Proposed

2012/13 – 2016/17

Five-Year Financial Plan

City of Richmond, California

Prepared by the
Finance Department
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RICHMOND CITY COUNCIL

Gayle McLaughlin
Mayor

Jael Myrick
Councilmember

Nathaniel Bates
Councilmember

Jim Rogers
Councilmember

Courtland "Corky" Boozé
Vice Mayor

Tom Butt
Councilmember

Jovanka Beckles
Councilmember
ADMINISTRATION AND DEPARTMENT HEADS

City Manager ................................................................. Bill Lindsay
Asst. City Manager/Human Resources Director .............. Leslie Knight
City Attorney ................................................................. Bruce Goodmiller
City Clerk ................................................................. Diane Holmes
Director of Successor Agency ................................. Alan Wolken
Employment & Training Director ....................... Sal Vaca
Interim City Engineer ................................................. Alan Wolken
Finance Director/Treasurer ........................................ James Goins
Fire Chief ............................................................... Michael Banks
Housing Director .................................................. Patrick Lynch
Information Technology Director ..................... Sue Hartman
Library & Cultural Services Director .................... Katy Curl
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
ACKNOWLEDGEMENTS

Chief Executive Officer
    Bill Lindsay, City Manager

Project Director
    James Goins, Finance Director/City Treasurer

Project Manager
    Tracie Thomas, Accountant

Document Manager
    Leah J. Viramontes, Budget Analyst

Administrative Support
    Valerie Lewis, Executive Secretary
    Theresa Austin, Executive Secretary

Community Team
    Leah J. Viramontes, Budget Analyst
    LaShonda White, Management Analyst
    Rochelle Monk, Community Affairs Coordinator

Revenue Forecast Team
    Antonio Banuelos, CRO, Revenue Manager
    Hope Lattell, CRO, Accountant
    Veretta Edwards, CRO, Accounting Assistant
    Shasa Curl, Development Project Manager
    Revenue Analysis
    Revenue Analysis
    Business License Revenue Analysis
    Richmond Bay Campus (LBNL)

Grant Team
    Connie Valentine, Grants Manager
    Melissa Tigbao, Engineer
    Grants Analysis
    Grants Analysis

Expenditure Forecast Team
    Markisha Guillory, MPA, Senior Budget Analyst
    Andreia Stewart, Payroll Supervisor
    Susan Segovia, Debt Analyst
    Yolanda Skelton, Senior Accountant
    Expenditure Analysis
    Salaries/Benefits Analysis
    Pension Stabilization/OPEB Analysis
    Accumulated Compensated Absences
Reserve Analysis

- Markisha Guillory, MPA, Senior Budget Analyst
- Angela Rush, Operations Manager
- Robyn Kain, Risk Manager
- Dee Karnes, Equipment Services Manager
- Susan Segovia, Debt Analyst
- Latha Ravinder, Finance Manager

Reserve Analysis
Operations and Parks Reserve Analysis
Insurance Reserve Analysis
Equipment Reserve Analysis
Sustainability Fund Balance Reserve
Fund Balance Analysis

Capital Projects Analysis

- Chris Chamberlain, Parks & Landscaping Superintendent
- Vrenesia Ward, Budget Analyst
- Craig Murray, Project Manager
- Tawfic Halaby, Associate Civil Engineer
- Bruce Soublet, Assistant City Attorney
- Chadrick Smalley, Development Project Manager

CIP GAP Closing Strategies
CIP GAP Closing Strategies
CIP GAP Closing Strategies
Street Light Master Plan Analysis
ADA Analysis
CIP GAP Closing Strategies

Debt and Pension Analysis

- Susan Segovia, Debt Analyst
- Bruce Soublet, Assistant City Attorney
- Tracey Lovely, Investment Manager
- Chinwe Okoli, Cash Analyst
- Andreia Stewart, Payroll Supervisor

Pension/OPEB and Debt Analysis
Pension Analysis
Cash Flow Analysis
Assessment Districts Data
Pension Analysis
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 a clean and well-maintained environment for individuals who live, work and play within its boundaries by maintaining a safe and secure community, continuing the development of a diverse economic base, maintaining a sustainable and environmentally friendly quality of life while promoting an effective government to efficiently serve the needs of the community that are fundamental to the health, quality of life and economic vitality of Richmond.

Values

Honesty

Excellent Customer Service

Teamwork

Commitment

Innovation, Creativity, and Risk-Taking

Effective Results

Community Involvement
SECTION ONE: EXECUTIVE SUMMARY

The City of Richmond’s Five-Year Financial Plan (the “Plan”) is an annual five-year forecast of revenue and expenditure projections to be used as a tool for the long-term sustainability of the City and its employees. The Plan looks forward at the City’s operating revenues and expenditures and uses them to project a sustainable level that will guide the development of capital projects, service levels, revenue levels and budgets in line with the General Plan and the strategies and objectives of the Five-Year Strategic Business Plan adopted by the City Council in October, 2009.

The Plan provides a snapshot of possible projected fiscal outcomes and their impacts on maintaining the City’s current service levels and policies.

At the direction of City Council, the City annually prepares a comprehensive Plan which is essential to sound fiscal management. The Plan serves as a tool, providing the City Council and the public with the insight required to address issues impacting the City’s financial condition. The Plan consists of a complete financial plan that provides supporting documents used in developing a strategic plan from a thorough analysis of all issues that impact the City’s financial condition. The strategic priorities and issues contained within this Plan will be guiding factors in planning and resource allocation decisions in the future.

Five-year financial planning is essential for ongoing financial sustainability, providing a consistent level of public services, and protecting constituents from volatility in local taxes. In short, five-year financial planning helps the City not only guard the public purse, but also make the best use of available tax dollars.

The City’s five-year financial planning complements other planning processes that the City uses such as strategic planning, capital improvement planning, and budgeting. Together they form a complete planning framework as illustrated below.
Five-year financial planning requires four main components to form financial stability: Expenditure Strategies, Revenue Strategies, Asset and Liability Funding Strategies, and lastly, the Political and Economic Environment.

1. **Expenditure Strategies**: Five-year spending strategies that are aligned with the community’s service policies and vision.

2. **Revenue Strategies**: Taxation, user fees and charges, and other revenue policies.

3. **Assets and Liabilities Funding Strategies**: Issues for example, capital financing, asset maintenance and replacement, and pension obligations.

4. **Political and Economic Environment**: The dynamics inside and outside the organization that impart unique, community-specific issues and challenges to the plan.

In order to successfully provide financial stability, the Plan must be able to address the community’s priorities produced among the Council and staff. Each level of the organization has a key role in the creation and implementation of the Plan. Below is a list of roles necessary for a successful Plan:

**Elected Officials**
Elected Officials lead the charge for planning by creating a vision for the future. This vision is carried out by establishing and updating long-range goals and priorities for the City of Richmond. Not only are Elected Officials responsible for creating a vision for the City, but they are also responsible for educating the public through the articulation and validation of financial policies while setting the price for government.

**City Manager**
The City Manager serves as the organizational sponsor or champion for the Plan, and works with elected officials to coordinate their involvement and makes sure their concerns are addressed. While securing participation from operating departments and constituents, the City Manager solicits participation from community groups and helps to communicate the plan to the public. The City Manager also shifts the focus of how financial capacity can be aligned with the elected officials’ vision for the community.

**Finance Director**
The Finance Director leads the planning process and sponsors the Plan. The Finance Director carefully guides participants, including stakeholders in the community as well as staff through the planning process. The Finance Director is responsible for overseeing implementation, creating reporting and budgetary processes and updating the financial forecasts and trend analyses.

**City Staff**
City Staff is to present financial data effectively by providing educational events, budget hearings and materials. City Staff tie financial planning to service issues while providing examples of successes from the past and other governments that have used the process. City Staff also encourage questions from the Elected Officials and the community.

**Richmond Community**
The community plays two primary roles in financial planning. The first, by helping to identify issues or problems that financial planning should solve. The second role is to develop funding strategies for financial balance.

**GENERAL FUND OPERATING POSITION**

**FORECAST SUMMARY**

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<thead>
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<tbody>
<tr>
<td>Revenues</td>
<td>140.4</td>
<td>137.0</td>
<td>143.4</td>
<td>142.6</td>
<td>149.2</td>
</tr>
<tr>
<td>Expenditures</td>
<td>140.6</td>
<td>142.5</td>
<td>144.5</td>
<td>146.5</td>
<td>148.5</td>
</tr>
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*Projected Revenues and Expenditures as of Mid-Year 2013 include operating transfers.

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<tr>
<td>Revenues</td>
<td>140.4</td>
<td>137.0</td>
<td>143.4</td>
<td>142.6</td>
<td>149.2</td>
</tr>
<tr>
<td>Expenditures</td>
<td>140.6</td>
<td>151.1</td>
<td>153.2</td>
<td>155.5</td>
<td>159.4</td>
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*Expenditures projected using Fully-Funded method for the Other Post-Employment Benefits (OPEB) Annual Required Contribution (ARC).
REVENUE FORECAST

Each revenue stream is analyzed independently. For some segments, we know the exact amount we will get for the next few years, as in the Utility User Tax - Chevron Repayment Agreement (Section 2.8.1 Utility User Tax.) Most other segments are based on analysis of prior year actual and forecasted trends with input from outside consultants in some cases. In all cases, a conservative approach is used to avoid revenue inflation.

![General Fund Revenues](image)

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<tbody>
<tr>
<td>Operating Transfers</td>
<td>9,511,694</td>
<td>9,792,825</td>
<td>9,167,217</td>
<td>14,905,775</td>
<td>21,827,321</td>
<td>10,710,361</td>
<td>1,044,985</td>
<td>1,490,729</td>
<td>688,185</td>
<td>688,185</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>123,618,220</td>
<td>142,481,822</td>
<td>121,854,766</td>
<td>134,571,811</td>
<td>149,513,713</td>
<td>140,407,851</td>
<td>137,000,093</td>
<td>143,434,962</td>
<td>142,643,092</td>
<td>149,210,457</td>
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EXPENDITURE FORECAST

The General Fund expenditure forecast is based on a comprehensive analysis of historical operating and personnel costs, and takes into consideration known increases mainly in the employee benefit category. The projections factor in an overall 1.6% increase from FY2011-12 to FY2015-16; this is a significant decrease from the historical growth rate of 3.4%. The operating expenditure forecast is based on the average Bay Area Consumer Price Index (CPI) from the last five years in the amount of 2.2%; salary growth is projected at 1% and benefits projected at 50% of salaries for each projection year.

PROJECTED DEFICIT

There is a projected deficit beginning in FY2013-14. This is due to declining revenue streams resulting from the economic downturn, and escalating retirement costs. Full analyses and recommendations for eliminating projected deficits are included throughout the Plan document.
1.1 COMPONENTS OF THE FIVE-YEAR FINANCIAL PLAN

The 2012/13 – 2016/17 Five-Year Financial Plan consists of the following sections:

- Summary
- Revenue Analysis
- Expenditure Analysis
- Reserve Analysis
- Capital Projects Analysis
- Debt Analysis
- Fiscal Policies
- Glossary
- References

Summary
The Summary provides the framework for which the Plan is created. It also illustrates the relationship between the City’s five-year financial planning complements other planning processes that the City uses such as strategic planning, capital improvement planning, and budgeting. The Executive Analysis also demonstrates the roles and responsibilities of those involved with the Plan and its processes.

Revenue Analysis
The Revenue Analysis is an investigation of a number of financial indicators to determine the historical trends which are used as predictors of future changes in the City’s revenue streams, specifically in the City’s General Fund. The analysis of these indicators is designed to present information on the fiscal health of the City as part of the Plan. The financial trends of this analysis provide City Council and Administration with insight into the overall financial position of the City. The Revenue Analysis makes it possible to identify specific areas where new policies should be implemented or existing ones revised.

Expenditure Analysis
The Expenditure Analysis provides an insight into the fiscal health of the City as part of the Plan. It assesses the five-year financial position of the City by evaluating historical trends and presenting a financial forecast based on fiscal policies, expenditure patterns, and other known financial impacts. Data extracted from the City’s Comprehensive Annual Financial Report (CAFR), Operating Budget, Capital Improvement Plan (CIP), and Five-Year Strategic Business Plan was used to analyze historical data and determine trends. This analysis includes a historic growth rate and a projected growth rate for General Fund and Non-General Funds.

Reserve Policy Analysis
The Reserve Policy Analysis examines appropriate levels of reserves to: (a) ensure that they are adequate to provide for the needs of each fund program; (b) meet program needs without unnecessarily obligating scarce dollar resources; and (c) guarantee compliance with City fiscal policies and legal requirements by state, county, and local ordinances. The City’s reserves are reviewed annually as part of the Plan process. The City’s Cash Reserve Policy maintains that reserves be in the range of 7-15% of the next year’s budgeted General Fund expenditures. Reserves can be made up of Restricted and Unrestricted amounts.

Capital Projects Analysis
The Capital Projects Analysis reflects significant capital projects that are projected to start construction within the next five years. The capital projects were broken into three categories: a) City Projects – Non Enterprise; b) City Projects – Enterprise; and c) Prospective Projects. City staff has analyzed the projects with respect to available funding, the estimated project costs, and the required funding. The Gap Closing Strategies provide approaches that meet the future infrastructure needs of the community, while ensuring that future resources can sustain ongoing operation and maintenance costs. These tactics entail an analysis of the cash flows, funding gaps of the City’s priority capital projects, and revenue generation for closing gaps of capital projects.

Debt Analysis
The Debt Analysis is a review of the City’s existing debt, and presents potential funding alternatives for proposed capital projects. This analysis provides: a) an assessment of existing debt; b) a review of long-range financing guidelines; c) an evaluation of revenue sources for debt service and repayment; and d) recommendations for funding alternatives for major capital programs.

Fiscal Policies
Fiscal Policies are adopted by City Council and reviewed annually in conjunction with the preparation of the Plan. This review is performed in order to document proposed new policies identified through the preparation of the Plan. Additionally, as circumstances change, there is sometimes a need to modify existing fiscal policy statements.
1.2 THE FIVE-YEAR FINANCIAL PLAN – STRATEGIC PLAN

The General Plan reflects the overarching vision for the City over the next 20 years by setting policies for guiding the physical, economic, social, and cultural development of the City. The Five-Year Strategic Business Plan identifies the City’s priorities over the next five years. The financial goals of the Five-Year Strategic Business Plan are addressed in the Plan through the development of five-year revenue and expenditure projections which include capital projects that can be funded with a prudent level of debt, while maintaining a recommended reserve balance, as well as cover estimates of the City’s liability for employee pension and other benefit costs. The Plan is linked to the City’s Annual Budget, as it uses the budget as a source of data which helps craft budget decisions. The below chart is a summary of City Council’s Strategic Planning Documents.
1.2.1 GENERAL PLAN

California Cities and Counties are required to develop a General Plan to guide future development. The City of Richmond’s General Plan is a long-range policy document that expresses the City’s development goals, policies, and objectives relative to the distribution of future land uses, both public and private, as well as a number of other topics.

On April 25, 2012, the Richmond City Council adopted a new General Plan to guide the City’s sustainable growth and development. The General Plan provides a comprehensive framework for developing a healthy city and healthy neighborhoods. The City of Richmond’s General Plan 2030 contains 15 elements addressing land use, economic development, housing, transportation, climate change, public safety, arts and culture, and open space conservation strategies. Additionally, the City of Richmond is one of the first cities in the country to include a comprehensive element dedicated to community health and wellness.
1.2.2 FIVE-YEAR STRATEGIC BUSINESS PLAN

The Five-Year Strategic Business Plan outlines the strategies, projects and programs that will support a phased implementation of the General Plan. The City’s Capital Improvement Plan (CIP) and Operating Budget then prioritize these projects and programs on an annual basis. This Five-Year Strategic Business Plan is formulated by five distinct goals. These goals are based on the understanding that investment of financial, physical and staff resources made today ensure that the City’s quality of life is enhanced and preserved for its future residents.

1. Maintain and Enhance the Physical Environment

The City of Richmond will provide a clean and well-maintained environment for individuals who live, work and play within its boundaries. Richmond’s public facilities and infrastructure play an essential role in the fabric of the community, and the City seeks to develop and maintain an infrastructure that is community-serving, resilient, high-performing, cost-effective, resource-efficient and environmentally friendly.

2. Promote a Safe and Secure Community

The City will maintain a safe and secure community fundamental to the health, quality of life and economic vitality of the City of Richmond. The City will address violence by keeping kids off the streets and placing them in life enrichment programs that focus on education, physical activity, community involvement and job placement.

3. Promote Economic Vitality

The City will continue to develop a diverse economic base by pursuing business sectors with potential to grow and prosper. Richmond’s diverse economic base is a driving force to its success.

4. Promote Sustainable Communities

The City will maintain a sustainable quality of life through a mix of land uses, a safe community with no visible signs of deterioration, an efficient circulation system that promotes alternative modes of transportation, abundant open space and recreational amenities. These attributes, along with a strong economic base, will preserve and build upon Richmond’s uniqueness, cultural and social diversity and a strong sense of community.

5. Promote Effective Government

The City promotes effective government to efficiently serve the needs of the Richmond Community. City Government impacts the Richmond community both through the provision of services and the quality of those services. The functions of the City that are critical to providing effective government include:

- Quality community services;
- Streamlined financial and enterprise systems;
- Staff training;
- Public accessibility to government documents;
- Communication and technology infrastructure; and
- Transparency in government.
1.2.3 INTEGRATED PERFORMANCE MANAGEMENT

The City of Richmond operates on a Cascading System of performance measurements. This system connects the top of the organization to all parts of the organization. In 2007, 2009 and 2011, the City participated in the National Research Center’s (NRC) National Citizen Survey (NCS) program conducting a scientific resident survey in which questionnaires were sent to a random sample of 3,000 Richmond households. The NCS is a collaborative effort between the NRC (a public research firm focused on public sector information needs) and the International City/County Management Association (ICMA). Elected officials and city staff are using the survey results as a tool to:

- Assess the quality of community life and services provided to residents;
- Track residents' perceptions of service quality, community amenities, and public safety;
- Help make informed decisions about how to allocate resources;
- Assess support for local policies;
- Gather information on residents’ use of services; and
- Compare results from 2007 and 2009 to measure changes over time.

1.2.4 COMMUNITY-INVOLVED BUDGETING

Each fiscal year as a part of the budget process, the Finance, Administrative Services, and Economic Development Standing Committee plan several workshops hosted by neighborhood councils in May and June. The community provides decision-makers with direct information and guidance about the kind of community the public wishes to have, and what services and facilities they most need and value. This process helps the community better understand the budget and the local budgeting process, as well as understand the constraints affecting the allocation of resources while increasing trust between city residents and city government.
In an environment of economic uncertainty, financial planning is always a prudent activity, and maintaining the Plan (the “Plan”) is essential to sound fiscal management. Strategic planning leads the process and helps identify critical issues for the financial plan. Elected officials and staff confirm the critical issues to make sure there is consensus before staff conducts the financial analysis. After staff conducts analysis to identify financial imbalances, staff and elected officials develop strategies to address the imbalances. The following flow chart shows the road map that went into developing the City’s Plan.

The financial vision for the City over the next five years is as follows:

- Better deal with long-range financial challenges;
- Link annual budgets together into a long-term strategy;
- Provide a consistent level of services critical to the community’s well-being; and
- Better anticipate and prepare for financial uncertainties.

Annually, the City Council identifies which projects and programs are of the highest priorities for the coming year. Once priorities have been updated, Council and staff identify the critical phases which have, or are expected to have, an impact on the financial condition of the City over the next five years.
Project teams were established and chairpersons were assigned based on expertise. After several months of intensive effort and time by all staff involved, analyses were completed and incorporated into the Plan using the Financial Trend Analysis and the Financial Forecast as the foundation of the Plan. If funding gaps were identified in any of the analyses, the City’s Financial Advisor reviewed options and associated costs of using debt issuance as a gap-closing strategy. Any funding gaps identified in the analyses are consolidated into a gap-closing strategy, which can essentially be described as a long-term financial strategic plan. The following chart shows the Plan project teams and chairs who were assigned to each team.
## 1.5 FIVE-YEAR FINANCIAL PLAN REVIEW

The following tables are summaries of the 2012/13 – 2016/17 Five-Year Financial Plan issues:

<table>
<thead>
<tr>
<th>Financial Trend Analysis</th>
<th>Status</th>
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<tbody>
<tr>
<td>To analyze a number of financial indicators.</td>
<td>Complete.</td>
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<table>
<thead>
<tr>
<th>Financial Forecast</th>
<th>Status</th>
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<tbody>
<tr>
<td>To update the comprehensive five-year financial forecast for the General Fund, incorporating adopted City fiscal policies, expenditure patterns, revenue trends, fund balances and other known financial impacts.</td>
<td>Complete.</td>
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<table>
<thead>
<tr>
<th>Reserve Analysis</th>
<th>Status</th>
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<tbody>
<tr>
<td>To analyze and recommend appropriate levels of reserves to: (a) ensure that they are adequate to provide for the needs of each fund program; (b) meet program needs without unnecessarily obligating scarce dollar resources; and (c) ensure compliance with City fiscal policies and legal requirements by state, county or local ordinances.</td>
<td>The Fiscal Year 2010-11 Cash Reserve Policy identifies an ending cash balance equal to 7-15% of General Fund expenditures.</td>
</tr>
</tbody>
</table>
### Fiscal Policy

| To review the City’s adopted Fiscal Policy on an annual basis in order to determine appropriate changes, additions or deletions. | The General Financial Goals include the value of the Strategic Business Plan. Core Values consist of:  
- Financial sustainability  
- Financial stability  
- Promote a safe and secure community and promote economic vitality  
- Maintain and enhance the physical environment and promote sustainable communities  
- Promote effective government |

### Debt Analysis

| To: (a) conduct a review of existing debt; (b) review long-range financing guidelines; (c) determine revenue sources for debt service and repayment; and (d) recommend alternatives to fund major capital programs. | Complete. |

### Gap Closing Strategies

| To analyze the cash flows and funding gaps of the City’s priority capital projects and develop a gap-closing strategy which will meet the future infrastructure needs of the community, while ensuring that future resources can sustain ongoing operation and maintenance costs. | Complete. |
### 1.6 HISTORICAL OVERVIEW

The following table provides a historical perspective of the challenges that the City encountered and the improvements it made.

