

# *City of Richmond, California*



## *City of Pride and Purpose*

FY 2010-11 Adopted Budget  
Presented by  
Bill Lindsay, City Manager  
And  
James Goins, Finance Director/Treasurer

# *Richmond City Council*



**Gayle McLaughlin**  
Mayor



**Jeff Ritterman**  
Vice Mayor



**Nathaniel Bates**  
Councilmember



**Tom Butt**  
Councilmember



**Ludmyrna Lopez**  
Councilmember



**Jim Rogers**  
Councilmember



**Maria Viramontes**  
Councilmember



This page is intentionally left blank

**CITY OFFICIALS**

**June 22, 2010**

**CITY COUNCIL**

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

**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  
Interim City Engineer ..... Edric Kwan  
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



This page is intentionally left blank

# CITY OF RICHMOND

## FISCAL YEAR 2010-11 ADOPTED OPERATING BUDGET

### SPECIAL ASSISTANCE – DEPARTMENTS & OFFICES

City Manager's Office	Finance Department
Information Technology	Human Resources
City Clerk's Office	City Attorney's Office
Police Commission	Office of the Mayor
Police Department	Fire Department
Public Works	Recreation Department
Library and Cultural Services	Planning and Building Services
Community and Economic Development	Engineering and Wastewater Department
Port of Richmond	City Council's Office
Office of Neighborhood Safety	Employment and Training
Richmond Housing Authority	



### BUDGET TEAM

**James Goins**  
Finance Director

**Andrea Miller**  
Budget Administrator

**Connie Valentine**  
Senior Budget Analyst

**Markisha Guillory**  
Budget Analyst I

**Vrenesia Teal**  
Budget Analyst I

**Bert Jones**  
Budget Analyst I

**Leah J. Clark**  
Budget Analyst I

**Antonio Banuelos**  
Revenue Collection Manager

**Nickie Mastay**  
Finance Manager

**Susan Segovia**  
Debt Analyst

**Theresa Austin**  
Executive Secretary II



This page is intentionally left blank

**DATE:** June 22, 2010

**TO:** Mayor McLaughlin and Members of the City Council

**FROM:** Bill Lindsay, City Manager  
James Goins, Finance Director

**SUBJECT:** Adopted Fiscal Year 2010-11 Operating Budget

---

Transmitted herewith is the Adopted Operating Budget for Fiscal Year (FY) 2010-11. While the adopted FY2010-11 General Fund budget is balanced, with expenditures from all funding sources totaling \$131 million, it represents a significant reduction in the budgeted level of General Fund expenditures from the prior year (as adjusted at mid-year) of approximately \$15 million, or 11.2%.

The need to significantly reduce expenditures is due to the decline in some of the most important, and previously stable and growing, sources of City revenue. Of significant note, the total amount of General Fund revenues for FY 2010-11 (before operating transfers) is approximately the same as the revenue level of FY 2005-06 – five years prior to the proposed budget. In particular, property tax revenues for the coming fiscal year are estimated to be 5% below the level of five years ago; sales tax revenues are estimated to be 6% below the level of five years ago. These two impacted sources account for 46% of the General Fund revenue. With these declines in revenue, the FY2010-11 budget has been balanced using a combination of departmental savings and expenditure reductions.

To the extent possible within these financial constraints, the FY2010-11 budget continues to support the Council's long-range vision for the Richmond community. 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 2010-11 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 are incorporated into an ongoing

management reporting system 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 has those that are currently disconnected; and is still a “diamond in the rough” with outstanding potential.

Five strategic goals for the City were created from these visions:

- 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* was not added until 2008, and reflects the Council's stated policy direction that this has become a priority for the City organization.

On February 27, 2008 a strategic planning retreat was held where the executive management team identified long and short –term key objectives as well as supporting actions, success indicators and lead responsibilities. Over the course of the next 13 months, chapter drafts of a Five-Year Strategic Business Plan (the “Plan”) were formulated. During that time comments from executive management and city staff were taken into consideration and placed into the draft.

On March 24, 2009 the Plan was presented to City Council in a study session, for comments and suggestions regarding the implementation of the plan and how it will be presented to the community. From May to July the Plan began a three month hearing process through the Richmond community. Over 11 meetings and presentations were held. Residents, businesses, community based organizations all gave positive feedback about the plan, which was taken into consideration and placed into the final draft of the plan.

On October 27, 2009 the City Council approved the Five-Year Strategic Business Plan. The Five- Year Strategic Business Plan serves as a blueprint for prospective opportunities and endeavors; as well as outline the City's strategic goals, set priorities for City operations and the annual budget, and help guide the City's Capital Improvement Plan. It will also serve as one of the key tools for the implementation of the City's new general plan. All projects, programs and operations in the Five-Year Strategic Business Plan will help to ensure the City is clean, well maintained, safe, with a prosperous business climate, and committed to cost-effective and responsive services to residents that promote a sustainable quality of life.

### 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 embodied in the Five-year Strategic Plan. For presentation purposes, the budget describes this vision in the five core strategic goals outlined above:

- 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**

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 2010-11 budgetary investment.

### FY 2009-10 Accomplishments/Highlights

Below are some key accomplishments during FY 2009-10 toward achieving the core strategic goals of the City:

**1. Maintain and enhance the physical environment**

- The Skate Park was completed on October 21, 2009 and received the “Award of Excellence” for outstanding Park and Recreation Facility.
- Post consumer rubberized asphalt concrete (RAC) specifications are now incorporated into City standard specifications.
- A city-wide street cut ordinance was adopted that establishes a moratorium for trench cuts in newly paved streets.
- Phase II of the Greenway was completed.
- Re-roofing of Fire Station Nos. 62 and 64 was completed.

**2. Promote a safe and secure community**

- 42 Closed Circuit TV Cameras (CCTV) are installed throughout the City are operational and monitored 24 hours a day by the Police Dispatch Center.
- The Bookmobile received a new wrap making it more attractive to children. In October of 2009, more than 6,000 children stepped onboard the Bookmobile to check out books.
- The Richmond Public Library and the Contra Costa County Library have entered into a Memorandum of Understanding (MOU) to collaborate at the Juvenile Hall Library in Martinez, and the Orin Allen Youth Rehabilitation Facility (OAYRF) in Byron to help provide incarcerated youth with access to literature and learning.
- The gymnasium at the Recreation Complex was refurbished with new fitness equipment and sports equipment.
- The Northern District (Hilltop) Police Substation was completed.

**3. Promote economic vitality**

- The Honda Port of Entry Project ground breaking ceremony was held October 25, 2009 and the Port received the first shipment of Honda's April 20, 2010.
- 21 businesses participated and contributed to the Summer Youth Employment Program by providing 705 jobs.
- Construction for the Lillie Mae Jones Plaza began in April 2010.

**4. Promote sustainable communities**

- The Arbors, a 36 unit “green rehabilitation” affordable housing project and new community room had its re-grand opening February 4, 2010.
- The City worked with the American Lung Association of California to develop several ordinances that restrict tobacco use in outdoor areas. These ordinances allowed the City to receive an “A” grade in the Annual State of Tobacco Control Report.
- The City entered into a Memorandum of Understanding with the Contra Costa County Vocational and Mental Health Services Department and established on-site counseling services at the Hacienda Development.

**5. Promote effective government**

- The Five-Year Strategic Business Plan was adopted by the City Council on October 27, 2009.
- The City continued to expand the functionality of its website to promote greater transparency of City activities; it was re-launched March 15, 2010.
- The Civic Center Grand Re-Opening Celebration was held at the Civic Center Plaza September 12, 2009.
- The City of Richmond received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA) for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2008.
- The City of Richmond was recognized by the Contra Costa County Board of Supervisors as a certified "Green Business" for the year in April 2010.
- The City received the Model Investment policy Award from the Association of Public Treasurers of the United States and Canada (APTUSC).
- All City credit ratings have been affirmed.

