

City of Richmond, California



City of Pride and Purpose

FY 2008-2009 Adopted Budget
Presented by
Bill Lindsay, City Manager
And
James Goins, Finance Director/Treasurer

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CITY OF RICHMOND

FISCAL YEAR 2008-09 ADOPTED OPERATING BUDGET

SPECIAL ASSISTANCE – DEPARTMENTS & OFFICES

City Manager's Office
Information Technology
City Clerk's Office
Police Commission
Police Department
Public Works
Library and Cultural Services
Community and Economic
Development
Port of Richmond
Office of Neighborhood Safety

Finance Department
Human Resources
City Attorney's Office
Office of the Mayor
Fire Department
Recreation Department
Planning and Building Services
Engineering and Wastewater
Department
Richmond Housing Authority
Employment and Training



BUDGET TEAM

James Goins
Finance Director

Herbert Pike
Deputy Finance Director

Andrea Miller
Budget Administrator

Maureen Hallisy
Budget Analyst I

Connie Valentine
Senior Budget Analyst

Bert Jones
Budget Analyst I

Angel Wilson
Budget Analyst II

Vrenesia Teal
Budget Analyst I

Theresa Austin
Executive Secretary II

Lori Fall
Budget Analyst I

Susan Segovia
Debt Analyst

Antonio Banuelos
Revenue Debt Manager

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Richmond City Council



Gayle McLaughlin
Mayor



John E. Marquez
Vice Mayor



Nathaniel Bates
Councilmember



Tom Butt
Councilmember



Ludmyrna Lopez
Councilmember



Jim Rogers
Councilmember



Harpreet Sandhu
Councilmember



Tony E. Thurmond
Councilmember



Maria Viramontes
Councilmember

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RESOLUTION NO. 68-08

**RESOLUTION OF THE COUNCIL OF THE CITY OF RICHMOND,
CALIFORNIA, ADOPTING THE FISCAL 2008-2009 ANNUAL BUDGET**

WHEREAS, pursuant to Section 1(b) of Article IV of the Richmond City Charter the City Manager is required to prepare an annual budget for the review and approval by the City Council; and

WHEREAS, all appropriations for the prior fiscal years shall lapse at the end of Fiscal Year 2007-2008 and any remaining amounts shall be credited against their respective fund balances except for any encumbered amounts for specific obligations outstanding at the end of said Fiscal Year; and

WHEREAS, the City Council has reviewed the proposed budget for the Fiscal Year 2008-2009 at public meetings on May 6, and May 20, 2008.

NOW, THEREFORE, BE IT RESOLVED that the City Council hereby adopts the 2008-2009 Annual Budget for the following funds:

General Fund	\$ 141,494,025	
Development Services Funds	10,098,996	
Special Revenue Funds	19,544,247	
Enterprise Funds	24,969,419	
Internal Service Funds	41,155,382	
Capital Projects Fund	646,550	
Richmond Community Redevelopment Agency	9,693,534	*
Richmond Housing Authority	24,789,074	*
Trust & Agency Funds	800,000	
Total	\$ 273,191,227	

BE IT FURTHER RESOLVED that the budgets for the Richmond Community Redevelopment Agency and the Richmond Housing Authority shall be adopted under separate resolution of the respective entity's governing body.

BE IT FURTHER RESOLVED that adopted budgets for the Capital Improvement Program will be adopted as a separate document.

I certify that the foregoing resolution was passed and adopted by the Council of the City of Richmond, California, at a regular meeting thereof held June 17, 2008 by the following vote:

AYES: Councilmember Bates, Lopez, Rogers, Sandhu, Thurmond, Viramontes, and Vice Mayor Marquez

NOES: Councilmember Butt, and Mayor McLaughlin

ABSTENTIONS: None

ABSENT: None

DIANE HOLMES
CLERK OF THE CITY OF RICHMOND

[SEAL]

Approved:

GAYLE McLAUGHLIN
Mayor

Approved as to Form:

LOUISE RENNE
City Attorney

State of California }
County of Contra Costa } : ss.
City of Richmond }

I certify that the foregoing is a true copy of Resolution No. 68-08, finally passed and adopted by the council of the city of Richmond at a meeting held on June 17, 2008.

RESOLUTION NO. 62-08

**RESOLUTION OF THE COUNCIL OF THE CITY OF RICHMOND, CALIFORNIA,
ADOPTING THE FISCAL YEAR 2008-09 APPROPRIATION LIMIT PURSUANT TO
ARTICLE XIII B OF THE CONSTITUTION OF THE STATE OF CALIFORNIA**

WHEREAS, Article XIII B, as amended, of the Constitution of the State of California requires all local government entities to establish annual appropriation limits; and

WHEREAS, the appropriation subject to limitation for each year shall be based on the 1978-79 appropriation adjusted for changes in the cost of living and population; and

WHEREAS, Section 7910 of the Government Code requires each local government to establish its appropriation limited by resolution in each fiscal year beginning with fiscal year 1980-81; and

WHEREAS, the City calculated its Fiscal Year 2008-2009 Appropriation Limit based on the percent of change in the population of the County, January to January and the change in the State's per Capita personal income;

NOW, THEREFORE, BE IT RESOLVED, that the City of Richmond, California has established the Appropriations Limit for Fiscal Year 2008-2009, as reflected in Attachment 1 to this resolution.

I certify that the foregoing resolution was passed and adopted by the Council of the City of Richmond at a regular meeting thereof held June 17, 2008, by the following vote:

- AYES: Councilmembers Bates, Butt, Lopez, Marquez, Rogers, Sandhu,
Thurmond, Viramontes, and Mayor McLaughlin
- NOES: None
- ABSTENTIONS: None
- ABSENT: None

DIANE HOLMES
CLERK OF THE CITY OF RICHMOND

[SEAL]

Approved:

GAYLE McLAUGHLIN
Mayor

Approved As To Form:

LOUISE RENNE
City Attorney

State of California }
County of Contra Costa : ss.
City of Richmond }

I certify that the foregoing is a true copy of Resolution No. 62-08, finally passed and adopted by the Council of the City of Richmond at a meeting held on June 17, 2008.

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**City of Richmond
Annual Appropriations Limit**

ATTACHMENT 1

	FY 2001-2002	FY 2002-2003	FY 2003-2004	FY 2004-2005	Adjusted* FY2005-06	Adjusted* FY2006-07	FY2007-08	FY2008-09
A. Appropriations Limit (prior year)	\$184,302,245	\$202,112,702	\$203,057,878	\$210,719,318	\$220,068,378	\$234,377,374	\$246,095,305	\$254,082,470
B. Calculation Factors:								
1. Population Increase % (prior year)	1.0171	1.0176	1.0143	1.0112	1.0118	1.0100	1.0113	1.0113
2. Inflation Increase % (this year)	1.0782	0.9873	1.0231	1.0328	1.0526	1.0396	1.0442	1.0442
3. Total Adjustment %	1.0966	1.0047	1.0377	1.0444	1.0650	1.0500	1.0560	1.0560
C. Annual Adjustment Increase	\$17,810,457	\$945,176	\$7,661,441	\$9,349,060	\$14,308,996	\$11,717,931	\$13,781,204	\$14,228,481
D. Other Adjustments:								
Loss Responsibility (-)	-	-	-	-	-	-	-	-
Transfer to private (-)	-	-	-	-	-	-	-	-
Transfer to fees (-)	-	-	-	-	-	-	-	-
Assumed responsibility (+)	-	-	-	-	-	-	-	-
Prior year adjustments	-	-	-	-	-	-	(5,794,039)	-
E. Total Adjustments	\$17,810,457	\$945,176	\$7,661,441	\$9,349,060	\$14,308,996	\$11,717,931	\$7,987,165	\$14,228,481
F. Appropriations Limit (this year)	\$202,112,702	\$203,057,878	\$210,719,318	\$220,068,378	\$234,377,374	\$246,095,305	\$254,082,470	\$268,310,951

* When the City calculated the Gann Limit for the year ended June 30, 2006, the City used the example population factor (1.5%) from the Department of Finance, rather than the actual factor (1.18%). The same error was made when calculating the Gann Limit for the year ending June 30, 2007 using the sample population factor (1.21%) rather than the actual (1.00%).

