

# *Richmond City Council*



**Gayle McLaughlin**  
Mayor



**Ludmyrna Lopez**  
Vice Mayor



**Nathaniel Bates**  
Councilmember



**Tom Butt**  
Councilmember



**Jeff Ritterman**  
Councilmember



**Jim Rogers**  
Councilmember



**Maria Viramontes**  
Councilmember

**CITY OFFICIALS**

**June 16, 2009**

**CITY COUNCIL**

Mayor ..... Gayle McLaughlin  
Vice Mayor ..... Ludmyrna Lopez  
Councilmember ..... Jim Rogers  
Councilmember ..... Maria Viramontes  
Councilmember ..... Nathaniel Bates  
Councilmember ..... Tom Butt  
Councilmember ..... Jeff Ritterman

**ADMINISTRATION AND DEPARTMENT HEADS**

City Manager ..... Bill Lindsay  
Asst. City Manager/Human Resources Director ..... Leslie Knight  
City Attorney ..... Randy Riddle  
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



DATE: June 16, 2009  
TO: Mayor McLaughlin and Members of the City Council  
FROM: Bill Lindsay, City Manager  
SUBJECT: Proposed Fiscal Year 2009-10 Operating Budget

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It is my pleasure to transmit to you the Operating Budget for fiscal year (FY) 2009-10. 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 2009-10 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:

1. **Maintain and enhance the physical environment**
2. **Promote a safe and secure community**
3. **Promote economic vitality**
4. **Promote sustainable communities**
5. **Promote effective government**

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 key objectives to support these five core goals, and operating divisions have developed supporting actions related to these objectives. 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 2009-10 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:

**1. 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.

**2. 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.

**3. 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.

#### 4. Promote sustainable communities

- 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.

#### 5. 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.

### 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:

**1. 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.

**2. 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.

**3. 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, 23<sup>rd</sup> Street improvements, and the Civic Center and surrounding area.

#### 4. Promote sustainable communities

- 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.

#### 5. 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.

#### Budget Review and Approval Process

During May and June 2009, 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 16.

Staff welcomes City Council and public review on these and other aspects of the proposed FY 2009-10 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**

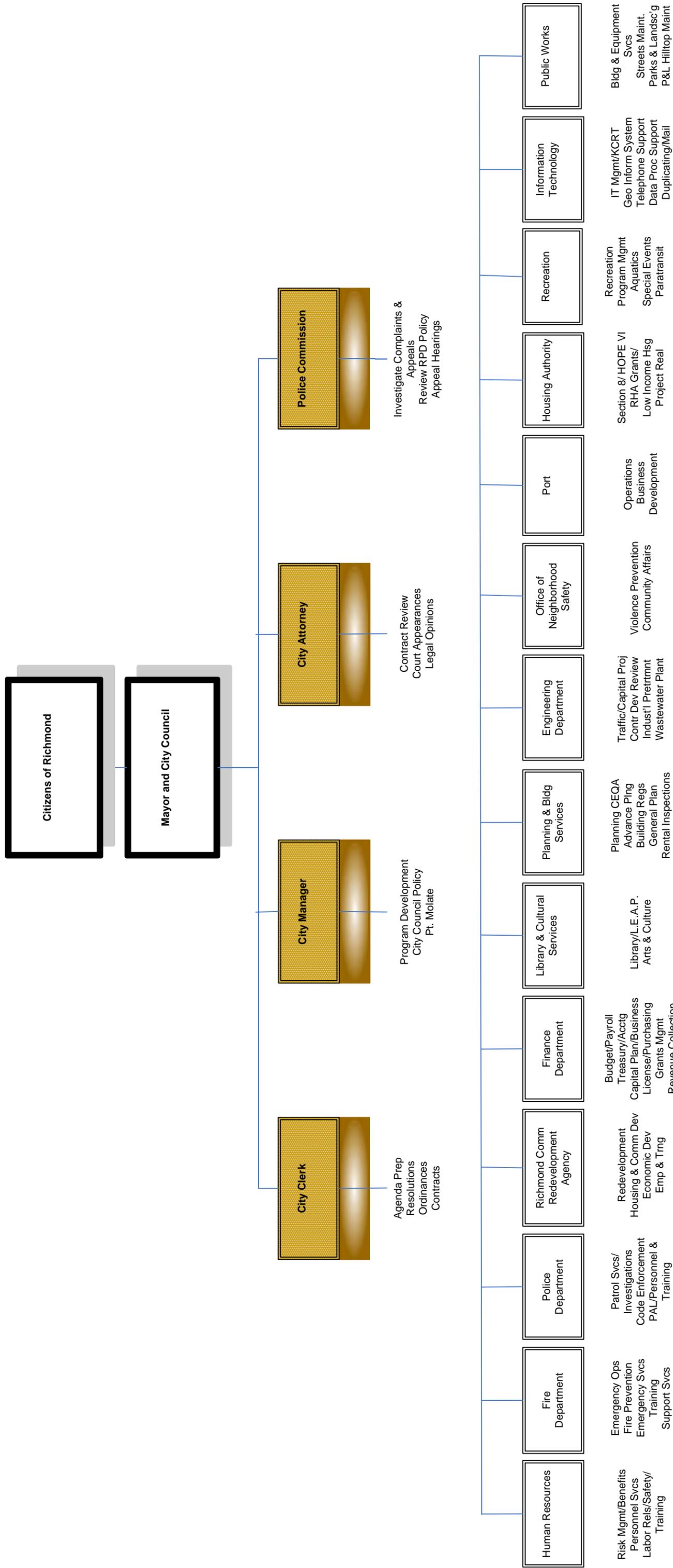
Richmond will develop all of its neighborhoods and businesses as quality places to live, work, shop and play, with its 32 miles of shoreline as a widely recognized symbol of the City's success

## **VALUES**

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



# City of Richmond FY2009-10 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 six other Councilmember’s. The Mayor is elected at large for a four-year term. Councilmember’s are elected at large for staggered four-year terms. The Mayor is limited to two consecutive four-year terms. 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.