<table>
<thead>
<tr>
<th>Fiscal Year 2004-2005</th>
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</thead>
<tbody>
<tr>
<td>City had no credit rating – “locked out” of Capital Market</td>
<td></td>
</tr>
<tr>
<td>1999 Wastewater Bonds on &quot;watch-list&quot; for downgrade</td>
<td></td>
</tr>
<tr>
<td>RCRA Credit Rating “A-”</td>
<td></td>
</tr>
<tr>
<td>Cash balance of $14 million</td>
<td></td>
</tr>
<tr>
<td>$115 million unfunded PERS liability</td>
<td></td>
</tr>
<tr>
<td>FY2003-04 and FY2004-05 audits not completed</td>
<td></td>
</tr>
<tr>
<td>Fire Stations and Branch Libraries closed</td>
<td></td>
</tr>
<tr>
<td>Measure Q Adopted – ½ cent sales tax</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fiscal Year 2005-2006</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>City’s Credit Rating reinstated at “BBB+” by Standard &amp; Poor’s/”A3” by Moody’s</td>
<td></td>
</tr>
<tr>
<td>Wastewater’s Credit Rating &quot;BBB&quot;</td>
<td></td>
</tr>
<tr>
<td>RCRA’s Credit Rating “A-” (Above Average)</td>
<td></td>
</tr>
<tr>
<td>Cash at end of fiscal year: $30 million. Includes $9.4 million in year-end cash transfers to close funds with negative balances</td>
<td></td>
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<tr>
<td>City issued $115 million Pension Obligation Bonds to fund unfunded PERS Liability. Total estimated savings: $24 million</td>
<td></td>
</tr>
<tr>
<td>City received Award for Outstanding Financial Reporting from California Society of Municipal Finance Officers (CSMFO)</td>
<td></td>
</tr>
<tr>
<td>Fire Stations re-opened. Main Library re-opened (minimal hours)</td>
<td></td>
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<tr>
<td>Measure Q revenue: $6.1 million</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Fiscal Year 2006-2007</th>
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<tbody>
<tr>
<td>City’s Credit Rating upgraded to “A-&quot;</td>
<td></td>
</tr>
<tr>
<td>Wastewater issued $35 million in bonds to refund 1999 bonds/fund additional capital projects</td>
<td></td>
</tr>
<tr>
<td>RCRA Credit Rating upgraded to “A” (Above Average)</td>
<td></td>
</tr>
<tr>
<td>Cash balance $30 million</td>
<td></td>
</tr>
<tr>
<td>$45 million unfunded Other Post-Employment Benefits liability</td>
<td></td>
</tr>
<tr>
<td>City received Government Finance Officers Association (GFOA) Distinguished Budget</td>
<td></td>
</tr>
</tbody>
</table>
| Fiscal Year 2007-2008 | Award for Operating and Capital Budget  
• RCRA issued $75.2 million in bonds to fund projects  
• City’s Credit Rating upgraded to “A+” (Strong/Above Average). City issued $101 million in bonds to finance Civic Center – City’s largest capital project ever  
• Wastewater’s Credit Rating upgraded to “AA-” (Very Strong)  
• RCRA 2007A bonds restructured to mitigate Capital Market issues  
• Cash balance: $14.9 million  
• City restructured Civic Center Bonds to mitigate Capital Market issues  
• City received Government Finance Officers Association (GFOA) Distinguished Budget Award for Operating and Capital Budget  
• City re-opened Community Centers and Branch Libraries |
| Fiscal Year 2008-2009 | Enterprise Resource Planning Software Implementation  
➢ Financials “Go Live” - December 1, 2008  
➢ HR/Payroll “Go Live” - January 5, 2009  
• Wastewater issued $33 million in bonds to refund 2006A bonds affected by bond insurer downgrades  
• Grand Opening of Ford Point Craneway building  
• Increased number of sworn personnel in Police Department by eight  
• RichmondBUILD program recognized as a national “Best Practice” |
| Fiscal Year 2009-2010 | Adoption of the Five-Year Strategic Business Plan  
• Honda Port of Entry project construction underway  
➢ First ship arrived in April  
• Completion of Civic Center refinancing  
• Skate Park Grand Opening  
• 131,892 people visited the library  
• 17,763 customer visits to RichmondWORKS Career Center  
• All City credit ratings have been affirmed |
### Fiscal Year 2010-2011

- **Financial Software Implementation**
  - MUNIS Version 8.2 upgrade - May 5, 2011
  - MUNIS Cash Flow Management Module Telestaff “Go Live” - March 1, 2011
- **Grand Re-opening of the Richmond Plunge** - August 14, 2010
- **Five-Year Financial Plan** - July 1, 2011
- **All City credit ratings have been affirmed**
  - General Fund “A+”
  - Short-Term (TRAN) “SP1+” (highest category)
  - RCRA “A”
  - Wastewater “AA-”
- Wastewater Enterprise issued $38 million in bonds to fund sewer collection system improvements

### Fiscal Year 2011-2012

- **Financial Software Implementation**
  - MUNIS Version 8.3 upgrade - February 2012
- **General Plan Adoption** April 25, 2012
- **All City credit ratings have been affirmed**
  - General Fund “A+”
  - Short-Term (TRAN) “SP1+” (highest category)
  - Wastewater “AA”
- Richmond selected as the site for the Lawrence Berkeley National Laboratory (LBNL) Bay Campus
SECTION TWO: REVENUE ANALYSIS

A number of financial indicators and analyses reports which include the Consumer Price Index and ParcelQuest I-TRaC Reports are analyzed to determine the historical trends, which are used as predictors of future changes in the City’s revenue streams. The analysis of these indicators is designed to present information on the fiscal health of the City as part of the Five-Year Financial Plan. This annual financial trend analysis focuses on the City’s General Fund.

2.1 REVENUE TREND ANALYSIS

The following chart shows a comparison of operating revenue for FY2007-08 and FY2011-12. Interfund transfers include insurance reserve transfers, transfers from the Port of Richmond and Pension Tax Override transfers (flows of assets such as cash or goods, without equivalent flows of assets in return and without a requirement for repayment) are included in this analysis. Interfund transfers are one-time in nature and not easily comparable across fiscal years. Major differences are apparent when comparing FY2007-08 with FY2011-12. The first significant difference is that Utility User Tax (UUT) increased from 24% to 34%. This increase occurred when Chevron opted to cease paying the alternative maximum tax, “cap payment,” and began paying based on a calculation of utilities used at the refinery. Subsequent analysis led to a UUT settlement agreement between Chevron and the City for $28 million to be paid over five years. Property Taxes decreased substantially during this time frame due to decreased valuation in Richmond, from 28% to 18%.

Comparison of Revenues by Source
FY2007-08 vs. FY2011-12

<table>
<thead>
<tr>
<th></th>
<th>FY2007-08</th>
<th>FY2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>$34.3M, 28%</td>
<td>$27.7M, 18%</td>
</tr>
<tr>
<td>Sales &amp; Use Tax</td>
<td>$29.6M, 24%</td>
<td>$27.8M, 19%</td>
</tr>
<tr>
<td>Other Taxes</td>
<td>$7.7M, 6%</td>
<td>$6.6M, 4%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$8.5M, 7%</td>
<td>$12.0M, 8%</td>
</tr>
<tr>
<td>Intergov.</td>
<td>$5.1M, 4%</td>
<td>$2.7M, 2%</td>
</tr>
<tr>
<td>Op. Trnsfr,</td>
<td>$9.5M, 8%</td>
<td>$21.8M, 15%</td>
</tr>
<tr>
<td>Sale of Prop,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Proceeds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utility User Tax</td>
<td></td>
<td>$51.0M, 34%</td>
</tr>
<tr>
<td></td>
<td>$29.0M, 23%</td>
<td></td>
</tr>
</tbody>
</table>
2.2 REVENUE PER CAPITA

Actual Revenue Per Capita reflects an increase in FY2008-09, after which it decreases significantly. Revenues Per Capita, which has the actual revenue adjusted by an inflationary index, shows the revenue numbers not increasing as dramatically over the same period. After FY2008-09, there is a decrease in all major revenue categories. Property Tax decreased because of lowered assessed valuations, and Sales Tax decreased due to the decline in consumer spending.

<table>
<thead>
<tr>
<th>FY2007-08</th>
<th>FY2008-09</th>
<th>FY2009-10</th>
<th>FY2010-11</th>
<th>FY2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>103,306</td>
<td>103,895</td>
<td>104,602</td>
<td>105,630</td>
</tr>
<tr>
<td>Revenues Per Capita</td>
<td>$1,110</td>
<td>$1,285</td>
<td>$1,087</td>
<td>$1,149</td>
</tr>
</tbody>
</table>
2.3 REVENUE TRENDS/FORECAST GROWTH RATES

In each revenue forecast category, the following growth rates are included:

- **Historical Growth Rate** – The cumulative annual rate of growth for the past five years, FY2007-08 through FY2011-12.

- **Projected Growth Rate** – The cumulative annual rate of growth projected for the current five-year forecast, FY2012-13 through FY2016-17.

2.3.1 GENERAL FUND REVENUES

The General Fund Revenues consist of Property Tax, Sales and Use Tax, Utility User Tax, Licenses, Permits, Fees, Fines and Forfeitures, Charges for Services, Rental Income and Intergovernmental Grants. Based on the projected revenue analysis, the major revenue streams – Property Tax, Sales Tax and Utility User Tax – are expected to grow moderately over the next few years and begin to recover from the economic downturn. Significant drop after FY2011-12 stems from decrease in Operating-Transfers into the General Fund.

**Historical Growth Rate**: 21%

**Projected Growth Rate**: -2%
2.3.2 NON-GENERAL FUND REVENUES

Non-General Fund revenues are anticipated to increase by an average of 9% cumulative from FY2011-12 to FY2016-17. Issuance of bonds was a major contributor to the trend fluctuations and is explained in greater detail in the Debt Analysis section. The Successor Agency to the Richmond Community Redevelopment Agency and Housing Authority funds are excluded from this forecast. Some major differences were in FY2007-08 when the City issued bonds for the Civic Center, Wastewater and the Redevelopment Agency, and in FY2009-10 the City issued bonds for the Civic Center. The graph below shows historical and projected Non-General Fund revenues.

**Historical Growth Rate:** -53%

**Projected Growth Rate:** 9%

![Non-General Fund Revenues Graph](image-url)
2.4 PROPERTY TAX REVENUE

Property Tax Revenues for the City have declined nearly 20% in the last four years. The real estate market that began plummeting in 2008 caused properties to be sold for less than their assessed value, leading the Contra Costa County Assessor to reduce assessed values of other properties within the City. This resulted in a total reduction in assessed values of up to 30%.

Chevron, the largest property owner in the County, filed several assessment appeals for multiple fiscal years. The Assessment Appeals Board rendered a decision resulting in a $17.9 million refund to Chevron for fiscal years 2004-05, 2005-06 and 2006-07. This decision reduced the assessed value of the Chevron Refinery’s property and resulted in a total refund of $2.3 million. An agreement between the County and Chevron allowed for the refund to be issued in two installments: in FY2010-11 and FY2011-12. The Chevron appeal payback was completed in December 2011.

Using the previous refund allocation methodology, the Assessment Appeal Board ruled $26.7 million refund is due from Chevron to Contra Costa County, yielding an additional $3.4 million for Richmond. The Contra Costa County Assessment Appeals Board raised the Richmond Chevron Refinery’s fair market value to $3.7 billion, $4.4 billion and $3.8 billion for 2007, 2008 and 2009. The numbers reflect a 9.5% to 23% increase over Contra Costa County Assessor Gus Kramer’s calculations.
2.5 PROPERTY VALUES

After many years of steady increases, assessed property values hit a high of nearly $28 billion in 2008 in Contra Costa County. The subsequent housing and commercial property market decline resulted in assessed property values to decrease by nearly 30% between FY2008 and FY2010. An increase of 5.65% was realized for 2011 based on Contra Costa County Auditor-Controller’s Certificates of Assessed Valuation.
2.6 SALES AND USE TAX REVENUE

Sales and Use Tax, a tax imposed on retail sales, lease and rental of most goods, as well as taxable services, reached its peak in FY2007-08, totaling over $29 million. Tax revenues began to decline as the regional and national economy suffered. In spite of a well-diversified base, the City experienced a reduction of over 20% from FY2007-08 to FY2010-11. Sales Tax had begun to recover starting in FY2011-12. Projections indicate a slow, but steady increase going forward.
2.6.1 TRIPLE FLIP

In March 2004, the voters of California approved Proposition 57, the California Economic Recovery Bond Act. The measure, commonly referred to as the "Triple Flip" consists of: a) reducing the City's local sales and use tax rate by 0.25%, and increasing the State's sales tax rate by 0.25% to fund the fiscal recovery bond payments; b) repayment to cities and counties, on a dollar-for-dollar basis, of 0.25% the sales and use tax with Educational Revenue Augmentation Fund (ERAF) property tax money; and c) repayment to schools of 0.25% of lost ERAF monies with State General Fund monies. The County compares the amount distributed in the prior fiscal year to the actual amount of sales tax revenue the City has earned and makes a positive or negative adjustment in the following year. Thus, the City will always receive the amount of sales taxes generated locally, but the timing of any growth in receipts will always be one year in arrears. Triple Flip revenue decreased significantly beginning in 2009 due to decreased Sales Tax Revenue. The following graph shows the historical and projected Triple Flip revenues.

![Triple Flip Sales Tax Revenue](chart.png)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Revenue (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2007-08</td>
<td>6,260,717</td>
</tr>
<tr>
<td>FY2008-09</td>
<td>3,809,389</td>
</tr>
<tr>
<td>FY2009-10</td>
<td>2,591,790</td>
</tr>
<tr>
<td>FY2010-11</td>
<td>2,343,611</td>
</tr>
<tr>
<td>FY2011-12</td>
<td>3,309,174</td>
</tr>
<tr>
<td>FY2012-13</td>
<td>3,801,719</td>
</tr>
</tbody>
</table>
2.7 INTERGOVERNMENTAL REVENUE

By analyzing Intergovernmental Revenue as a percentage of operating revenues, the City can determine the extent of its dependence upon resources from other government agencies, such as grants and motor vehicle license fees. Excessive dependence on this type of revenue can be detrimental to the financial health of the City, as the factors controlling their distribution are beyond the City's control. The City's largest Intergovernmental Revenues are grants, which make up the majority of the total intergovernmental category.

### Intergovernmental Revenue

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</tr>
</thead>
<tbody>
<tr>
<td>Totals</td>
<td>5,101,207</td>
<td>747,134</td>
<td>1,580,801</td>
<td>2,924,230</td>
<td>2,749,951</td>
<td>2,620,926</td>
<td>2,991,069</td>
<td>3,006,024</td>
<td>3,021,885</td>
<td>3,037,830</td>
</tr>
<tr>
<td>% of Operating GF Rev</td>
<td>4.13%</td>
<td>0.52%</td>
<td>1.30%</td>
<td>2.17%</td>
<td>1.84%</td>
<td>1.92%</td>
<td>2.22%</td>
<td>2.13%</td>
<td>2.15%</td>
<td>2.07%</td>
</tr>
</tbody>
</table>
2.8 ELASTIC REVENUES

Elastic revenues are revenues that are highly responsive to changes in the economy and inflation. The City has defined Utility User Tax, Transient Occupancy Tax, and Business License Tax as Elastic revenues, because these revenues are the most sensitive to change.

2.8.1 UTILITY USER TAX REVENUE

Utility User Tax (UUT) is a tax on gas, electric, cable and telecommunications used by residents and businesses in Richmond. The tax includes 10% for gas and electricity, and 9.5% for cable and telecommunications. There has been a steady increase of revenues since the modernization of the UUT ordinance in FY2007-08. The boost in FY2008-09 resulted from the UUT Settlement with Chevron when the company stopped using the Cap Provision and thus pay a flat rate. Further review of the amount owed led to the UUT Settlement of $28 million to be paid to the City of Richmond over five years. The first year of this agreement was FY2008-09 when Chevron paid the City $13 million. The agreement then called for payments of $5 million per year until FY2011-12. Subsequent Tax Settlement Agreement resulting from possible ballot measure calling for the removal of the Cap provision and stemming from the Measure “T” ballot that was approved by the voters but faced several legal challenges which led to another Tax Settlement between Chevron and the City. This second agreement resulted in $116 million for the City of Richmond to be paid over 15 years starting with $10 million in 2011.

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</tr>
</thead>
<tbody>
<tr>
<td>Tax Settlement</td>
<td>29,553,243</td>
<td>35,953,004</td>
<td>35,298,719</td>
<td>35,007,806</td>
<td>35,984,315</td>
<td>36,220,624</td>
<td>38,393,861</td>
<td>40,083,191</td>
<td>41,405,937</td>
<td>43,296,808</td>
</tr>
<tr>
<td>UUT Settlement</td>
<td>13,000,000</td>
<td>5,000,000</td>
<td>5,000,000</td>
<td>5,000,000</td>
<td>7,000,000</td>
<td>7,000,000</td>
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<tr>
<td>UUT Settlement</td>
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<td>UUT Settlement</td>
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</table>

Utility User Tax Revenue
2.8.2 TRANSIENT OCCUPANCY TAX REVENUE

Transient Occupancy Tax (TOT), commonly referred to as a “bed tax or hotel tax,” is applied to all short-term rentals (less than 29 days of occupancy) within the City limits. The tax rate is 10% of the gross room rate. TOT saw a growth in FY2007-08, then began declining in FY2008-09 as a result of reduced hotel demand in the City. The analysis of transient occupancy trends projects a growth of 1%, with an expected rebound of the regional economy.

Transient Occupancy Tax

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2007-08</td>
<td>908,298</td>
</tr>
<tr>
<td>FY2008-09</td>
<td>789,455</td>
</tr>
<tr>
<td>FY2009-10</td>
<td>645,272</td>
</tr>
<tr>
<td>FY2010-11</td>
<td>562,863</td>
</tr>
<tr>
<td>FY2011-12</td>
<td>879,546</td>
</tr>
<tr>
<td>FY2012-13</td>
<td>701,950</td>
</tr>
<tr>
<td>FY2013-14</td>
<td>712,479</td>
</tr>
<tr>
<td>FY2014-15</td>
<td>726,729</td>
</tr>
<tr>
<td>FY2015-16</td>
<td>748,531</td>
</tr>
<tr>
<td>FY2016-17</td>
<td>770,987</td>
</tr>
</tbody>
</table>

Thousands
2.8.3 BUSINESS LICENSE TAX REVENUE

Business License Tax through FY2007-08 was based on the Employment Cost Index (ECI) tax rate increases. In 2008, the City voters passed Measure T, which changed the City’s formula for determining business license fees. The formula tied manufacturers’ fees to the value of raw materials used, rather than number of employees, as with other businesses. Chevron’s fee vaulted from $60,000 to $26.5 million. In FY2008-09, the Measure T revenue decreased because of the new Business License Act which adjusted chapter 7.04 of the Richmond Municipal Code in the following ways:

- 1st year free for new businesses;
- 15% decrease in rates;
- No more ECI increases going forward; and
- Change in expiration dates affected the receipts of the revenue in FY2008-09.

In FY2009-10, revenue rose as a result of new businesses paying business license tax in the second year, and a more aggressive approach by the Revenue Division to identify non-compliant and underreporting businesses. The City’s Revenue Collection Division is anticipating an increase in revenue by partnering with County and State Agencies to cross-reference data checking to find non-compliant businesses.
2.9 REVENUE EXPANSION OPPORTUNITIES

Revenue expansion opportunities are proposed strategies to develop revenues. The most significant factors in increasing revenue is fostering a healthy economic climate, where growth in economic activity drives growth in revenues. The City has some degree of control in growing revenues through its ability to adjust rates for permits, fees and certain other revenues. However, there are significant restrictions in State law on the City’s limitations on adjusting the rates of taxes and many other revenues. Some ways in which the City can impact growth, such as attracting the Lawrence Berkeley National Laboratory campus to Richmond, may increase the value of the surrounding areas and bring much needed consumers to the southern part of Richmond. Other opportunities listed below require more analysis be done to accurately forecast the impact of the projects, and data must be gathered whether or not each idea would be pertinent to take to the voters.

2.9.1 REVENUE EXPANSION – RICHMOND BAY CAMPUS (LBNL)

The University of California (UC) Richmond Field Station has been selected as the preferred site for the second campus of the Lawrence Berkeley National Laboratory (LBNL) and University of California, Berkeley. LBNL and UC have commenced the environmental review process, with expected completion in 2016. The Long-Term Development Plan for the site is planning to accommodate up to 5.4 million square feet of modern research and development facilities, and 10,000 people phased in over 40 years.

The development of the Richmond Bay Campus in Richmond’s Southern Gateway will serve as a center for innovation, catalyst for other research facilities – public and private – to support broader economic revitalization locally and regionally, accelerating scientific innovation, leading to technology transfer and commercialization, and creating new jobs. The development of the Richmond Bay Campus has been described as a transformative, once-in-a-lifetime event for the East Bay. The City of Richmond seeks to intentionally capture the economic benefits of the Richmond Bay Campus. Opportunities for the City of Richmond to leverage the economic benefits of the Richmond Bay Campus are in developing an organized local supply chain, including workforce, goods, and services, that can support bioscience companies. It includes developing and nurturing a commercial network focused on LBNL’s primary science and related workforce activities, and in branding and advertising the City of Richmond as a place of national prominence in the bioscience sector. It also includes tapping into UC and LBNL’s broader research mission to improve local educational opportunities for Richmond’s youth in partnership with West Contra Costa County Unified School District.

The proposed first phase of development is being planned up to 300,000 square feet for LBNL bioscience consolidation, with a potential total of 800,000 square feet. The possible uses include: bioscience labs, offices, food service, multi-purpose conference space, and parking. The start of operation is expected between the years 2017-2020.
2.9.2 REVENUE EXPANSION – PORT OF RICHMOND

The overall goal of the Port of Richmond is to increase port cargo, business and jobs, as well as increase the revenue generated within the next five years.

- **Five-Year Port Expansion Goals**
  - The Port is working with the City of Zhoushan, China and their Port to develop a business plan for exporting and importing automobiles. A comprehensive China Automotive Market Study was completed in FY2011-12 on behalf of our two Ports and Auto Warehousing Corporation. The study provides a framework for the Ports to develop a marketing strategy for future business opportunities in Richmond and in China. If successful, an estimated increase in revenue from the import and export of automobiles with China is approximately $15 million over five years.
  - Future potential cargo opportunities include bulk import and wholesale distribution, which could generate an additional $5 to $6 million per year for ten years or more.
  - Additionally, the Port is working with a consulting firm to review the expansion of port properties and infrastructure to accommodate these growth opportunities.

2.9.3 REVENUE EXPANSION NOT REQUIRING VOTER APPROVAL

- **False Alarms**
  - New ordinance requiring property owners’ involvement.
  - Increase departmental efficiencies in collecting fees and reducing number of false alarms.

- **Billboard Ordinance**
  - New ordinance requiring billboard owners to obtain business licenses for each separate sign.
  - Increase Business License revenue and reduce blight. Code Enforcement citations issued for non-compliant signs.