FY 2010-11 Outlook and Operating Objectives

Because of downturns in the national and regional economies, revenue growth for the City is projected to continue its sluggish pace from FY 2009-10 into FY 2010-11 and grow at a cautious rate as the economy climbs out of its current position. The management challenges moving into the new fiscal year are to capitalize on improved efficiencies, 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 reflects decreases in funding levels, there is still an expectation of service performance that is consistent with the commitments that are made within this budget document.

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 Paving Condition Index (PCI).
- Replace outdated series street lighting systems throughout City 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.
- Expand a comprehensive graffiti eradication program, leveraged through the organized use of community volunteers.
- Continue to adhere to maintenance standards for parks and landscaped areas.
- Complete the restoration of the Richmond Plunge.

## 2. Promote a safe and secure community

- Continue to 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.
- Continue to 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.
- Continue to initiate Crime Prevention Through Environmental Design (CPTED) reviews at all Housing Authority developments.

## 3. Promote economic vitality

- Provide over 700 jobs in the summer youth employment program, with the goal to increase by 150 the number of youth employed through this program over the previous year.
- Continue to support programs and initiatives that devise and implement strategies and programs that develop a skilled and prepared local workforce to address employers current and future workforce needs.
- Begin construction of the BART Garage complex.

## 4. Promote sustainable communities

- Continue to 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.
- Continue to support and increase capacity of Richmond based and Richmond serving non-governmental organizations.
- Continue to implement health and wellness pilot programs supported by The California Endowment.

## 5. Promote effective government

- Fully implement and promote an online payment system for business licensing and permits.
- Continue to increase efficiencies in information technology to provide better customer service.
- Continue to increase transparency and accessibility to City documents and records.
- Ensure all emergency communication and management systems are in place and functional in the event of a disaster.
- 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 2010, 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 adopted FY 2010-11 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 adopted budget.



This page is intentionally left blank

## **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 shorelines as a widely recognized symbol of the City's success

## **VALUES**

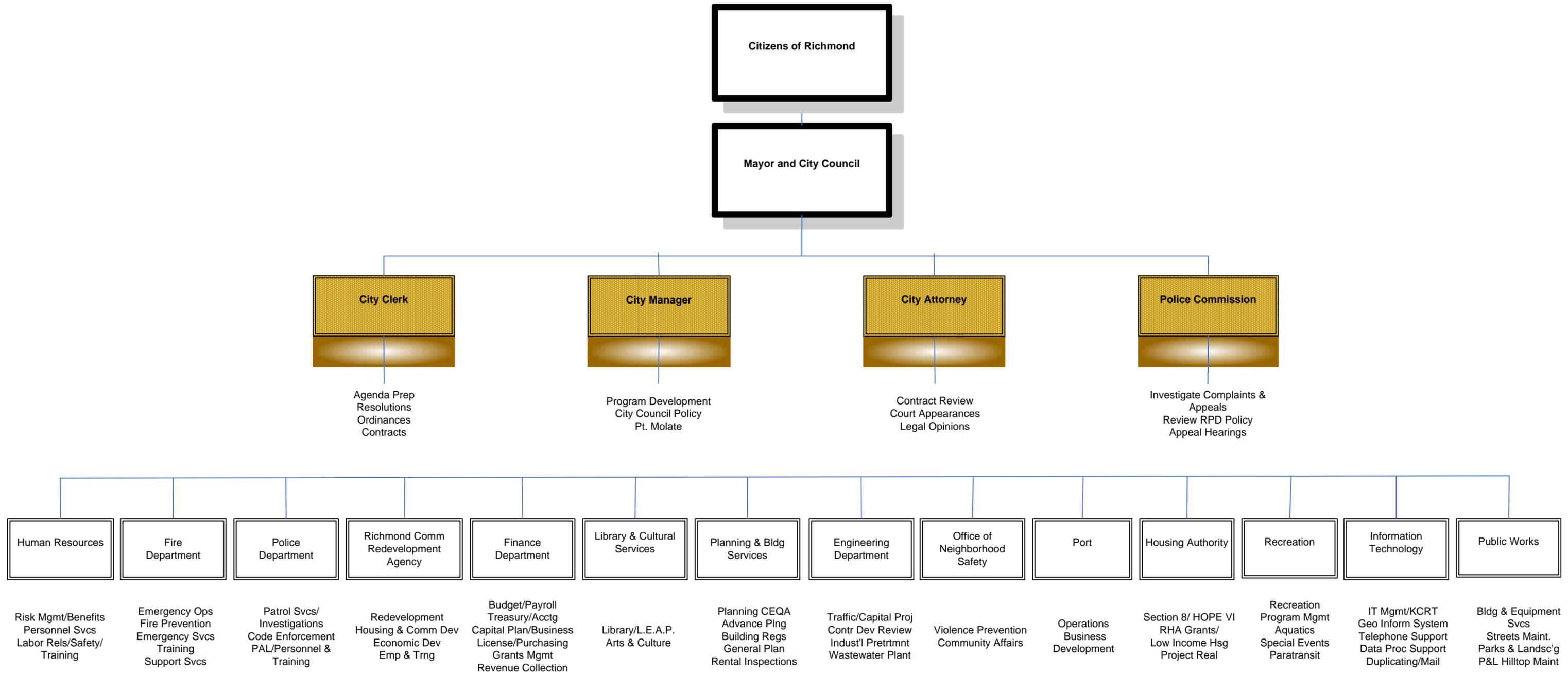
Honesty  
Excellent Customer Service  
Teamwork  
Commitment  
Innovation, Creativity and Risk-Taking  
Effective Results  
Community Involvement



This page is intentionally left blank



City of Richmond  
FY2010-11 Organizational Chart





This page is intentionally left blank

# OVERVIEW 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. Richmond was incorporated on August 7, 1905 and became a charter city on March 24, 1909.

Richmond is best known for its unique history and role in the World War II home front effort. Between 1940 and 1945, tens-of-thousands of workers from all over the country streamed into the City to support wartime industries. The City was home to four Kaiser shipyards which housed the most productive wartime shipbuilding operations of World War II, launching 747 ships during the war. The City was also home to approximately 55 war-related industries - more than any other city of its size in the United States.

Today, 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

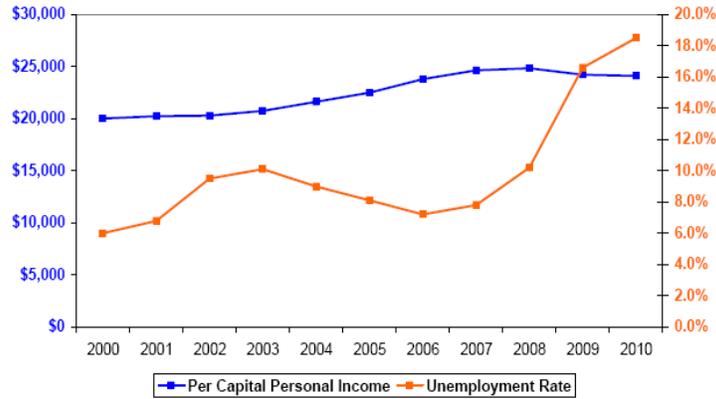
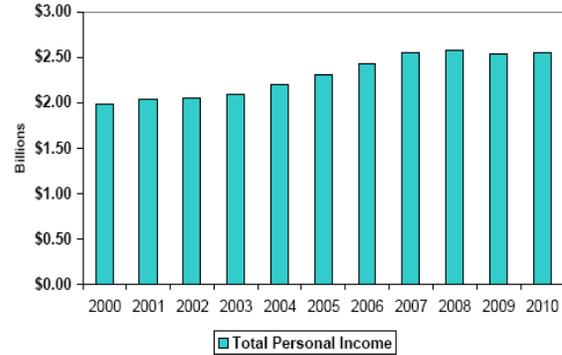
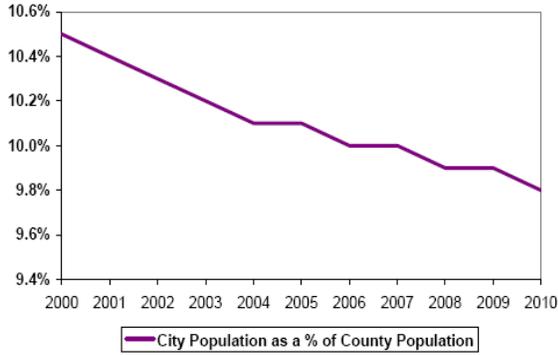
The City is governed by the City Council, consisting of a Mayor and six other Councilmember’s. The Mayor is elected at large for a four-year term. Councilmember’s are elected at large for staggered four-year terms. The Mayor is limited to two consecutive four-year terms. The City is a charter city, which 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.