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

### **Fiscal Year Ended June 30, 2008**

Management of the City of Richmond (the "City") provides this Management's Discussion and Analysis of the City's Basic Financial Statements for readers of the City's financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the financial statements, which begin on page 24.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$355 million (net assets). Of this amount, \$190.5 million is restricted for specific purposes (restricted net assets), \$266.0 million is invested in capital assets, and \$101.8 million represents a deficit in unrestricted net assets.
- The City's total net assets decreased by \$15.1 million during the fiscal year. \$3.2 million of the decrease is attributed to governmental activities. Restricted assets for governmental activities increased \$128.7 million to \$188.9 million due to bond proceeds restricted for use on the Civic Center Project, while capital assets, net of debt, increased \$18.2 million to \$188.5 million. Unrestricted net assets decreased \$150.1 million to \$101.3 million deficit. Business-type activities net assets decreased \$11.9 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending balances of \$255.4 million, an increase of \$82.0 million in comparison to prior year. This increase of \$82.0 million includes a \$111.2 million increase in total assets and a \$29.3 million increase in liabilities. Approximately 74 percent of the fund balance, \$189.0 million, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the fiscal year, the General Fund had fund balance of \$46.4 million, of which \$10 million was designated for contingencies. This reflects a \$15.5 million decrease over the prior year primarily due to transfers out of \$3.9 million to fund debt service on the new 2007 Lease Revenue Bonds, \$1.5 million to fund debt service on other outstanding obligations, and \$4.0 million to fund capital projects.
- The City's investment in its capital assets continues to increase. Total capital assets increased \$33.1 million over the previous year. Construction in progress increased \$37.6 million, 40 percent, from the prior year. Governmental activities total capital assets increased \$48.1 million primarily due to progress on the reconstruction of the City's Civic Center.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

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

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. They are comprised of the *Statement of Net Assets and Statement of Activities and Changes in Net Assets*.

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

The *Statement of Activities and Changes in Net Assets* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, community development, culture and recreation, housing and development, and internal services. The business-type activities of the City include a housing authority, a port, a marina, a municipal sewer district, a storm sewer agency, and a cable TV operation.

***Governmental Activities*** - The activities in this section are mostly supported by taxes and charges for services. The governmental activities of the City include General Government, Public Safety, Highways & Streets, Community Development, Cultural Recreation, Housing & Redevelopment and Internal Services Funds.

***Business-Type Activities*** – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activities of the City include Richmond Housing Authority, Port of Richmond, Richmond Marina, Municipal Sewer District, Storm Sewer and Cable TV.

***Discretely Presented Component Unit***—The RHA Properties is a legally separate reporting entity, but is important because the City is financially accountable for it.

The government-wide financial statements can be found on pages 24-27 of the financial report.

## **Fund Financial Statements**

Fund Financial statements are designed to report information about the groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like state and other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City’s programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City has 24 governmental funds, of which seven are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The City’s seven major funds are the General Fund, Redevelopment Agency Administration Special Revenue Fund, Redevelopment Agency Low and Moderate Income Housing Capital Projects Fund, Redevelopment Agency Debt Service Fund, Redevelopment Agency Capital Projects Fund, Secured Pension Override Special Revenue Fund and Civic Center Project Fund. The basic governmental fund financial statements can be found on pages 30 through 36 of the financial report. Data from the other seventeen governmental funds are combined into a single, aggregated presentation.

***Proprietary Funds*** – Proprietary funds of the City are two types: (1) enterprise funds; and (2) internal service funds. The City maintains six enterprise funds that provide the same type of information as the government-wide financial statements, only in more detail. The major enterprise funds consist of the Richmond Housing Authority, Port of Richmond and Municipal Sewer. Enterprise funds financial statements can be found on pages 38 through 40 of the financial report.

The five internal service funds are also considered a proprietary fund type. The funds consist of the Insurance Reserves, Information Technology, Equipment Services and Replacement, Facilities Maintenance and Police Telecommunications.

***Fiduciary Funds*** – Fiduciary funds are used to account for resources held for the benefit of third parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The fiduciary funds for the City consist of Pension Trust Funds and Agency Funds. The accounting used for fiduciary funds is much like that used for proprietary funds. The financial statements for these funds can be found on pages 42-43.

#### **Notes to the Financial Statements:**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45 through 116 of this report.

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

In addition to the basic financial statements and accompanying notes, this report also includes certain required supplementary information providing budgetary comparison statements for the General Fund and the Redevelopment Agency Administration Special Revenue Fund. Required supplementary information can be found on pages 117 through 118 of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

#### **Analysis of Net Assets:**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. The City’s combined net assets (government and business type activities) totaled \$355 million at the close of the fiscal year ending June 30, 2008. The City’s net assets decreased by \$15.1 million during the current fiscal year which can mainly be attributed to the relocation of the Hall of Justice to a new location as well as an increase in Public Safety staffing costs.

The largest portion of the City's net assets is invested in capital assets (e.g. land, streets, sewers, buildings, machinery, and equipment). Investment in capital assets totaled \$266.0 million, 75 percent of the total net asset amount. The net asset amount for capital assets is net of the outstanding debt that was incurred to acquire the assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A \$190.5 million portion of the City's net assets is accounted for as restricted net assets and represents resources that are subject to external restrictions on how they may be used.