- **City Property**
  - City of Richmond has formed an interdepartmental team to identify all interests in real property. Traditionally, Richmond has reviewed properties with fee title interests, and with City Council, determined those parcels that can be declared Surplus and offered for sale. These Surplus Sale processes have occurred in 2004, 2008 and 2010.
  - A total of 31 parcels remain unsold. The Real Property Interest Team is reviewing if additional parcels can be considered Surplus and is reviewing internal and County Assessor records. A recent review of the 32,668 parcels within the City of Richmond
showed that 448 are owned by City interests and of these City-owned parcels, a closer review has found that 100 parcels have discrepancies with their Assessor Parcel Numbers. Further Title Search and Right-of-Way work will be needed to clarify any parcel number changes through the years. Each Department will need to review a final Surplus Property list to determine if any public purpose exists.

- The team will also be reviewing other sources of available revenues and expenses such as Possessory Interests, License, Leases and Easements.

### 2.9.4 REVENUE EXPANSION REQUIRING VOTER APPROVAL

- **Business License Tax**
  - Rental properties - charge by units rather than location/lower rate for Single Family Dwellings and higher for Multi-Residential Apartment Complexes.
  - Adopt annual Consumer Price Index (CPI) increase.
  - Increase Medical Marijuana Tax from 5% ($0.5 million) to 10% ($1.2 million).

- **Sales and Use Tax Increase**
  - Increase by 0.50% from 9% to 9.50%
    - Cities with higher rates than Richmond as of April 1, 2013.
      - San Leandro: 9.25%
      - Albany: 9.50%
      - El Cerrito: 9.50%
      - Inglewood: 9.50%
      - Moraga: 9.50%
      - Union City: 9.50%
      - Pico Rivera: 10.0%
    - 0.50% increase could yield an estimated $6.0 million per year for Richmond.

- **Utility User Tax (UUT)**
  - Keep same rate but widen the base by taxing water utilities which East Bay Municipal Utility District can now collect.
    - **UUT on water could yield additional revenue between $0.5 million and $1.0 million for Richmond.**
  - The Franchise Agreement with Pacific Gas & Electric (PG&E) will expire in 2018. Before then, the City could renegotiate the Franchise Agreement with PG&E. Changes could generate an additional $1.5 million in the General Fund Revenue that will not significantly impact City residents or businesses.

- **Documentary Transfer Tax**
  - Use the City of San Francisco’s two-tiered system model.
    - During the first quarter of FY2011-12, the City recorded several very large transactions. If the new transfer tax had been in place, the City would have received an additional $650,000 (from a $14.00 tax for every thousand dollars in all sales over $1 million).
2.10 GRANTS

The City receives grants from the Federal government, the State of California, Contra Costa County, regional entities as well as from Private foundations. Grants help provide funds for a significant number of City programs and activities including:

- Bay Area Rapid Transit Parking Garage (Metrowalk Transit Village)
- Bay Trail Improvements
- Beverage Container Recycling Programs
- Easy Go Lifeline Transportation
- Family Services: Domestic Violence and Sexual Assaults
- Job Training and Employment Services
- Library Books
- Lillie Mae Jones Plaza – Housing
- Macdonald Senior Housing (Trinity Plaza)
- Officer Bradley A. Moody Memorial Underpass
- Nevin Avenue Streetscape and Transit Village Phase II (Metrowalk)
- Ohlone Gap Closure
- Mathieu Court
- Outdoor Activities
- Parks
- Public Safety Training and Equipment
- Safe Routes to Schools
- Street Light Improvements
- Street Outreach
- Sustainable Communities
- Urban Greening
- Via Verdi Repair
- Waste Prevention

The City of Richmond was chosen as the site for the consolidation of Lawrence Berkeley National Laboratory (LBNL) biosciences programs. Environmental impact studies are now being developing. LBNL proposes to construct two buildings: 140,000 square foot Computational Research and Theory, and 160,000 square foot Helios Energy Research buildings.

As these buildings are constructed, the City will seek new grants to build infrastructure such as roads, walkways and other amenities in anticipation of population growth. The construction of new infrastructure will be coordinated with utility companies such as Pacific Gas and Electric (PG&E) and East Bay Municipal District (EBMUD). It is possible that some of the infrastructure will be funded by PG&E and EBMUD.
2.11 GRANTS – STIMULUS FUNDING

The chart provides a summary of the historical and projected grant revenue for the City. The influx of grant funding in FY2009-10 and FY2010-11 reflected the American Recovery and Reinvestment Act (ARRA), as well as a $28.5 million dollar grant received in FY2009-10.

As ARRA funds have winded down due to the completion of several projects, the City applied and received other grant funds for needed improvements in infrastructure and programs. Some of the major grantors are as follows:

- **Federal:**
  - Federal Highway Administration
  - Federal Transit Administration
  - Department of Homeland Security - FEMA
  - United States Navy
  - Environmental Protection Agency - EPA
  - United States Department of Labor

- **State/Regional:**
  - California Emergency Management Agency
  - California Natural Resources Agency
  - Metropolitan Transportation Commission
  - Bay Area Air Quality Management District
  - State of California Department of Education
  - State of California Department of Parks and Recreation
  - Contra Costa Transportation Authority

- **Local/County Private:**
  - Richmond Community Foundation
  - East Bay Community Foundation
  - Kaiser Permanente
The following chart shows the historical trend of grants received by the City from FY2006-07 to present. In FY2012-13, the following significant grant funded projects are included in the budget:

A significant increase in FY2012-13 for Local/County and State grants occurred due to the funding of Officer Bradley A. Moody Memorial Underpass. It is funded by State Proposition IB bond funds through the Traffic Corridor Improvement Fund (TCIF) and the Highway Rail Crossing Safety Account (HRCSA) for a total of $23.2 million. Additionally, this project is funded by Contra Costa Transportation Authority’s Measure J program in the amount of $11.2 million.
2.12 RECURRING GRANTS

The City accepts a number of annual recurring grants, awarded through a competitive process, or by formula grants which provide funds to the City as dictated by federal law. The following is a list of recurring grants the City receives annually:

- **Community Development Block Grant (CDBG).**
  - CDBG is funded by Housing and Urban Development (HUD) to provide resources principally to low and moderate-income persons. It allocates annual grants to cities to develop viable community by providing decent housing and a suitable living environment.

- **HOME Investment Partnership (HOME) Grant**
  - HOME funds are awarded yearly as formula grants to participating jurisdictions. The program can use HOME funds for grants, direct loans, loan guarantee, other forms of credit enhancement, or as security deposit.

- **Work Investment Act (WIA) Grants**
  - City’s Employment and Training Department annually receives recurring WIA formula grants. These are passed through the State of California and are guaranteed as long as the City operates as the Local Workforce Investment Area. The amounts differ slightly each year due to fluctuations in the Federal budget, and the State’s allocation which is based primarily on population and unemployment rate.

The table below shows a multi-year comparison of CDBG, HOME and WIA formula funding for the Employment and Training and Housing Departments. The recurring grants are expected to decrease in future years.
SECTION THREE: EXPENDITURE ANALYSIS

The objective of the expenditure analysis is to present the fiscal health of the City as part of the Five-Year Financial Plan (“Plan”). This analysis evaluates the five-year financial position of the City by evaluating historical trends and presenting a financial forecast based on fiscal policies, expenditure patterns, fund balances and other known financial impacts.

The financial trends contained within the Plan provide insight into the overall financial position of the City. By analyzing all funds, specific areas where new policies should be implemented or existing ones revised have been identified.

Data extracted from the City’s Comprehensive Annual Financial Report (CAFR), Operating Budget, Capital Improvement Plan (CIP), and Five-Year Strategic Business Plan was used to analyze historical data and determine trends. The analysis includes historical and projected growth rates for General Fund and Non-General Funds. The analysis of projected growth rates formed the basis on which projections were made to anticipate the City’s future financial position along with micro and macro-economic indicators.

The City annually utilizes financial analyses and planning as part of the Operating Budget and Five-Year Capital Improvement Plan to achieve the following:

- **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 Operating and Capital Improvement Budgets adopted by the City Council will establish the underlying financial policies and controls that are utilized by City staff to manage expenditures on an ongoing basis.

- **Operations Management** – The Operating Budget and the Capital Improvement Plan support the vision of the City as conveyed through five strategic goals:
  - Maintain and Enhance the Physical Environment
  - Promote a Safe and Secure Community
  - Promote Economic Vitality
  - Promote Sustainable Communities
  - Promote Effective Government

The annual budget process integrates the strategic goals, performance standards, and a system to measure the extent to which these service level goals and standards are being achieved. Every City department has identified key objectives to support the City’s five core strategic goals, and operating divisions have developed supporting actions related to these objectives. These goals, standards, and measurements are incorporated into an ongoing management reporting system that is designed for continuous improvement of City services.

For FY2012-13, the thematic goal is Healthy Communities. Under this goal, the City has begun creating policies that maximize health outcomes and reduce health disparities. This has been done by implementing strategies to consider health impacts in all City policies.
3.1 EXPENDITURE FORECAST ASSUMPTIONS

The City has determined its growth rate based on trend data from financial analyses of actual performance and other outside economic indicators. Based on the following assumptions, a growth rate of 2.2% has been determined. This growth rate is based on the Bay Area Consumer Price Index (CPI) which measures inflation.

3.1.1 PERSONNEL

- No new positions are included in the projection
- City-wide vacant positions as of December 19, 2012
- For forecasting purposes, cost of living increases are calculated based on the existing Memorandum of Understanding (MOU) for the following bargaining units:
  - Richmond Police Officers Association (RPOA) - cost of living increase of 2.5% effective January 1, 2013, 2.5% effective July 1, 2013, 2.5% effective January 1, 2014.
  - Richmond Police Management Association (RPMA) - cost of living increase of 1.5% effective January 1, 2013, 1.5% effective July 1, 2013, and 1.5% effective January 1, 2014.
- Salary projections currently reflect a 1% increase per year to account for step increases and projected MOU increases. Because most employees are already at the top step in their salary range, 1% was used to estimate step increases for staff that are not at the top step of the salary scale.
- Medical insurance increased 6% in FY2012-13. Health benefits for the remainder of the projection years are forecasted on a flat 6% year-over-year increase per year based on the trend.
- Public Employees’ Retirement System (PERS) rates increased for both sworn and miscellaneous employees in FY2012-13 as follows: sworn increased by 1.29% (from 24.02% to 25.31%), and miscellaneous increased by 1.41% (from 14.40% to 15.81%). The following table, based on the annual actuarial report, shows a cumulative rate increase of about 50% projected over the next five years.

<table>
<thead>
<tr>
<th>Fund</th>
<th>No. of Positions</th>
<th>Annual Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>20</td>
<td>$1,626,318</td>
</tr>
<tr>
<td>All Other funds</td>
<td>17</td>
<td>$1,127,035</td>
</tr>
<tr>
<td>Total all Funds</td>
<td>37</td>
<td>$2,753,353</td>
</tr>
</tbody>
</table>
Pension Stabilization rates were decreased slightly for sworn, and increased slightly for miscellaneous in FY2012-13 as follows: sworn reduced by 0.47% (from 4.35% to 3.88%), and miscellaneous increased by 0.19% (from 2.60% to 2.79%).

Other Post-Employment Benefits (OPEB) are not fully funded at the actuarially determined Annual Required Contribution (ARC) amount. The ARC can range between $6.7 million and $10 million annually if the City contributes to the full amount of the ARC. The FY2012-13 budget includes $3 million which represents a “pay-as-you-go” approach to funding the ARC. The current unfunded liability for OPEB is $102.5 million.

Vacation and sick leave payout is included in the projection based on historical averages adjusted to remove costs associated with personnel who retire or otherwise terminate employment with the City.

### 3.1.2 OTHER OPERATING EXPENDITURES

Expenditures in FY2012-13 to FY2016-17 are based on Bay Area Consumer Price Index (CPI) average of 2.2% over the last five years. The CPI is the most widely recognized measure of inflation.

In accordance with the City Council’s established Cash Reserve Policy, the Sustainability Fund Balance is funded at $10 million in FY2012-13. This equates to approximately 7% of General Fund expenditures, which is within the target reserve of 7-15%.

### 3.1.3 CAPITAL OUTLAY

Capital outlay includes expenditures relating to the purchase of equipment, facility modifications, land, and other fixed assets. The Capital Improvement Plan (CIP) provides more extensive analysis of the City’s capital improvement projects.

Escalating costs associated with the Via Verdi Sinkhole are 75% grant funded by California Emergency Management Agency (CalEMA). This funding strategy is projected over the five-year Plan period.

The street paving program was reduced to $3.6 million in FY2012-13 and is assumed to remain funded at $4 million over the next five years.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sworn</td>
<td>24.021%</td>
<td>25.309%</td>
<td>26.085%</td>
<td>29.100%</td>
<td>30.000%</td>
<td>31.495%</td>
</tr>
<tr>
<td>Misc.</td>
<td>14.395%</td>
<td>15.809%</td>
<td>17.371%</td>
<td>19.600%</td>
<td>20.200%</td>
<td>21.651%</td>
</tr>
</tbody>
</table>
3.2 EXPENDITURE TRENDS/FORECAST GROWTH RATES

In each expenditure forecast category, the following growth rates are included:

- **Historical Growth Rate** – The average annual rate of growth for the past five years, FY2007-08 through FY2011-12.

- **Projected Growth Rate** – The average annual rate of growth projected for the current five-year forecast, FY2012-13 through FY2016-17.

### 3.2.1 GENERAL FUND EXPENDITURES

General Fund expenditures are anticipated to increase by an average of 1.3% annually from FY2012-13 to FY2016-17. This significant decrease from the historical growth rate of 6% is attributable to the decrease in expenditures as a result of the economic decline. Operating expenditure forecasts are based on the average Bay Area Consumer Price Index (CPI) from the last five years in the amount of 2.2%; salaries are projected at 1%, and benefits projected at 50% of salaries for each projection year. The graph below summarizes historical and projected General Fund expenditures.

**Historical Growth Rate**: 6.0%

**Projected Growth Rate**: 1.3%

![Operating Expenditures General Fund Graph](chart.png)

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditures</th>
<th>Transfers Out</th>
<th>Total Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2007-08</td>
<td>126,915,221</td>
<td>10,183,160</td>
<td>139,096,361</td>
</tr>
<tr>
<td>FY2008-09</td>
<td>128,670,474</td>
<td>14,710,298</td>
<td>143,380,772</td>
</tr>
<tr>
<td>FY2009-10</td>
<td>122,954,044</td>
<td>5,231,987</td>
<td>128,386,031</td>
</tr>
<tr>
<td>FY2010-11</td>
<td>123,449,887</td>
<td>9,848,764</td>
<td>133,308,651</td>
</tr>
<tr>
<td>FY2011-12</td>
<td>134,391,820</td>
<td>10,575,782</td>
<td>144,967,602</td>
</tr>
<tr>
<td>FY2012-13</td>
<td>129,266,363</td>
<td>11,331,759</td>
<td>140,598,122</td>
</tr>
<tr>
<td>FY2013-14</td>
<td>130,946,826</td>
<td>11,581,058</td>
<td>142,527,883</td>
</tr>
<tr>
<td>FY2014-15</td>
<td>132,649,134</td>
<td>11,835,841</td>
<td>144,484,975</td>
</tr>
<tr>
<td>FY2015-16</td>
<td>134,373,573</td>
<td>12,096,229</td>
<td>146,469,803</td>
</tr>
<tr>
<td>FY2016-17</td>
<td>136,120,430</td>
<td>12,362,347</td>
<td>148,482,776</td>
</tr>
</tbody>
</table>
3.2.2 NON-GENERAL FUND EXPENDITURES

Non-General Fund expenditures are anticipated to decrease by an average of 6.3% annually from FY2012-13 to FY2016-17. This is a significant decrease from the historical growth rate of 16.8%. Capital projects and debt service are major contributors to these rate fluctuations and explained in greater detail in the Capital Improvement Plan and Debt analyses. The major difference in FY2009-10 is that the City refunded bonds for the Civic Center by issuing new bonds. Redevelopment Agency and Housing Authority funds are excluded from this forecast. The graph below shows historical and projected Non-General Fund expenditures.

**Historical Growth Rate:** 16.8%

**Projected Growth Rate:** 6.3%

![Non-General Fund Expenditures Graph](image-url)
3.3 SALARY AND PERSONNEL BENEFITS

Employee salaries are projected to increase 1% per year to cover step increases. The majority of employees have reached the top step of their range.

Personnel benefits as a percent of salary ranged from 49% to 57% from FY2008-09 through FY2011-12. For FY2012-13 through FY2016-17, a percentage range increase is between 54% and 67%, which is based on information provided by a Public Employees’ Retirement System actuarial representative. The graphs below show a historical and projected General Fund salaries and benefits trend.
3.4 PUBLIC EMPLOYEES’ RETIREMENT SYSTEM

The City contributes to the California Public Employees’ Retirement System (PERS), an agent multiple-employer public defined benefit pension plan that covers substantially all eligible City employees. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

Based on the following chart, the PERS cost for:

- **Sworn** increased by 1.29% from 24.02% to 25.31% in FY2012-13, and is projected to increase to 31.50% by FY2016-2017.
- **Non-Sworn** increased by 1.41% from 14.40% to 15.81% in FY2012-13, and is projected to increase to 21.65% by FY2016-2017.
### PERS Retirement Rates:

<table>
<thead>
<tr>
<th></th>
<th>FY07-08</th>
<th>FY08-09</th>
<th>FY09-10</th>
<th>FY10-11</th>
<th>FY11-12</th>
<th>FY12-13</th>
<th>FY13-14</th>
<th>FY14-15</th>
<th>FY15-16</th>
<th>FY16-17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sworn %</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual</td>
<td>17.51%</td>
<td>16.81%</td>
<td>17.57%</td>
<td>18.81%</td>
<td>24.02%</td>
<td>25.31%</td>
<td>26.09%</td>
<td>29.10%</td>
<td>30.00%</td>
<td>31.50%</td>
</tr>
<tr>
<td>Proposed</td>
<td>16.81%</td>
<td>16.81%</td>
<td>17.57%</td>
<td>18.81%</td>
<td>24.02%</td>
<td>25.31%</td>
<td>26.09%</td>
<td>29.10%</td>
<td>30.00%</td>
<td>31.50%</td>
</tr>
<tr>
<td><strong>Misc %</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual</td>
<td>12.64%</td>
<td>11.20%</td>
<td>11.47%</td>
<td>11.55%</td>
<td>14.40%</td>
<td>15.81%</td>
<td>17.37%</td>
<td>19.60%</td>
<td>20.20%</td>
<td>21.65%</td>
</tr>
<tr>
<td>Proposed</td>
<td>11.20%</td>
<td>11.20%</td>
<td>11.47%</td>
<td>11.55%</td>
<td>14.40%</td>
<td>15.81%</td>
<td>17.37%</td>
<td>19.60%</td>
<td>20.20%</td>
<td>21.65%</td>
</tr>
<tr>
<td><strong>Total %</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual</td>
<td>30.15%</td>
<td>28.01%</td>
<td>29.04%</td>
<td>30.36%</td>
<td>38.42%</td>
<td>41.12%</td>
<td>43.46%</td>
<td>48.70%</td>
<td>50.20%</td>
<td>53.15%</td>
</tr>
<tr>
<td>Proposed</td>
<td>28.01%</td>
<td>28.01%</td>
<td>29.04%</td>
<td>30.36%</td>
<td>38.42%</td>
<td>41.12%</td>
<td>43.46%</td>
<td>48.70%</td>
<td>50.20%</td>
<td>53.15%</td>
</tr>
<tr>
<td><strong>Sworn %</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual</td>
<td>0.17%</td>
<td>-0.71%</td>
<td>0.76%</td>
<td>1.24%</td>
<td>5.21%</td>
<td>1.29%</td>
<td>0.78%</td>
<td>3.02%</td>
<td>0.90%</td>
<td>1.50%</td>
</tr>
<tr>
<td>Proposed</td>
<td>-0.71%</td>
<td>-0.71%</td>
<td>0.76%</td>
<td>1.24%</td>
<td>5.21%</td>
<td>1.29%</td>
<td>0.78%</td>
<td>3.02%</td>
<td>0.90%</td>
<td>1.50%</td>
</tr>
<tr>
<td><strong>Non-Sworn %</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual</td>
<td>0.79%</td>
<td>-1.44%</td>
<td>0.27%</td>
<td>0.08%</td>
<td>2.85%</td>
<td>1.41%</td>
<td>1.56%</td>
<td>2.23%</td>
<td>0.60%</td>
<td>1.45%</td>
</tr>
<tr>
<td>Proposed</td>
<td>-1.44%</td>
<td>-1.44%</td>
<td>0.27%</td>
<td>0.08%</td>
<td>2.85%</td>
<td>1.41%</td>
<td>1.56%</td>
<td>2.23%</td>
<td>0.60%</td>
<td>1.45%</td>
</tr>
<tr>
<td><strong>Total Increase</strong></td>
<td>0.96%</td>
<td>-2.15%</td>
<td>1.03%</td>
<td>1.32%</td>
<td>8.06%</td>
<td>2.70%</td>
<td>2.34%</td>
<td>5.24%</td>
<td>1.50%</td>
<td>2.95%</td>
</tr>
</tbody>
</table>
3.5 MEDICAL PREMIUMS

Medical costs have continued to increase year after year as shown in the graph below with variations. An annual average of 6% increase is projected for medical insurance for the next five fiscal years.
MEDICAL COSTS & RATES:

<table>
<thead>
<tr>
<th></th>
<th>FY07-08</th>
<th>FY08-09</th>
<th>FY09-10</th>
<th>FY10-11</th>
<th>FY11-12</th>
<th>FY12-13</th>
<th>FY13-14</th>
<th>FY14-15</th>
<th>FY15-16</th>
<th>FY16-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>1,227.29</td>
<td>1,325.41</td>
<td>1,390.61</td>
<td>1,479.37</td>
<td>1,568.13</td>
<td>1,587.14</td>
<td>1,738.44</td>
<td>1,842.75</td>
<td>1,953.31</td>
<td>2,070.51</td>
</tr>
<tr>
<td>Projected</td>
<td>9.16%</td>
<td>7.99%</td>
<td>4.92%</td>
<td>6.38%</td>
<td>6.00%</td>
<td>6.00%</td>
<td>6.00%</td>
<td>6.00%</td>
<td>6.00%</td>
<td>6.00%</td>
</tr>
</tbody>
</table>

Implementation of a two-tier medical plan for new employees could potentially decrease the City’s liability by as much as 52% in future years. The City would only pay as much as the single-party rate (Kaiser Premium) for each employee, and the employee would be responsible for the remainder of the expense. This amount would be deducted from his/her pay as a pre-taxed deduction. If the City currently paid the single-party rate of Kaiser, the monthly cost would be about $445,256.46 as opposed to nearly $851,508.13. This is a 52% savings.
### 3.6 OTHER POST-EMPLOYMENT BENEFITS

Each year the City determines how much is needed to fund the Annual Required Contributions (ARC) based on the Actuarial Report. These funds allow the City to pay for things such as medical reimbursements and other future pension costs. Periodically, the City may withdraw funds to pay for the increasing cost of medical reimbursements to retired employees who meet the requirements established by the existing Memorandum of Understanding.