## DEMOGRAPHIC AND ECONOMIC INFORMATION

### CITY OF RICHMOND DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS



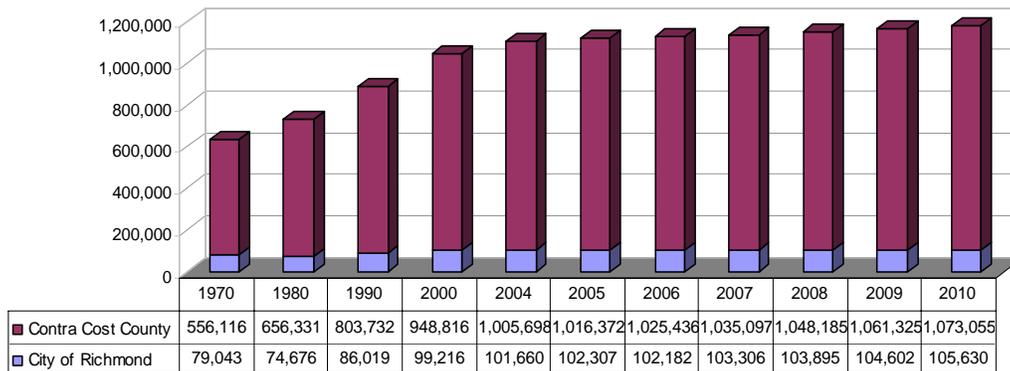
Fiscal Year	City Population	Total Personal Income	Per Capita Personal Income	Unemployment Rate (%)	Contra Costa County Population	City Population % of County
2000	99,216	\$1,985,411,376	\$20,011	6.0%	948,816	10.5%
2001	100,373	\$2,030,947,282	\$20,234	6.8%	966,122	10.4%
2002	100,939	\$2,048,960,761	\$20,299	9.5%	981,600	10.3%
2003	101,137	\$2,096,570,010	\$20,730	10.1%	993,827	10.2%
2004	101,660	\$2,198,702,480	\$21,628	9.0%	1,005,698	10.1%
2005	102,307	\$2,301,191,351	\$22,493	8.1%	1,016,372	10.1%
2006	102,182	\$2,429,887,960	\$23,780	7.2%	1,025,436	10.0%
2007	103,306	\$2,544,943,310	\$24,635	7.8%	1,035,097	10.0%
2008	103,895	\$2,579,920,640	\$24,832	10.2%	1,048,185	9.9%
2009	104,602	\$2,532,728,226	\$24,213	16.6%	1,061,325	9.9%
2010	105,630	\$2,544,837,960	\$24,092	18.5%	1,073,055	9.8%

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

## Population

City residents account for approximately 10% of the population of the County. While the period from 1980 to 2000 was characterized by rapid population growth in both the City and the County, the last five years reflect a trend of slower growth.

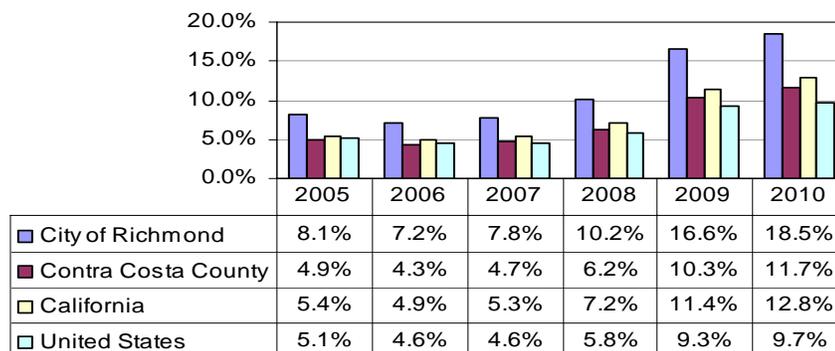
**City and County Population**



## Employment

The chart below sets forth unemployment rates for the City and the County for the last ten years. As reflected in the chart, there was a decline in the City's unemployment rate from 2005 to 2006; it rose slightly in 2007. The City's unemployment rate rose significantly in 2008, 2009, and 2010 reflecting the general decline in the national and State economies.

**Unemployment Rates**



Sources (all preceding data): California Department of Finance, California Employment and Development, Department, U.S. Department of Labor.

The City is centrally located in western Contra Costa County, within a short distance of the Cities of San Francisco and Oakland, as well as Marin County, and it is approximately 80 miles from the State capital, Sacramento. The economy of the City includes heavy and light manufacturing, distribution facilities, services, commercial centers, and a multi terminal shipping port on San Francisco Bay. Richmond also serves as a government center for the western portion of Contra Costa County.

Historically, the City has been viewed as a distribution center and a city of heavy industry, largely due to the visible presence of a major oil refinery, Chevron USA Richmond Refinery, and other major industrial and distribution uses: General Chemical, Bio-Rad Laboratories, the bulk liquid terminals in the Port of Richmond, the BNSF rail yard, a USPS distribution center and a UPS distributing center. The 500,000 square-foot Ford Assembly plant opened in early 2006, which significantly increased the amount of warehouse and manufacturing space in the City.

Since 1990, the City's economy has experienced growth in the high technology, light industry, research and development, medical technology, computer software and biotechnology sectors. Growth in these sectors is driven by a variety of factors, including proximity to San Francisco and the University of California at Berkeley, the availability of affordable housing for employees in a variety of neighborhoods, housing types and price ranges, and good access to freeway, rail and water transportation. While these new entrants have added diversity to the City's economy, older heavy industries continue to upgrade their facilities, making major investments in modernization and expansion. At the same time, green businesses, such as Power Light, have chosen to make Richmond their home.

The following table shows 10 selected major private employers in the City, ranked by the number of their employees Fiscal Year 2009-10.