**City of Richmond's Net Assets**  
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY2008	FY2007	FY2008	FY2007	FY2008	FY2007
<b>Assets:</b>						
Current assets	\$ 456,937	\$ 359,831	\$ 11,486	\$ 10,323	\$ 468,423	\$ 370,154
Capital assets	303,232	255,165	125,534	140,495	428,766	395,660
Total assets	<u>760,169</u>	<u>614,996</u>	<u>137,020</u>	<u>150,818</u>	<u>897,189</u>	<u>765,814</u>
<b>Liabilities:</b>						
Current liabilities	45,173	34,355	7,613	6,287	52,786	40,642
Long-term liabilities	438,873	301,315	50,841	54,023	489,714	355,338
Total liabilities	<u>484,046</u>	<u>335,670</u>	<u>58,454</u>	<u>60,310</u>	<u>542,500</u>	<u>395,980</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	188,468	170,259	77,559	97,164	266,027	267,423
Restricted	188,951	60,271	1,527	1,428	190,478	61,699
Unrestricted	(101,296)	48,795	(520)	(8,085)	(101,816)	40,711
Total net assets	<u>\$ 276,123</u>	<u>\$ 279,326</u>	<u>\$ 78,566</u>	<u>\$ 90,508</u>	<u>\$ 354,689</u>	<u>\$ 369,834</u>

## Analysis of Activities:

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

<b>City of Richmond's Changes in Net Assets</b>						
<b>For the Year Ended June 30, 2008</b>						
<b>(in thousands)</b>						
	Governmental		Business-type		Totals	
	Activities		Activities		Activities	
	FY2008	FY2007	FY2008	FY2007	FY2008	FY2007
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 19,137	\$ 18,639	\$ 24,637	\$ 22,506	\$ 43,774	\$ 41,145
Operating grants/contributions	9,642	11,310			9,642	11,310
Capital grants/contributions	4,067	8,660	24,676	23,789	28,743	32,449
General revenues:						
Property taxes-current collections	77,013	73,497	10	11	77,023	73,507
Sales taxes	29,006	28,218			29,006	28,218
Utility user taxes	29,553	27,007			29,553	27,007
Documentary transfer taxes	3,647	7,298			3,647	7,298
Other taxes	5,156	4,744			5,156	4,744
Use of money and property	9,990	7,896	920	1,618	10,910	9,514
Unrestricted Intergovernmental	4,331	439			4,331	439
Gain on sale of capital assets	4,008	3,113		41	4,008	3,154
Pension stabilization revenue	4,256	4,240			4,256	4,240
Developer revenue sharing	201	591			201	591
Other	3,102	3,255	314		3,416	3,255
Total revenues	<u>203,109</u>	<u>198,907</u>	<u>50,554</u>	<u>47,965</u>	<u>253,663</u>	<u>246,872</u>
<b>Expenses:</b>						
General government	26,826	24,107			26,826	24,107
Public safety	80,140	69,146			80,140	69,146
Public works	31,253	25,266			31,253	25,266
Community development	5,047	5,446			5,047	5,446
Cultural & recreation	19,625	15,638			19,625	15,638
Housing & redevelopment	17,472	11,339			17,472	11,339
Interest and fiscal charges	24,242	16,041			24,242	16,041
Richmond Housing Authority			24,324	21,902	24,324	21,902
Port of Richmond			4,590	3,691	4,590	3,691
Richmond Marina			240	331	240	331
Municipal Sewer			15,085	12,236	15,085	12,236
Storm Sewer			4,686	3,591	4,686	3,591
Cable TV			854	799	854	799
Total expenses	<u>204,605</u>	<u>166,983</u>	<u>49,779</u>	<u>42,550</u>	<u>254,384</u>	<u>209,533</u>
Excess (Deficiency) of Revenues						
Over (Under) Expenses	(1,496)	31,924	775	5,415	(719)	37,339
Special item			(14,426)		(14,426)	-
Transfers	(1,707)	(2,347)	1,707	2,347	-	-
Changes in Net Assets	<u>(3,203)</u>	<u>29,577</u>	<u>(11,942)</u>	<u>7,762</u>	<u>(15,145)</u>	<u>37,339</u>
Net assets at beginning of year, as restated	279,326	249,749	90,508	82,746	369,834	332,495
Net assets at end of year	<u>\$ 276,123</u>	<u>\$ 279,326</u>	<u>\$ 78,566</u>	<u>\$ 90,508</u>	<u>\$ 354,689</u>	<u>\$ 369,834</u>

## **Governmental Activities:**

Governmental activities decreased the City's net assets by \$3.2 million accounting for 21 percent of the City's total decrease in net assets of \$15.1 million. A comparison of the cost of services by function for the City's governmental activities is shown in the preceding table, along with the revenues used to cover the net expenses of the governmental activities. Costs increased in General Government, Public Safety, Public Works and Housing and Redevelopment reflecting the restoration of services supported by revenue growth. While there are reductions in expenditures reflected in Community Development, there were no reductions in authorized staffing; the reductions are attributed to vacancies and reorganization.

Key elements of the decrease in net assets for governmental activities are as follows:

### *Revenue Highlights:*

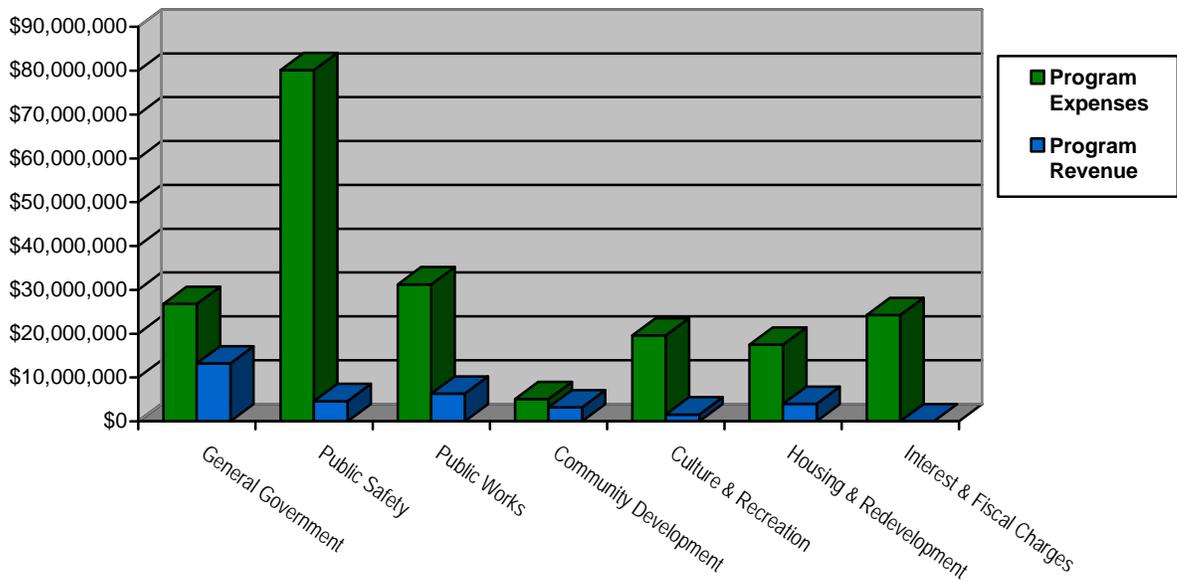
- Current year revenues of \$203.1 million reflect a \$4.2 million increase from the prior year.
- Property taxes (current collections) in the current year reached \$77.0 million, an increase of \$3.5 million, or 5 percent.
- Sales taxes continue to evidence growth. Current fiscal year receipts of \$29.0 million reflect a \$788 thousand increase over the prior year. Continued growth is anticipated with the opening of a Target store in July 2008.
- The significant increase in Use of money and property reflects the improved yield on investments. The \$10.0 million realized in the current fiscal year exceeds by \$2.1 million, or 27 percent, the revenues in the prior fiscal year.
- The growth in Other taxes is attributable to the extension of the business license tax to rental properties. The \$5.2 million realized is a \$411 thousand, 9 percent, increase over the prior year revenues.
- The \$13.7 million realized in operating and capital grants for the current fiscal year is a \$6.3 million, or 31 percent, decrease from prior year revenues due to decreased grant funding.
- There is an increase in the Utility User's Tax of \$2.5 million due to a change in the way a major taxpayer's rate is calculated.

### *Expense Highlights:*

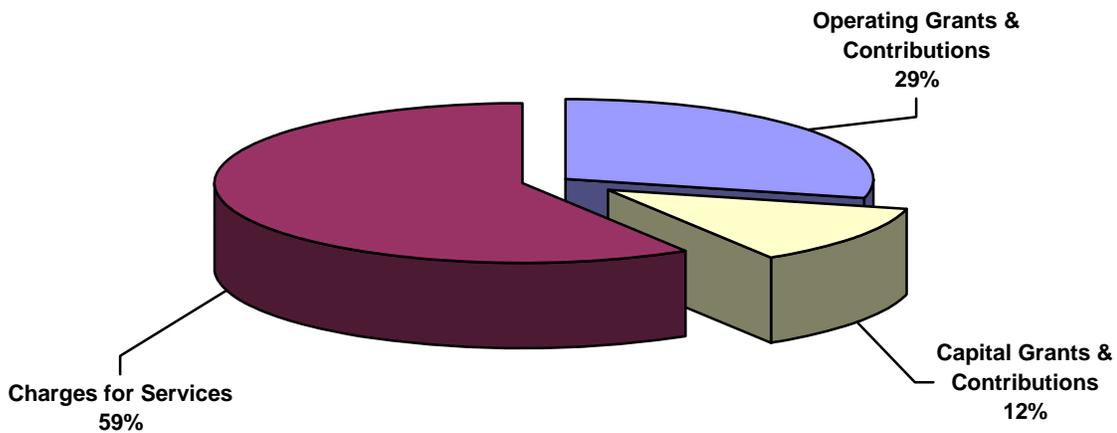
- Expenses of \$204.6 million reflect a \$37.6 million increase from prior year. A portion of the increase is due to the relocation of the Hall of Justice as well as an increase in Public Safety expenses.
- Redevelopment expenses increased \$6.1 million to \$17.5 million. The increase is attributed to an increase in housing and redevelopment projects including loans to developers of \$5.7 million.
- The current year \$24.2 million for interest and fiscal charges is a \$8.2 million increase over the prior year due to the issuance of the 2007 Civic Center Lease Revenue Bonds and the 2007 A and B Tax Allocation Bonds and increased interest rates on the City's variable rate bonds.

- Public Works expenses of \$31.3 million represent a \$6.0 million increase from prior year. Most of the increase is attributed to the increased investment in paving maintenance projects; the most the City has spent on such projects in any single fiscal year.
- Public Safety expenses of \$80.1 million represent an \$11.0 million increase from prior year. The majority of the increase is attributed to increased personnel costs due to salary increases and hiring and the recording of costs associated with the Police Department move to the Di-Con Building.