For FY2012-13, the City is paying this expense on a “pay-as-you-go” basis by using funds that were allocated outside of payroll. However, for the future, the City will allocate the expenditure though the payroll by charging each department, and will set aside these funds to continue reimbursing future retirees.

Projections were based on what the City has paid out in medical reimbursements over the last several fiscal years, including a 6% increase each year to accommodate the growing medical costs.
Other cities are looking into ways of reducing this liability; one suggestion is to pay the retirees a lump sum at the time of retirement which releases the City of additional medical costs in the future. Because medical premiums have continuously increased, this should result in significant savings over the years.
3.7 PENSION STABILIZATION

Through the City’s payroll, funds are allocated by department and sent to the fiscal agent at the end of each fiscal year. These funds are earmarked for certain expenditures; the City may choose to draw down on these funds once a year to reduce such expenses as Capital Improvement Projects and other pension related costs.

The 2005 Taxable Pension Funding Bonds were issued to prepay the unfunded liability of the Miscellaneous and Safety pension plans provided through the California Public Employees’ Retirement System. The indenture to the bonds required the establishment of a Pension Funding Stabilization Fund with the fiscal agent. On or before June 30 of each fiscal year, the City is to deposit into this fund specified amounts. The City budgets for this amount and expenses it through the payroll process. The funds in the Stabilization Fund can be withdrawn by the City in the following year for specific uses: (a) pay the principal or Accreted Value or interest on the Bonds or (b) payment of pension funding costs or (c) capital project costs, or (d) retiree health care costs.

Based on the chart following, the pension stabilization costs for sworn employees decreased by 0.47% in FY2012-13 and are projected to decrease each following year. The percentage for miscellaneous employees increased by 0.19% in FY2012-13 and is also projected to continuously decrease as illustrated in the chart below.
PENSION STABILIZATION RATES:

<table>
<thead>
<tr>
<th></th>
<th>FY07-08 Actual</th>
<th>FY08-09 Actual</th>
<th>FY09-10 Actual</th>
<th>FY10-11 Actual</th>
<th>FY11-12 Budget</th>
<th>FY12-13 Projected</th>
<th>FY13-14 Projected</th>
<th>FY14-15 Projected</th>
<th>FY15-16 Projected</th>
<th>FY16-17 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sworn %</td>
<td>9.00%</td>
<td>12.50%</td>
<td>12.50%</td>
<td>12.50%</td>
<td>4.35%</td>
<td>3.88%</td>
<td>1.48%</td>
<td>1.42%</td>
<td>1.38%</td>
</tr>
<tr>
<td></td>
<td>Misc %</td>
<td>9.00%</td>
<td>9.00%</td>
<td>9.00%</td>
<td>9.00%</td>
<td>2.60%</td>
<td>2.79%</td>
<td>1.07%</td>
<td>1.03%</td>
<td>1.00%</td>
</tr>
<tr>
<td></td>
<td>Total %</td>
<td>18.00%</td>
<td>21.50%</td>
<td>21.50%</td>
<td>21.50%</td>
<td>6.95%</td>
<td>6.67%</td>
<td>2.55%</td>
<td>2.45%</td>
<td>2.38%</td>
</tr>
<tr>
<td>Sworn %</td>
<td></td>
<td>0.00%</td>
<td>3.50%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>-8.15%</td>
<td>-0.47%</td>
<td>-2.40%</td>
<td>-0.06%</td>
<td>-0.04%</td>
</tr>
<tr>
<td>Non-Sworn%</td>
<td></td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>-6.40%</td>
<td>0.19%</td>
<td>-1.72%</td>
<td>-0.04%</td>
<td>-0.03%</td>
</tr>
<tr>
<td>Total Increase</td>
<td>0.00%</td>
<td>3.50%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>-14.55%</td>
<td>-0.28%</td>
<td>-4.12%</td>
<td>-0.10%</td>
<td>-0.07%</td>
<td>-0.15%</td>
</tr>
</tbody>
</table>
3.8 INTERNAL SERVICE CHARGES

Internal service funds are used to finance and account for goods and services provided by designated departments to other departments in the City on a cost-reimbursement basis. Internal services consist of the following: equipment replacement, insurance reserves, and police telecommunications. In addition, charges for Civic Center rent and indirect costs are allocated out to City departments.

Beginning in FY2011-12, the City modified its internal service allocation structure by moving information technology, equipment maintenance, and facilities maintenance from internal service funds to the General Fund as part of the cost allocation plan. This change resulted in an overall decrease of 29.2% in charges allocated to the departments.

For FY2012-13, internal service charges total $30.8 million. The City's confidence level for insurance reserves is projected to be between 75-80% at year-end. Allocations are projected to remain stable in FY2013-14 as there are no material changes projected for any of the services. An increase is projected in FY2014-15 due to the need to replace a large portion of the City's fleet.
3.9 ACCUMULATED COMPENSATED ABSENCES

Compensated absences is comprised of unused vacation and certain other compensated time off. Governmental funds include only amounts that have matured (due), while their five-year liabilities are recorded in the governmental-wide Statement of Net Assets. In governmental activities, the majority of the five-year compensated absences liability is paid by the General Fund. In the business type activities (proprietary funds), these are paid by the fund that has recorded the liability.

The graph below shows the five-year consistent increase of the City’s average annual payments for terminated and retired employees as well as the accrual of the liability. Payments also included employees cashing in sick and annual leave and comp time based on MOU. The dramatic decrease in payments and accrual that almost leveled off with the accumulated compensated absences in 2010 was due to a system data collection caused by a change in accounting system. However in 2011, it showed normalcy in balances again as the old data conversion migrated to the new system.

At June 30, 2012, the balance of the liability for compensated absences for general fund was $10.1 million, of which $4.7 million was for vacation, $4.7 million in sick leave and $605,000 in comp time. Huge increase in payments of $6.4 million in 2012 was attributable to the staff retirement that occurred that year. That increase was also due to the payments to public safety employees whose entitlement based on MOU ranges from 50% to 70% (depending on years of service) of accrued sick leave upon retirement.
3.10 EMPLOYEES PER ONE THOUSAND RESIDENTS

Total full-time equivalents (FTEs) per one thousand residents show a continuous downward trend; declining overall by 17.2% from FY2007-08 to FY2011-12, primarily attributable to attrition in non-sworn job classifications, including the liquidation of vacant positions. Non-sworn FTEs declined by 24.2% from FY2007-08 to FY2011-12. Sworn (Police and Fire) FTEs have remained fairly stable, which has enabled the City to keep up with public safety service demands. The City plans to keep total FTEs at the current level over the next five fiscal years by not adding any new positions and filling existing vacancies only.
3.11 POPULATION AND EXPENDITURES PER CAPITA

While the period from 1980 to 2000 was characterized by rapid population growth in the City, since that time, the population reflects a trend of slower growth. The stability in population growth has enabled the City to keep up with service demands. The graph below shows the City’s population growth over the last five years.

Expenditures per capita, which measure the amount of resources expended per citizen, increased by 2.5% from FY2007-08 to FY2008-09. In FY2009-10, expenditures per capita decreased by 11.2% from the prior year. The decrease was attributable to the revised budget in which expenditures were reduced considerably due to the economic climate. In FY2011-12, expenditures per capita increased by 9.6% in congruence with the slow recovery from the recent economic downturn. The following graph summarizes historical expenditures per capita.

![General Fund Expenditures Per Capita Graph](image-url)
3.12 GENERAL FUND CASH FLOW ANALYSIS

The cash flow components are a review of beginning unassigned fund balances, operating and one-time receipts and disbursements. The cash receipts are recorded daily, and expenditures are paid weekly. The receipts include property taxes, sales and use tax, utility user tax and other taxes such as licenses, permits, fines, rental income and intergovernmental grants.

The disbursements paid include salaries and benefits, professional and administrative, utilities, equipment and contract services, and other operating expenses such as debt service, asset and capital outlay expenditures. The following cash flow table provides a review of beginning fund balances, operating and one-time receipts, disbursements and ending fund balances over the five-year forecast period.

The cash flow chart below reflects the operating transfers-in of tax revenue anticipation notes (TRAN), which is a short-term borrowing that is necessary for funding the City’s low periods before receipt of property taxes (December and April).
The cash flow chart below reflects the operating transfers-in of tax revenue anticipation notes (TRAN), which is a short-term borrowing that is necessary for funding our low periods before receipt of property taxes (December and April).

### General Fund - Cash Inflows and Outflows by Fiscal Year

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Fund Balance</strong></td>
<td>$15,554,854</td>
<td>$15,763,035</td>
<td>$15,743,163</td>
<td>$15,319,809</td>
<td>$15,038,185</td>
</tr>
<tr>
<td><strong>Receipts:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Taxes</td>
<td>33,040,822</td>
<td>34,527,659</td>
<td>36,495,736</td>
<td>38,539,497</td>
<td>40,569,244</td>
</tr>
<tr>
<td>Sales Taxes</td>
<td>29,720,759</td>
<td>30,993,167</td>
<td>33,100,702</td>
<td>35,517,053</td>
<td>37,932,213</td>
</tr>
<tr>
<td>Utility User Taxes</td>
<td>35,901,188</td>
<td>38,393,861</td>
<td>40,083,191</td>
<td>41,405,937</td>
<td>43,296,808</td>
</tr>
<tr>
<td>UUT - Chevron Settlement</td>
<td>13,000,000</td>
<td>13,000,000</td>
<td>13,000,000</td>
<td>7,000,000</td>
<td>7,000,000</td>
</tr>
<tr>
<td>Other Taxes</td>
<td>7,012,170</td>
<td>8,589,908</td>
<td>9,881,244</td>
<td>10,183,480</td>
<td>10,485,680</td>
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<tr>
<td>Licenses, Permits &amp; Fees</td>
<td>4,702,022</td>
<td>5,213,651</td>
<td>5,239,719</td>
<td>5,263,882</td>
<td>5,293,856</td>
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<tr>
<td>Fines &amp; Forfeitures</td>
<td>306,000</td>
<td>299,341</td>
<td>300,838</td>
<td>302,592</td>
<td>304,357</td>
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<tr>
<td>Use of Money &amp; Property</td>
<td>319,538</td>
<td>301,835</td>
<td>303,344</td>
<td>305,112</td>
<td>306,890</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>1,109,000</td>
<td>982,039</td>
<td>988,105</td>
<td>993,309</td>
<td>100,000</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>1,176,640</td>
<td>121,745</td>
<td>122,475</td>
<td>123,248</td>
<td>124,026</td>
</tr>
<tr>
<td>Rental Income</td>
<td>1,199,782</td>
<td>618,475</td>
<td>621,567</td>
<td>625,046</td>
<td>628,544</td>
</tr>
<tr>
<td>Intergovernmental Grants</td>
<td>2,098,569</td>
<td>2,817,437</td>
<td>2,830,525</td>
<td>2,847,494</td>
<td>2,863,047</td>
</tr>
<tr>
<td>Proceeds Property Sales</td>
<td>100,000</td>
<td>101,500</td>
<td>100,000</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Loan/Bond Proceeds (TRAN)</td>
<td>187,606</td>
<td>4,000,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating Transfers In/If</strong></td>
<td>10,710,361</td>
<td>1,044,985</td>
<td>1,490,729</td>
<td>688,185</td>
<td>688,185</td>
</tr>
<tr>
<td><strong>Total Receipts:</strong></td>
<td>$140,584,457</td>
<td>$141,000,103</td>
<td>$143,434,961</td>
<td>$142,643,092</td>
<td>$149,210,457</td>
</tr>
<tr>
<td><strong>Disbursements:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; Benefits</td>
<td>96,537,621</td>
<td>99,858,114</td>
<td>100,856,695</td>
<td>101,865,262</td>
<td>102,859,287</td>
</tr>
<tr>
<td>Prof &amp; Admin</td>
<td>10,416,934</td>
<td>10,000,305</td>
<td>10,220,312</td>
<td>10,445,159</td>
<td>10,469,587</td>
</tr>
<tr>
<td>Other Operating</td>
<td>7,357,265</td>
<td>7,057,985</td>
<td>7,165,985</td>
<td>7,322,032</td>
<td>7,404,684</td>
</tr>
<tr>
<td>Utilities</td>
<td>3,712,446</td>
<td>3,077,396</td>
<td>3,267,070</td>
<td>3,369,022</td>
<td>3,389,184</td>
</tr>
<tr>
<td>Equip &amp; Contract Services</td>
<td>2,356,208</td>
<td>2,316,453</td>
<td>2,319,360</td>
<td>2,348,360</td>
<td>2,649,139</td>
</tr>
<tr>
<td>Cost Pool</td>
<td>14,120,265</td>
<td>14,123,569</td>
<td>15,139,467</td>
<td>15,472,536</td>
<td>15,580,536</td>
</tr>
<tr>
<td>Asset/Capital Outlay</td>
<td>269,538</td>
<td>280,000</td>
<td>270,000</td>
<td>280,000</td>
<td>275,000</td>
</tr>
<tr>
<td>Debt Service</td>
<td>1,497,352</td>
<td>508,008</td>
<td>508,008</td>
<td>508,008</td>
<td>569,496</td>
</tr>
<tr>
<td>A87 Cost Plan Reimbursement</td>
<td>(8,770,600)</td>
<td>(8,963,600)</td>
<td>(9,160,700)</td>
<td>(9,362,337)</td>
<td>(9,482,340)</td>
</tr>
<tr>
<td>Grant Expenditures</td>
<td>16,479</td>
<td>14,000</td>
<td>15,000</td>
<td>16,000</td>
<td>17,000</td>
</tr>
<tr>
<td>Notes Repaid (TRAN)</td>
<td>4,000,000</td>
<td>3,689,996</td>
<td>4,000,099</td>
<td>1,200,000</td>
<td>6,216,587</td>
</tr>
<tr>
<td>Operating Transfers Out/If Repay</td>
<td>8,862,768</td>
<td>9,057,749</td>
<td>9,257,019</td>
<td>9,460,674</td>
<td>9,668,809</td>
</tr>
<tr>
<td><strong>Total Disbursements:</strong></td>
<td>$140,376,276</td>
<td>$141,019,975</td>
<td>$142,858,315</td>
<td>$142,924,716</td>
<td>$149,616,969</td>
</tr>
<tr>
<td><strong>Ending Balance:</strong></td>
<td>$15,576,035</td>
<td>$15,743,163</td>
<td>$15,319,809</td>
<td>$15,038,185</td>
<td>$14,631,673</td>
</tr>
</tbody>
</table>
SECTION FOUR: RESERVE ANALYSIS

Municipal governments provide a wide range of services that have an impact on public safety and quality of life for community members. Prudent use of resources helps determine how effectively these services are provided on an ongoing basis.

The General Fund, the primary governmental fund of the City, maintains an emergency reserve to protect essential service programs during periods of economic downturn. The General Fund maintains a positive fund balance and the appropriate level of reserve as dictated by the City’s Fiscal Policy. The City’s reserves are reviewed annually as part of the Five-Year Financial Plan (the “Plan”) process. The City’s Cash Reserve Policy establishes that reserves be maintained in the range of 7-15% of the next year’s budgeted General Fund expenditures. Reserves can be made up of restricted amounts which are resources that have no external conditions placed on their use, and unrestricted amounts, which are resources that have external conditions placed on their use.

4.1 SELF-INSURANCE RESERVES

The Risk Management Division of the Human Resources Management Department is responsible for managing all aspects of risk for the City. Risk Management administers the City’s Workers’ Compensation Program, manages claims, reviews and assesses insurance obligations, and ensures that the City is a safe place to work, live and play.

Setting reserves utilizes objective and subjective analyses of the potential cost exposure of a particular claim. For general liability claims, reserves would include estimated expenses for medical expenses, legal fees, adjusting fees, indemnity payments (pain and suffering, wage loss, property damage, etc.). For workers’ compensation, reserves include salary replacement (temporary disability and 4850), medical costs, attorney fees, rehabilitation expenses, permanent disability, and future medical costs. Adjusting fees are not included, as they are paid outside of the claim process.

The City’s best practice is to set reserves based on what is likely to occur so that claims are not under-reserved, thereby mitigating the need to continuously increase the file as bills are received. The City aims to maintain insurance reserves at the 80% confidence level and ensures that funding does not drop below the GASB minimum of 50%.

Currently, reserves are above the 80% confidence level, meaning that the amount of money indicated to be set aside for claims will be sufficient to pay for all claims presented more than 80% of the time. The 80% confidence level for the insurance reserves is $28,825,930. With a projected reserve balance as of June 30, 2013, reserves are estimated to be $29,052,174, the City will be funded at the 81% confidence level.
4.2 CAPITAL REPLACEMENT RESERVES

4.2.1 FLEET REPLACEMENT RESERVE FUND

- **City Council Fiscal Policy**: Maintain a reserve for costs associated with the replacement of vehicles and other rolling stock (such as trailers, generators, compressors, or other mobile equipment) as they become unserviceable, obsolete, or repair costs exceed the value of the vehicle or reach a predetermined service life. The reserve will be maintained at a level at least equal to the projected five-year fleet replacement costs.

- **Current Assessment and Conclusions**: The reserve is reviewed annually to verify if funding is adequate to cover projected replacement costs for the next five years. The City's fleet is valued at $24 million. $16.7 million is scheduled for replacement during the next five years, $13.1 million is scheduled for replacement during the next six to ten years, and $15.5 million is scheduled for replacement after ten years. Current reserves are not adequately funding to meet long-term replacement needs.

- **Recommendation and Fiscal Impact**: To establish contributions for the replacement of City fleet vehicles and equipment in order to keep the reserve at an adequate level.

4.3 FACILITIES MAINTENANCE CAPITAL ASSET RESERVE

The City of Richmond is in the process of organizing a Facilities Maintenance Capital Asset Reserve Fund to separate general maintenance funding from capitalized improvement projects. An assessment of City facilities is currently being performed to determine monthly contributions to the reserve. The estimated cost is $1 million and is based on the building’s age, square footage, occupancy and daily use. The accumulation of funds in this reserve are to cover the cost of substantial projects such as roof replacement, flooring due to flooding, heating and air systems or other major repairs.

Capital assets expenditures that are incurred after their original acquisition are defined and recorded as follows:

- **Maintenance** - Defined as expenditures that neither materially add to the value of property nor appreciably prolong its life, but merely keep it in an ordinary efficient operating condition. Maintenance cost will not be capitalized. Maintenance repairs will be funded separately in Public Works Facilities Maintenance Division’s general fund budget.

- **Capitalized Expenditures** - Defined as expenditures that materially add to the value of property or appreciably extend its life. The cost of the capitalized expenditures will be added to the book value of the asset where the original cost of a component being improved can be specifically identified. This amount will be written off, and the new cost capitalized.

The decision as to whether expenditures should be capitalized shall be made by an evaluation of engineering, physical, or other relevant factors, apart from cost.
4.4 PARK ASSET REPLACEMENT RESERVES

The City of Richmond does not currently have a Park Asset Replacement Reserve in place. It is recommended to be created in order to accumulate funds for replacement of park assets as they end their projected lifecycle.

Currently, the City operates on a “pay-as-you-go” approach, meaning that an asset is replaced only if there are currently funds available. With the economic conditions being uncertain, many park assets have hit the end of their projected lifecycle, and there are no funds available to replace them.

Park assets to be considered would include play equipment, restroom buildings, fences, benches/bleachers, garbage cans and lighting. Each of these items has a projected useful life, and as the lifecycle ends, the City currently must come up with the capital funds to replace the asset, otherwise the asset stays in place and ends up becoming dilapidated, unsafe and ultimately a liability.
4.5 GENERAL FUND BALANCES

The City’s fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54) and are reported in the Nonspendable, Restricted, Assigned and Unassigned categories.

Nonspendable Fund Balance is used to record amounts that cannot be immediately spent, such as prepaid expenses, amounts held in inventory, balances of long-term notes and loans receivable and other items of a similar nature.

Restricted Fund Balance characterizes funds having constraints placed on their use by creditors, grantors, contributors, laws, regulations, or enabling legislation that require their use for specific purposes.

Assigned Fund Balance is the amount set aside for a specific purpose but does not fall into the category of restricted fund balance. In the case of assigned fund balance, restrictions can be placed by the governing body, finance or budget committee, or an official who has the governing body’s authority to do so.

Unassigned Fund Balance represents the portion of fund balance that does not fall into the above categories and have not been restricted, committed or assigned. It includes the residual general fund balance and residual fund deficits of other governmental funds.

The City Council established a $10 million general fund contingency reserve policy during FY2004-05. The policy was subsequently updated, providing for a minimum cash reserve of 7% of the following year’s budgeted general fund expenditures. This minimum was needed to maintain the City’s credit worthiness in addition to providing for economic and legislative uncertainties, cash and contingency needs. As of June 30, 2011, there was a $10 million balance in the contingency reserve representing 7.9% of budgeted general fund expenditures for FY2011-12. This balance is included in the Unassigned Fund Balance conforming to the provisions of GASB 54. Below is a historical graphical presentation of the City’s unassigned fund balance since inception.

![Graph of Unassigned Fund Balance as a Percentage of Operating Expenditures General Fund]

- 2005: 25%
- 2006: 32%
- 2007: 27%
- 2008: 16%
- 2009: 16%
- 2010: 12%
- 2011: 10%
- 2012: 11%
Contingency reserve forms a part of the unassigned fund balance and is represented below.

## General Fund Forecast Summary

<table>
<thead>
<tr>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>149.7</td>
<td>140.4</td>
<td>137.0</td>
<td>143.4</td>
<td>142.6</td>
<td>149.2</td>
</tr>
<tr>
<td>Expenditures</td>
<td>145.0</td>
<td>140.6</td>
<td>142.5</td>
<td>144.5</td>
<td>146.5</td>
<td>148.5</td>
</tr>
<tr>
<td>Surplus/(deficit)</td>
<td>4.7</td>
<td>.2</td>
<td>(5.5)</td>
<td>(1.1)</td>
<td>(3.9)</td>
<td>.7</td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>40.5</td>
<td>55.3</td>
<td>55.7</td>
<td>52.7</td>
<td>54.1</td>
<td>52.8</td>
</tr>
<tr>
<td>Ending Fund Balance</td>
<td>55.3</td>
<td>55.7</td>
<td>52.7</td>
<td>54.1</td>
<td>52.8</td>
<td>56.1</td>
</tr>
</tbody>
</table>
PROJECTED GENERAL FUND RESERVES

The City adopted a policy to maintain a cash reserve of 7% of the budgeted expenditures of the following year to address unanticipated expenditures or revenue shortfalls of an unforeseen nature. In FY2005, $2 million was put into the contingency fund and a $10 million balance was maintained thereafter in the fund until FY2011. The following table depicts the ending fund balance reserve based on the General Fund Forecast summary presented above.