**SELECTED MAJOR RICHMOND PRIVATE EMPLOYERS  
2009-10**

Companies	Number of Employees	Products
Chevron U.S.A., Inc.	2,461	Petrochemicals Refinery
The Permanente Medical Group	786	Medical Services
Costco Wholesale	352	Non-Durable Wholesale Trade
California Autism Foundation, Inc.	250	Social Services
Wal-Mart Store	245	Department Store
Macy's Hilltop	226	Department Store
Veriflo Division	215	Precision Valves and Regulators
The Home Depot	209	Building Materials
TPMG Regional Laboratory	185	Laboratory
Galaxy Deserts	173	Deserts and Pastries

*Source: City of Richmond Community Development Department.*

## **Community Facilities**

Richmond area residents have access to modern health care facilities. The Richmond area has two general hospitals, Doctors Hospital in San Pablo and Doctors Hospital in Pinole – both neighboring Richmond – plus the Kaiser Hospital Facility, located in downtown Richmond. Richmond also has several convalescent hospitals. The Richmond area offers a variety of leisure, recreational and cultural resources, from boating, fishing and hiking, to live theater, golf, tennis and team athletics. Three regional parks are on the shoreline: Point Pinole, George Miller Jr./John T. Knox, Ferry Point and Point Isabel. In addition, the City is home to the Rosie the Riveter/World War II Home Front National Historical Park. The City operates a public marina (775 boat berths at Marina Bay), four large community parks (Point Molate Beach Park, Hilltop Lakeshore Park, Nichol Park, and Marina Park and Green), 25 neighborhood parks ranging in size from one to 22 acres, many play lots and mini parks, and seven community centers.

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

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

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

## **Transportation**

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

### *Freeways*

Existing and new highways have made travel to and through the City more efficient and convenient. Interstate 80, which passes through the City, is a direct route to Oakland, San Francisco, Vallejo, Fairfield and Sacramento. Interstate 580 (the John T. Knox Freeway) provides continuous freeway access from Richmond's South Shoreline area to East Bay communities and to Marin County and is stimulating new commercial, industrial and residential development along Richmond's South Shoreline. Similarly, completion of the Richmond

Parkway through North Richmond in 1996 improves vehicular access between Marin and communities to the north and east on Interstate 80, while opening major tracts of land along the City's north shoreline for new development.

### *Port and Rail*

The City's deep water port is California's third largest in annual tonnage, handling more than 20.8 million metric tons of general, liquid and dry bulk commodities each year, over 90% of which is in bulk liquids, the majority of which arrive at the private Chevron USA Long Wharf facility (the "Chevron Terminal"). The Port of Richmond (the "Port") comprises seven City owned terminals, five dry docks and 11 privately owned terminals. One of the City-owned terminals (Terminal One) is currently in the process of being sold to a developer for use as a residential development. In early 2004, the City entered into a lease with Auto Warehousing Company for the operation on City property of an auto importation business, which has been handling approximately 90,000 automobiles per year arriving on ships from South Korea. Private terminals are responsible for almost 95% of the Port's annual tonnage. On dock rail service is provided to many port terminals by the Burlington Northern Santa Fe ("BNSF") and the Union Pacific. The Port, together with the BNSF operations, serves as an intermodal rail facility. Interstate 580 has enhanced truck access to the Port.

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

The City is currently undertaking a 10-year Port expansion plan that is designed to increase the capacity and profitability of the Port.

### *Regional Airports*

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

### *Public Transit*

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

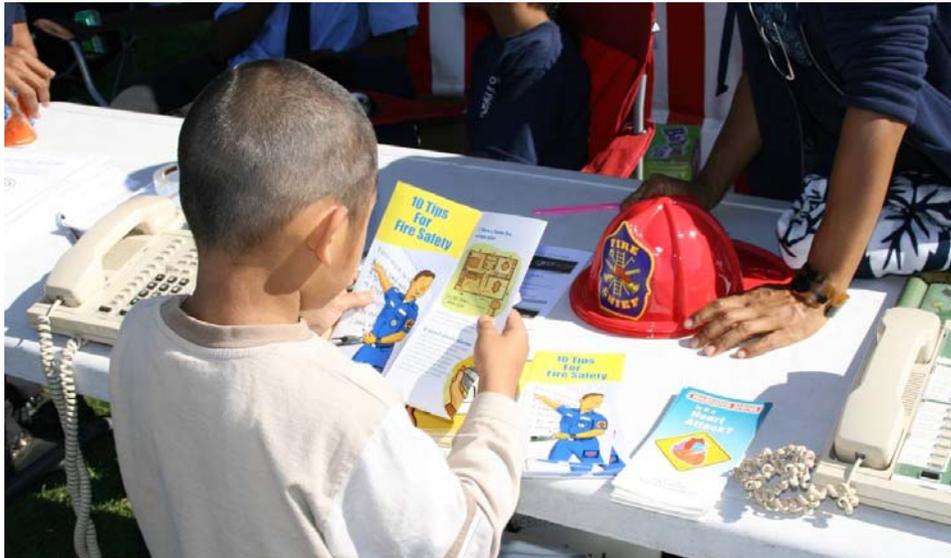
### **Utilities**

Electric power and natural gas services to the City are supplied by Pacific Gas & Electric Co. Telephone services to the City are supplied by AT&T. Water services to the City are supplied by East Bay Municipal Utility District. Sewer services to the City are supplied by West

Contra Costa Sanitary District, Richmond Municipal Sewer District and Stege Sanitary District.

## Education

The City comprises a portion of the attendance area of the West Contra Costa Unified School District, which comprises 42 elementary schools (18 of which are located in the City), seven middle schools (two of which are located in the City), and 14 high schools and alternative schools (six of which are located in the City) and has a total K-12 enrollment of approximately 35,000 students. In addition, private schools operate in the City and several institutions of higher education are located in or near the City, including the University of California at Berkeley, Contra Costa College, Diablo Valley College, Los Medanos College, the California Maritime Academy, California State University – East Bay, San Francisco State University, and the University of California at San Francisco.



*Richmond Homefront Festival – Fire Prevention Education*

## JURISDICTIONAL COMPARISON

	<u>City of Richmond</u>	<u>City of San Pablo</u>	<u>City of El Cerrito</u>	<u>City of Concord</u>
<b>Year Incorporated</b>	1905	1948	1917	1905
<b>Form of Government</b>	Council/Manager Charter City	Council/Manager General Law City	Council/Manager General Law City	Council/Manager General Law City
<b>Physical Area</b>	33.7 square miles	2.6 square miles	3.9 square miles	31.1 square miles
<b>Population</b>	105,630	32,131	23,666	125,864
Full Time Personnel	818	118	149	393
Population per Employee	128	270	157	320
Sworn Personnel	195	56	46	152
Population per Sworn Personnel	536	568	509	828
<b>Population By Ethnicity</b>				
White	19.5%	10.9%	51.7%	49.8%
Asian/Native Hawaiian/Pacific Islander	15.0%	30.0%	23.7%	30.0%
Black or African American	28.1%	15.1%	9.3%	11.9%
Hispanic or Latino (of any race)	34.9%	55.0%	8.6%	3.1%
American Indian and Alaskan Native	0.0%	0.1%	0.1%	0.5%
Other/Two or more races	2.5%	1.3%	6.6%	4.7%
<b>Median Age</b>	34.5	32.2	44.3	37.3
<b>Number of Registered Voters</b>	41,646	8,103	13,728	56,468
<b>Party Affiliation</b>				
Democrat	29,056	5,467	8,706	27,538
Republican	3,373	708	1,408	14,775
Other	1,724	331	612	2,721
Decline to state	7,493	1,597	3,002	11,434
<b>Number of Housing Units</b>	38,433	9,953	10,705	46,706
<b>Number of Households</b>	36,457	9,660	10,460	43,732
<b>Per Capita Personal Income</b>	24,092	17,078	42,236	29,632
<b>Mean Household Income</b>	68,665	57,096	81,972	68,109
<b>Persons Per Household</b>	2.78	3.25	2.22	2.73
<b>Unemployment Rate</b>	18.5%	22.6%	10.4%	12.6%

Source: 2006-08 American Community Survey (ACS) 3-year Estimates; City of Concord Finance Department; City of San Pablo Finance Department; City of El Cerrito Finance Department; California Secretary of State; California Department of Finance.

## **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.

### **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 into three broad fund categories (governmental, proprietary, and fiduciary).