### Expenses and Program Revenues Governmental Activities



### Program Revenue by Source Governmental Activities

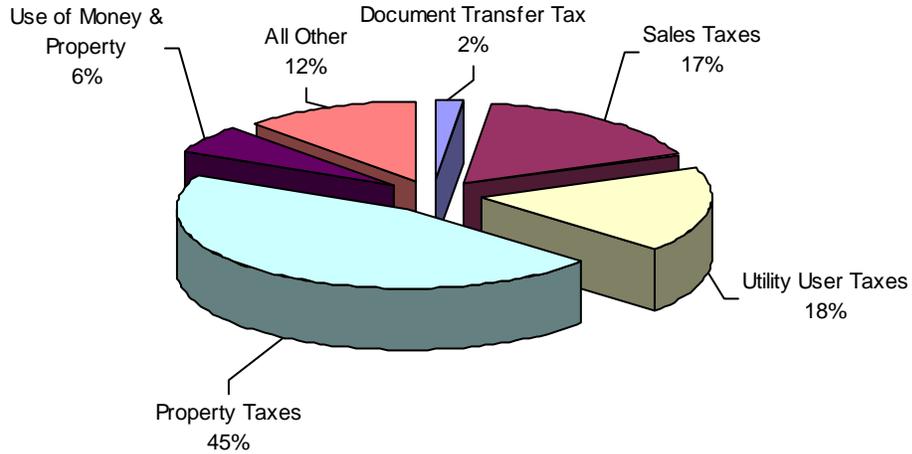


Total governmental activities expenses were \$204.6 million in fiscal year 2008. The largest expenses, in descending order, were for Public Safety, Public Works, General Government, Interest on Long Term Debt, and Cultural and Recreation. These expenses do not include capital outlays, which are now reflected in the City's capital assets.

Total program revenues from governmental activities were \$32.8 million in fiscal year 2008. Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues. As reflected in the pie chart above, 59 percent of the governmental program revenues came from Charges for Services, which includes licenses and permits and fees, fines, forfeitures and penalties, and several other revenues. Program revenues under the Operating Grants and Contributions category include restricted revenues such as Gas Tax, Transportation and Sales Tax, and Federal/State Grants.

General revenues are all other revenues not categorized as program revenues such as property taxes, sales taxes, utility users' tax, gain on sale of capital assets, and investment earnings, and grants and contributions not related to specific programs and several miscellaneous general revenues. Total general revenues and transfers from governmental activities were \$168.6 million in fiscal year 2008. The three largest components of general revenues received during fiscal year 2008 for governmental activities were Property Taxes-current collections of \$77.0 million, Utility User Taxes of \$29.5 million and Sales Taxes of \$29.0 million. These three components represent over four-fifths of all general revenues.

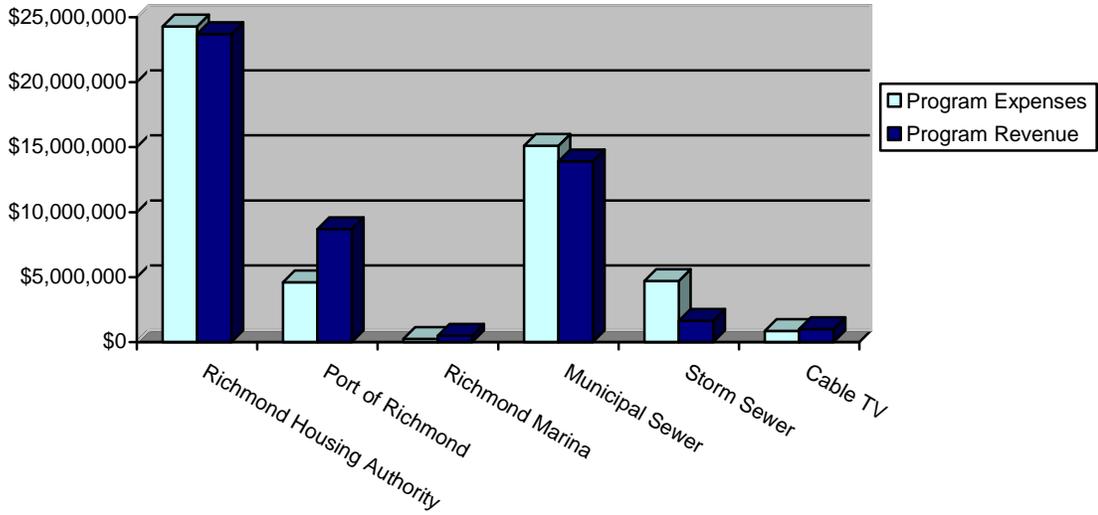
**General Revenues by Source  
Governmental Activities**



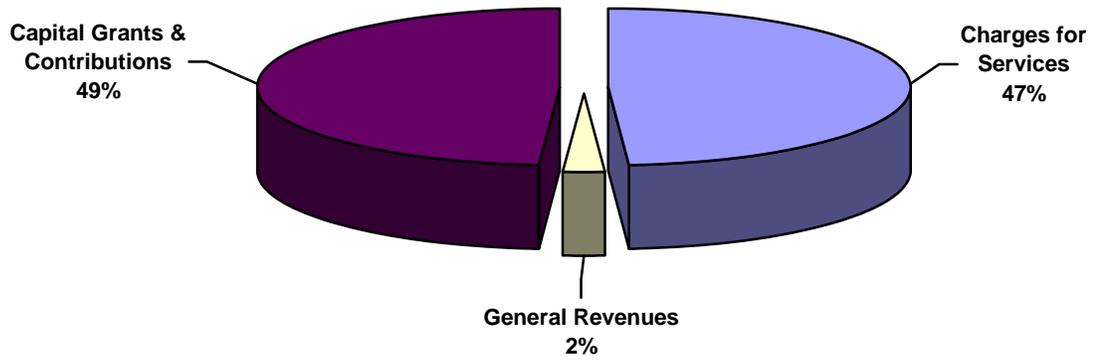
**Business Type Activities:** Business-type activities decreased the City’s net assets by \$11.9 million. Key factors in the business-type activities increase are as follows:

- The Richmond Housing Authority net assets decreased by \$14.7 million. While total revenues of \$24.0 million represent a decrease of \$1.4 million from the previous year, operating expenses of \$24.3 million represents an increase of \$2.4 million from the previous year.
- The Port of Richmond net assets increased \$6.0 million. The Port reported a \$2.0 million operating gain, operating revenues over operating expenses, but had \$2.3 million in non-operating gains due to the receipt of \$2.7 million in grants for construction of 2.4 miles of Bay Trails located in the Pt. Potrero Marine Terminal and the installation of closed circuit television cameras in various terminals. The balance of the gain in net assets is due to a \$1.7 million net transfer in.
- The Municipal Sewer net assets decreased by \$1.2 million. The Municipal Sewer reported operating income of \$1.9 million, down \$225 thousand from prior year. Operating expenses of \$11.9 million reflect a \$1.7 million increase over prior year partially due to \$1.5 million increase in general and administrative expenses for contractual services, utilities and internal cost allocations.