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Reserve at 7% of GF expenditures</td>
<td>9.7</td>
<td>9.8</td>
<td>9.9</td>
<td>10.0</td>
</tr>
<tr>
<td>Cash Reserve at 10% of GF expenditures</td>
<td>13.8</td>
<td>14.0</td>
<td>14.2</td>
<td>14.4</td>
</tr>
</tbody>
</table>

The table above presents two scenarios of maintaining a cash reserve at 7% and 10% level over the next five years. It is clear that the City will not be able to comply with its reserve policy requirements unless effective measures are taken. Government Finance Officers Association (GFOA) recommends that agencies maintain, at a minimum, two months or 16.67% of general fund operating revenues or expenses as fund balance. Since unassigned fund balance has no restrictions placed on it, many projects and services have been funded by it over the years.
SECTION FIVE: CAPITAL IMPROVEMENT PLAN ANALYSIS

The Capital Improvement Plan (CIP) Analysis addresses the capital improvement needs related to the ongoing rehabilitation, replacement and maintenance of the City’s municipal infrastructure, as well as the development of a strategy to identify capital improvements that will result in a greater potential for economic development and allow the City to secure additional grant-funding opportunities. This analysis includes a review of the funding status of the existing reserves as well as future projected funding sources, and attempts to determine the timing of the projects in connection with the City’s current and future financial resources.

The City has reviewed capital projects that are significant and are projected to start construction within the next five years. The capital projects were broken into three categories: a) City Projects – Non-Enterprise; b) City Projects – Enterprise (A governmental accounting fund separate from the General Fund in which services provided are financed and operated similarly to those of a private business); and c) Prospective Projects - with the significant individual projects identified by area. City staff has analyzed the projects as to the available funding, the estimated project costs and the required funding.

5.1 CITY PROJECTS – NON-ENTERPRISE

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Funding Source</th>
<th>Amount Available</th>
<th>Estimated Project Cost</th>
<th>Required Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Attorney</td>
<td>Americans with Disabilities Act (ADA) Emergency Shelter Compliance Improvements</td>
<td>General Capital Fund</td>
<td>$1.8 million</td>
<td>$2.6 million</td>
</tr>
<tr>
<td>Engineering</td>
<td>Paving – Five Years</td>
<td>Gas Tax General Capital Fund, Measure J</td>
<td>$19.6 million</td>
<td>$36 million</td>
</tr>
<tr>
<td></td>
<td>Street Light Master Plan</td>
<td>General Capital Fund</td>
<td>$2.5 million</td>
<td>$11 million</td>
</tr>
<tr>
<td></td>
<td>Shields-Reid Park</td>
<td>Park Impact Fee North Richmond Mitigation Measure WW Grant</td>
<td>$890,000</td>
<td>$2.4 million</td>
</tr>
</tbody>
</table>
5.1.1 AMERICANS WITH DISABILITIES ACT COMPLIANCE PROJECTS

Many of the City's existing facilities are not in complete compliance with Title II of the Americans with Disabilities Act (ADA). The City recently hired an architectural firm to coordinate with the Engineering Division and complete a systematic review of City facilities, sidewalks, programs, services, and activities. The compilation of the information will enable the City to create a comprehensive transition plan that will identify physical barriers, provide solutions for barrier removal, prioritize and schedule their removal. The implementation of the anticipated transition plan will occur over a 15-20 year period, with a variety of CIP requests to be submitted during this time period.

Expenditures

ADA compliance for all emergency shelters requires a total expenditure of $2.6 million in the next five years. The City has included in the proposed budget approximately $1.8 million to be spent over the next five years.

Potential Cash Flow Issues

ADA improvements can be funded through a combination of the General Capital Fund and Risk Management Fund. The reliability of these funding sources is not guaranteed. Some ADA improvements occur as part of the City’s ongoing facilities maintenance program.

A recently enacted bill, SB 1186, provides a mechanism for some additional funding for ADA compliance issues. Among other things, SB 1186 requires cities to collect an additional $1 fee for a local business license, equivalent instrument or permit beginning January 1, 2013. Cities are allowed to keep $.70 of each $1 collected, with the remaining balance to be submitted to the state on a quarterly basis.

5.1.2 ANNUAL PAVING MANAGEMENT PROGRAM

Shrinking revenues, deferred maintenance and increasing costs have contributed to the gradual deterioration of the City’s pavement condition over the course of the last few decades. This phenomenon is not unique to the City of Richmond; indeed, most Bay Area municipalities are struggling with a decline in overall infrastructure condition, including pavement. Deteriorating roadway conditions across the Bay Area are a concern and are frequently cited in newspaper articles and other publications.

In 2007, the City enrolled in the National Research Center's National Citizen Survey program to conduct a resident survey to help the City Council set spending priorities. The survey results provided valuable insight into the community’s needs and expectations, and facilitated creating a framework for the City Council to pursue programs and policies in response to the survey results. Pavement condition, along with crime, ranked as the highest concern for Richmond residents. Subsequent to the survey, the City made a commitment to allocate $7.2 million of funding for street maintenance, and the annual paving budget was increased beginning FY2006-07.
Richmond Pavement Network

The City has about 279 miles of pavement or about 750 lane-miles of pavement; roughly equivalent to a 12-foot wide road leading from Richmond to Vancouver, British Columbia. A lane-mile is defined as a mile of pavement that is 12-feet wide.

Pavement Management System

The City, as with all other Bay Area municipalities, utilizes the Metropolitan Transportation Commission (MTC) StreetSaver pavement management software for pavement asset management. This software has been developed by MTC as an asset management tool for inventorying a municipality’s pavement, tracking the pavement surface condition and projecting condition trends based on projected budgets. MTC collects data for all Bay Area agencies, performs regional projections and utilizes the projections to pursue federal funding for local street and road maintenance.

Pavement Condition Index

The Pavement Condition Index (PCI) is a number from zero to one hundred that indicates the overall condition of a section of pavement. A PCI of one hundred is for newly-constructed pavement, and a PCI of zero is for completely failed pavement.

The Richmond Pavement PCI data on the graph above shows a dramatic increase in PCI beginning in 2006, when the pavement budget was increased in response to the public survey. On December 7, 2012, the City was awarded the 2011 Pavement Management Award for “Most Improved Roads” by the MTC. The City’s PCI increased over 13 points, the greatest increase in the Bay Area.
Functional Class

The functional class is a designation for vehicular traffic on streets and serves as a classification system. The Arterial Street classification is for the most heavily-traveled streets, such as Barrett Avenue, Macdonald Avenue, 23rd Street, San Pablo Avenue, Hilltop Road and the like. The Collector Street classification is for streets that typically feed Arterial Streets. The Residential Street classification is for the least heavily-traveled streets including local streets, residential streets, and cul-de-sacs. Arterial Streets and Collector Streets are eligible for federal funding, but Residential Streets are not eligible for federal funding.

Pavement Funding

The following table indicates pavement expenditures over the course of the last five years.

<table>
<thead>
<tr>
<th>Fund Source</th>
<th>FY2007-08</th>
<th>FY2008-09</th>
<th>FY2009-10</th>
<th>FY2010-11</th>
<th>FY2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001A Lease Revenue Bond</td>
<td>$</td>
<td>$</td>
<td>$ 337,885</td>
<td>$ 2,001,792</td>
<td>$</td>
</tr>
<tr>
<td>General Capital Fund</td>
<td>$ 392,308</td>
<td>$ 221,671</td>
<td>$ 77,574</td>
<td>$ 1,892,375</td>
<td>$ 2,104,304</td>
</tr>
<tr>
<td>Measure C Fund</td>
<td>$ 4,245,760</td>
<td>$ 2,004,881</td>
<td>$ 1,312,824</td>
<td>$ 51,366</td>
<td>$ 626,015</td>
</tr>
<tr>
<td>Prop 1B</td>
<td>$</td>
<td>$ 1,765,196</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>State Highway Fund</td>
<td>$</td>
<td>$ 173,429</td>
<td>$ 1,030,453</td>
<td>$ 276,192</td>
<td>$ 1,371,394</td>
</tr>
<tr>
<td>Gas Tax</td>
<td>$ 2,711,415</td>
<td>$ 1,951,039</td>
<td>$ 277,855</td>
<td>$ 1,894,722</td>
<td>$ 1,803,360</td>
</tr>
<tr>
<td>Other Fund</td>
<td>$ 1,548,439</td>
<td>$ 876,902</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 8,897,922</td>
<td>$ 6,993,120</td>
<td>$ 3,036,591</td>
<td>$ 6,116,447</td>
<td>$ 5,905,073</td>
</tr>
</tbody>
</table>

The following table indicates the projected level of pavement funding for the next five fiscal years, with a funding breakdown by fund source.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2001A Lease Revenue Bond</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>General Capital Fund</td>
<td>$ 543,346</td>
<td>$ 911,987</td>
<td>$ 645,561</td>
<td>$ 351,574</td>
<td>$ 25,535</td>
</tr>
<tr>
<td>Measure J Fund</td>
<td>$ 278,537</td>
<td>$ 780,556</td>
<td>$ 981,478</td>
<td>$ 1,208,520</td>
<td>$ 1,416,037</td>
</tr>
<tr>
<td>Prop 1B</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>State Highway Fund</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Gas Tax</td>
<td>$ 2,781,504</td>
<td>$ 2,307,457</td>
<td>$ 2,372,961</td>
<td>$ 2,439,906</td>
<td>$ 2,558,428</td>
</tr>
<tr>
<td>Other Fund</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Encumbered</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 3,603,387</td>
<td>$ 4,000,000</td>
<td>$ 4,000,000</td>
<td>$ 4,000,000</td>
<td>$ 4,000,000</td>
</tr>
</tbody>
</table>
Current projections with projected funding levels indicate that Richmond’s PCI may decrease slightly over the course of the next five years.

**Expenditures**

Since FY2006-07, the City has had a target allocation of $7.2 million annually to fund street paving projects. In FY2011-12, the City reduced the funding of this program by $3.2 million due to a reduction in funding sources.

**Potential Cash Flow Issues**

The annual paving budget projection through FY2015-16 is $19.6 million. Funding for street paving has been reduced due to: a) Prop 1B funds are no longer available; b) 2001A Lease Revenue Bond was exhausted in FY2010-11; and c) the State Highway Fund balance was depleted in the year ending June 30, 2012. At the current funding rate, the pavement condition is projected to remain the same, but the backlog of unrepaired streets is projected to increase over time.

**5.1.3 STREET LIGHT MASTER PLAN**

The City hired engineering consultants to assist in the creation of a Street Light Master Plan (SLMP) and to help the City modernize its street light system. The SLMP process, lead by the Engineering Services Department, involved collaborations from various City departments including Police, Public Works, Planning, Successor Agency to the Richmond Community Redevelopment Agency, Information Technology, and the Green Team. The SLMP consists of a summary of the current street light infrastructure and its condition; recommendations of standards such as lighting levels and equipment types; cost estimates; and financing options. The table below lists the projects and the estimated cost identified in the SLMP.

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Estimated Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>City-wide City-owned street light upgrade to LED Fixtures</td>
<td>$1,650,000</td>
</tr>
<tr>
<td>City-wide Badly Damaged Pole Replacement</td>
<td>$300,000</td>
</tr>
<tr>
<td>City-wide Wire Theft Replacement Projects</td>
<td>$1,200,000</td>
</tr>
<tr>
<td>Santa Fe Neighborhood - Upgrading street lighting to LED Fixtures</td>
<td>$555,000</td>
</tr>
<tr>
<td>Iron Triangle Neighborhood - Upgrading street lighting to LED Fixtures</td>
<td>$2,176,500</td>
</tr>
<tr>
<td>Atchison Village Neighborhood - Upgrading street lighting to LED Fixtures</td>
<td>$298,500</td>
</tr>
<tr>
<td>Belding Woods Neighborhood - Upgrading street lighting to LED Fixtures</td>
<td>$2,098,500</td>
</tr>
<tr>
<td>Coronado Neighborhood - Upgrading street lighting to LED Fixtures</td>
<td>$1,224,000</td>
</tr>
<tr>
<td>BART Vicinity</td>
<td>$22,500</td>
</tr>
<tr>
<td>Macdonald Ave./9th Street Near Kaiser Hospital - Upgrading Pedestrian Lighting</td>
<td>$108,000</td>
</tr>
<tr>
<td>City-wide Deteriorated Pole Replacement</td>
<td>$675,000</td>
</tr>
<tr>
<td>City-wide Knocked Down Pole Replacement</td>
<td>$320,000</td>
</tr>
<tr>
<td>City-wide PG&amp;E-owned street light upgrade to LED Fixtures</td>
<td>$3,958,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$14,586,000</strong></td>
</tr>
</tbody>
</table>
Expenditures

The SLMP outlines an improvement program to address the deficiencies identified with an estimated cost of $14.6 million.

Potential Cash Flow Issues

These improvements are funded by the City’s General Capital Fund. Funding strategies include a “pay-as-you-go” option, where the City allocates a specific funding expenditure on an annual basis. Other funding options consist of loans or municipal bond financing. Debt service for loans or bond financing would have a significant impact on the City’s General Fund, and would require reallocation of General Fund resources.

The City is currently pursuing low-interest loans to be paid back with energy savings generated by higher efficiency of LED lights. The City is evaluating the potential for utilizing public/private partnerships to provide turn-key programs. Turn-key programs administered by agencies such as PG&E and QEC (Qualified Energy Conservation) as well as other outside parties would allow payback on Capital investment through on-going energy savings, and would not have a financial impact on the City’s General Capital Fund.
5.2 CITY PROJECTS – ENTERPRISE

<table>
<thead>
<tr>
<th>Activity</th>
<th>Project Name</th>
<th>Funding Source</th>
<th>Amount Available</th>
<th>Estimated Project Cost</th>
<th>Required Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering</td>
<td>Stormwater</td>
<td>Enterprise Funds</td>
<td>$ -</td>
<td>$25,821,000</td>
<td>$25,821,000</td>
</tr>
<tr>
<td></td>
<td>Wastewater</td>
<td>Enterprise Funds</td>
<td>$35 million</td>
<td>$205 million</td>
<td>$170 million</td>
</tr>
<tr>
<td>Port</td>
<td>Port Master Plan</td>
<td>Enterprise Funds</td>
<td>TBD</td>
<td>$250,000</td>
<td>TBD</td>
</tr>
</tbody>
</table>

5.2.1 STORMWATER SYSTEM IMPROVEMENTS

The City completed an inventory of the public stormwater infrastructure, mapped the infrastructure into the City’s Graphic Information System (GIS) and is in the process of verifying and checking the condition of the pipes in the network. The next step is a stormwater master plan to identify and prioritize projects that are needed for addressing collection system repairs, capacity issues and pollutant loadings which are required in order to comply with the City’s current stormwater National Pollutant Discharge Elimination System (NPDES) permit and Total Maximum Daily Loads (TMDLs).

Condition

Several areas in the City were identified by collection crews as causing flooding, flow restrictions, and overflows in the past decade. These “hot spots” occur in the lower-lying areas of the City and may be the result of poor design and construction. Two of these areas have preliminary estimates requiring 54” pipes to be installed to alleviate the flooding. Others need comprehensive plans to address the changing conditions and infrastructure needs. Abatement and Collection crews identified areas generating or accumulating trash. Inspection staff identified areas generating or accumulating polychlorinated biphenyls. These pollutant “hot spots” need projects identified to reduce the pollutant load.

2011 Survey

The rating of Storm Drainage (Utility) is 41% (42% in 2009, 31% in 2007).

The table below summarizes the projects, funding source, amount available, estimated project cost and required funding for the stormwater system improvements.
Stormwater Projects

<table>
<thead>
<tr>
<th>Activity Project Name</th>
<th>Funding Source</th>
<th>Amount Available</th>
<th>Estimated Project Cost</th>
<th>Required Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering – Stormwater</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stormwater Collection System and Pollutant Loading Master Plan</td>
<td></td>
<td>$800,000</td>
<td>$800,000</td>
<td></td>
</tr>
<tr>
<td>24th Street flooding reduction</td>
<td></td>
<td>$1,142,000</td>
<td>$1,142,000</td>
<td></td>
</tr>
<tr>
<td>Bayview Ave. flooding reduction</td>
<td></td>
<td>$1,727,000</td>
<td>$1,727,000</td>
<td></td>
</tr>
<tr>
<td>Canal Blvd. flooding reduction</td>
<td></td>
<td>$1,467,000</td>
<td>$1,467,000</td>
<td></td>
</tr>
<tr>
<td>Carlson Blvd. flooding reduction</td>
<td></td>
<td>$8,700,000</td>
<td>$8,700,000</td>
<td></td>
</tr>
<tr>
<td>Crest Ave. pipe replacement</td>
<td></td>
<td>$33,000</td>
<td>$33,000</td>
<td></td>
</tr>
<tr>
<td>Gertrude Ave. flooding reduction</td>
<td></td>
<td>$3,077,000</td>
<td>$3,077,000</td>
<td></td>
</tr>
<tr>
<td>Harbour Way flooding reduction</td>
<td></td>
<td>$560,000</td>
<td>$560,000</td>
<td></td>
</tr>
<tr>
<td>Marina Way flooding reduction</td>
<td></td>
<td>$2,815,000</td>
<td>$2,815,000</td>
<td></td>
</tr>
<tr>
<td>Potrero Ave. flooding reduction</td>
<td></td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td></td>
</tr>
<tr>
<td>Southwest Annex flooding reduction</td>
<td></td>
<td>$3,500,000</td>
<td>$3,500,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$25,821,000</strong></td>
<td></td>
<td><strong>$25,821,000</strong></td>
</tr>
</tbody>
</table>

Expenditures

The Stormwater Enterprise is funded solely by annual stormwater program fees. The revenues collected fund basic operations, and are presently insufficient to fund capital improvement projects. Project funding would require ballot initiative, bond issuance and associated debt service.

Potential Cash Flow Issues

The City participated in a County-wide Prop 218 ballot initiative effort to increase revenue $590,000 per year for ten years. The initiative did not pass County-wide. A local campaign to increase the stormwater fund is a possible option. If a bond issuance is pursued it would also require voter approval. These funding procedures are governed by California Prop 218.
5.2.2 WASTEWATER SYSTEM IMPROVEMENTS

The City operates the Richmond Municipal Sewer District, which provides uninterrupted sewer service to approximately 65,000 residents of the City. The City has contracted the operation, maintenance and improvements of both the wastewater treatment facility and the collection system to a private contractor, Veolia Water.

Condition

The Wastewater Treatment Plant was originally constructed in 1953 and expanded in 1967. Several significant upgrades have been installed since this time. However, overall, the plant equipment and facilities are nearing the end of their service lives. The collection system is similar in age to the treatment plant, and requires system-wide improvements to reduce inflow and infiltration and replace pipes that have also reached the end of their service lives. Sewer overflows have occurred from the sewer system, and water and air quality violations have occurred at the treatment plant facility.

Five-Year Plan Requirement

In 2006, the City settled an environmental lawsuit with the Baykeeper organization. As part of this settlement, the City agreed to complete capital improvement projects necessary to eliminate wet weather-related sanitary sewer overflows. That same year, the City Council passed a sewer rate increase of 8% per year for five years in order to provide debt service for bond financing of capital projects. In 2010, the City Council passed a subsequent sewer rate increase of 5% per year for an additional three years. This latest increase allowed the City to issue municipal bonds for an additional $38 million in sewer system improvements. In 2013, an additional rate increase is anticipated to continue to complete needed treatment plant and collection system improvements as required to meet life-safety requirements and meet the Baykeeper’s settlement agreement.

The City has developed master plans for both the Sewer Treatment Plant and Sewer Collection system. These plans identify capital improvement needs of over $200 million in the next 20 years. Additionally, the City is actively evaluating alternative options to improving the current facility and regionalization efforts to determine the best use of sewer rate revenues.

The table on the following page shows needed wastewater projects and their projected costs for the next five years.
Wastewater Projects

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering – Wastewater</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wet Weather Storage Project</td>
<td>$1,000,000</td>
<td>$7,700,000</td>
<td>$6,900,000</td>
<td></td>
<td>$15,600,000</td>
<td></td>
</tr>
<tr>
<td>Upper Clinton Relief Sewer Project</td>
<td>$2,750,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costa Pipeline Replacement</td>
<td>$900,000</td>
<td></td>
<td></td>
<td></td>
<td>$900,000</td>
<td></td>
</tr>
<tr>
<td>Remaining Pipeline Replacement Designs – Approved TAs</td>
<td>$250,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pipeline Capacity Improvements</td>
<td></td>
<td>$6,000,000</td>
<td>$6,000,000</td>
<td>$20,000,000</td>
<td>$32,000,000</td>
<td></td>
</tr>
<tr>
<td>Pipeline Rehabilitation and Replacement (I&amp;I Reduction)</td>
<td>$4,000,000</td>
<td>$4,000,000</td>
<td>$4,000,000</td>
<td>$4,000,000</td>
<td>$16,000,000</td>
<td></td>
</tr>
<tr>
<td>Sewer Lines Repairs for Inspection Accessibility</td>
<td>$500,000</td>
<td>$500,000</td>
<td></td>
<td></td>
<td>$1,000,000</td>
<td></td>
</tr>
<tr>
<td>Manhole Repairs</td>
<td>$500,000</td>
<td>$500,000</td>
<td>$500,000</td>
<td>$500,000</td>
<td>$2,000,000</td>
<td></td>
</tr>
<tr>
<td>WWTP Electrical Upgrades (Reduced Scope)</td>
<td>$2,600,000</td>
<td>$2,400,000</td>
<td></td>
<td></td>
<td>$5,000,000</td>
<td></td>
</tr>
<tr>
<td>WWTP Grit Basin Repairs</td>
<td>$1,300,000</td>
<td>$1,300,000</td>
<td></td>
<td></td>
<td>$2,600,000</td>
<td></td>
</tr>
<tr>
<td>Sewer Collection System Emergency Capital Repairs</td>
<td>$500,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$500,000</td>
<td>$500,000</td>
<td>$3,500,000</td>
</tr>
<tr>
<td>Potential Flow Diversion Project</td>
<td>$6,000,000</td>
<td>$6,000,000</td>
<td>$50,000,000</td>
<td>$58,000,000</td>
<td>$120,000,000</td>
<td></td>
</tr>
<tr>
<td>WWTP Emergency Capital Repairs</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$500,000</td>
<td>$500,000</td>
<td>$3,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5,400,000</strong></td>
<td><strong>$24,600,000</strong></td>
<td><strong>$29,600,000</strong></td>
<td><strong>$61,500,000</strong></td>
<td><strong>$83,500,000</strong></td>
<td><strong>$204,600,000</strong></td>
</tr>
</tbody>
</table>

**Expenditures**

The Wastewater Enterprise is funded solely by annual wastewater program fees and is not dependent on the City’s General Capital Fund. The revenues collected were adequate to fund both operating expenses and debt service for capital improvements through FY2013. In order to maintain sufficient revenues to complete ongoing capital improvement needs, the City will need to increase rates in the future as part of a five-year capital improvement financing strategy.