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*

Governmental funds account for governmental activities mostly supported by taxes and charges for services. All governmental funds are accounted for on the "*current financial resources*" measurement focus and the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The City has seventeen (17) governmental funds, of which four (4) are considered major 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*

Proprietary Funds account for business-type activities whose functions are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting.

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of when cash changes hands.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Proprietary funds of the City are two types: (1) enterprise funds - used to report any activity for which a fee is charged to external users for goods or services provided; and (2) internal service funds – used to finance and account for goods and services provided by a designated department to other departments in the City on a cost-reimbursement basis. The City maintains the following Internal Service Funds: Insurance Reserves, Equipment Services and Replacement, Facilities Maintenance, Information Technology, and Police Telecommunications. Amounts charged to receiving departments are determined using a variety of methodologies including historical trend analysis and statistical forecasting. The City maintains twelve proprietary funds. 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 "DEBT SERVICE SCHEDULE" on page X-5.

### *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**

### *Budgetary Accounting*

The City adopts a budget annually to be effective July 1, for the ensuing fiscal year. The budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP). Budgeted expenditures are adopted through the passage of a resolution. This resolution constitutes the maximum authorized expenditures for the fiscal year and cannot legally be exceeded except by subsequent amendments of the budget by the City Council.

The City uses an encumbrance system as an extension of normal budgetary accounting for the General Fund, special revenue funds, and capital projects funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund balance since they do not constitute expenditures or liabilities. Unencumbered and unexpended appropriations lapse at year-end.

## *Budget Development Process*

The budget development process is the formal method through which the City establishes its program priorities, goals and service levels for the upcoming fiscal year. Through the budget development process, policy is set, programs are established, service levels are expressed, performance measures are articulated, and resources are identified.

The “budgetary” method of accounting is used for preparing the City’s budget. The budget is a plan of revenue and expense activities for the fiscal year and is intended to provide a clear, concise, and coordinated financial program to attain the City’s goals and objectives. Revenue estimates are derived using historical and economic data on the state and local levels. The budget should be balanced with current revenues equal to or greater than current expenditures.

### Responsibilities:

1. The Director of Finance has the overall administrative responsibility for planning, coordinating, analyzing, preparing and issuing the budget.
2. Each Department Director is responsible for preparing and submitting the budget for the department and its subsidiary divisions in accordance with the budget instructions.
3. The City Manager, in close consultation with the division and department directors, is responsible for making the final determination of the proposed budget to be submitted for approval to the City Council.
4. The City Council is responsible for approving the annual operating budget.

### Preparing the Budget:

1. As a general rule, from October to December, the City Manager, Assistant City Manager, the Director of Finance, and Budget Division hold a series of planning meetings to analyze financial performance and determine preliminary budget guidelines for the upcoming fiscal year.
2. Following the planning meetings, the Director of Finance prepares strategy recommendations for the upcoming budget and presents them to the City Manager.
3. The City Manager, Assistant City Manager, and the Director of Finance make a final determination of the budget strategy and guidelines.
4. In January and February, the Budget Division drafts the budget guidelines, instructions, supporting materials, forms and worksheets, and distributes them to all departments and divisions responsible for budget preparation.

The budget guidelines are based on financial information that includes:

- a. New budget policies for the upcoming fiscal year.
  - b. Department worksheets with historical actual and proposed operating revenue and expenses.
  - c. Variance analysis (actual versus budgeted financial activity) and forecast analyses.
5. The Budget Division coordinates a series of workshops to provide technical assistance

- to staff who are involved in preparing budgets for their departments or divisions.
6. Under the direction of the department director, departments and divisions prepare their budgets.
    - a. Budgets are expected to conform to the standards set forth in the Budget Guidelines and Instructions manual.
    - b. Should the budget deviate from those standards, the department or division prepares a justification.
    - c. If a department's proposed budget includes new programs, the department includes information and justification on the programs including amounts that will be required to fund their implementation.
  7. When the division and department budgets are completed, the department director reviews them and forwards them to the Budget Division.
  8. The Budget Division compiles the divisional and departmental budgets into a draft for a single City-wide budget, analyzing all revenue and expenditure projections to ensure that they meet the City's goals and objectives, adhere to the budget guidelines, and that no category has been overlooked.
  9. The Budget Division presents to the City Manager and the Director of Finance the completed draft budget and a master list of departments' proposed new programs.
  10. The City Manager, Director of Finance, and department directors meet between March and the end of April to review the draft budget, make necessary adjustments, and determine which of the proposed new programs will be presented to the City Council for adoption. These meetings are an opportunity for each department and division to present their proposed budget and their justifications for new programs, and to enhance senior management's knowledge of operational needs.
  11. When the draft budget has been approved by the City Manager, Assistant City Manager, and the Director of Finance, the adjusted divisional and departmental budgets are returned to the department directors for their information and acknowledgement.
  12. In early May, the Budget Division compiles a brief summary of the draft budget and sends a copy to the City Council pursuant to the applicable City resolution.
  13. The Budget Division distributes the draft budget summary to the City Council. At the May City Council meeting, the department directors hold a work session to inform the City Council about the budget and the strategies and the financial data upon which it is based.
  14. Based upon the City Council's comments, the Budget Division may subsequently revise the draft budget.
  15. Public hearings are conducted on the proposed budgets to review all appropriations and sources of financing.
  16. At its June meeting, the City Council formally adopts the budget. Once adopted, the budget is the City Council approved operational plan for the ensuing fiscal year.

#### Monitoring the Budget:

1. Once in place, the adopted budget becomes the main internal control document used to monitor and manage the City's financial position.
2. 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.
3. Finance provides a Monthly Revenue and Expenditures Report to the Finance

- Committee indicating revenue and expenditures for the month and year to date.
4. Department directors review the reports and prepare written explanations of significant variances between actual revenues and expenditures and the budget projections. These data are intended to help department directors control expenditures and maximize revenue.
  5. After receiving the Monthly Revenue and Expenditures Report for the quarter ending month, department directors may submit new appropriation requests and adjustments to the adopted budget. The Budget Division prepares monthly Variance Reports for City Council and with approval of the City Manager, Assistant City Manager, and Finance Director, may include requested appropriation changes and/or adjustments for the approval of the City Council.
  6. Throughout the year, department directors assist their divisions and departments in taking any necessary corrective action to control costs.

#### Budget Amendments:

Amendments to the budget may be made throughout the fiscal year. A mid-year budget review is conducted and presented to the City Council in January. Appropriations of new monies or transfers between funds require formal action through City Council resolution. 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.

#### 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 2010-11 through 2014-15 identifies approximately \$19.5 million of funded capital improvement projects in the proposed fiscal year, and approximately \$238 million of unfunded capital improvement projects. The CIP is available from the City’s website.

#### Five-Year Strategic Business Planning

The City of Richmond’s Five-Year Strategic Business Plan (5YSBP) is a distinct document that integrates strategic planning and budgeting. Strategic planning addresses the needs of the citizens and Council as a whole by defining what is to be accomplished through the use of its resources. It allows staff to identify future challenges and opportunities, causes of fiscal imbalances, and strategies to secure financial sustainability.

The 5YSBP was presented and adopted by the City Council in October 2009. The complete document is available from the City’s website at [www.ci.richmond.ca.us/5YSBP](http://www.ci.richmond.ca.us/5YSBP). The 5YSBP was adopted to help the City Council assess the impact of policy decisions on the City’s quality of life. As a blueprint for the future, the 5YSBP outlines the City’s goals and evaluates its financial capability to achieve them. The 5YSBP outlines the City’s adopted strategic goals: maintain and enhance the physical environment; promote a safe and secure community;

promote economic vitality; promote sustainable communities; and promote effective government.