### Expenses and Program Revenues Business-Type Activities



### Revenue by Source Business-Type Activities



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

### **Governmental Funds:**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial capacity. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$255.4 million. Approximately \$189.1 million of this amount constitutes unreserved fund balance, which is available for spending at the government's discretion. Of the \$189.1 million, \$10.0 million has been designated for contingency reserve in compliance with Council's established policy. There is \$66.4 million of fund balance that is reserved to indicate that it is not available for spending because it has already been legally committed.

**General Fund** The General Fund is the primary operating fund of the City. It is used to report the financial results of the daily operations of the City. The major revenue sources are property taxes, utility users' tax and sales tax. The major expenditures are salaries and administrative expenses.

At the end of the current fiscal year, the General Fund had an undesignated, unreserved fund balance of \$9.4 million of a total fund balance that reached \$46.4 million. During the current year, the overall fund balance decreased by over \$15.5 million, while the undesignated, unreserved balance decreased by \$16.6 million, or 64 percent. The designation for contingencies remained at \$10 million. The \$1.1 million difference in the decline in the overall fund balance of \$15.5 million and the undesignated, unreserved fund balance of \$16.6 million is the net result of a combined decrease in the encumbrance and prepaid reserve of \$1.2 million and the increase in advances and loan receivable reserve of \$2.3 million. In addition, the General Fund fund balance decreased due to debt service transfers totaling \$5.4 million and transfers to fund projects of \$4 million.

**Redevelopment Agency** The Richmond Community Redevelopment Agency (the "Redevelopment Agency") is responsible for redevelopment of areas identified under the Community Redevelopment Law as being blighted. The Agency's operations are funded primarily by the issuance of debt, which is expected to be repaid out of property tax increment revenue generated by increases in property assessed values in the redevelopment areas.

The Redevelopment Agency Administration Fund was established to account for all administrative activities of the Agency. At the end of fiscal year 2008, the unreserved fund balance had a balance of \$6.7 million, an increase of \$6.6 million from the prior year.

The Redevelopment Agency Low/Mod Income Housing Fund accounts for the twenty percent housing set-aside from the tax increment proceeds of each of the Redevelopment Agency's project areas. At the end of fiscal year 2008, the unreserved fund balance was zero, because the Fund's fund balance is reserved to fund future low and moderate income housing projects.

The Redevelopment Agency Debt Service Fund was established to account for the accumulation of property taxes for payment of interest and principal on the Agency's long-term debt. At the end of fiscal year 2008, the unreserved fund balance had a balance of \$7.6 million, a decrease of \$3.0 million from the prior year due to transfers to fund Capital Projects.

The Redevelopment Agency Projects Fund was established to account for capital projects connected with redevelopment funded by property tax revenues. At the end of fiscal year 2008, the unreserved fund balance had a balance of \$53.7 million, an increase of \$31.1 million from the prior year due to the issuance of the 2007A Tax Allocation Bonds.

***Secured Pension Override Fund*** This fund was established to record the receipt of Pension Tax Override funds collected through property taxes for payment of pension contributions.

***Civic Center Project Fund*** This fund was established to account for the activities of the new Civic Center project.

### **Proprietary Funds:**

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

### **Enterprise Funds:**

***Richmond Housing Authority*** The Richmond Housing Authority ("RHA") was established to administer funds provided by the Department of Housing and Urban Development (HUD) to assist low-income families in obtaining decent, safe and sanitary housing. Although RHA is a separate legal entity, it is a component unit of the City of Richmond. The City exercises management control over the Authority, and members of the City Council serve as the governing board of the Authority. RHA's total net assets were \$53.2 million at June 30, 2008, of which \$9.1 million was unrestricted. The decline in net assets of \$14.7 million is primarily due to the transfer of capital assets to a developer totaling \$23 million, net of costs reimbursed by that developer of \$8 million.

***The Port of Richmond*** The Port of Richmond is a public enterprise established by the City of Richmond and is administered as a department of the City. Operations include the marine terminal facilities and commercial property rentals. The Port had total net assets of \$3.3 million as of June 30, 2008, which is an increase of \$6.0 million from prior year.

The reduced deficit is due to continuation of the prior two years' improved revenues generated from new tenants, while continuing to control expenses.

***Municipal Sewer Fund*** This fund is used to account for a variety of sewer service-related revenues and expenditures. At the end of fiscal year 2008, the total net assets for the sewer fund were \$11.4 million, which was a \$1.2 million decrease from the prior fiscal year, primarily due to increased interest expenses related to the 2006 A and B Wastewater Revenue Bonds issued in fiscal year 2007.

### **Fiduciary Funds:**

The City's fiduciary funds are the pension trust funds and various agency funds. The Pension Trust Funds were established to account for revenues and expenditures related to City employee's pension activities. The City administers the activities of the pension funds on behalf of the employees. The assets are not accessible for City operations. The City maintains the following pension funds: the Pension Reserve, General Pension, Police and Firemen Pension and Garfield Pension Funds. The various agency funds are used to maintain records of assets and the fund's financial activities on behalf of a third party. The City does not make any decisions relating to the uses of the assets nor can they be used for City operations.