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DATE: May 6, 2008
TO: Mayor McLaughlin and Members of the City Council
FROM: Bill Lindsay, City Manager
SUBJECT: Proposed FY 2008-09 Operating Budget

It is my pleasure to transmit to you the proposed Operating Budget for fiscal year (FY) 2008-09. The budget is intended to achieve three objectives:

- **Policymaking** – By its decision to allocate resources through the budgeting process, the City Council is establishing policies with respect to priorities and service levels for municipal operations.
- **Financial Management** – The final budget that is adopted by the City Council will establish the underlying financial policies and financial controls that are utilized by City staff to measure revenues and manage expenditures on an ongoing basis.
- **Operations Management** – The 2008-09 budget contains strategic goals, performance standards, and a system to measure the extent to which these service level goals and standards are being achieved. It is intended that these goals, standards, and measurements be incorporated into an ongoing management reporting system, initiated in FY 2007-08, that is designed for continuous improvement of City services.

City Council Vision

On May 8, 2007, the City Council convened a special strategic planning meeting to discuss its long-range vision for the future Richmond community. This vision, as embodied by the statements of various Councilmembers, is that the Richmond community is a place where:

- There is civility and a good quality of life;
- There is a high level of homeownership;
- There are job opportunities for a diverse population;
- Infrastructure is well-built, and well-maintained;
- Neighborhoods are aesthetically pleasing, and free of blight;
- There is a responsive municipal government that focuses effectively on basic services affecting day-to-day quality of life;

- There is a focus on public safety, including effective emergency preparedness, and effective emergency response;
- There is an interest in the environment and its effect on the health of Richmond residents.

In describing the current state of the community, the Councilmembers described a community that wants change; that has committed people, but also embraces those that are currently disconnected; and, is still a “diamond in the rough” with outstanding potential. Below are comments made by Councilmembers in describing the Richmond of the near future, 2-3 years from now, with examples of key steps taken in FY 2007-08 that may help to elucidate these stated aspirations:

- **Richmond is “climbing”**
The City’s financial position continues to improve with higher fund balances and a credit rating of “A” from the financial rating agencies;
- **Residents are feeling safer in all areas of the City and at all different times of the day**
The Office of Neighborhood Safety was established to increase community outreach and improve collaboration with the community and community-based organizations to collectively address neighborhood safety issues;
- **Blight and graffiti are being effectively addressed**
\$250,000 was directed to Employment & Training’s YouthBuild Program to enhance blight abatement;
- **There is more activity along the commercial corridors of the City**
Streetscape improvements are being made along the Macdonald Avenue corridor, and several transit-oriented, mixed-use developments have broken ground;
- **Job opportunities are being increased**
RichmondWORKS has provided 2,700 residents with job search assistance, workshops, and training services; 600 hiring vouchers were processed for the City’s Enterprise Zone; and, new businesses have relocated to Richmond to expand the job base;
- **Youth are becoming engaged**
452 jobs were provided for youth during the summer employment program, an increase of almost 30 percent over the previous year;
- **The updated General Plan is being implemented**
The General Plan update, including distinctive Health and Climate Change elements, is making steady process toward completion before the end of 2008;
- **The initial phase of the Civic Center renovation is complete**

Funding has been secured and construction is underway to renovate the Auditorium, the Civic Center Plaza, the City Hall and the old Hall of Justice, with occupancy of the renovated buildings expected by June 2009;

- **There is increasing homeownership**

There are continuing efforts to develop affordable housing and efforts to assist first-time homeowners; more recent efforts are being made to assist homeowners retain their properties in the face of the national mortgage crisis;

- **There is measurable progress in the effective and efficient delivery of municipal services**

A community survey completed in 2007 is being used as the baseline to measure progress in improving municipal services, and a performance measurement system is integrated into the budget to measure levels of service delivery and policies;

- **There is growing competence among City staff, and more effective implementation of City Council policies.**

There has been an increased emphasis on employee involvement in change processes, and tracking systems have been implemented to increase responsiveness to Council and management directives.

Strategic Budgeting

The budget that has been prepared by staff, and is now submitted for City Council review, is intended to be consistent with the community vision. For presentation purposes, the budget describes this vision in five core strategic goals:

- **Maintain and enhance the physical environment**
- **Promote a safe and secure community**
- **Promote economic vitality**
- **Promote effective government**
- **Promote a sustainable city**

It should be noted that the strategic goal regarding *sustainability* is new to the budget for FY 2008-09, and reflects the Council's stated policy direction that this become a priority for the City organization.

Every department has identified specific strategies to address these five core goals, and operating divisions have developed key standards related to these strategies. The budget also sets forth performance measures for operating divisions that define what should be the current level of service, and the level of service that the Richmond community can expect one year from now with the City's 2008-09 budgetary investment.

FY 2007-08 Accomplishments/Highlights

Below are some key accomplishments during FY 2007-08 toward achieving the core strategic goals of the City:

Maintain and enhance the physical environment

- The City of Richmond invested over \$13 million in paving maintenance projects during FY 2007-08, the most that the City has spent on such projects in any single fiscal year. The City's Pavement Condition Index (PCI) increased from 45 in 2007 to 58 in May 2008.
- Five community centers were rehabilitated, along with surrounding parks, in preparation for expanded recreation programs during the summer of 2007 and throughout the fiscal year.
- The West Side and Bayview Branch Libraries were rehabilitated and reopened to serve their respective communities.
- Pilot projects related to ultimate replacement and upgrading of street lights to improve illumination and system reliability were implemented in selected areas, including increased wattage (brightness) of 30 lights in the Iron Triangle and the addition of 23 street lights.

Promote a safe and secure community

- The City of Richmond hired a Director of the Office of Neighborhood Safety in the City Manager's Department, and initiated operations based on a plan approved by the City Council in July of 2007.
- The City is in the final weeks of implementing new surveillance camera technology in various areas of the City to reduce illegal activities and otherwise improve public safety.
- The Police Department moved its operations to leased facilities to improve administrative efficiencies in Police operations and to improve employee safety and morale.
- The City installed eight at-grade pedestrian crossing lights for schools to improve pedestrian safety.

Promote economic vitality

- New software was implemented that improves efficiency and effectiveness in development and permit application processing in the Planning and Building Services Department.
- The Employment and Training Department expanded the Summer Youth Employment and the RichmondBUILD programs.
- The City implemented an enhanced contract compliance program to increase the utilization of local contractors and the local workforce.
- The Port of Richmond is finalizing an agreement that would bring a major new tenant to the Port of Richmond.

Promote effective government

- The City reorganized to create a stand alone Recreation Department, with the objective to increase the focus on expanding recreational opportunities to persons of all ages and varied interests.
- Consistent with sound financial management practice, the FY 2007-08 operating budget incorporated, for the first time, actuarially-based funding for other post-employment benefits (OPEB) pursuant to policies directed by the Governmental Accounting Standards Board. OPEB is comprised almost entirely of retiree health benefits, and funding for these future benefit obligations has been placed with a trustee.
- A multi-departmental team commenced configuration of a new Enterprise Resource Planning System that will integrate financial, budget, human resources, and other functions of the City, and that will comply with governmental accounting and human resources requirements.
- The City took additional steps to institutionalize budget performance measures, transitioning to performance-based budgeting.
- The City continued to expand the functionality of its website to promote greater transparency of City activities.

Promote a sustainable City

- The City established an Environmental Manager position in the City Manager's office to improve organizational focus on sustainability.
- Staff and operating support were increased for improved park and landscape maintenance, including street medians and pedestrian/bike pathways.
- Bay Trail water access was enhanced with the completion of the Boat Ramp Street improvements.
- The City created two new "railroad" quiet zones.
- Projects are currently ongoing to digitize (scan) records and make them available on the City's website, thereby reducing the demand for paper and copying.

FY 2008-09 Outlook and Operating Objectives

Because of downturns in the national and regional economies, revenue growth for the City is projected to slow for FY 2008-09 and grow at a much more cautious rate as the economy climbs out of its current position. The management challenges moving into the new fiscal year are to capitalize on the increased staffing, new systems, and the new programs that have been added over the last two- to three-years, and to evaluate how those results compare to expected impacts. While the budget for the coming fiscal year does not reflect a significant increase in funding levels, there is still an expectation of improved service performance consistent with these investments made in prior years.

Program initiatives that are incorporated into the proposed operating budget include:

Maintain and enhance the physical environment

- Continue to invest in street repairs and resurfacing, through both Public Works department efforts and the annual pavement management contracts, to increase the City's PCI to 65 by 2010.
- Replace outdated series street lighting systems in Park Plaza, and Parkview neighborhoods to improve aesthetic appearance and public safety in these areas.
- Continue to repair and replace sewer pipes to reduce inflow and infiltration in the City's wastewater system, and to further reduce sanitary sewer overflows.
- Implement a comprehensive graffiti eradication program, leveraged through the organized use of community volunteers.
- Fully implement a "SWAT" approach to code enforcement to increase the number of abandoned vehicle and problem property abatements, and achieve a noticeable reduction of blight in the community.
- Develop a Facility Condition Needs Index for City facilities and establish maintenance standards based on this index.
- Establish and adhere to maintenance standards for parks and landscaped areas.