On a quarterly basis, the City Manager meets with the various Department Directors and their staff to discuss the status, future activity, and success indicators for each objective.

Through the City Council's continued leadership, Richmond will continue to fulfill its strategic goals, ensuring the community's quality of life.

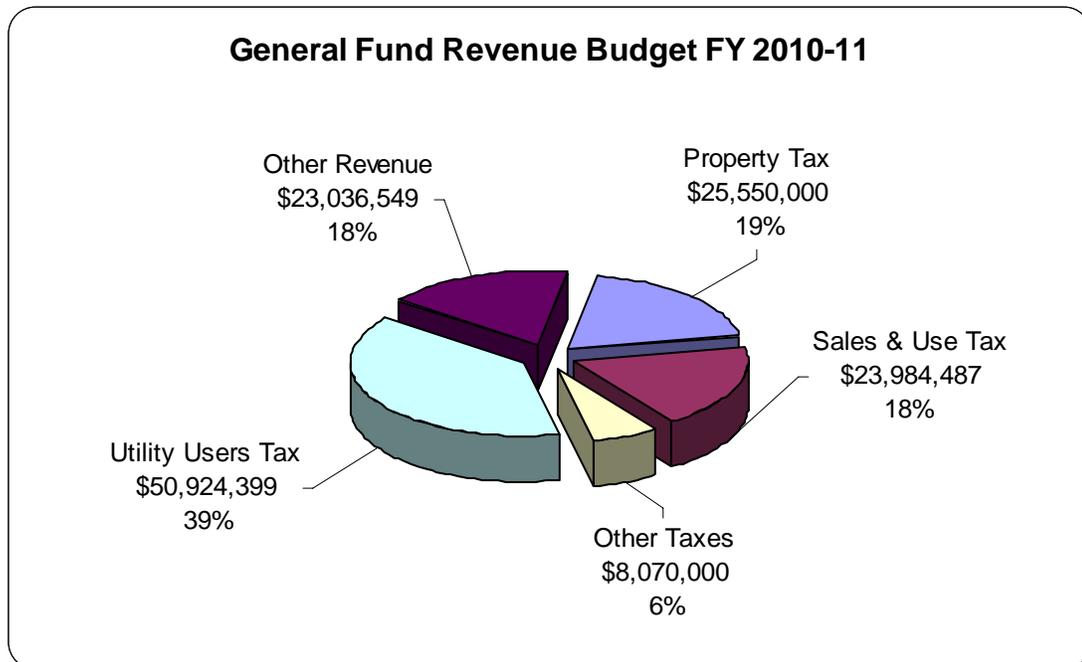
### Long-Term Financial Planning

The City is in the process of developing a Long-Term Financial Plan (LTFP). Long-term financial planning is used to identify future financial challenges through financial forecasting and analysis, and then, based on that information, to devise strategies to achieve financial sustainability. Benefits of Long-term Financial Planning include: Balanced Budgets; Reduce Conflict During Budgeting; Sustainable Growth; Manage Low, No, or Negative Growth; Stable Tax Rates; and Better Service Planning.

Implementation of the Long-Term Financial Plan is planned for July 2011.

### 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 tax and revenue from the State. For Fiscal Year 2010-11, the budget projects these principal sources to total approximately \$108.5 million.



## *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.

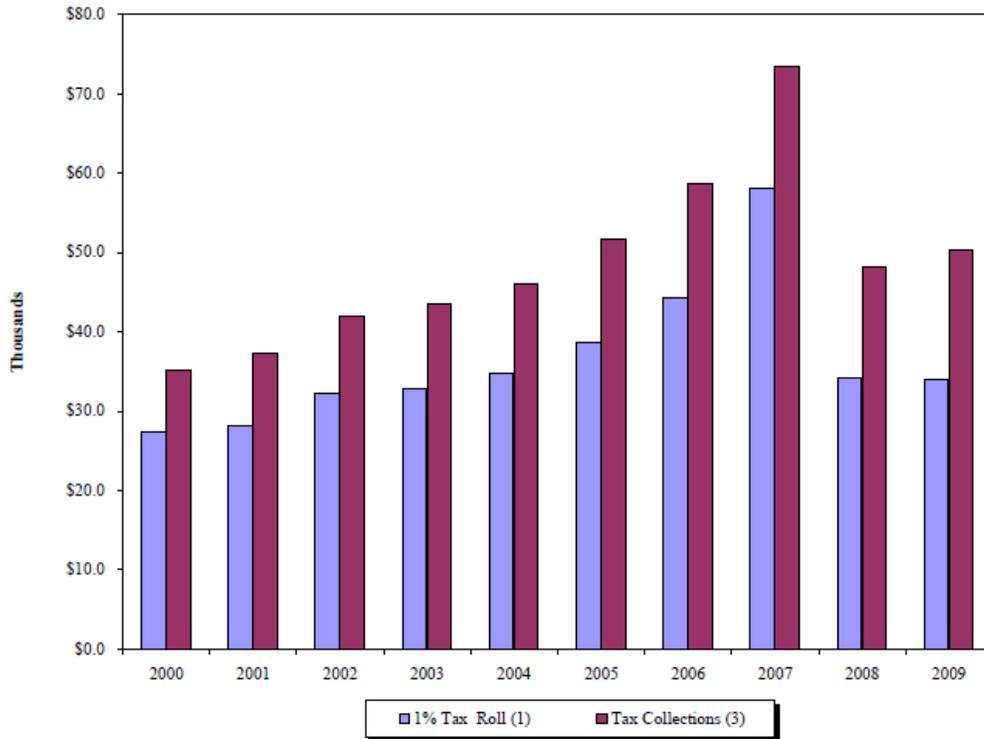
As previously discussed, pursuant to Article XIII A of the California Constitution, annual increases in property valuations by the County Assessor are limited to a maximum 2% unless properties are improved or sold. Transferred properties and improvements are assessed at 100% of full cash value. Therefore, 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.

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.

**City of Richmond  
Property Tax Levies and Collections  
Last Ten Fiscal Years**



*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.

*Largest Taxpayers.* Set forth in the following table are the ten largest secured taxpayers in the City for the Fiscal Year ending June 30, 2009, based on assessed valuations within the City.

**CITY OF RICHMOND  
LARGEST PROPERTY TAX PAYERS  
Fiscal Year 2008-09**

<u>Property Owner</u>	<u>Type of Business</u>	<u>Assessed Valuation<sup>(1)</sup></u>	<u>Total<sup>(2)</sup></u>
Chevron USA	Industry	\$3,806,016	27.88%
Lennar Emerald Marina Shores	Residential	130,137	0.95%
Richmond Parkway Associates	Residential	122,770	0.90%
Bayer Healthcare Pharm., Inc.	Industrial	114,424	0.84%
DDRM Hilltop Plaza, LP	Commercial	88,858	0.65%
Richmond Essex, LP	Residential	67,859	0.50%
Richmond Associates	Commercial	63,727	0.47%
Crescent Park EAH, LP	Residential	48,444	0.35%
Cherokee Simeon Venture I, LLC	Commercial	46,837	0.34%
Foss Maritime Company	Unsecured	45,889	0.34%
Total		\$4,534,961	27.66%