**Potential Cash Flow Issues**

Debt service for future bond issuances necessary to fund Wastewater System Capital Improvements would require both public support and City Council approval as governed by Prop 218. This support and subsequent approval will be influenced largely by the community’s economic challenges and comparison of both similar sewer service fees and level of service with other communities.
5.2.3 PORT OF RICHMOND IMPROVEMENT PROJECTS

The City operates a marine port enterprise. The Port of Richmond represents a significant opportunity for economic growth and development within the City. This is primarily due to its close proximity to an extensive rail system, as well as Richmond’s central Bay Area location. In 2007, the Port of Richmond prepared a “Strategic Business Plan” document.

Due to the significant opportunities for economic development and resultant revenues associated with the Port of Richmond, it is recommended that the City revisit the 2007 “Strategic Business Plan,” as well as develop a “Port of Richmond Master Plan.” It is further recommended that this Master Plan identify the following:

- Strategic evaluation of Port potential;
- Revenue and economic development opportunities;
- Capital improvements and infrastructure improvements necessary to accomplish Port growth and development; and
- Required capital investment and an analysis of funding methods.

Expenditures

The City recommends that the Port of Richmond develop a Port Master Plan. Estimated cost for this plan is expected to be $250,000.
5.3 RICHMOND BAY CAMPUS (LBNL)

<table>
<thead>
<tr>
<th>Activity Project Name</th>
<th>Funding Source</th>
<th>Amount Available</th>
<th>Estimated Project Cost</th>
<th>Required Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>LBNL Bay Campus</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Impacts</td>
<td>TBD</td>
<td>$0</td>
<td>TBD</td>
<td>TBD</td>
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</tbody>
</table>

5.3.1 LAWRENCE BERKELEY NATIONAL LABORATORY (LBNL) BAY CAMPUS

The City was recently notified that it was selected as the location of the Bay Campus for the Lawrence Berkeley National Laboratory. The campus will include an initial development phase of 480,000 square feet, and subsequent phases of up to an additional two million square feet. The Richmond Field Station is located within the Richmond South Shoreline area, and consists of 100 acres of upland area and the adjacent 25 acre Regatta Industrial Center, which are all owned by the University of California. After final selection has been made, the development team will move forward with the following entitlement/construction process: a) development agreement; b) development plans and environmental assessments; c) design, d) phasing and construction of infrastructure and vertical development processes. Occupancy of the initial phase of lab space is scheduled for FY2016-17. Since the lab will be located on land owned by the State of California, there will not be any increase in property tax until the adjacent parcels are developed. The outlying parcels are located in a Successor Agency to the Richmond Community Redevelopment Agency Project Area.

Expenditures

The impacts of the proposed LBNL project are expected to require significant improvement to roadways, sewers and stormwater conveyance systems around and downstream of the project area.

Funding Options

The funds needed to address these improvements have not yet been identified. It is recommended that the City negotiate cost sharing elements as part of the developer agreement and Environmental Impact Report (EIR) process.
Timeline

2012-13: Berkeley Lab and UC Berkeley work jointly on a Long Range Development Plan and on environmental review and planning. Goal is to complete this phase by the beginning of 2014.

2014: Design underway and site preparation begins

2015-16: Construction occurs

2017-2018: Complete construction and occupy buildings

2019 and beyond: Future phases of development

Initial occupancy would begin following the first phase of development to integrate programs associated with energy, environment and health at the site. Lab leaders see great potential for scientific gains that would occur at this site when scattered biosciences facilities are integrated in one location. Future phases of development would occur over coming decades as other research is located at the site.
5.4 SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY CIP UPDATE

Existing Governmental Debt may also be supported by pledges of tax increment revenue through the Former Richmond Community Redevelopment Agency (“RCRA”).

On June 28, 2011, the California Legislature approved two statutes that significantly modified California Redevelopment Law:

- **AB1x 26 (the “Dissolution Act”)** immediately suspended all new redevelopment activities and the incurrence of indebtedness, and dissolved redevelopment agencies effective October 1, 2011.

- **AB1x 27** would have allowed redevelopment agencies to avoid dissolution by opting into an “alternative voluntary program” and making annual remittances to the state.

Both of these bills were challenged before the California Supreme Court by the California Redevelopment Association and other organizations. On December 29, 2011, the California Supreme Court upheld the Dissolution Act, requiring the dissolution of redevelopment agencies but invalidated AB1x 27. As a result of this decision, all California redevelopment agencies, including the RCRA, dissolved by operation of law on February 1, 2012. All property tax revenues that would have been allocated to redevelopment agencies, including the RCRA, will be allocated to the applicable Redevelopment Property Tax Trust Fund (“RPTTF”) created by the County Auditor-Controller for the “successor agency.” Such funds will be used for payments on indebtedness and other “enforceable obligations” (as defined in the Dissolution Act) and to pay certain administrative costs. Any amounts in excess of the amount needed to pay these costs are to be considered property taxes that will be distributed to taxing agencies.

On January 24, 2012, the City elected to become the Successor Agency to the Richmond Community Redevelopment Agency (“Successor Agency”). The Dissolution Act requires successor agencies to create a new seven-member Oversight Board, which acts by majority vote. The Oversight Board for the City is comprised of members appointed as follows:

- One member appointed by the Contra Costa Board of Supervisors
- One member appointed by the Mayor of the City of Richmond
- One member appointed by the East Bay Regional Parks District
- One member appointed by the West Contra Costa Unified School District
- One member appointed by the Chancellor of California Community Colleges
- One member of the public appointed by the Contra Costa County Board of Supervisors
- One member representing the employees of the former RCRA, as appointed by the Mayor of the City of Richmond

A key report, the Required Obligation Payment Schedule ("ROPS"), establishes the property tax revenue that will be necessary to meet the Successor Agency’s debt, project, and administrative cash flow.
requirements for each six-month reporting period (January – June and July – December). This report is reviewed and approved by both the Successor Agency Board (i.e., the City Council) and the Oversight Board before being submitted to the State Department of Finance (“DOF”). The DOF, likewise, has review and approval authority of the Successor Agency’s ROPS, including determinations on whether items qualify as enforceable obligations.

The effect of these legislative and legal actions has been to severely curtail the Successor Agency’s ability to initiate and complete capital improvement projects planned prior to the dissolution of the RCRA. This is due to the fact that RPTTF funding is only available to projects determined by the DOF to be enforceable obligations, which include bonds, contracts, and other binding agreements that predate the effective date of the Dissolution Act.

During the first three ROPS cycles (from January 2012 to July 2013), the Successor Agency experienced protracted disputes with the DOF due to their denial of several projects which the Successor Agency and Oversight Board had deemed enforceable obligations. These included capital improvements associated with Phase II of the Richmond Transit Village Project, the Officer Bradley A. Moody Memorial Underpass, and affordable housing projects. While the disputes regarding most of these projects have since been resolved, the DOF’s extraordinary level of involvement in the Successor Agency’s budget – via the ROPS review process – continues to negatively impact the overall budget of the Successor Agency. Disputes regarding administrative costs, employee costs associated with projects, and housing projects are ongoing, with the impacts and timing of resolution uncertain.

The following table shows the planned projects for the Successor Agency for the next five years.
## 5-Year Successor Agency CIP

### Richmond Transit Village

<table>
<thead>
<tr>
<th></th>
<th>2012-13</th>
<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
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### Officer Bradley A. Moody Memorial Underpass

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<td>5,693,758</td>
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### Deed Restricted Properties/DTSC

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<tr>
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<td>507,000</td>
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<tr>
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<tr>
<td><strong>Project Total</strong></td>
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### Meade Bypass

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<td><strong>Project Total</strong></td>
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### Terminal 1

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<th>5 yr total</th>
</tr>
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<tbody>
<tr>
<td><strong>Grant Funding</strong></td>
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<td><strong>Successor Agency Funding</strong></td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,000,000</td>
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<tr>
<td><strong>Project Total</strong></td>
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### Miraflores

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<th>2016-17</th>
<th>5 yr total</th>
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<td>-</td>
<td>-</td>
<td>1,123,000</td>
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<td><strong>Successor Agency Funding</strong></td>
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<td><strong>Project Total</strong></td>
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<td>-</td>
<td>-</td>
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### All Projects Total

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<th>2012-13</th>
<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
<th>5 yr total</th>
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<tbody>
<tr>
<td><strong>Grant Funding</strong></td>
<td>17,103,535</td>
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<td>-</td>
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<td><strong>Successor Agency Funding</strong></td>
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<td>18,184,970</td>
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<td><strong>Grand Total</strong></td>
<td>26,980,347</td>
<td>26,978,036</td>
<td>17,638,337</td>
<td>100,000</td>
<td>100,000</td>
<td>71,796,720</td>
</tr>
</tbody>
</table>
5.5 PUBLIC WORKS PARKS AND LANDSCAPING

The Parks and Landscaping Division of the Public Works department has completed rehabilitation projects at both the Solano Play Lot and Burg Park. Each project included updating the play equipment, site furnishings and the landscaped areas within the two parks. In addition, they have replaced the damaged and worn pedestrian bridge at Booker T. Anderson Park with a new corteen steel bridge with a concrete deck that has improved accessibility and public safety.

The Parks and Landscaping Division is working on the following funded projects: the construction of a new restroom facility at Marina Green Park adjacent to the Rosie the Riveter National Monument; upgrading the play equipment at Lucas Park; rehabilitation of the Elm Play Lot and Community building; and restoration of various tennis courts and basketball courts throughout the City’s parks.

Other current projects in design include the rehabilitation of Shields Reid Park which will include the construction of a new sports field that will accommodate youth baseball/softball and also includes a multi-use natural grass field. The project also includes the replacement of the park’s antiquated 2-5 year old play equipment, and the installation of picnic facilities and other park amenities – for example, trash cans, drinking fountains, and additional park lighting. This project currently has funding totaling $890,000 which will fund a portion of the project but not all. An additional 1-1.5 million dollars will be needed to fund the entire project.

The City’s Parks and Landscaping Division was awarded a 5 million dollar grant to design and construct a park along the Richmond Greenway. Staff is currently working with the State to execute a contract for the award and then move the project into design development.

The City's park infrastructure includes 54 parks; many have significant need for improvements or replacement. Restroom facilities in several parks had been removed due to dilapidation and deterioration; play equipment in many parks has exceeded its useful life; and park amenities such as benches and trash cans have exceeded their useful life and need replacement. Sports fields need significant improvements including grading, new backstops and dug outs, bleachers, etc. These needs remain currently unfunded.

Summary

Capital Improvement Plans for the City of Richmond change as new plans are developed, new grant funds are made available, and new priorities are determined by the City. As part of the five-year plan, the CIP Committee will review annually plans developed for Richmond such as the Richmond Bicycle and Pedestrian Plan, the ADA Transition Plan and the upcoming South Shoreline Specific Plan that will focus on Richmond’s Priority Development Areas. CIP challenges in the coming years will include identifying and securing funding sources for the various projects identified. With or without funding, the City’s infrastructure will continue to age and deteriorate, and the backlog of CIP projects will continue to grow.
SECTION SIX: DEBT ANALYSIS

The Debt Analysis is updated annually to review existing debt and to present potential funding alternatives for proposed capital projects. The ability to raise capital through debt instruments is dependent upon many factors, including market conditions and the City’s credit rating, which is assigned by independent rating agencies such as Standard & Poor’s Rating Agency and Moody’s Investor Services. The City enjoys excellent ratings, as follows:

<table>
<thead>
<tr>
<th></th>
<th>Standard &amp; Poor’s</th>
<th>Moody’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Richmond (Long-Term)</td>
<td>A+</td>
<td>A2</td>
</tr>
<tr>
<td>Wastewater Enterprise</td>
<td>AA</td>
<td>A2</td>
</tr>
<tr>
<td>City of Richmond (Short-Term)</td>
<td>SP-1+</td>
<td>N/A</td>
</tr>
</tbody>
</table>

The use of short-term debt is sometimes more practical than long-term borrowing. Bridging a temporary cash flow requirement or advancing available funds while market conditions for long-term borrowing are unfavorable are two examples of the rationale for incurring short-term debt. The City traditionally issues a Tax and Revenue Anticipation Note (TRAN) to finance its working capital needs.

Typically, debt instruments are long-term in nature. Government debt instruments are costly to place, with legal expenses, underwriting costs, and administrative expenses all necessary to properly document and raise capital. Long-term debt can fund major capital improvements while spreading repayment out over long periods of time. Because the costs of issuance are usually added onto the net amount of money actually required, the use of long-term debt is not cost effective nor practical in every circumstance. Tax-exempt long-term borrowing is confined to capital improvements that cannot be funded from current revenues, and it cannot be used to pay for operational costs.

The City has occasionally advanced funds to fund operations of non-general funds through the issuance of Long-Term Interfund Advances. These advances are supported by a memorandum of agreement and promissory note between the funds making and receiving the advances.

The City has the following general categories of existing long-term debt:

- **Governmental Debt**
  - **General Fund**
    - Bonds Payable
    - Capital Leases
  - **Non-General Fund**
The Finance Department maintains documentation for the various debt instruments issued by the City. An overview is presented in the City's Comprehensive Annual Financial Report and Annual Operating Budget of all outstanding debt and repayment schedules.
6.1 GOVERNMENTAL DEBT – GENERAL FUND

Governmental Debt is debt that is supported by tax revenue, through sources such as the General Fund, Pension Tax Override Revenues or Tax Increment.

6.1.1 BONDS PAYABLE

- **Richmond Joint Powers Financing Authority (JPFA) Lease Revenue Refunding Bonds, Series 2009 – Original Issue $89,795,000**

  On November 10, 2009, the Authority issued Series 2009 Lease Revenue Refunding Bonds. The proceeds from the Bonds were used, in conjunction with unspent project funds, to refund the outstanding principal amount of the Authority’s 2007 Lease Revenue Bonds. For FY2011-12, the Series 2009 Bonds in the principal amount of $87,121,545 are recorded as governmental activities debt, and $2,673,455 is recorded as business-type activities. The original 2007 bonds were issued to finance a portion of the costs of the Civic Center Project, as well as refund a portion of the 1995A JPFA Revenue Refunding Bonds (in the principal amount of $5,498,291), and the remaining principal amount of the 2001A JPFA Lease Revenue Bonds. The 2007 Bonds were also used to refund the remaining $3,865,000 principal amount of the 1996 Port Terminal Lease Revenue Bonds. The bonds are repaid through a combination of General Fund Revenues (to repay the 1995A and 2001A Lease Revenue Bonds refunding portion), rent collections from all departments located in the Civic Center (to repay the New Money portion), and Port Revenues (to repay the 1996 Port Terminal Lease Revenue Bonds refunding portion).

- **Qualified Energy Conservation Bonds, Series 2010 – Original Issue $1,052,526.16**

  The bonds were issued on December 22, 2010, through a private placement. The proceeds of the bonds are being used to fund energy efficiency improvements to City-owned facilities and street light upgrades.

  It is expected that cost savings from energy expenses will offset the cost of the debt.

- **Richmond Joint Powers Financing Authority Recovery Zone Economic Development Bonds, Series 2010 – Original Issue $1,316,000**

  The bonds were issued on December 22, 2010, through a private placement. The proceeds of the bonds will be used to fund improvements to various City-owned facilities.
6.1.2 CAPITAL LEASES

- **Municipal Finance Corporation (CNB) Viron Mechanical Retrofit and Energy Management – Original Amount $4,069,623**

  In 2002, the City entered into a lease agreement with Municipal Finance Corporation to finance the purchase of the Viron Mechanical Retrofit and Energy Management equipment.

- **SunTrust Leasing Corporation Equipment Leases – Original Amount $6,027,628**

  On July 2, 2008, the City entered into three new capital leases with SunTrust Leasing Corporation to finance the acquisition of street sweeping vehicles and trucks, fire vehicles and related equipment, and various other vehicles.

- **Holman Capital Corporation Equipment Lease – Original Amount $2,117,512.28**

  On November 25, 2011, the City entered into a lease agreement with Holman Capital Corporation to finance the acquisition of Public Safety-related communication equipment.

- **Holman Capital Corporation Equipment Lease – Original Amount $3,356,954.34**

  On June 13, 2012, the City entered into a lease agreement with Holman Capital Corporation to refinance two prior SunTrust Leases, as well as finance the acquisition and installation of directional signage in the Hilltop Area.

- **Holman Capital Corporation Equipment Lease – Original Amount $2,000,000**

  On November 16, 2012, the City entered into a lease agreement with Holman Capital Corporation to finance the improvements to the West Contra Costa Family Justice Center.
6.2 GOVERNMENTAL DEBT – NON-GENERAL FUND

The City has several debt issues that are supported by revenues such as Gas Tax, Pension Tax Override Revenues, and Tax Increment.

6.2.1 SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY

Governmental Debt can also be supported by pledges of tax increment revenue through the Former Richmond Community Redevelopment Agency.

On June 28, 2011, the California Legislature approved two statutes that significantly modified California Redevelopment Law:

- **AB1x 26** (the “Dissolution Act”) immediately suspended all new redevelopment activities and the incurrence of indebtedness, and dissolves redevelopment agencies effective October 1, 2011.

- **AB1x 27** would have allowed redevelopment agencies to avoid dissolution by opting into an “alternative voluntary program” and making annual remittances to the state.

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- One member appointed by the Mayor of the City of Richmond
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- One member appointed by the West Contra Costa Unified School District
- One member appointed by the Chancellor of California Community Colleges
- One member of the public appointed by the Contra Costa County Board of Supervisors
- One member representing the employees of the former RCRA, as appointed by the Mayor of the City of Richmond
A key report, the Required Obligation Payment Schedule (“ROPS”), establishes the property tax revenue that will be necessary to meet the Agency’s debt, project, and administrative cash flow requirements for each six-month reporting period (January – June and July – December). This report is reviewed and approved by both the City Council and the Oversight Board before being submitted to the State Department of Finance.

### 6.2.2 BONDS PAYABLE

- **1995 Richmond Joint Powers Financing Authority (JPFA) Refunding Revenue Bonds, Series A – Original Issue Series A $17,320,000**

  The bonds were issued by the Richmond JPFA for the purpose of refinancing the cost of certain public capital improvements financed by 1990 Series A Revenue Bonds. The Series 1995A Local Obligations consist of a Master Lease with the City and an Installment Purchase Agreement with the City payable solely from gas tax revenues. During the year ended June 30, 2008, the Master Lease portion of the bonds in the principal amount of $5,498,291 was defeased by the 2007 Lease Revenue Bonds. The Installment Purchase Agreement portion of the bonds with the outstanding principal balance of $1,829,143 at the time of the defeasance remained outstanding, and is payable from Gas Tax Revenues.

- **1998 Harbour Redevelopment Project Tax Allocation Refunding Bonds, Series A – Original Issue $21,862,779**

  The bonds were issued by the Agency to refinance a portion of the 1991 Harbour Redevelopment Project Tax Allocation Refunding Bonds; refinance of certain loans from the City to the Agency; finance certain redevelopment activities within the Harbour Redevelopment Project Area; fund a reserve account; and pay certain costs of issuance of the 1998 bonds. The bonds are secured by a pledge of tax revenues derived from taxable property within the Harbour Project Area.

- **1999 City of Richmond Taxable Limited Obligation Pension Bonds – Original Issue $36,280,000**

  The bonds were issued to fund a portion of the unfunded accrued actuarial liability in the Pension Fund together with the prepayment of certain pension benefit costs of the Beneficiaries and to pay the costs of issuance associated with the issuance of the bonds. The bonds are payable from certain pension tax override revenues received by the City from a special tax pursuant to City Council Ordinance 9-99 adopted by the City Council on March 30, 1999.


  The bonds consist of Series A Bonds issued to fund certain capital improvements of the Redevelopment Agency. The Series B Bonds were issued for use in certain low and moderate income housing activities. The bonds are secured by a pledge of certain tax increment revenues derived from taxable property within the Pre-2004 Limit Area and the Post-2004 Limit Area.
The bonds were issued on August 27, 2003, by the Richmond JPFA. The proceeds of the Series A Bonds were used to finance certain capital improvements for the Successor Agency to the Richmond Community Redevelopment Agency, formerly the Richmond Redevelopment Agency, and pay $13,000,000 to the City in partial payment of the Prior Obligations. The proceeds of the Series B Bonds were used to finance certain capital improvements for the Agency and pay $5,000,000 to the City in partial payment of the Prior Obligations. The bonds are secured by a pledge of certain tax increment revenues derived from taxable property within the Post-2004 Limit Area.

The bonds were issued on October 28, 2004, by the Richmond JPFA. The proceeds from the Series A Bonds were used to repay advances from the City and finance certain working capital requirements and low and moderate income housing activities of the Successor Agency to the Richmond Community Redevelopment Agency, formerly the Richmond Redevelopment Agency. The proceeds of the Series B Bonds were used to finance certain low and moderate income housing activities of the Redevelopment Agency. The bonds are secured by certain amounts payable by the Redevelopment Agency to the Authority and certain subordinate housing and non-housing tax increment revenues derived from the taxable property within the Merged Project Area.

These bonds were issued to prepay the unfunded liability of the Miscellaneous and Safety Pension Plans provided through the California Public Employees’ Retirement System. The bonds were issued on November 1, 2005, in a private placement at the initial interest rates. Included in the Indenture were provisions which adjust the initial interest rates on each series based on the City meeting certain conditions. As a result of the City issuing its June 30, 2005 financial statements and receiving an upgraded credit rating of A3 by Moody’s by May 1, 2006, the initial interest rates were reduced by 1/10th of one percent. The bonds are secured by a pledge of Pension Tax Override Revenues and General Fund Revenues.

On August 1, 2013 and August 1, 2024, the Series 2005B-1 and 2005B-2 Bonds will convert from Capital Appreciation Bonds to Index Rate Bonds. From that date forward, the bonds will bear interest at a rate based on the London Interbank Offering Rate of 1.4%. This rate fluctuates according to the market conditions and is limited to 17% per year.