Promote a safe and secure community

- Continue to expand the number of sworn personnel in the Police Department, deployed through a community involved policing structure.
- Complete the implementation of the surveillance camera system, and integrate this system into ongoing programs for law enforcement and blight abatement.
- Work with partner agencies, including other governmental, community-based, and faith-based organizations to implement violence prevention strategies that are centered on neighborhood change and effective street outreach.
- Create an Advanced Life Support (paramedic) pilot program in the Fire Department.
- Initiate Crime Prevention Through Environmental Design (CPTED) reviews at all Housing Authority developments.

Promote economic vitality

- Provide over 500 jobs in the summer youth employment program, with the goal to increase by 100 the number of youth employed through this program over the previous year.
- Complete Port improvements to accommodate the addition of a major new tenant.
- Continue to revitalize and enhance key commercial areas, including the Macdonald Avenue corridor, 23rd Street improvements, and the Civic Center and surrounding area.

Promote effective government

- Fully implement a new Enterprise Resource Planning (ERP) system that will comply with governmental accounting and human resources requirements, improve efficiency in business processes, and integrate new technology in planning and building functional systems.
- Develop a Five-Year Strategic Business Plan for the City.
- Institutionalize the performance-based budgeting system into municipal operations by preparing, distributing, and analyzing quarterly progress reports on City performance measures.
- Integrate new technology, including phone (voice over internet protocol) and office automation systems, into the renovated City Hall.
- Continue to aggressively implement performance audit recommendations to improve customer service in the Planning and Building Services Department.

Promote a sustainable City

- Develop and implement effective community-wide and organizational policies and programs in the areas of resource conservation, climate change, and energy efficiency, to ensure Richmond's long-term environmental sustainability.
- Develop and draft a City environmental policy toward a "greener" environment covering issues as air and water quality, 'green' space, recycling, public health, socio-economic conditions, and transportation.
- Develop a Sustainable Procurement Strategy for the City.
- Digitize (scan) records and make them available on-line to reduce use of paper.
- Complete a City facilities solar suitability report.
- Incorporate policies regarding sustainable land use into the City's updated General Plan.
- Increase the number of ultra-low emission vehicles in the City's vehicle fleet.
- Expand the RichmondBUILD Solar Technology training for Richmond residents to include an industry certification as Photovoltaic Installer.
- Implement an energy efficiency training program for Richmond youth.

Budget Review and Approval Process

During April and May 2008, the Finance, Administrative Services, and Economic Development Standing Committee are planning several workshops hosted by neighborhood councils to gather additional public comment on the proposed budget, and input from the community regarding municipal services. There will also be formal budget hearings before the Council at City Hall to receive additional public comment before the final adoption of the budget on or about June 17.

Staff welcomes City Council and public review on these and other aspects of the proposed FY 2008-09 budget.



* * * * *

I would like to thank all City staff, and in particular, the members of the Finance Department and its budget team, for their hard work in preparing this proposed budget.

MISSION

The City of Richmond shall provide services that enhance economic vitality, the environment and the quality of life of our community

VISION

Richmond will develop all of its neighborhoods and businesses as quality places to live, work, shop and play, with its 32 miles of shoreline as a widely recognized symbol of the City's success

VALUES

Honesty
Excellent Customer Service
Teamwork
Commitment
Innovation, Creativity and Risk-Taking
Effective Results
Community Involvement

CITY OFFICIALS

June 17, 2008

CITY COUNCIL

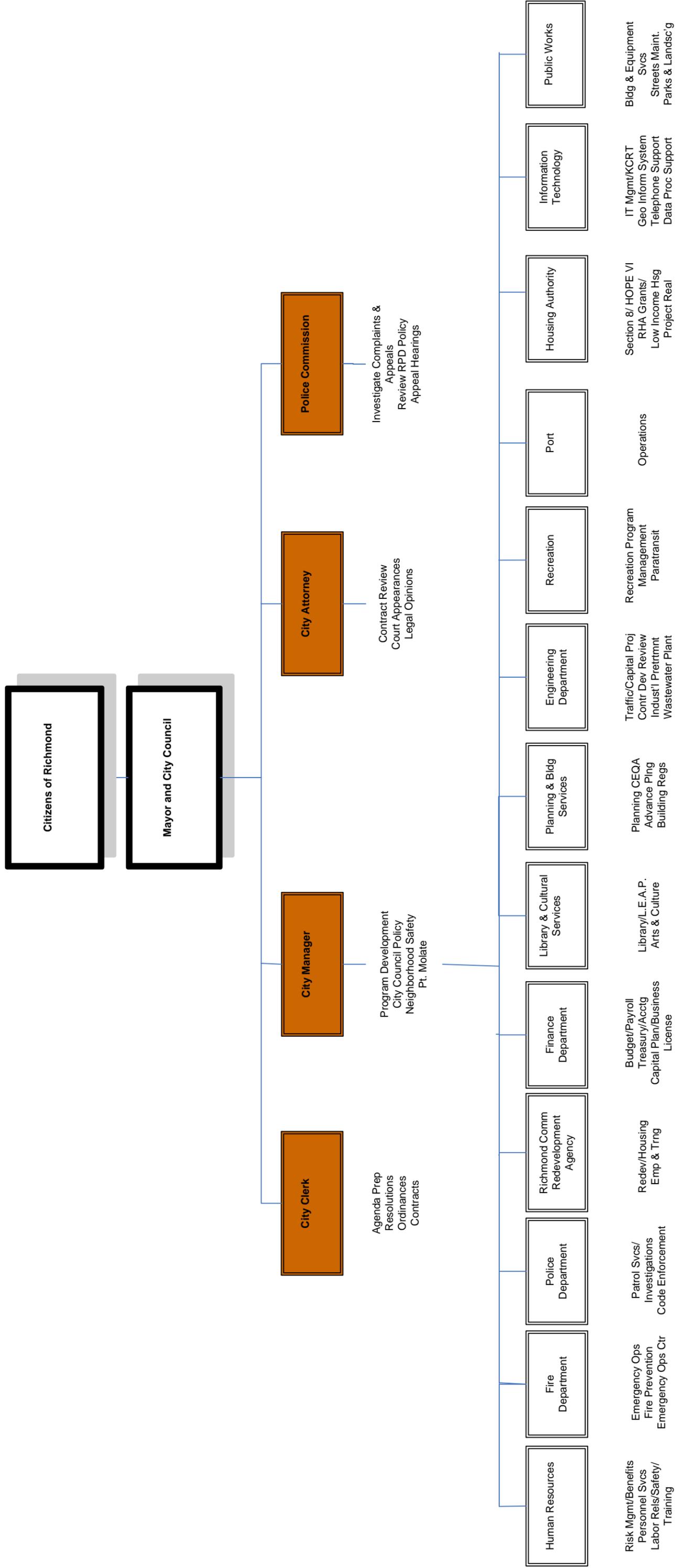
Mayor Gayle McLaughlin
Vice-Mayor John Marquez
Councilmember Jim Rogers
Councilmember Maria Viramontes
Councilmember Nathaniel Bates
Councilmember Tom Butt
Councilmember Tony Thurmond
Councilmember Ludmyrna Lopez
Councilmember Harpreet Sandhu

ADMINISTRATION AND DEPARTMENT HEADS

City Manager Bill Lindsay
Asst. City Manager/Human Resources Director Leslie Knight
City Attorney Louise Renne
City Clerk Diane Holmes
Community & Economic Dev. Director Steve Duran
Employment & Training Director Sal Vaca
Engineering Director Rich Davidson
Finance Director/Treasurer James Goins
Fire Chief Michael Banks
Information Technology Director Sue Hartman
Library and Cultural Services Director Monique LeConge
Neighborhood Safety Director Devone Boggan
Planning Director Richard Mitchell
Police Chief Christopher Magnus
Port Director Jim Matzorkis
Public Housing Director Tim Jones
Public Works Director Yader Bermudez
Recreation Director Keith Jabari



City of Richmond
FY2008-09 Organizational Chart



PROFILE OF THE CITY OF RICHMOND

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

MUNICIPAL GOVERNMENT

General

The City is governed by the City Council, consisting of a Mayor and eight other Councilmembers. The Mayor is elected at large for a four-year term. Councilmembers are elected at large for staggered four-year terms. The Mayor is limited to two consecutive four-year terms. An initiative measure passed by the voters in November 2004 will reduce the size of the City Council from nine to seven members, including the elected mayor, commencing with the November 2008 election. The City is a charter city, which means the City, through its charter (the “Charter”), may regulate municipal affairs, subject only to restrictions and limitations provided in the Charter; in matters other than municipal affairs, the City is subject to State law.