(1) In Thousands

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

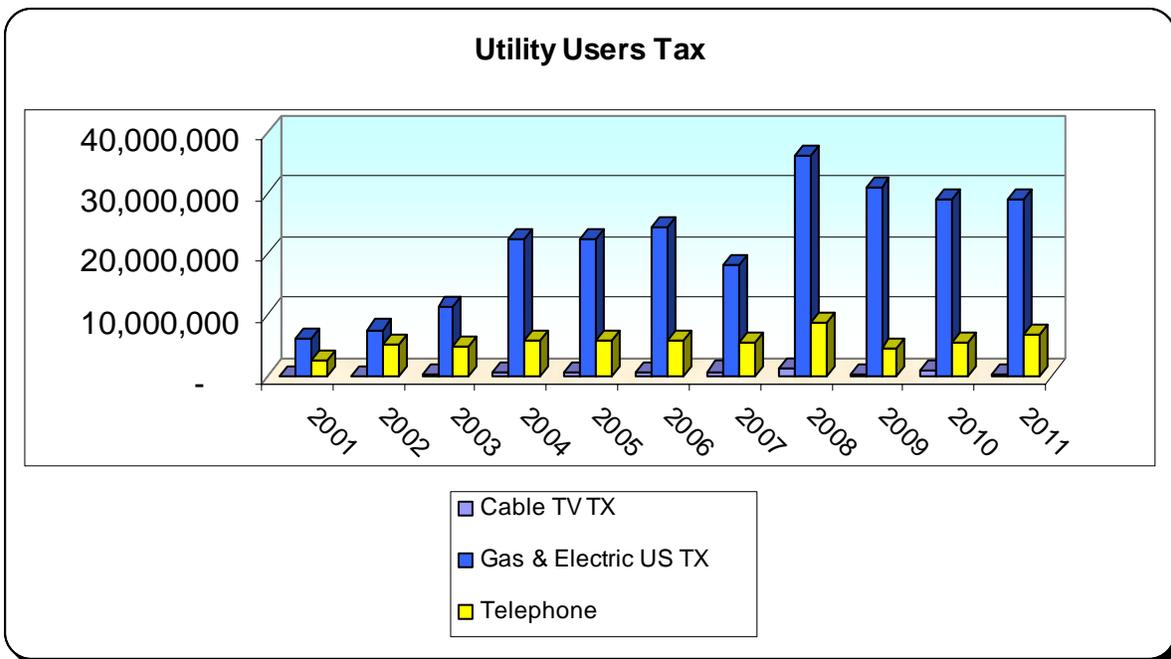
Sources: *City of Richmond Comprehensive Annual Financial Report for the Year Ended June 30, 2009.*

*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 2008-09.

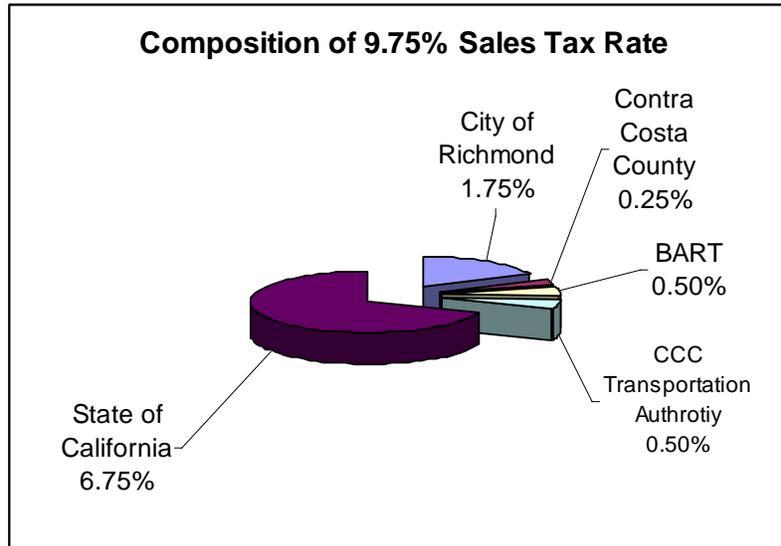
The Richmond Municipal Code Section 13.52.100 provides that any electric service user may annually elect to pay a maximum Utility Users Tax that is calculated as the base amount of \$1,148,137.54 for each percent of tax imposed for any tax year, which base amount is then adjusted annually by that percentage 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.

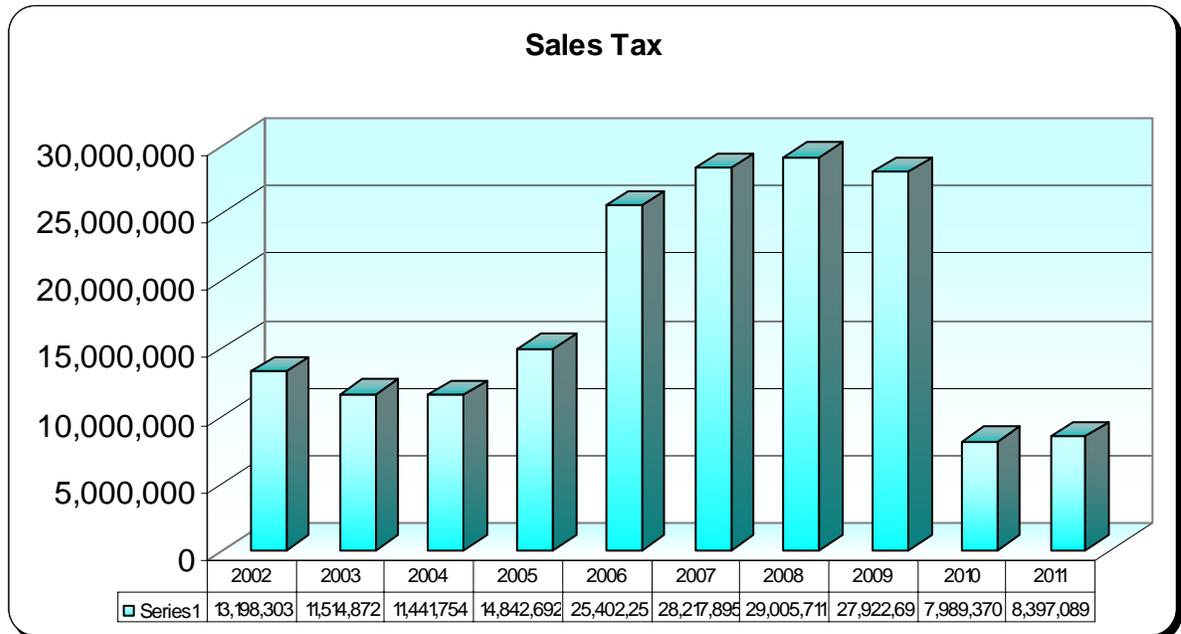


## Sales and Use Taxes

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 9.75% and is allocated as follows:



Source: California State Board of Equalization.

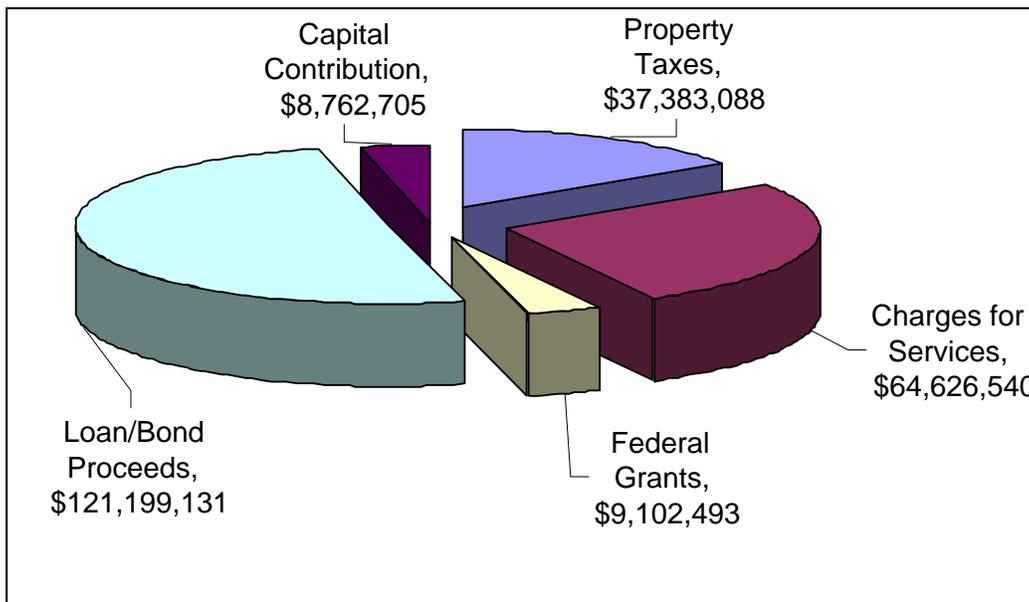


### *Documentary Transfer Tax*

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.