The bonds were issued on July 12, 2007. The proceeds from the bonds were intended to finance certain low and moderate income housing activities of the Redevelopment Agency. The bonds are secured by a pledge of subordinated housing and non-housing tax revenues.
2010 Subordinate Tax Allocation Refunding Bonds, Series A – Original Issue $33,740,000

The 2010A Bonds were issued on March 31, 2010, by the Agency. The proceeds of the 2010A Bonds were used, in conjunction with unspent project funds, to refund all of the outstanding Series 2007A Subordinate Tax Allocation Bonds. The bonds are secured by a pledge of certain tax increment revenues derived from taxable property within the Merged Project Area.

6.2.3 LOANS PAYABLE

All loans for the Richmond Community Redevelopment Agency are payable from tax increment revenue.

- **Wells Fargo Loan – Original Amount $500,000**
  The Richmond Redevelopment Agency entered into a loan agreement with Wells Fargo Bank for an original amount of $500,000 to be used to provide direct predevelopment loans, subordinated loans, and line of credit to non-profit and profit developers primarily located in targeted community development areas in the City’s jurisdiction.

- **California Department of Transportation (CalTRANS) Home Loans – Original Amount $1,467,160**
  The City has a loan from CalTrans which it used to purchase 43 homes in 1991. These homes were resold to Richmond Neighborhood Housing Services in order to provide housing to very low, low, and moderate income persons.

- **California Housing Finance Agency (CHFA) Help Loans – Original Amounts $1,500,000 and $1,000,000**
  The Agency entered into two loan agreements with California Housing Finance Agency in September 2000 and November 2004 to assist the Agency with operating a local housing program, which provides loans to non-profit developers for the purpose of financing the acquisition, preconstruction, and construction of single-family ownership and multifamily rental properties.

- **Housing and Urban Development (HUD) Section 108 – Original Amount $3,000,000**
  In FY2004, the Agency entered into a Disposition and Development Agreement to receive a Section 108 loan from the Department of Housing and Urban Development to finance costs related to the Ford Assembly Building project.

- **Housing and Urban Development (HUD) Section 108 – Original Amount $3,500,000**
  In FY2006, the Agency received a Section 108 loan from the Department of Housing and Urban Development to finance costs related to the North Richmond-Iron Triangle project.
6.3 BUSINESS – TYPE ACTIVITIES DEBT

Business-type debt is debt that is supported by revenues from the business revenues of the City’s Enterprise Funds. After paying operating costs, there must be enough net revenue available to provide 125% of the annual debt service.

6.3.1 BONDS PAYABLE

- **RHA Properties Affordable Housing Agency Bonds 2003, Series A – Original Issue $23,000,000**

  The Affordable Housing Agency, a financial intermediary, issued Variable Rate Demand Multifamily Housing Revenue Bonds (Westridge at Hilltop Apartments), 2003 Series A and has loaned the proceeds to RHA Properties which used the proceeds to acquire a 401-unit multifamily apartment project.

  Pursuant to lease and sublease agreements, RHA Properties remits lease payments to a trustee acting on behalf of the financial intermediary which are sufficient in timing and amount to be used to pay debt service on the bonds.

- **Joint Powers Financing Authority (JPFA) Subordinate Multifamily Housing Revenue Bonds, Series 2007 – Original Issue $12,540,000**

  On April 12, 2007, the Richmond Joint Powers Financing Authority issued $12,540,000 of Subordinate Multifamily Housing Revenue Bonds (Westridge at Hilltop Apartments), Series 2007 to advance refund and defease $11,345,000 of the Subordinate Multifamily Housing Revenue Bonds, 2003 Series A-S (Subordinated Bonds). RHA Properties has pledged future revenues to repay the bonds through 2023.

- **Wastewater Revenue Refunding Bonds, Series 2006A – Original Issue $16,570,000**

  On October 17, 2006, the City issued the bonds to refund the 1999 Wastewater Bonds, and to fund certain capital costs of the City’s Wastewater Enterprise. The bonds are repaid from net operating revenues of the Wastewater Enterprise.

- **Richmond Variable Rate Wastewater Revenue Refunding Bonds, Series 2008A – Original Issue $33,015,000**

  The bonds were issued on October 17, 2008. The proceeds from the bonds were used to refund the City’s 2006B Wastewater Revenue Bonds, which were issued to finance capital improvements in the Richmond Wastewater District No. 1. The bonds are variable rate bonds and are supported by a direct-pay letter of credit issued by Union Bank of California. The bonds are repaid from net operating revenues of the Wastewater Enterprise.
Richmond Wastewater Revenue Bonds, Series 2010A – Original Issue $3,110,000

The bonds were issued on October 7, 2010. The proceeds from the bonds were used to finance improvements to the City’s wastewater collection, treatment and disposal system. The bonds are repaid from net operating revenues of the Wastewater Enterprise.

Richmond Wastewater Revenue Bonds Taxable Build America Bonds, Series 2010B – Original Issue $41,125,000

On October 7, 2010, the City also issued Series 2010B Wastewater Revenue Bonds Taxable Build America Bonds. The proceeds of these bonds will be used in conjunction with the 2010A bonds for the projects listed above. The taxable 2010B bonds were sold as “Build America Bonds” pursuant to the American Recovery and Reinvestment Act of 2009. The interest on Build America Bonds is not tax-exempt, and, therefore, the bonds carry a higher interest rate. However, this higher interest rate will be offset by a subsidy payable by the United States Treasury equal to 35% of the interest payable on the bonds. The bonds are repaid from net operating revenues of the Wastewater Enterprise.

Richmond Joint Powers Financing Authority (JPFA) Lease Revenue Refunding Bonds, Series 2009 – Port Refunding Bonds Original Issue $2,673,455

On November 10, 2009, the Authority issued Series 2009 Lease Revenue Refunding Bonds. The proceeds from the bonds were used, in conjunction with unspent project funds, to refund the outstanding principal amount of the Authority’s 2007 Lease Revenue Bonds. For FY2011-12, the Series 2009 Bonds in the principal amount of $87,121,545 have been recorded as governmental activities debt, and $2,673,455 has been recorded as business-type activities. The original 2007 bonds were issued to finance a portion of the costs of the Civic Center Project, as well as refund a portion of the 1995A JPFA Revenue Refunding Bonds (in the principal amount of $5,498,291), and the remaining principal amount of the 2001A JPFA Lease Revenue Bonds. The 2007 Bonds were also used to refund the remaining $3,865,000 principal amount of the 1996 Port Terminal Lease Revenue Bonds. The bonds are repaid through a combination of General Fund Revenues (to repay the 1995A and 2001A Lease Revenue Bonds refunding portion), rent collections from all departments located in the Civic Center (to repay the New Money portion), and Port Revenues (to repay the 1996 Port Terminal Lease Revenue Bonds refunding portion).

Richmond Joint Powers Financing Authority (JPFA) Point Potrero Lease Revenue Bonds, Series 2009A and 2009B – Original Issue Series A $26,830,000, and Series B $20,280,000

The bonds were issued on July 13, 2009, and the proceeds were used for the construction of an automobile warehousing and distribution facility, including rail improvements, to be located at the Point Potrero Terminal at the Port of Richmond. Debt service payment on the bonds is secured by a pledge of the Port’s net operating revenue.
6.3.2 LOANS AND LEASES PAYABLE

- State Revolving Fund Loan Contract

In 1992, the State of California Water Resources Control Board loaned the City $6,737,658 for the improvement of the Richmond Wastewater Treatment Facility. Payments on the loan are secured by net operating revenues of the Wastewater Enterprise.

- California Department of Boating and Waterways

The Richmond Community Redevelopment Agency (RCRA) has three loan agreements with the California Department of Boating and Waterways for total borrowings of $9,427,000. Proceeds from the loans were used to finance marina construction projects. Revenue received from a lease agreement with Richmond Bay Marina LLC is pledged as security for the debt service payments.
6.4 SPECIAL ASSESSMENT DEBT WITHOUT CITY COMMITMENT

The Mello-Roos Community Facilities Act of 1982 (the “Act”) allows any county, city, special district, school district, or joint powers authority to establish a Mello-Roos Community Facilities District (a “CFD”) which allows for financing of public improvements and services. The services and improvements that Mello-Roos CFDs can finance include streets, sewer systems and other basic infrastructure, police protection, fire protection, ambulance services, schools, parks, libraries, museums and other cultural facilities.

A CFD is created to finance public improvements and services when no other source of money is available. The proposed district will include all properties that will benefit from the improvements to be constructed or the services to be provided. A CFD cannot be formed without a two-thirds majority vote of property owners within the proposed boundaries.

Once approved, a Special Tax Lien is placed against each property in the CFD. Property owners then pay a Special Tax, or Assessment, each year. If the project cost is high, it may be financed by a municipal bond issue, in which case the annual assessments will be used to pay debt service.

By law (Prop.13), the annual assessment cannot be directly based on the value of the property. Assessments instead are based on mathematical formulas that take into account property characteristics such as use of the property, square footage of the structure and lot size. The formula is determined at the time of formation, and will include a maximum special tax amount and a percentage maximum annual increase.

Special taxes will be charged annually to pay for any bond-related debt service costs, as well as fees to maintain improvements or services.

Assessment Districts have been created in various parts of the City to finance improvements to properties located in those districts. Assessment Districts are often formed in undeveloped areas and are used to build roads and install water and sewer systems, and may also be used in older areas to finance new public improvements or other additions to the community. Special assessment debts are solely payable by the property owners over the term of the debt issued to pay for the improvements. The City is not legally obligated to pay these debts in the event of default by the districts.

The following chart provides an overview of the City’s Assessment Debt Without City Commitment.
As of June 30 2011, the City of Richmond has the following special assessment debt outstanding:

- **Joint Powers Financing Authority (JPFA) Reassessment Revenue Bonds, 2011 Series A – Original Issue $5,640,000**
  
The bonds were issued in December 2011 to refund the outstanding bonds relating to Special Assessment District 855 (Atlas Road West and Interchange). These prior bonds had funded land acquisition and improvements related to the construction of the Richmond Parkway. The bonds are secured by assessments levied on the properties located within the Special Assessment District 2003-1.

- **Harbor Navigation Improvement District – Original Issue $2,639,528**
  
The bonds were issued to enable the City to dredge and deepen the Richmond Harbor in the construction of the Port of Richmond. The bonds are secured by assessments levied on the properties located within the Harbor Navigation Improvement District.

- **Community Facilities District No. 1998-1 – Original Issue $4,500,000**
  
The bonds were issued to acquire and construct an extension of Marina Way South as well as related utilities, landscaping, soil remediation and construction of a park. The bonds are secured by assessments levied on the properties located within the Community Facilities District No. 1998-1.

The bonds were issued to refund the City of Richmond Improvement District 1999-01 (Country Club Vista) Limited Obligation Improvement Bonds, Series 2000. These prior bonds financed improvements in the Country Club Vista neighborhood. The bonds are secured by assessments levied on the properties located within the Reassessment District 2006.

➢ Joint Powers Financing Authority (JPFA) Reassessment Revenue Refunding Bonds, Series 2006B – Original Issue $2,020,000

The bonds were also issued to refund the City of Richmond Improvement District 1999-01 (Country Club Vista) Limited Obligation Improvement Bonds, Series 2000. These prior bonds financed improvements in the Country Club Vista neighborhood. The bonds are secured by assessments levied on the properties located within the Reassessment District 2006.

➢ 2012 Holman Capital Lease, Hilltop Directional Signs – Original Issue $529,218

The capital lease was issued to finance directional signs in the Hilltop neighborhood. Several dump trucks, boom trucks and fire trucks were pledged as collateral for the lease. The annual lease payments are paid from assessments levied on the properties located within the Hilltop Landscape and Maintenance District.
### 6.5 DEBT SUMMARY MATRIX

The table below provides a reference guide to the existing long-term debt issued and outstanding.

<table>
<thead>
<tr>
<th>Final</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Governmental Debt – General Fund</strong></td>
<td></td>
</tr>
<tr>
<td>2005 Pension Funding Bonds</td>
<td>Pension Obligation Bonds</td>
</tr>
<tr>
<td>Pension Obligation Bonds 99A</td>
<td>Pension Obligation Bonds</td>
</tr>
<tr>
<td>Qualified Energy Conservation Bonds 2010</td>
<td>Lease Revenue Bonds</td>
</tr>
<tr>
<td>Recovery Zone Economic Development Bonds 2010</td>
<td>Lease Revenue Bonds</td>
</tr>
<tr>
<td>JPFA Lease Revenue Bonds Series 2009</td>
<td>Lease Revenue Bonds</td>
</tr>
<tr>
<td>Municipal Finance Corp/Viron</td>
<td>Lease</td>
</tr>
<tr>
<td><strong>Governmental Debt – General Fund</strong></td>
<td></td>
</tr>
<tr>
<td>SunTrust Leasing Corp</td>
<td>Lease</td>
</tr>
<tr>
<td><strong>Governmental Debt – Non-General Fund</strong></td>
<td></td>
</tr>
<tr>
<td>Wells Fargo Loan</td>
<td>Loan</td>
</tr>
<tr>
<td>CalTrans Home Loans</td>
<td>Loan</td>
</tr>
<tr>
<td>CHFA Help Loans</td>
<td>Loan</td>
</tr>
<tr>
<td>HUD Section 108 Loans (Ford Bldg)</td>
<td>Loan</td>
</tr>
<tr>
<td>HUD Section 108 Loans (NRIT)</td>
<td>Loan</td>
</tr>
<tr>
<td>Bond Description</td>
<td>Type of Bonds</td>
</tr>
<tr>
<td>-----------------</td>
<td>--------------</td>
</tr>
<tr>
<td>JPFA Revenue Refunding Bonds - 95A</td>
<td>Lease Revenue Bonds</td>
</tr>
<tr>
<td>JPFA Tax Allocation Bonds 2000A</td>
<td>Tax Allocation Bonds</td>
</tr>
<tr>
<td>JPFA Tax Allocation Bonds 2000B</td>
<td>Tax Allocation Bonds</td>
</tr>
<tr>
<td>JPFA Tax Allocation Revenue Bonds 2003A</td>
<td>Tax Allocation Bonds</td>
</tr>
<tr>
<td>JPFA Tax Allocation Revenue Bonds 2003B</td>
<td>Tax Allocation Bonds</td>
</tr>
<tr>
<td>JPFA Tax Allocation Revenue Bonds Series 2004A</td>
<td>Tax Allocation Bonds</td>
</tr>
<tr>
<td>JPFA Tax Allocation Revenue Bonds Series 2004B</td>
<td>Tax Allocation Bonds</td>
</tr>
<tr>
<td>2007B Capital Appreciation Bonds</td>
<td>Tax Allocation Bonds</td>
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</table>

**Business Activity Debt**

<table>
<thead>
<tr>
<th>Loan Contract</th>
<th>Type of Loans</th>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Revolving Loan Contract</td>
<td>Loan</td>
<td>2013</td>
<td>$460,000</td>
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<tr>
<td>California Department of Boating and Waterways</td>
<td>Loan</td>
<td>2042</td>
<td>$207,000</td>
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<tr>
<td>RHA Properties Affordable Housing Agency Bonds 2003A</td>
<td>Affordable Housing Bonds</td>
<td>2029</td>
<td>$1,278,000</td>
</tr>
<tr>
<td>Wastewater Revenue Bonds 2006A</td>
<td>Enterprise Revenue Bonds</td>
<td>2022</td>
<td>$1,587,000</td>
</tr>
<tr>
<td>Wastewater Revenue Bonds 2008A</td>
<td>Enterprise Revenue Bonds</td>
<td>2039</td>
<td>$1,493,643</td>
</tr>
<tr>
<td>JPFA Subordinate Multifamily Housing Revenue Bonds 2007</td>
<td>Multifamily Housing Bonds</td>
<td>2037</td>
<td>$883,000</td>
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</table>
### Debt by Type

<table>
<thead>
<tr>
<th>Type</th>
<th>FY2012-13</th>
<th>FY2013-14</th>
<th>FY2014-15</th>
<th>FY2015-16</th>
<th>FY2016-17</th>
</tr>
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<tbody>
<tr>
<td>Business Type Activities</td>
<td>11</td>
<td>12.7</td>
<td>13.3</td>
<td>13.4</td>
<td>14.2</td>
</tr>
<tr>
<td>Non-General Fund</td>
<td>15.3</td>
<td>16.1</td>
<td>13.9</td>
<td>14.2</td>
<td>18.9</td>
</tr>
<tr>
<td>General Fund</td>
<td>13.6</td>
<td>13.3</td>
<td>15.1</td>
<td>16</td>
<td>16.9</td>
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</table>

### Proposed Five-Year Financial Plan

#### Special Assessment District Debt – Debt Without City Commitment

<table>
<thead>
<tr>
<th>Bond Type</th>
<th>Amount</th>
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<tbody>
<tr>
<td>JPFA Reassessment Revenue Bonds 2011A</td>
<td>$869,670</td>
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<tr>
<td>Harbor Navigation Improvement District</td>
<td>$208,875</td>
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<tr>
<td>Community Facilities District No. 1998-1</td>
<td>$311,147</td>
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#### Special Assessment District Debt – Debt Without City Commitment

<table>
<thead>
<tr>
<th>Bond Type</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>JPFA Reassess Revenue Refunding Bonds, 2006A &amp; AT</td>
<td>$718,062</td>
</tr>
<tr>
<td>JPFA Reassess Revenue Refunding Bonds, 2006B</td>
<td>$144,996</td>
</tr>
</tbody>
</table>

### Business Type Activities

- **Point Potrero Lease Revenue Bonds, 2009A and B**: $3,282,000
- **Wastewater Revenue Bonds 2010A**: $109,000
- **Wastewater Revenue Bonds 2010B**: $1,355,000
- **2009 JPFA Lease Revenue Bonds**: Port Funding, 2017: $593,964

### Non-General Fund

- **Wastewater Revenue Bonds 2010B**: Enterprise Revenue Bonds, 2040: $1,355,000
- **2009 JPFA Lease Revenue Bonds**: Port Funding, 2017: $593,964

### General Fund

- **2009 JPFA Lease Revenue Bonds**: Port Funding, 2017: $593,964

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The proposed financial plan covers the years 2012/13 to 2016/17 and includes details on various revenue bonds and enterprise revenue bonds managed by the City of Richmond.
6.6 INTEREST RATE SWAP AGREEMENTS

The City of Richmond is authorized under California Government Code Section 5922 to enter into interest rate swaps to reduce the amount and duration of rate, spread, or similar risk when used in combination with the issuance of bonds. The City has the following obligations under various swap agreements:

<table>
<thead>
<tr>
<th>Counterparty</th>
<th>Original Notional</th>
<th>Effective / Termination</th>
<th>Coupon/ % of Index</th>
<th>Spread (bp)</th>
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</thead>
<tbody>
<tr>
<td>Richmond Community, CA</td>
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<tr>
<td>Royal Bank of Canada</td>
<td>65,400,000</td>
<td>7/12/2007 pay</td>
<td>100.000% SIFMA</td>
<td>83.00</td>
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<tr>
<td>Royal Bank of Canada</td>
<td>9/1/2036 receive</td>
<td>68.000% 1M LIBOR</td>
<td>0.00</td>
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<tr>
<td>Joint Powers</td>
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<td></td>
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</tr>
<tr>
<td>Financing Authority, CA</td>
<td>101,420,000</td>
<td>12/1/2009 pay</td>
<td>100.000% SIFMA</td>
<td>56.00</td>
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<tr>
<td>Royal Bank of Canada</td>
<td>8/1/2037 receive</td>
<td>68.000% 1M LIBOR</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>City of Richmond, CA</td>
<td>32,260,000</td>
<td>11/23/2009 pay</td>
<td>3.897% FIXED</td>
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<tr>
<td>Royal Bank of Canada</td>
<td>8/1/2037 receive</td>
<td>63.420% 1M LIBOR</td>
<td>22.00</td>
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<tr>
<td>City of Richmond, CA</td>
<td>75,230,476</td>
<td>8/1/2013 pay</td>
<td>5.712% FIXED</td>
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<tr>
<td>Bear Stearns Capital Markets</td>
<td>8/1/2023 receive</td>
<td>100.000% 1M LIBOR</td>
<td>0.00</td>
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<tr>
<td>City of Richmond, CA</td>
<td>127,990,254</td>
<td>8/1/2023 pay</td>
<td>5.730% FIXED</td>
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<tr>
<td>Bear Stearns Capital Markets</td>
<td>8/1/2034 receive</td>
<td>100.000% 1M LIBOR</td>
<td>0.00</td>
<td></td>
</tr>
</tbody>
</table>
6.7 LONG-TERM INTERFUND ADVANCES

➢ **General Fund Advance to the Port of Richmond**

In FY2006, the General Fund established repayment terms for its advance of $17,139,855 to the Port of Richmond Enterprise Fund to assist the Port with various lease transactions and other projects. The advance did not bear interest for the first three years; the next five years it bears an interest rate of 4%, and the balance is payable on or before June 30, 2015. The advance will be repaid from net Port revenues. The balance as of June 30, 2012 is $17.8 million.

➢ **Internal Service Funds Advance to Storm Sewer Enterprise Fund**

In FY2008, the City transferred $1,758,342 from its Insurance Reserves Fund to the Storm Sewer Enterprise Fund, for the purpose of providing a clean storm sewer system and street sweeping activities. The advance bears interest of 4.34% and is payable as follows: semi-annual interest payments in the amount of $52,298 and the total principal balance are due April 30, 2039. The advance will be repaid from Stormwater Revenues. The balance as of June 30, 2012 is $1.9 million.

➢ **General Fund Advance to the Richmond Housing Authority**

In Fiscal Years 2007, 2008, 2009 and 2010, the General Fund made advances to the Richmond Housing Authority Enterprise Fund for police, sewer, and other services as well as the Housing Authority’s employee payroll. The advance repayment terms were amended in April 2010. The advance bears no interest and is payable in 135 monthly installments of $30,000, and one final installment of $22,446 on or before August 1, 2021. The balance as of June 30, 2012, is $7,667,478.
6.8 GENERAL FUND DEBT RATIO

The City has a formal Debt Policy which provides guidance to the issuance and management of short-term and long-term debt issued by the City and its component units. The Policy provides guidance to the City Council so as not to exceed acceptable levels of indebtedness and risk; directs staff on objectives to be achieved; facilitates the debt issuance process; and promotes objectivity in decision making. The Debt Policy, as currently adopted, allows no more than 10% of Annual General Fund Revenues to be used for Debt Service. The following chart details the current and forecasted levels as well as forecasted policy limits.
6.9 ENTERPRISE DEBT RATIO

All Enterprise Debt Bond Issues include a covenant to maintain a debt ratio of 125% of Net Enterprise Revenues. Net Enterprise Revenues are calculated as revenues remaining after paying all operating costs. On a continual basis, the City monitors expected debt ratios of the Port and Wastewater Enterprise Funds through the use of Operating Pro Formas. These Pro Formas are updated at least twice annually, during budget creation and mid-year budget review.

The following chart demonstrates the current forecasted ratios.