The City provides a full range of services contemplated by statute or the Charter, including those functions delegated to cities under State law. These services include police and fire protection, emergency response, construction and maintenance of highways, streets and infrastructure, library services, storm water and municipal sewer systems, wastewater treatment and the administration of recreational activities and cultural events. The City also operates a downtown parking facility and the Richmond Memorial Convention Center.

The City has a Council-Manager form of government. The City Manager, appointed by the Mayor and City Council, is responsible for the operation of all municipal functions except the offices of the City Attorney, City Clerk and Investigative Appeals Officer. The officials heading these offices are appointed by the City Council and carry out policies set forth by the City Council.

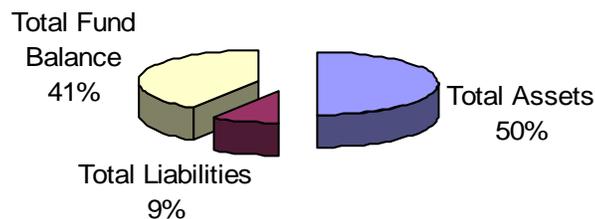
FINANCIAL OPERATIONS

Financial Statements

Since Fiscal Year 2001-02, the City has prepared its audited Basic Financial Statements (referred to as General Purpose Financial Statements in previous years) in accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34). The Basic Financial Statements provide both government-wide financial statements with a long-term perspective on the City's activities and the more traditional fund-based financial statements that focus on near-term inflows, outflows, and balances of spendable financial resources. The government-wide financial statements report on a full accrual basis and include comprehensive reporting of the City's infrastructure and other fixed assets.

The financial results for Fiscal Years 2005-06 and 2006-07 show continued improvement of the City's general fund financial condition. The unrestricted general fund cash balance as of June 30, 2007 was approximately \$30 million versus \$30.3 million for the prior fiscal year. The total fund balance was approximately \$54.4 million, which includes a \$10 million unreserved designated reserve for contingencies and approximately \$22.3 million of undesignated unreserved fund balance. The net change in the general fund balance from Fiscal Year 2006-07 was positive by approximately \$6.2 million. Revenues for Fiscal Year 2006-07 increased by approximately 7.0%, while the City's expenditures and transfers out also increased by approximately 6.7% over the same time period due to restoration of City staff and services that had been cut in previous years.

General Fund June 30, 2007



Financial and Accounting Information

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

The City Council employs an independent certified public accountant, who, at such time or times as specified by the City Council, at least annually, and at such other times as they determine, examines the financial statements of the City in accordance with generally accepted auditing standards, including tests of the accounting records and other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, the independent accountant submits a final audit and report to the City Council.

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various governmental funds are grouped, in the City's annual financial statements, into generic fund types, which include the general fund, special revenue funds, debt service funds and capital project funds.

The City's budgets are adopted on a basis substantially consistent with GAAP with two exceptions relating to budgetary accounting in the general fund:

- The City collects property tax override amounts to pay pension obligations approved by voters prior to July 1, 1978. The portion of the property tax override proceeds that is earmarked for the general fund is recorded directly in the general fund as property tax revenue for budgetary purposes. For GAAP reporting, such revenue is recorded in the Pension Reserve Account with a corresponding operating transfer of the tax revenue earmarked for the general fund.
- Workers' compensation and litigation expenses are reported as operating transfers from the general fund to the internal service fund for budgetary purposes. For GAAP purposes, such costs are recorded as general fund expenditures.

Neither of these accounting treatments affects the underlying general fund balance.

Governmental Funds

Information is presented separately for each major governmental fund and in the aggregate for non-major governmental funds. The City reports the following major governmental funds:

General Fund. The general fund is the primary operating fund of the City. It is used to report the financial results of the daily operations of the City. Major general fund revenue sources include property taxes, utility users taxes and sales taxes. Major general fund expenditures include salaries, employee benefits and administrative expenses.

Redevelopment Agency Capital Projects Fund. The Redevelopment Agency Capital Projects Fund accounts for administrative, operating, debt and construction activities undertaken by the Redevelopment Agency as necessary to carry out its responsibility for redeveloping blighted areas of the City.

Joint Powers Financing Authority Debt Service Fund. The Joint Powers Authority was established to issue debt on behalf of the City to finance various capital improvements within the City. This fund is used to account for bond proceeds, reserves and debt service funds.

General Capital Improvement Fund. This fund is used to account for monies designated for capital improvement projects within the City.

Proprietary Funds

The City's proprietary funds include the enterprise funds and the internal service funds. An enterprise fund is used to report any activity for which a fee is charged to external users for goods or services provided. An internal service fund is used to centralize certain services and then allocate the cost of the services within the government. The City reports the following major enterprise funds:

Richmond Housing Authority Fund. The Richmond Housing Authority Fund accounts for all funds provided by the Department of Housing and Urban Development (HUD) to assist low income families in obtaining decent, safe and sanitary housing. The Richmond Housing Authority, a component unit of the City, manages this fund.

Port of Richmond Fund. The Port of Richmond Fund accounts for operations of the Port of Richmond, a public enterprise established by the City and administered as a department of the City, including its operation of marine terminal facilities and commercial property rentals.

Municipal Sewer Fund. The Municipal Sewer Fund accounts for all financial transactions relating to the City's wastewater and collection services.

Fiduciary Funds

Fiduciary funds are used to account for resources that are held by the government as a trustee or agent for parties outside the government and cannot be used to support the government's own programs. The City reports the following fiduciary funds:

Pension Trust Funds. The Pension Trust Funds were established to account for revenues and expenditures related to City retirees' pension plans. The City administers the activities of certain pension funds on behalf of retirees including the following closed pension plans of the City: Pension Reserve, General Pension, Police and Firemen Pension and Garfield Pension. All current and future City employees are enrolled in CalPERS (California Public Employee's Retirement System). CalPERS manages all of the financial activities related to the pension plans offered by the City to current and future City employees.

Agency Funds. The various agency funds are used to maintain records of assets and the respective funds' financial activities on behalf of a third party. The City does not make any decisions relating to the uses of the assets in the agency funds.

Financial Policies

The financial policies of the City are summarized below. Copies of the Reserves Policy, Debt Policy, Swap Policy and Investment Policy can be obtained from the City's website.

Reserves Policy

In Fiscal Year 2004-05, the City Council established a \$10 million general fund contingency reserve policy. Although the policy called for the contingency reserve to be fully funded over a period of five fiscal years, the City fully funded the contingency reserve, in part by depositing \$8 million from one-time revenue sources, ahead of schedule during Fiscal Year 2005-06. In April 2007, the City Council adopted an update to the policy, providing for a minimum cash reserve of 15% of general fund expenditures, which would equate to approximately \$16.9 million for Fiscal Year 2007-08, in accordance with guidelines established by the Government Finance Officers Association. The reserve can be temporarily reduced to 7% in times of emergency, but must be restored thereafter.

The City's current \$10 million contingency reserve equals approximately 8.9% of budgeted general fund expenditures for Fiscal Year 2006-07. The City plans to reach the 15% target reserve level by retaining investment earnings on the reserve corpus each fiscal year in the reserve account until the target is reached.

Debt Policy

The City's Debt Policy limits General Fund net debt service to 10% of General Fund revenues and sets forth detailed debt management and refunding practices. The City is in compliance with the Debt Policy for Fiscal Year 2007-08, with its net debt service equal to approximately 3.92% of General Fund revenues. The debt ratio is expected to decrease to 1.52% in Fiscal Year 2007-08 following issuance of the Series 2007 Bonds, reflecting the fact that a significant portion of the interest on the Series 2007 Bonds is capitalized during Fiscal Year 2007-08. Net debt service is expected to peak at 4.95% of General Fund revenues in Fiscal Year 2010-11, assuming no further issuance of debt by the City. See "CITY DEBT SUMMARY " later in this document.