### **Major Non-General Fund Revenue Sources**

Following is a discussion of the City’s principal non-general fund revenue sources: loan/bond proceeds, charges for services, property taxes, federal grants and capital contribution. For Fiscal Year 2010-11, the budget projects these individual non-general fund revenue sources to total approximately \$241.1 million.



### *Loan/Bond Proceeds*

#### Richmond Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2010 (Civic Center)/Richmond Community Redevelopment Bonds, Series 2010A

On November 29, 2009, the Richmond Joint Powers Financing Authority issued Series 2010 Lease Revenue Refunding Bonds in the amount of \$89,795,000. The proceeds from the Bonds were used to refund the Richmond Joint Powers Financing Authority Lease Revenue Bonds, Series 2007. Bonds in the principal amount of \$87,086,910 have been recorded as governmental activities debt, and \$2,708,090 has been recorded as business-type activities.

On April 3, 2010, the Richmond Community Redevelopment Agency issued Series 2010A Tax Allocation Refunding Bonds in the amount of \$33,740,000. The proceeds from the Bonds were used to refund the Richmond Community Redevelopment Agency Tax Allocation Bonds, Series 2007A. The Civic Center Bond of \$87 million and RCRA Bond of \$33 million represent majority of the Loan/Bond Proceeds for FY 2009-10. These bonds are one-time revenues that are not projected to occur annually.

### *Charges for Services*

These charges adhere from three main departments of the City of Richmond – the human resources, engineering, and public works departments. The Human Resources department receives revenue from general liability indirect cost allocations and departmental worker's compensation reimbursements. These general liability allocations are based on the annual actuarial study and program expenses while worker's compensation reimbursements vary from year to year. Engineering generates revenue from wastewater sewer charges and for capital improvement work. The Wastewater sewer division receives revenues from fixed fees from residential, commercial, and industrial users as set by ordinance. While the residential fees are fixed based on the number of users, commercial and industrial pay a flat fee and a flow based fee. These non-residential fees (commercial & residential) are based on prior year usage. Engineering charges for services it renders to other departments for projects they perform. The Public Works department revenues come from internal service fund charges which include maintenance pool allocation, facility maintenance, and utilities. Facility maintenance allocations were determined based on square footage of the facilities and the frequency in which they were cleaned by the custodial staff; revenue includes 100% salaries and benefits for all Facilities Maintenance personnel with the exception of the Electricians. Utilities allocations were based on actual cost from the previous year. Maintenance pool – allocations were determined based on square footage and a formula to create an average rate for maintenance per square foot.

### *Property Taxes*

The property taxes received outside the General Fund is from tax increment, special assessment tax (assessment district, floating lien), pension override, and secured and unsecured property taxes. The tax increment is collected and used in the Richmond Community Redevelopment Agency (RCRA) for the revitalization of physical, economic and social conditions of blighted areas and community enhancing programs to improve the general welfare and enhance the quality of life in the community. The other revenues are used on debt service, retirement benefits, bank fees, and other miscellaneous expenses. Projections of tax increment revenues are from hiring an outside consulting agency with assumptions from the assessor's office. Assessed valuation determines the revenue from the special assessment tax each year. Pension override is a fixed rate of tax levied upon the taxable and personal property within the taxing districts. For secured property taxes - revenue is generated when the Assessor establishes the value of property (land or structures) on January 1<sup>st</sup>. This value is multiplied by the tax rate then some special charges are added i.e. sewer assessment charges. Unsecured property taxes are taxes against businesses for property that can be relocated such as business equipment, planes, and boats. The unsecured tax revenue comes from the prior year secured tax on January 1<sup>st</sup> multiplied by the tax rate.

## *Federal Grants*

A substantial amount of the federal grants received during FY 09-10 came from the American Recovery & Reinvestment Act of 2009. While some recurring grants are easy to estimate future revenues it's often difficult to forecast new grant revenues several years out. Employment & Training applied for and received several grants including the Brownsfield Job Training Grant from USEPA and the Construction Transfer Grant from the Department of Labor. The Richmond Community Redevelopment Agency (RCRA) received two grants from HUD for the Neighborhood Stabilization program and the Homeless Prevention Shelter. RCRA was also awarded a grant from the Economic Development Administration. The City of Richmond will continue to explore and apply for grants in the future to better help serve our communities.

## *Capital Contribution*

The revenue from capital contribution came from the Port of Richmond department and the Wastewater division of Engineering department. These were one-time transfers to correct fixed assets in the balance sheet. This transfer does not occur on an annual basis.

## **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.

*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.

*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.

**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.

**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

## Annual Appropriations Limit

Article XIII B of the State Constitution, more commonly referred to as the Gann Initiative or Gann Limit, and subsequent implementation legislation requires that the City of Richmond limit each fiscal year's appropriations of the proceeds of taxes to the amount of such appropriations in Fiscal Year 1978-79 as adjusted for changes in the cost of living and population. Section 7910 of the Government Code requires each local government to establish by resolution its appropriations limit for each fiscal year. The City's limitation is calculated every year and it is established by a resolution of the City Council as a part of the Annual Operating Budget. Resolution No. 69-10 was approved on June 15, 2010 establishing the City of Richmond's appropriation limit. Below is the calculation.

Fiscal Year	Population Percent Change	Per Capita Inflation Change Factor	Annual Growth Factor	Annual Adjustment	Annual Appropriations Limit
2010-11	1.0110	0.9746	0.9853	-\$4,104,665	\$275,516,105
2009-10	1.0116	1.0062	1.0179	\$4,909,616	\$279,620,770
2008-09	1.0136	1.0429	1.0571	\$14,834,645	\$274,711,154
2007-08	1.0113	1.0442	1.0560	\$13,781,204	\$259,876,509
2006-07	1.0100	1.0396	1.0500	\$11,717,931	\$246,095,305
2005-06	1.0118	1.0526	1.0650	\$14,308,996	\$234,377,374
2004-05	1.0112	1.0328	1.0444	\$9,349,060	\$220,068,378
2003-04	1.0143	1.0231	1.0377	\$7,661,441	\$210,719,318
2002-03	1.0176	0.9873	1.0047	\$945,176	\$203,057,878
2001-02	1.0171	1.0782	1.0966	\$17,810,457	\$202,112,702
2000-01	1.0061	1.0491	1.0555	\$9,690,847	\$184,302,245

The City and Redevelopment Agency anticipate that their combined tax allocations for FY2010-11 will be approximately \$221,584,266, which is below the authorized spending limit of \$275,516,105. Additional appropriations to the budget funded by non-tax sources such as beginning fund balances, grants or service charges are unaffected by the appropriations limit.

# California Society of Municipal Finance Officers

Certificate of Award  
For

*Excellence in Public Communications*

*Fiscal Year 2009-2010*

*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 AWARD in the PUBLIC COMMUNICATIONS BUDGET CATEGORY.*

*February 18, 2010*



*Thomas Fil*

Thomas Fil  
CSMFO President

*Pamela Arends-King*

Pamela Arends-King, Chair  
Budgeting & Financial Reporting