***The Pension Trust Funds*** total assets at June 30, 2008 were \$24.6 million held in trust for employees' pension benefits. Net Assets decreased by \$1.1 million.

***Agency Funds*** total assets at June 30, 2008 were \$34.8 million which is recorded on the City books as a liability to third parties.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The adopted budget, including transfers, reflected \$133.9 million in estimated revenues and \$136.5 million in appropriations and transfers resulting in a \$2.6 million reduction to fund balance. Deducting the transfer-out of \$8.8 million, operating appropriations were \$127.6 million. Deducting proceeds from sale of property and transfers in, the adopted operating revenue estimate was \$122.3 million. These yield an operating deficit of \$5.4 million.

The City Council revised the City budget at mid-year. Most of the budget adjustments reflect extensive analysis and updates arising from the Mid-Year Revenue and Expenditure Review.

The final amended budget included a \$1.4 million reduction in estimated revenue and a \$9.6 million increase in appropriations. Actual revenues of \$114.1 million were \$6.7 million less than adjusted operating revenue projections, a variance of 5.9 percent. Key elements of the decrease in revenues are discussed as follows:

The original budget for sales tax of \$29.3 million was followed with a mid-year adjustment upward to \$31.3 million. However, only \$29.0 million in sales tax was realized causing a \$2.3 million decrease in estimated revenues. Much of the decrease

was due to a one-time reallocation correction made by the State Board of Equalization for sales tax revenue that was erroneously remitted ten years ago. However, actual sales tax revenue increased by \$787,816 from prior year. Additional increases are projected into 2008-09 with the opening of a Target store in July 2008 and as additional retail outlets open and business-to-business sales accelerate.

While projected property taxes were increased \$720 thousand at mid-year to \$33.8 million, actual revenue received was \$486 thousand above the final projection and \$1.2 million greater than prior year due to Richmond housing stock being fairly old with new developments making up a small percentage of the assessed valuation.

The utility user fees are a percentage of utility bills. Actual revenues increased \$2.5 million from prior year to \$29.5 million. A large consumer opted to use the computed actual usage method instead of the cap provision of the UUT ordinance. This was an increase from previous year but less than what would have been paid using the cap. Along with other contributing factors, the adopted projection of \$30.7 million remained the same.

The other taxes original budget was reduced from \$13.3 million to \$8.6 million at mid-year; a \$4.7 million dollar reduction due primarily to the \$3.7 million decline in documentary transfer tax from prior year, a result of the overall decline in the housing market regionally.

The use of money and property original budget was increased \$1.1 million to \$3.0 million at mid-year. However, only \$756 thousand was realized resulting in a \$2.2 million decrease in estimated revenues due to the City's decision to utilize the money in operations rather than reinvesting the money.

Charges for services actual revenues were \$674 thousand less than the \$3.0 million final budget projection due to a decline of \$280 thousand in motor vehicle fees, \$269 thousand decline in booking fees due to new process instituted by the State and an additional \$88 thousand decline in service reimbursements.

Transfers in original budget of \$7.6 million was increased to \$14.9 million at mid-year. However, actual transfers realized were only \$5.5 million causing a reduction of \$9.4 million in estimated other financing sources. The bulk of the reduction is due to \$1.6 million and \$4.1 million budgeted to be transferred from the Benefits Stabilization fund and the Pension Stabilization fund, respectively, to cover costs associated with the DiCon Police Department move being unavailable to transfer at June 30, 2008 as well as an additional \$2.0 million transfer from the Redevelopment Agency.

Appropriations were increased at the Mid-Year Budget Review to address critical and unforeseen needs such as the relocation of the Police Department to a new site and personnel cost increases arising from newly negotiated labor contracts. The final adjusted appropriations were \$137.3 million, an increase of \$9.7 million over the adopted budget appropriation. General government appropriations exceeded the budget by \$1.7

million due to increased personnel costs and increased investment in paving maintenance projects; the most the City has spent on such projects in any single fiscal year.

Actual operating expenditures of \$128.9 million were realized, \$8.3 million less than the final adjusted appropriations. Almost all of the savings are attributed to personnel expenditures resulting from vacancies as some departments encountered difficulty in recruiting the newly authorized personnel provided in the adopted budget to restore services as well as Other Post Employment Benefits (OPEB) being inadvertently double budgeted. Other reasons are salary savings attributed to costs reimbursed through workers' compensation and staff turnover.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets:

The City's investment in capital assets for its governmental and business type activities as of June 30, 2008, amounted to \$428.8 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The net increase in the City's investment in capital assets for the current fiscal year was \$33.1 million, or 8.0 percent.

Capital assets, net of depreciation, for the governmental and business-type activities are presented below to illustrate changes from the prior year:

### Capital Assets by Type

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 27,674,272	\$ 25,854,935	\$ 11,215,967	\$ 11,215,340	\$ 38,890,239	\$ 37,070,275
Construction in Progress	101,731,280	51,844,936	29,801,549	42,063,819	131,532,829	93,908,755
Building and improvements	19,993,179	19,312,222	44,944,841	45,019,253	64,938,020	64,331,475
Machinery and equipment	8,282,302	6,359,279	2,054,385	2,009,864	10,336,687	8,369,143
Infrastructure	145,550,538	151,793,434	37,516,906	40,186,467	183,067,444	191,979,901
Total Capital assets	<u>\$ 303,231,571</u>	<u>\$ 255,164,806</u>	<u>\$ 125,533,648</u>	<u>\$ 140,494,743</u>	<u>\$ 428,765,219</u>	<u>\$ 395,659,549</u>

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

Additional information about the City's capital assets can be found in Note 6 on pages 69-71 in the financial statements.