Structural Balance Policy

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

Swap Policy

The City is authorized under California Government Code Section 5922 to enter into interest rate swaps to reduce the amount and duration of rate, spread, or similar risk when used in combination with the issuance of bonds. In May 2006, the City Council adopted a comprehensive interest rate swap policy (the "Swap Policy") to provide procedural direction to the City, the Richmond Housing Authority, the Richmond Community Redevelopment Agency and the Richmond Joint Powers Finance Authority regarding the utilization, execution, and management of interest rate swaps and related instruments (collectively, "interest rate swaps"). Periodically, but at least annually, the City will review the Swap Policy and will make modifications as appropriate due to changes in the business environment or market conditions. The City undertook interest rate swaps in connection with its 2006 Wastewater Bonds, Richmond Community Redevelopment Agency Series 2007 Bonds, and the Lease Revenue Series 2007 Bonds.

Investment Policy

The City's investment policy (the "Investment Policy") provides guidelines for City officers charged with the investment of idle cash to ensure prudent investment and cash management practices. The Investment Policy establishes three criteria for selecting investment vehicles: safety, liquidity and yield. The Investment Policy states that an adequate percentage of the portfolio should be maintained in liquid short-term securities that can be converted to cash if necessary to meet disbursement requirements and that yield or "rate of return" on an investment should be a consideration only after the requirements of safety and liquidity are met.

Budget

City's Budget Process

The fiscal year of the City begins on July 1 of a given year and ends on June 30 of the following year.

The City Council annually adopts a budget prior to June 30 to be effective July 1 for the ensuing fiscal year. Budgeted expenditures are adopted through the passage of a resolution. This resolution constitutes the maximum authorized expenditures for the fiscal year, which amount cannot legally be exceeded except by subsequent amendments of the budget by the City Council.

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

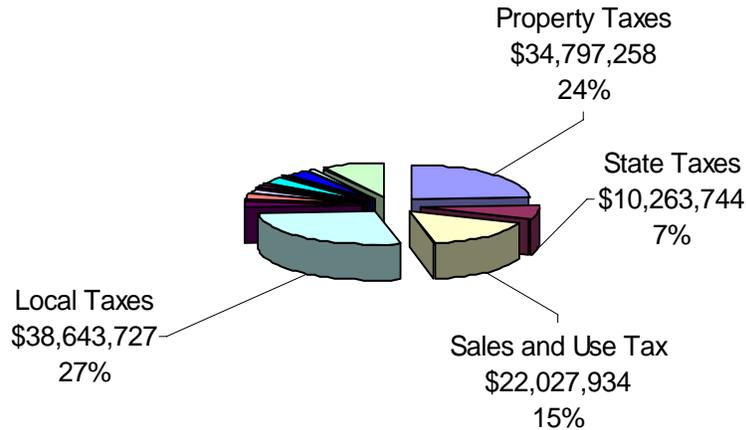
Expenditures are controlled at the fund level for all budgeted departments within the City. This is the level at which expenditures may not legally exceed appropriations. Budgeted amounts for the Combined Statement of Revenues, Expenditures and Other Financing Sources (Uses) – Budget and Actual that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

Any amendment or transfer of appropriations between object group levels within the same department must be authorized by the Finance Director or his/her designee. Any amendment to the total level of appropriations for a fund or transfers between funds must be approved by the City Council. Supplemental appropriations financed with unanticipated revenues during the year must be approved by the City Council.

Major General Fund Revenue Sources

Following is a discussion of the City's principal general fund revenue sources: property taxes, utility user taxes, sales and use taxes, documentary transfer taxes, and revenue from the State. For Fiscal Year 2006-07, these principal sources of revenue were approximately \$94.8 million. For Fiscal Year 2007-08, these principal sources of revenue are estimated to be approximately \$99.8 million, while for Fiscal Year 2008-09, the proposed budget projects these principal sources to total approximately \$104.8 million.

FY08/09 General Fund Revenues



Property Taxes and Assessed Valuations

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

The County collects the *ad valorem* property taxes. Taxes arising from the basic one percent levy are apportioned among local taxing agencies on the basis of a formula established by State law in 1979. Under this formula, the City receives a base year allocation plus an allocation on the basis of growth in assessed value (consisting of new construction, change of ownership and inflation). Taxes relating to voter-approved indebtedness are allocated to the relevant taxing agency. Taxes relating to voter-approved pension costs are allocated to the taxing agency. Beginning in Fiscal Year 1990-91 (with the adoption of new State legislation), the County has deducted the pro-rata cost of collecting property taxes from the City's allocation.

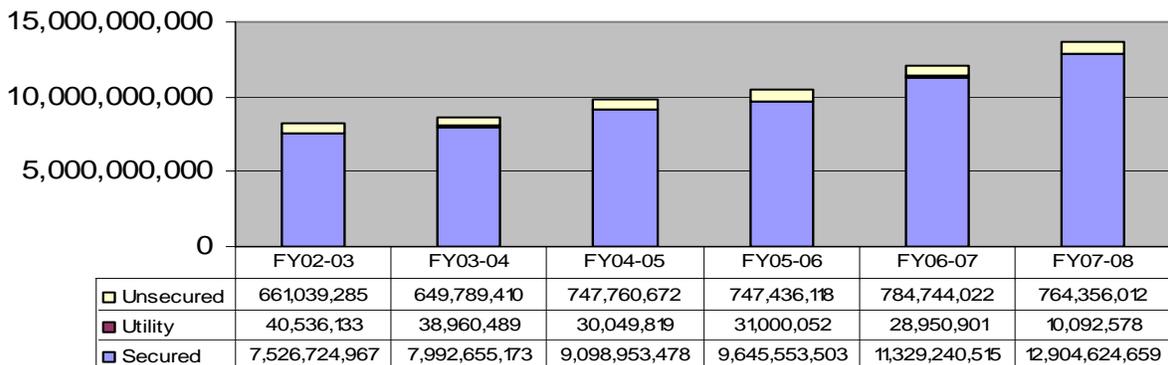
The California Community Redevelopment Law authorizes redevelopment agencies to receive the allocation of tax revenues resulting from increases in assessed valuations of properties within designated project areas. In effect, the other local taxing authorities realize tax revenues from such properties only on the base-year valuations, which are frozen at the time a redevelopment project area is created. The tax revenues which result from increases in assessed valuations flow to the redevelopment areas. The City has created redevelopment project areas pursuant to State law. Generally, funds must be spent within the redevelopment areas in which the tax increment revenues were generated and may only be spent on projects which qualify under State redevelopment law.

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

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

“Secured” property is real property which in the opinion of the County Assessor can serve as a lien to secure payment of taxes. “Utility” property is any property of a public utility which is assessed by the State Board of Equalization rather than the County Assessor, and which is also “secured” property. Table 3 shows the assessed valuation of taxable property in the City for Fiscal Years 2002-03 through 2007-08.

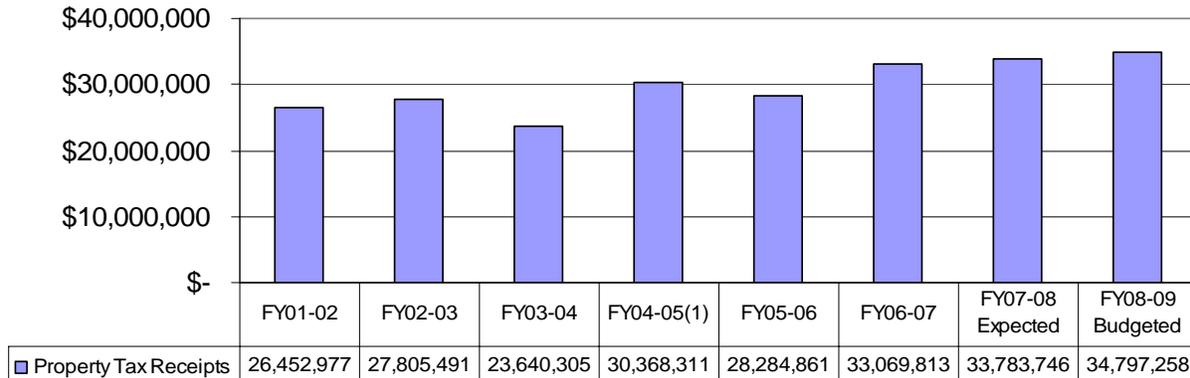
Assessed Valuation of Taxable Property



Sources: California Municipal Statistics, Inc. for 2002-03 through 2006-07 and Contra Costa County Auditor-Controller for 2007-08.