![Debt Service Coverage Ratios]

<table>
<thead>
<tr>
<th>Port of Richmond Operating Pro Forma</th>
</tr>
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<tbody>
<tr>
<td>---------------------</td>
</tr>
<tr>
<td>Operating Revenues</td>
</tr>
<tr>
<td>Operating Expenses</td>
</tr>
<tr>
<td>Net Revenues</td>
</tr>
<tr>
<td>Debt Service (DS)</td>
</tr>
<tr>
<td>DS Coverage Ratio (Honda Bonds)</td>
</tr>
</tbody>
</table>
6.10 PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The City contributes to the California Public Employees’ Retirement System (CalPERS). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CalPERS act as the investment and administrative agent for the City’s retirement plan. Additionally, the City provides post-employment medical and dental benefits, called Other Post-Employment Benefits (OPEB) to eligible retirees and beneficiaries. The amount of the OPEB varies by employment classification.

The unfunded liabilities of the City’s CalPERS and OPEB plans are $163 million and $103 million, respectively. Factors that affect the size of the liability include lower than expected return on investments; retroactive benefit increases; and not fully funding the annual required contributions.

The City uses actuarial studies to determine the annual cost of post-retirement benefits. Amortization costs relating to these benefits have been rising, and are projected to increase more than 50% over the next five years. The following charts demonstrate the historic levels of unfunded liabilities, as well as the projected costs of funding the benefits through the Annual Required Contribution (ARC).
City staff has been analyzing what other local agencies have done to alleviate the future costs and levels of the liabilities. A comparison of other cities' unfunded liabilities and Annual Required Contributions is detailed in the following chart:

![Unfunded Liability Per Employee Pension and OPEB](chart.png)

Factors that can increase the unfunded liability include lower than expected return on investments of the pension fund, not fully funding the Annual Required Contribution, as well as awarding retroactive benefit increases. The above chart details the historic results of the California Public Employees' Retirement System's (CalPERS) assumed return on investment, compared to actual returns.
6.11 SUMMARY OF DEBT ANALYSIS

The City’s existing debt portfolio is conservative and sustainable, as evidenced by the City’s excellent credit ratings. Future financing needs may constrain existing revenue sources. For General Fund related debt needs, the City should aggressively seek alternative revenue sources, as well as continually monitor the capital market to immediately capture any cost-saving opportunities through refunding existing debt. For Business-Type Activities, debt should not be issued unless the project will provide net revenue that is substantial enough to support the related debt.
SECTION SEVEN: FISCAL POLICIES

A review of the City Council adopted fiscal policies are conducted on an annual basis in conjunction with the preparation of the Five-Year Financial Plan (the “Plan”). This review is performed in order to document proposed new policies identified through the preparation of the Plan. Additionally, as circumstances change, there is sometimes a need to modify existing fiscal policy statements.

7.1 CORE VALUES OF FINANCIAL SUSTAINABILITY

Financial planning is essential for ongoing financial sustainability, providing a consistent level of public services, and protecting constituents from volatility in local taxes.

7.1.1 FINANCIAL STABILITY

The City will create financial stability to provide the community with a consistent and adequate level of public services. The City will take a five-year approach to its finances by developing and maintaining five-year plans, carefully weighing the costs and benefits of development opportunities, and adhering to sound debt, reserve and investment policies.

7.1.2 PROMOTE A SAFE AND SECURE COMMUNITY AND PROMOTE ECONOMIC VITALITY

The City will maintain a safe and secure community. This is fundamental to the health, quality of life and economic vitality of the City of Richmond, and the City will continue the development of a diverse economic base by pursuing business sectors with the best potential to grow and prosper.

7.1.3 MAINTAIN AND ENHANCE THE PHYSICAL ENVIRONMENT AND PROMOTE SUSTAINABLE COMMUNITIES

The City will provide a clean and well-maintained environment for individuals who live, work and play within its boundaries. The City seeks to develop and maintain an infrastructure that is community-serving, resilient, high-performing, cost-effective, resource-efficient and environmentally-friendly. The City will maintain a sustainable quality of life through a mix of land uses, a safe community with no visible signs of deterioration, an efficient circulation system that promotes alternative modes of transportation, and abundant open space and recreational amenities.

7.1.4 PROMOTE EFFECTIVE GOVERNMENT

The City will institute financial planning that ensures City services are provided at the best value and that the services are in alignment with the needs and wants of the community. The City will add value to the community by producing planning and reporting mechanisms that make it clear how the City plans to use its resources to achieve the community vision.
## 7.2 SUMMARY OF FISCAL POLICIES

The following table highlights the City's fiscal policies, their status and comments concerning them.

<table>
<thead>
<tr>
<th>Fiscal Policy Statement</th>
<th>Implemented</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget Policy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. The City adopts a budget annually to be effective July 1 for the ensuing fiscal year. The budget should be balanced with current revenues equal to or greater than current expenditures.</td>
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</tr>
<tr>
<td>2. The annual 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.</td>
<td>√</td>
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<tr>
<td><strong>Structural Balance Policy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. 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 revenue is received that will cover the future cost of such enhancements.</td>
<td>√</td>
<td></td>
</tr>
<tr>
<td><strong>Capital Improvement Budget Policy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Once approved, projects from the first year of the Capital Improvement Plan (CIP) are used to develop the City Manager’s recommended Capital Improvement Budget. The Capital Improvement Budget is adopted along with the annual Operating Budget and contains projects from the first year of the CIP. It provides an estimate of the cost of the project as well as a breakdown of the funding sources that will be used to pay for the project.</td>
<td>√</td>
<td></td>
</tr>
<tr>
<td><strong>Cash Reserve Policy</strong></td>
<td></td>
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<tr>
<td>5. The Cash Reserve Policy identifies an ending cash balance equal to 7-15% of General Fund expenditures as the minimum needed to adequately provide for economic and legislative uncertainties. City Council approval is required before any cash can be withdrawn from the reserve fund.</td>
<td>√</td>
<td>Current $10 million reserve is equal to 7.7% of General Fund expenditures.</td>
</tr>
<tr>
<td>6. The Council shall have the discretion to use the reserve for one-time emergencies only. The reserve should not be used for ongoing expenses.</td>
<td>√</td>
<td></td>
</tr>
</tbody>
</table>
7. Uneven cash flows requiring short-term borrowing: the City issues Tax and Revenue Anticipation Notes (TRANs) to finance any periodic General Fund cash deficits resulting in mismatches in the timing of revenues and expenditures.

8. Operating Surplus/Operating Deficit: the City continues a policy of “pay-as-you-go” as its preferred approach to operations. This requires a balanced budget and operating results at year end, along with not funding operating deficits with reserves.

**Debt Policy**

9. The Finance Department may utilize several types of municipal debt obligations to finance five-year capital projects. Five-year debt is only issued to finance the acquisition and/or construction of capital improvements unless otherwise decreed by court order or adjudicated settlement. Five-year debt financing should not be used to fund operating or maintenance costs.

10. It is the policy of the City of Richmond that aggregate debt service payments funded from General Fund revenues cannot exceed 10% of General Fund revenues. Policy also sets forth detailed debt management and refunding practices.

**SWAP Policy**

11. Interest rate SWAPS are recognized and established financial tools used by municipal issuers throughout the nation. The use of these products has become such a regular occurrence that the Government Finance Officers Association (GFOA) has adopted an official position, governing the use and management of such SWAPS as a “Recommended Practice.”

12. Since the scope of interest rate SWAPS is beyond that of the traditional fixed rate five-year bonds covered by the Debt Policy, Council has adopted a policy that will provide guidance in selecting, implementing and administering future interest rate SWAPS related to City bond issues.

FY2011-12 debt service equals 2.3% of annual revenues.

Standard & Poor’s Rating Agency assigns Debt Derivative Profile (DDP) scores to individual swap transactions, with the lowest score of “1” equating to no risk, and highest score of “4” meaning “high risk.” By adhering to the guidelines established in its SWAP Policy, the City has successfully achieved a DDP score of “1.5” (low risk) on all of its swap transactions.
Investment Policy

13. The City of Richmond’s Charter and Section 53601 of the State of California Code authorize the City to invest its idle cash (i.e., City funds not required for immediate expenditures) in various investment vehicles. The purpose of the Investment Policy is to provide guidelines for prudent investment of idle cash.

14. Requires investments be made first on the basis of safety, then liquidity, and lastly, yield.

Accounting, Auditing and Financial Reporting

15. 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).

16. The City Council employs an independent certified public accountant, who annually examines the financial statements of the City in accordance with Generally Accepted Auditing Standards (GAAS), including tests of the accounting records and other auditing procedures considered necessary.

In FY2009-10, the City’s Investment Policy was recognized as a “model Investment Policy” by the Association of Public Treasurers of the United States and Canada.
## SECTION EIGHT: GLOSSARY

**Annual Required Contribution (ARC):** The sum of “Normal Cost” plus the amortization of the unfunded liability.

**Appropriation:** An authorization made by the City Council which permits officials to incur obligations against and to make expenditures of governmental resources. Appropriations are typically granted for a one-year period.

**Assessed Valuation:** The estimated value of real and personal property established by the Contra Costa County Assessor as the basis for levying property taxes.

**Assessment District (AD):** A defined area consisting of real property or businesses to pay for special assessments levied by a taxing authority.

**Assessments:** The levy of a tax against real property.

**Assets:** The entries on a balance sheet showing all properties and claims against others that may be used directly or indirectly to cover liabilities.

**Balanced Budget:** A balanced budget is one in which total expenditures equal total revenue. An entity has a budget surplus if expenditures are less than revenues. It has a budget deficit if expenditures are greater than revenues.

**Bond (Debt Instrument):** A written promise to pay a specified sum of money at a specified future date, at a specified interest rate. Bonds are typically used to finance capital facilities.

**Bond Rating:** The City has an “issuer bond rating” of A+ awarded by the rating firm of Standard & Poor’s. An obligation rated “AAA” is the highest rating assigned by Standard & Poor’s. This means that the City’s capacity to meet its financial commitment on the debt obligation is extremely strong. An obligation rated “AA” differs from the highest-rated (“AAA”) obligations only in small degree.

**Budget:** A financial plan, including proposed expenditures and estimated revenues, for a period in the future.

**CalPERS:** California Public Employees Retirement System provided for Public Safety and Miscellaneous personnel by the State of California.

**Capital Assets:** Assets of significant value and having a useful life of several years. Capital assets are also called fixed assets.

**Capital Improvements:** Buildings, structures, or attachments to land such as sidewalks, trees, drives, tunnels, drains and sewers.

**Capital Improvement Program (CIP):** A plan over a period of six years setting forth each capital project, the amount to be expended in each year and the method of financing capital expenditures.

**Capital Projects Fund:** In governmental accounting, a fund that accounts for financial resources to be used for the acquisition or construction of capital facilities. The total cost of a capital project is accumulated in a single expenditures account which accumulates until the project is completed, at which time the fund ceases to exist.
City of Richmond Five-Year Financial Plan 2012/13 – 2016/17

**Capital Outlay:** Expenditures which result in the acquisition of or additions to fixed assets. Examples include land, buildings, machinery and equipment, and construction projects.

**Capital Projects:** Projects typically included in the Capital Improvement Program (CIP) which result in the acquisition or addition of fixed assets.

**COLA:** Cost of living allowance.

**Community Development Block Grant Program (CDBG):** Beginning in 1974, the CDBG program is one of the longest continuously ran programs at HUD (Housing and Urban Development). Not less than 70% of CDBG funds must be used for activities that benefit low- and moderate-income persons. Each activity must meet one of the following national objectives for the program: benefit low- and moderate-income persons, prevention or elimination of slums or blight, or address community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community for which other funding is not available.

**Comprehensive Annual Financial Report (CAFR):** The official financial report of the City. It includes an audit opinion as well as basic financial statements and supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions.

**Consumer Price Index (CPI):** A statistical description of price levels provided by the U.S. Department of Labor. The change in the index from year to year is used to measure the cost of living and economic inflation.

**Contingency Reserve:** A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted.

**Contractual Services:** Services provided to the City from an outside company to perform professional or technical services.

**Cost of Service:** An analysis of the cost structure of a particular service or function. The costs of operations, maintenance and capital replacements are considered.

**Debt Service:** Payment of interest and repayment of principal to holders of the City's debt instruments.

**Debt Service Fund:** This fund type is used to account for the payment and accumulation of resources related to general long-term debt principal and interest.

**Defease:** To pay off an outstanding liability. To replace a higher interest rate with a lower rate.

**Deficit:** The excess of liabilities over assets.

**Demand:** Considers potential new demands for government services in the near and long-term future, providing insight into required funding levels and highlighting potential mismatches between service demand and resource availability.

**Depreciation:** Is the reduction in value of assets over a defined period of life of that asset. In accounting, depreciation represents a charge to expense the value of an asset over its useful life.

**Documentary Transfer Tax (Stamp Tax):** This is an 0.7% tax on the fair market value that is imposed on the transfer or sale of real property.

**Educational Revenue Augmentation Fund (ERAF):** The ERAF is the fund known as the property tax shift.
**Elastic Revenues:** Revenues which can vary depending upon changing economic conditions. Revenue categories include: sales taxes, transient occupancy taxes, license and permits, and community development charges.

**Emergency Reserve:** Restricted money set aside to appropriate under serious conditions which warrant emergency measures. Money can only be appropriated by Council action.

**Encumbrance:** Funds designated out of an appropriation to be spent on a specific purpose. The function of an encumbrance is to guarantee dollars will be available to pay bills when due.

**Enterprise Fund:** In governmental accounting, a fund that provides goods or services to the public for a fee that makes the entity self-supporting. It basically follows GAAP as does a commercial enterprise.

**Equity:** Refers to the distribution of the tax burden for funding government services. Three types of equity are: 1) value for the tax dollar; 2) total cost of government; and 3) intergenerational equity.

**Educational Revenue Augmentation Fund (ERAF) Property Tax Shift:** The ERAF is the fund used to collect the property taxes in each county that are shifted from cities, the county and special districts. The county treasurer maintains the ERAF on behalf of the county auditor.

**Expenditures:** Where accounts are kept on the accrual or modified accrual basis of accounting, expenditures are recognized when goods are received or services rendered.

**Facilities Maintenance Reserve:** A funding source for maintenance of City facilities. Facilities maintenance expenditures include costs such as flooring replacement, roof replacement, interior and exterior painting, HVAC replacement and parking lot seal coat/striping for all City facilities, plus the compressor, speed drive and boiler for the City pool.

**Fiduciary Funds:** Account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own program.

**Fiscal Policy:** A written set of policies adopted by City Council which establishes formal guidelines for financial activities of the City.

**Fiscal Year:** A 12-month period to which the annual operating budget applies and at the end of which the City determines its financial position and results of its operations. Richmond’s fiscal year runs from July 1 - June 30.

**Five-Year Financial Forecast:** Estimates of future revenues and expenditures to help predict the future financial condition of the community. The Five-Year Financial Forecast is included in the City's annual Five-Year Financial Plan.

**Five-Year Financial Plan (the “Plan”):** A plan which identifies fiscal issues and opportunities, establishes fiscal policies and goals, examines fiscal trends, produces a financial forecast, and provides for feasible solutions.

**Five-Year Strategic Business Plan:** A business plan that outlines the City’s strategic goals, sets priorities for City operations and the annual budget, and helps guide the City’s Capital Improvement Plan over a five year period.

**Fixed Assets:** Assets which are intended to be held or used for a long-term, such as land, buildings and improvements other than buildings, machinery and equipment.
Fleet Maintenance:  A fund used to account for the operation, maintenance and replacement of City-owned vehicles and equipment.

Fleet Replacement:  Funds set aside for replacement of fleet vehicles and equipment.

Flexibility:  The government’s ability to adapt its fiscal structure to changing conditions.

Full Time Equivalents (FTE):  The amount of time a position has been budgeted for in terms of the amount of time a regular, full-time employee normally works in a year. For example, a full-time employee (1 FTE) is paid for 1,950 hours per year, while a .5 FTE would work 975 hours per year.

Fund Balance:  The excess of fund assets and resources over fund liabilities is defined as fund equity. A portion of fund equity may be reserved or designated; the remainder is available for appropriation, and is referred to as the Fund Balance.

Fund Equity:  The excess of fund assets and resources over fund liabilities. A portion of the equity of a governmental fund may be reserved or designated; the remainder is referred to as fund balance.

General Capital Fund:  A fund established to account for financial resources to acquire or construct large capital facilities or assets, other than those accounted for in enterprise or trust funds.

General Fund:  In governmental accounting, the fund used to account for all assets and liabilities of a nonprofit entity, except those particularly assigned for other purposes in another more specialized fund. It is the primary operating fund of the City of Richmond.

General Liability Self-Insurance Fund:  The General Liability Self-Insurance Fund is used to provide the City with liability and property insurance.

General Obligation Bonds:  Bonds for which the full faith and credit of the City is pledged for payment.

Government Accounting Standards Board (GASB):  An organization created to provide comparability and consistency between different government agencies. GASB issues statements regarding various accounting issues and provides guidelines on how accounting transactions should be recorded.

Government Finance Officers Association (GFOA):  A national organization of governmental finance officers.

Home Investment Partnership Program (HOME):  HOME funds are used often in partnership with local nonprofit groups to fund a range of activities that build, buy, and/or rehabilitate affordable housing for rent or home ownership. This program is designed exclusively to create affordable housing for low income households.

Improvements:  Buildings, structures, or attachments to land such as sidewalks, trees, drives, tunnels, drains and sewers.

Infrastructure:  The term refers to the technical structures necessary to provide basic services, such as roads, water supplies, sewage treatment facilities, and so forth.

Inter-Agency Loans:  Loans made between related agencies.

Interdepartmental/Interfund Transfers:  Flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment.

Interfund Loans:  Loans made between City funds.
Intergovernmental Revenue: Revenue received from other governmental agencies and municipalities. An example is grants.

Internal Service Fund: Funds used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City.

Liquidity Ratio: A calculation of the relationship between available assets (cash or near cash) and current liabilities (accounts payable, wages payable, etc.).

Long-Term External Debt: Debt borrowed from a source outside the City with a maturity of more than one year after the date of issuance.

Maintenance: Expenditures made to keep an asset in proper condition or to keep an asset in working order to operate within its original capacity.

Measure “T”: A 2008 Measure passed by the City voters which changed the city's formula for determining business license fees.

Normal Cost: The amount of benefits earned in the current year.

One-time Expenditures: Non-recurring expenditures, such as capital asset purchases, one-time studies, etc.

One-time Revenues: Revenue that is not guaranteed or perpetual; or anything not entitled to.

Operating and Maintenance Costs (O&M): Refers to costs directly associated with the operation and maintenance of a program or activity.

Operating Budget: The operating budget is the primary means by which most of the financing of acquisition, spending and service delivery activities of a government are controlled. The use of annual operating budgets is required by law.

Operating Position: Refers to the difference between ongoing revenues and expenditures. When revenues exceed expenditures, a "positive operating position" exists.

Operating Transfer: Routine or recurring transfer of assets between funds.

Pay-As-You-Go Method: A funding method to allocate funds annually to prevent future accumulated liabilities.

Pension Tax Override (PTORs): Revenues received by the City from a special tax pursuant to City Council Ordinance 9-99, collected through property taxes for payment of pension contributions.

Personnel: Salaries paid to City employees. Included are items such as regular full time, regular part time, premium overtime and special duty pay.

Personnel Benefits: Those benefits paid by the City as conditions of employment. Examples include insurance and retirement benefits.

Projected Surplus/Deficit: The projected surplus/deficit is the net of forecasted receipts and forecasted disbursements. A surplus is the result of receipts exceeding disbursements, and a deficit is the result of disbursements exceeding receipts.
Redevelopment Agency (RDA): A blended component units, although legally separate entity are, in substance, part of the City’s operations and data from these units are combined with data of the City.

Replacement Reserve: An account used to accumulate funds for the replacement of specified capital assets or major maintenance of capital assets.

Reserve: An account used to indicate that a portion of fund equity is legally restricted for a specific purpose.

Reserve Fund: The Reserve Fund is used to account for funds set aside for capital equipment replacement, facilities maintenance, and accrued employee benefits for retired, terminated or former employees funded from the General Fund.

Revenue Bonds: Bonds issued pledging future revenues, usually water or sewer charges to cover debt payments.

Successor Agency: Formerly Richmond Community Redevelopment Agency.

Self-Insurance Reserves: Money set aside to pay insurance claims below the deductible limit of workers’ compensation and general liability insurance policies.

Special Assessment Bonds: Bonds payable from the proceeds of special assessments.

Special Assessment District: Independent government units that serve limited areas and have governing boards that accomplish legislatively assigned functions using public funds.

Street Improvement Fund: The Street Improvement Fund is used to account for revenues and expenditures related to the rehabilitation of City streets.

Structural Balance: Exists when revenues and expenditures are of a similar size and growth rate over time.

Sufficiency: The government’s ability to obtain resources adequate to provide planned service levels.

Supplemental Appropriation: An appropriation approved by the Council after the initial budget is adopted.

Sustainability: Is the capacity to maintain a certain process or state.

Taxes: Compulsory charges levied by the City, County and State for the purpose of financing services performed for the common benefit.

Tax Revenue Anticipation Note (TRAN): A short-term borrowing that is necessary for funding our low periods before receipt of property taxes.

Transient Occupancy Tax (TOT): Commonly referred to as a “bed tax,” transient occupancy taxes are applied to all short-term rentals (less than 29 days of occupancy) within the City limits. The tax rate is 10% of the gross room rate.

Triple Flip: The “triple flip” swaps one-quarter of the City’s local sales taxes to secure $15 billion in deficit financing bonds approved through the passage of Proposition 57 (flip #1). The State intends to replace this revenue with Educational Revenue Augmentation Fund (ERAF) property tax money that was taken from cities and counties in the early ‘90’s (flip #2). Using ERAF money to backfill the sales tax taken from cities will increase the State’s obligation to fund schools from other general fund resources (flip #3).
Another impact of the triple flip upon the City will be cash flow. Sales tax, which is received monthly, will be reduced by 25% and will be “backfilled” with property tax, which will be received bi-annually in January and May.

**Undesignated Fund Balance:** Refers to fund balances available for spending; i.e., funds not designated for any other purposes.

**Vitality:** The ability of the community's economy to sustain government services.

**Work Investment Act (WIA):** Employment and Training Department receives recurring annual grants which are WIA formula funds. All of our other grants are awarded through a competitive process. These grants are federal grants passed through the state. The WIA formula funding is guaranteed as long as the City of Richmond operates as the Local Workforce Investment Area.
SECTION NINE: REFERENCES

   http://www.boe.ca.gov/sutax/sutprograms.htm
   http://www.sco.ca.gov/
HDL Coren & Cone Report – For Population Reference