Plan fiduciary net position - ending (b)	\$ 4,170,603	\$ 1,879,640	\$ 105,098	\$ 47,367
Net OPEB liability - ending (a) - (b)	\$ 21,811,159	\$ 22,737,268	\$ 549,641	\$ 572,980
Plan fiduciary net position as a percentage of the total OPEB liability	16.05%	7.64%	16.05%	7.64%
Covered payroll	\$ 16,699,113	\$ 17,404,407	420,818	438,591
Net OPEB liability as a percentage of covered payroll	130.61%	130.64%	130.61%	130.64%

(1) Transferred from the OPEB Plan.

* Fiscal year 2019 was the 1st year of implementation.

Richmond Housing Authority
Required Supplementary Information
For the year ended June 30, 2020

OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULES, Continued

RPOA OPEB Plan, an Agent Multiple-Employer Defined Benefit Plan, Continued

*Schedule of Plan Contributions - Last 10 Years**

Fiscal Year Ended:	City of Richmond		Richmond Housing Authority	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Contractually required contributions (CRC) (1)	\$ 1,695,428	\$ 82,673	\$ 42,725	\$ 2,083
Contributions in relation to the CRC	(1,695,428)	(82,673)	(42,725)	(2,083)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -

Notes:

(1) 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 the Notes to the Financial Statements. Contributions reported include the implicit subsidy.

* Fiscal year 2019 was the 1st year of implementation.

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