Property tax receipts collected for the City by the County are set forth in the chart below. In preparing its annual budgets, the City forecasts property taxes based on each of the specific categories of receipts (secured and unsecured, current and delinquent receipts, supplemental, and State replacement funds). Current receipts are derived from the County Assessor's estimate of growth in assessed valuation, adjusted for estimates in growth for redevelopment project areas. Estimates of other property tax receipts are primarily based on historical collections.

Property Tax Receipts



⁽¹⁾ Includes a one-time release of \$4,627,380 from Pension Reserve Account. Underlying property taxes totaled \$25,740,431 net of the release.

Sources: City of Richmond, Comprehensive Annual Financial Report for Fiscal Years 2002-03, 2004-05, 2005-06 and 2006-07, General Purpose Financial Statements for Fiscal Year 2003-04, Mid-Year Adjusted Budget for Fiscal Year 2007-08 and Proposed Budget for Fiscal Year 2008-09.

Property tax growth has been strong until very recently. While still growing modestly, it has slowed in Fiscal Year 2007-08 and is expected to modestly improve thereafter. Property tax receipts for Fiscal Year 2005-06 were approximately \$28.3 million, representing 26.57% of general fund revenue and transfers in and an 8.88% increase from Fiscal Year 2004-05 property taxes (net of a one-time special transfer that year). Property tax receipts for Fiscal Year 2006-07 were \$33.1 million, representing 27.78% of general fund revenues and transfers in and an estimated 16.92% increase from Fiscal Year 2005-06. Property tax receipts in the Fiscal Year 2007-08 Mid-Year Budget update are projected to be \$33.8 million, representing 25.48% of budgeted general fund revenues and transfers in and a projected 2.16% increase from Fiscal Year 2006-07. Property tax receipts in the Fiscal Year 2008-09 Proposed Budget are projected to increase 3.00 percent over the prior fiscal year.

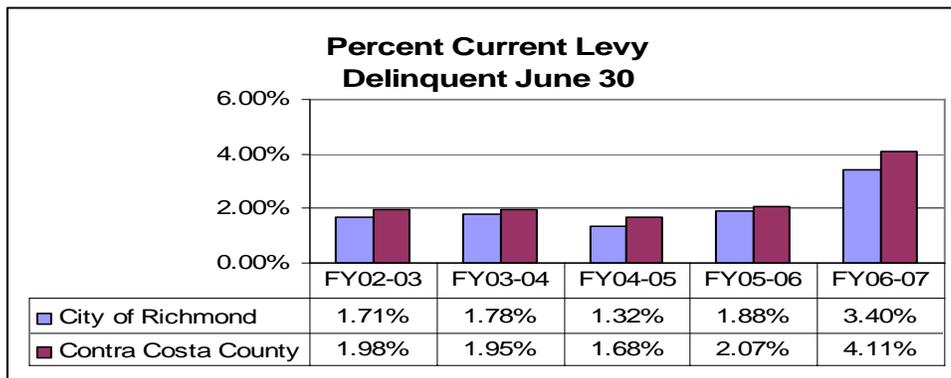
The City of Richmond Planning Department estimated that the City had 37,656 total housing units and 21,326 single family detached units (approximately 56.6% of total units) as of January 1, 2006. 600 market rate units were added in 2005 and 2006, which are expected to contribute \$3.7 million of additional property tax revenue.

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

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

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

Although the City receives its entire secured tax levy amount each year under the Teeter Plan, an indication of actual tax collections can be obtained from the history of collections of all entities levying taxes within the City limits. A comparison of delinquencies for the City and entire County since Fiscal Year 2002-03 are shown below:



- (1) Due to the County use of the Teeter Plan, the City received 100% of its tax levy, with the County responsible for collection of delinquent amounts.

Source: *Contra Costa County Auditor-Controller*.

Largest Taxpayers. Set forth in the following table are the ten largest secured taxpayers in the City for the Fiscal Year ending June 30, 2006, based on assessed valuations within the City.

**CITY OF RICHMOND
LARGEST PROPERTY TAX PAYERS
Fiscal Year 2006-07**

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation⁽¹⁾</u>	<u>Total⁽²⁾</u>
Chevron USA	Petroleum/Coal Products	\$2,959,274	29.5%
Berlex Laboratories	Chemical Production	130,246	1.3%
Susie Gee	Apartments	95,516	1.0%
Dicon Fiberoptics	Semiconductor	56,737	0.6%
BP West Coast Products	Petroleum Products	37,843	0.4%
California Fats & Oils Inc.	Food Manufacturer	28,653	0.3%
Tosco Corporation	Petroleum Products	25,548	0.3%
Shores of Marina Bay Community Association	Apartments	24,510	0.2%
Lennar Emerald Marina Shores	Apartments	24,510	0.2%
Point Richmond R&D Associates	Research and Development Facility	33,512	0.3%
Total		3,419,648	34.0%

(1) In Thousands

(2) Based on total net assessed value of \$10,048,259 (in thousands)

Sources: *HdL Coren & Cone and Contra Costa County Assessor 2006-07 Combined Tax Rolls.*

Utility Users Tax

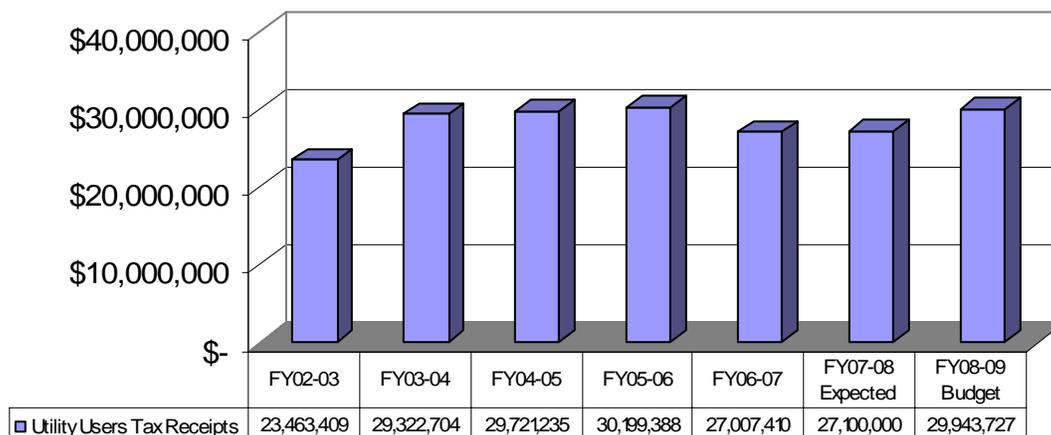
The City collects a tax (the “Utility Users Tax”) from utility users within the City’s boundaries. Such users are charged 10% of the total bill for electricity and gas services, and 9.5% of the total bill for phone and cable television services. The tax is not applicable to State, County, or City agencies, insurance companies or banks. The Utility Users Tax represented the largest revenue source for the City in Fiscal Year 2006-07. In Fiscal Year 2006-07, Utility Users Taxes were collected by the City in the amount of approximately \$29.1 million, and accounted for approximately 25.53% of total general fund revenues and transfers in.

The Richmond Municipal Code Section 13.52.100 provides that any electric service user may annually elect to pay a maximum Utility Users Tax that is calculated as the base amount of \$1,148,137.54 for each percent of tax imposed for any tax year, which base amount is then adjusted annually by that percentage which is ninety percent (90%) of the total percentage of change in the United States Department of Labor, Bureau of Labor Statistics’ Gas (piped) and Electric Consumer Price Index For All Consumers Urban for the San Francisco/Oakland/San Jose Area calculated on the basis of the two consecutive and most recently completed years for

which data is available from the United States Department of Labor. In order to elect to pay the maximum Utility Users Tax, a user of the electric service must enter into an agreement with the City Tax Administrator prior to the commencement of the tax year to pay the maximum tax liability directly to the City during the tax year. No portion of the maximum Utility Users Tax is refundable in the event the service user subsequently determines that its tax liability under this chapter would have been less than the maximum Utility Users Tax calculated as described above.

Utility Users Tax revenues for Fiscal Year 2005-06 were approximately \$30.2 million, representing 28.36% of general fund revenues and transfers in and a 1.61% increase from Fiscal Year 2004-05. Total Utility Users Tax revenues for Fiscal Year 2006-07 were \$27.0 million, representing 22.95% of general fund revenues and a 10.60% decrease from Fiscal Year 2005-06. Total Utility Users Tax revenues in the Fiscal Year 2007-08 Mid-Year Revised Budget are estimated at approximately \$27.1 million, representing approximately 20.54% of budgeted general fund revenues and a projected 0.34% increase from Fiscal Year 2006-07. However, because of rising utility costs and anticipated audit findings, a 10.49% increase to \$29.9 million is projected for Fiscal Year 2007-08 that represents 20.86% of projected general fund revenues.