**Debt Administration:**

*Long Term Debt* - At the end of the current fiscal year, the City had \$483 million in debt outstanding compared to the \$344.9 million the previous year; an increase of \$138 million. This increase is due primarily to the issuance of \$75 million of Tax Allocation Bonds and \$101 million of Lease Revenue Bonds (Civic Center Project and refunding), offset with the payoffs of the 2004 JPFA Point Potrero Lease Revenue Note in the amount of \$3.5 million, the refunding of the JPFA 2001A Lease Revenue Bonds, the JPFA 1996 Port Terminal Lease Revenue Bonds, and a portion of the JPFA 1995A Lease Revenue Bonds, in the amounts of \$27.2 million, \$3.9 million, and \$5.7 million, respectively.

**Outstanding Debt  
June 30**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Tax Allocation bonds	\$168,838,368	\$95,079,118			\$168,838,368	\$95,079,118
Revenue bonds	1,829,143	7,640,000	\$42,152,480	\$41,857,327	43,981,623	49,497,327
Lease revenue bonds	97,790,000	25,990,000	5,933,813	7,782,675	103,723,813	33,772,675
Pension obligation bonds	146,453,616	143,575,313			146,453,616	143,575,313
Total bonds payable	414,911,127	272,284,431	48,086,293	49,640,002	462,997,420	321,924,433
Loans payable	10,578,390	10,518,963	5,427,430	7,419,009	16,005,820	17,937,972
Capital leases	3,964,298	5,111,871			3,964,298	5,111,871
Total outstanding debt	<u>\$429,453,815</u>	<u>\$287,915,265</u>	<u>\$53,513,723</u>	<u>\$57,059,011</u>	<u>\$482,967,538</u>	<u>\$344,974,276</u>

The City does not have any general obligation bonds as of June 30, 2008.

On May 7, 2008, Standard & Poor’s Ratings Services (“S&P”) assigned its “A+” issuer credit rating (ICR) to the City and a rating of “A” on the City’s outstanding 2007 Lease Revenue Bonds (Civic Center financing). Specific credit strengths cited by S&P as the incentive for the upgrade include a continued strong general fund cash position, continued improvements in the city’s unreserved general fund balances and the City’s strong financial controls, policies, and management practices.

On May 14, 2008, S&P raised the Richmond Community Redevelopment Agency’s (“RCRA”) underlying rating (SPUR) to “A” from “A-“, citing the RCRA’s diversified tax base, and the 11% increase in project area assessed valuation.

With improved credit ratings and increased sophistication of City staff, several bond issues have been transacted to enable the City to realize reduced interest costs. During the fiscal year ending June 20, 2008, bonds were issued to realize net present value savings of \$2.4 million. These included \$35 million from the issuance of the \$101.4 million 2007 Lease Revenue Bonds used to refund several prior bond issues and to fund the Civic Center project.

The City has purchased municipal bond insurance policies on its bond issuances in the past, including for the RCRA 2007 TABs , and the 2007 Lease Revenue Bonds, resulting in the debt issues being assigned the ratings of the respective bond insurers. In fiscal year 2008, the City's variable rate debt was affected by the credit downgrades of bond insurers MBIA and Ambac; resulting in higher than anticipated rate resets. In May, 2008, the City restructured the RCRA 2007 TABs and the 2007 Lease Revenue Bonds to index rate and fixed rate bonds for a term of eighteen to twenty-four months. In October, 2008, the City refunded its 2006 Wastewater Bonds, Series A with a new bond issue, which is supported by a Letter of Credit from Union Bank of California, and removes Ambac as the bond insurer. At the time of this bond issuance, S&P also raised the City's Wastewater Enterprise credit rating to "AA-".

For more detailed information on the City's long-term debt see Note 7 on pages 71-98.

### **Economic Factors, Next Year's Budget and Inflation Rates**

- The City currently faces a continuation of a favorable economic environment. Revenues from recent strong growth in assessed valuation is slowing, but still growing. Projected strong growth in revenue streams from both increasing assessed valuation and increased retail sales are expected with the opening of a Target in July 2008. Coupled with a continuing tight rein on appropriations, a continuing positive cash flow is projected.
- The City has formally adopted debt and investment policies to guide critical financing and investment decisions. The City is also one of the first cities to adopt a swap policy.
- The City has established a reserves policy and has funded a \$10 million contingency reserve within the General Fund, equating to over eight percent of the City's current budget level.
- The City has adopted a structurally balanced budget policy requiring one-time revenues to be spent only on one-time expenditures, and on-going revenues to be spent on on-going expenditures.
- The City has completed the implementation of a new, integrated financial, human resources and payroll system that will be the hub of other new software, including "best of breed" software in building permits, cash management, investments, debt management, equipment and many others.
- The City Manager has recommended to the City Council that City services only be expanded or re-opened as certain revenue milestones are met, thus preventing the creation of structural deficits.

- The City has established monthly revenue and expenditure variance monitoring reports to assure adherence to budget controls. Simultaneously, position control is being strictly enforced, ensuring that any hire is moving into a funded position.
- The City continues to search for and identify opportunities to refinance its debt obligations that should extract additional one-time funding for critical infrastructure improvements.
- The State budget will have a significant effect on the City's financial condition. The impending deficit at the State level will likely manifest itself in cutbacks in state funding and may result in State "borrowing" of municipal revenues and deferral of state allocations and reimbursements.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all of its citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Richmond, Finance Department, 1401 Marina Way South, Richmond, CA 94804. Alternatively, you may send your inquiries via e-mail to [Finance@ci.richmond.ca.us](mailto:Finance@ci.richmond.ca.us)

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*February 17, 2009*



*Viki Copeland*

Viki Copeland  
CSMFO President

*Pamela Arends-King*

Pamela Arends-King, Chair  
Budgeting & Financial Reporting