Utility Users Tax Receipts



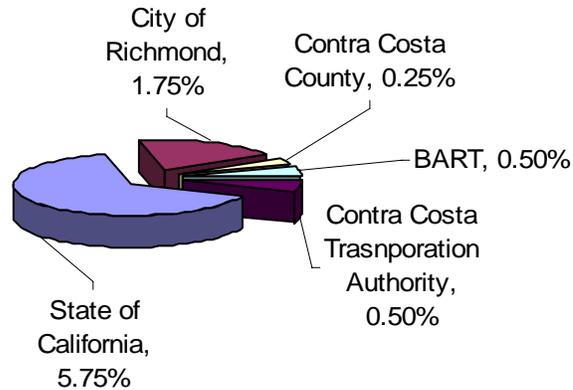
Sources: City of Richmond, Comprehensive Annual Financial Report for Fiscal Years 2002-03, 2004-05, 2005-06, and 2006-07, General Purpose Financial Statements for Fiscal Year 2003-04; Mid-Year Adjusted Budget for Fiscal Year 2007-08 and Proposed Budget for Fiscal Year 2008-09.

Sales and Use Taxes

The sales tax is an excise tax imposed on retailers for the privilege of selling tangible personal property. The use tax is an excise tax imposed on a person for the storage, use or other consumption of tangible personal property purchased from any retailer. The proceeds of sales and use taxes (collectively, "Sales Tax") imposed within the boundaries of the City are

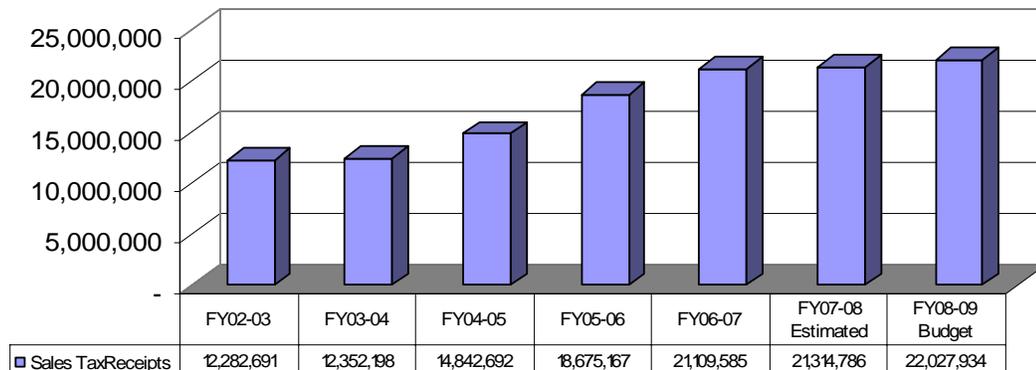
distributed by the State to various agencies as shown below in the table below. The total Sales Tax rate for the City currently is 8.75% and is allocated as follows:

Composition of 8.75% Sales Tax Rate



Source: California State Board of Equalization.

Sales Tax Receipts



Sources: City of Richmond, Comprehensive Annual Financial Report for Fiscal Years 2002-03, 2004-05, 2005-06 and 2006-07, and General Purpose Financial Statements for Fiscal Year 2003-04; Mid-Year Adjusted Budget for Fiscal Year 2007-08 and Proposed Budget for Fiscal Year 2008-09.

Sales Tax receipts for Fiscal Year 2005-06 were approximately \$18.7 million, representing approximately 15.65% of general fund revenues and transfers in and a 25.81% increase from Fiscal Year 2004-05. Total Sales Tax receipts for Fiscal Year 2006-07 were \$21.1 million, representing 18% of general fund revenues and transfers in and a 13.04% increase from Fiscal Year 2005-06.

Total Sales Tax receipts in the Fiscal Year 2007-08 Mid-Year Budget are estimated at \$21.3 million, representing 16.08% of budgeted general fund revenues and a minimal projected increase from Fiscal Year 2006-07. The City's budgeting forecast of Sales Tax receipts is based on official State estimates and the forecasts of local economists. The City's budgeting forecast includes an estimated \$1 million of revenue resulting from the one-half of one percent (1/2%) transactions and use tax for general fund purposes of the City, which was approved by the voters as "Measure Q" in November 2004 and which commenced collection in April 2005. It also includes increases in revenue due to the opening of a new major retailers in the City during the last quarter of Fiscal Year 2006-07 and strong growth in business-to-business transactions. For Fiscal Year 2008-09, another new major retailer is slated to open and revenues of \$22.0 million are projected.

Documentary Transfer Tax

The City collects a tax (the "Documentary Transfer Tax") on all transfers by deeds, instruments, writings or any other document by which lands, tenements, or other interests in real property are sold at a rate of \$7.00 for each \$1,000 or fractional part thereof of the consideration. Documentary Transfer Tax revenues for Fiscal Year 2005-06 were approximately \$10.67 million, representing 10.02% of general fund revenues and transfers in.

Documentary Transfer Tax revenues for Fiscal Year 2006-07 were \$7.3 million, representing 6.20% of general fund revenues and transfers in and a 31.60% decrease from Fiscal Year 2005-06 reflecting a cooling real estate market. Total Documentary Transfer Tax revenues in the Fiscal Year 2007-08 Mid-Year Budget are projected at \$7.6 million, representing 5.73% of budgeted general fund revenues. The Fiscal Year 2008-09 Proposed Budget includes a projection of \$7.8 million.

Revenue from the State

Revenue from the State for Fiscal Year 2005-06 was approximately \$7.6 million, representing approximately 7.13% of general fund revenues and transfers in. Revenue from the State for Fiscal Year 2006-07 was approximately \$7.3 million, representing 6.2% of general fund revenues and transfers in and a decrease of 3.95% from Fiscal Year 2005-06. Revenue from the State in the Fiscal Year 2007-08 Mid-Year Budget is projected to be approximately \$10.0 million, representing 7.5% of budgeted general fund revenues and transfers in and a projected increase of 36.693% from Fiscal Year 2006-07. The Fiscal Year 2008-09 Proposed Budget projects \$10.3 million in revenue from the State, an increase of 3.00% over the current year projection.

On August 24, 2007, the Governor of the State signed the final State budget for Fiscal Year 2007-08. The City does not anticipate that the State budget for Fiscal Year 2008-09 will result in any material changes to the City's receipts of revenue from the State.

Other Revenues

Other sources of City revenues include the transient occupancy tax, the franchise tax, fines, and fees for licenses and permits issued by the City which, on a combined basis, were approximately 8.50% of the City's general fund revenues for both Fiscal Year 2006-07 and Fiscal Year 2007-08. The Fiscal Year 2008-09 Proposed Budget includes \$12.5 million that represents approximately 8.71% of projected general fund revenues.

Pension Plans

The City contributes to the California Public Employees' Retirement System ("PERS") as well as three separate City-administered, single-employer, defined-benefit pension plans – the General Pension Plan, the Police and Firemen's Pension Plan and the Garfield Pension Plan.

California Public Employees' Retirement System

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

Funding Policy: Miscellaneous Plan participants are required to contribute 8% of their annual covered salary, while Safety Plan participants are required to contribute 9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City as employer was required to contribute for the period from July 1, 2005 to January 31, 2006 at an actuarially determined rate of 20.417% and 34.045% of annual covered payroll for miscellaneous and safety employees, respectively. The employer contribution rate was changed on February 1, 2006. From February 1, 2006 to June 30, 2006, the City was required to contribute at an actuarially determined rate of 11.328% and 16.485% of annual covered payroll for miscellaneous and safety employees, respectively in part reflecting the City's prepayment of its UAAL from proceeds of pension obligation bonds in 2005. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost: For Fiscal Year 2005-06, the City's annual pension cost of approximately \$12,819,890 for PERS was equal to the City's required and actual contributions and amortization the City's UAAL of \$113,877,017, which was funded with proceeds from the City's 2005 Pension Obligation Bonds in November 2005. The required contribution was determined using the Entry Age Normal Cost actuarial method.

The City currently has no UAAL with respect to its PERS obligations.

General Pension Plan. The General Pension Plan funds retirement and other benefits payable to 36 retirees who are not covered by PERS. The General Pension Plan is closed to new membership, and all of its current members are retired. Benefits are funded from the assets of the General Pension Plan and from related investment earnings. The City is required under its charter to contribute the remaining amounts necessary to fund the General Pension Plan using the Entry Age Normal Cost actuarial cost method as specified by ordinance.

Police and Firemen's Pension Plan. The Police and Firemen's Pension Plan is a defined benefit pension plan covering 98 police and fire personnel employed by the City prior to October 1964. The Police and Firemen's Pension Plan is closed to new membership, and substantially all of its current members are retired. Funding for the Police and Firemen's Pension Plan is provided from the Pension Reserve Trust Fund. Employees eligible under the Police and Firemen's Pension Plan were vested after five years of service, and members were allowed normal retirement benefits after 25 or more continuous years of service. The City is required under its charter to contribute the remaining amounts necessary to fund the Police and Firemen's Pension Plan using the Entry Age Normal Cost actuarial cost method as specified by ordinance. The City has established the Pension Reserve Trust Fund, to which a portion of the proceeds of an incremental property tax levy approved by the citizens of the City are credited, for the payment of benefits under the Police and Firemen's Pension Plan as well as other pre-1978 benefits approved for general safety and miscellaneous employees enrolled in PERS. In Fiscal Year 2005-06, the revenue received by the Police and Firemen's Pension Plan from the tax was \$2,215,648, while benefits paid were \$4,522,529.

Garfield Pension Plan. The City maintains the Garfield Pension Plan to fund defined retirement and other benefits due to a retired Chief of Police of the City, pursuant to a contractual agreement. Retirement and other benefits are paid from the assets of the Garfield Pension Plan and from related investment earnings. In Fiscal Year 2005-06, the City contributed \$73,917 to the Garfield Pension Plan. The beneficiary of the Garfield Pension Plan is not covered under the Police and Fireman's Pension Plan, the General Pension Plan or PERS.

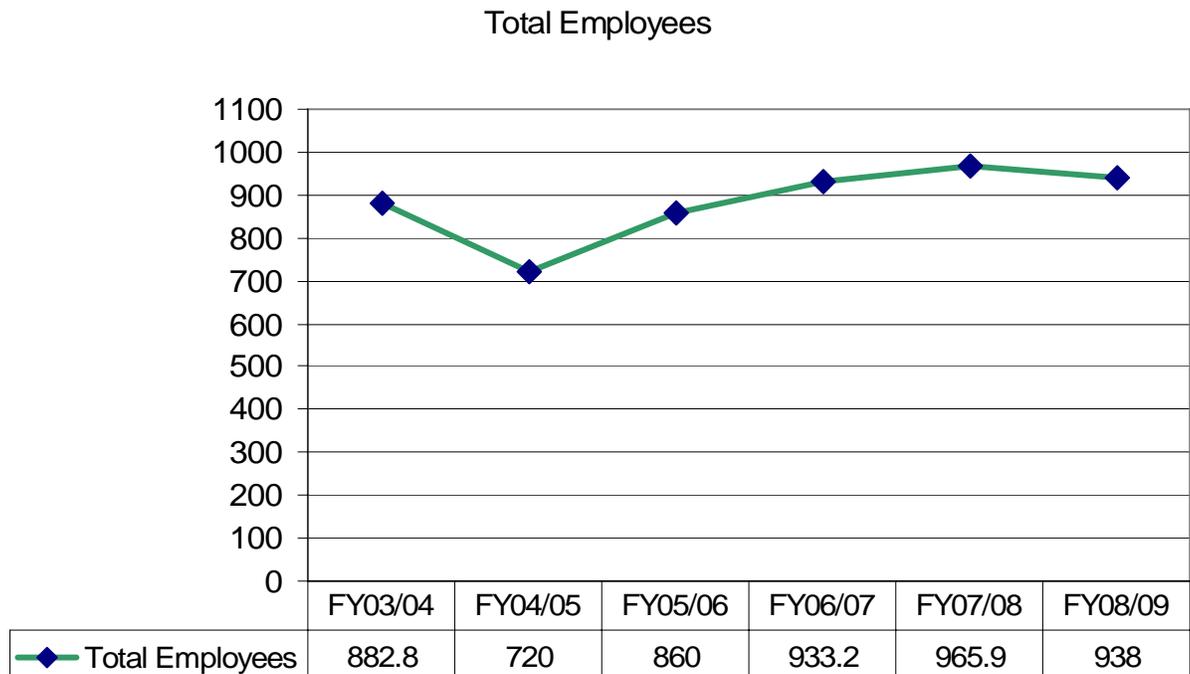
Postretirement Health Care Benefits

In addition to the retirement and pension benefits described above, the City provides postretirement health care benefits ("OPEB Obligations"), in accordance with City ordinances, to all employees who retire from the City on or after attaining retirement age (50 for police and fire employees, and 55 for all other employees) and who have at least ten years of service. At June 30, 2006, 118 retirees met those eligibility requirements. The City had historically funded these benefits on a pay-as-you-go basis. During Fiscal Year 2005-06, expenditures of \$1,846,855 were recognized for OPEB Obligations. Governmental Accounting Standards Board Statement No. 45 (GASB 45), which went into effect for cities with annual revenues of more than \$100 million on December 15, 2006, requires that non-pension, post-employment benefits for retirees, such as postretirement health care benefits, be shown as an accrued actuarial liability in the audit, similar to the current treatment of pension benefits. GASB 45 requires only the identification and disclosure of the City's unfunded accrued actuarial liability and funding status;

it does not require the City or any other affected public agency to fully fund such liability. The City undertook an actuarial study to estimate its OPEB Obligations as of July 1, 2005 rolled forward to July 1, 2007. The City intends to pre-fund its OPEB Obligations by moving its ARC into a Retiree Benefit Trust Account beginning in Fiscal Year 2007-08. The City's Fiscal Year 2007-08 budget includes the \$2,810,309 ARC as well as the \$898,994 normal cost, although the City set aside \$2.0 million in Fiscal Year 2005-06 to begin prefunding the liability. There can be no assurance the City will continue to prefund such liability, if any. The recognition of any liability on the City's financial statements could have a negative effect on the City's credit ratings unless the City manages the liability in a manner that keeps the City's financial margins healthy.

City Employees; Collective Bargaining

For the 2007-08 Fiscal Year the City has budgeted approximately 938 permanent, full-time positions City-wide.



Source: City of Richmond, Human Resources Department.

The City's employees are currently represented by six collective bargaining units, as follows: Police, Police Management, Fire, Fire Management, Management and General. The above table summarizes the number of employees included in the four largest labor organizations. These four organizations cover 69.0% of the represented employees.

Capital Planning

Each year the City adopts a five-year Capital Improvement Plan (“CIP”) containing a forecast of capital improvement needs and funds identified to meet those needs during the current budget fiscal year and the next four fiscal years. The CIP for Fiscal Years 2007-08 through 2011-12 identifies approximately \$510 million of funded capital improvement projects (including the Project being financed by the Series 2007 Bonds) and approximately \$265 million of unfunded capital improvement projects. The CIP is available from the City’s website.

Risk Management

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

<u>Type of Coverage</u>	<u>Self Insurance</u>	<u>Commercial Insurance Carrier</u>
Workers’ compensation for public safety employees	Up to \$1,000,000 per claim	\$24,000,000 in excess of self-insured retention
Workers’ compensation for general employees	Up to \$1,000,000 per claim	\$24,000,000 in excess of self-insured retention

In 2004, the City joined the Municipal Pooling Authority, which provides coverage for the following types of risk pursuant to a joint powers agreement with the City and several other governmental agencies:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage Limits</u>
Liability	\$250,000	\$ 15,000,000
All Risk Fire, Property & Flood	5,000	1,000,000,000
Boiler and Machinery	5,000	100,000,000

California Society of Municipal Finance Officers

Certificate of Award
For
Excellence in Capital Budgeting

Fiscal Year 2007-2008

The California Society of Municipal Finance Officers (CSMFO) proudly presents this certificate to

City of Richmond

For meeting the criteria established to achieve the Excellence in the CAPITAL BUDGET CATEGORY.

March 6, 2008



Brad Grant

Brad Grant
CSMFO President

Cindy Guziak

Cindy Guziak, Chair
Budgeting & Financial Reporting



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
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PRESENTED TO

**City of Richmond
California**

For the Fiscal Year Beginning

July 1, 2007

Charles S. Cox

President

Jeffrey R. Egan

Executive Director