**NEW ISSUE – BOOK-ENTRY**

**RATINGS: Underlying: S&P: A-**
**BAM Insured: AA (Stable)**
**(See "Bond Insurance" and "Ratings")**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Successor Agency to the Richmond Community Redevelopment Agency, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2014A Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series 2014A Refunding Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Refunding Bonds is exempt from State of California personal income taxes. Bond Counsel further observes that interest on the Series 2014B Refunding Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other federal or state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds. See "Tax Matters."*

# $25,795,000
# SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY
## REFUNDING BONDS
## SERIES 2014A (TAX-EXEMPT)

# $1,655,000
# SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY
## REFUNDING BONDS
## SERIES 2014B (TAXABLE)

**Dated: Date of Delivery** **Due: September 1, as shown on inside cover page**

The Successor Agency to the Richmond Community Redevelopment Agency (the "Successor Agency"), acting as the successor agency of the Richmond Community Redevelopment Agency (the "Former Agency") is issuing $25,795,000 aggregate principal amount of Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds, Series 2014A (Tax-Exempt) (the "Series 2014A Refunding Bonds") and $1,655,000 aggregate principal amount of Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds, Series 2014B (Taxable) (the "Series 2014B Refunding Bonds" and together with the Series 2014A Refunding Bonds, the "Refunding Bonds"). The proceeds of the Refunding Bonds, together with other available funds, will be used to: (i) refund $9,180,000 outstanding principal amount of Richmond Redevelopment Agency Harbour Redevelopment Project Tax Allocation Refunding Bonds, 1998 Series A (the "1998A Bonds"); and prepay and discharge the loan agreements securing all of the $10,470,000 outstanding principal amount of Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds Series 2000A (the "2000A Bonds"); all of the outstanding $2,440,000 principal amount of Richmond Joint Powers Financing Authority Housing-Set Aside Tax Allocation Revenue Bonds, Series 2000B (Taxable) (the "2000B Bonds"); and prepay the loan agreement securing all of the outstanding $13,290,000 principal amount of Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds Series 2003A (Tax-Exempt) (the "2003A Bonds," and together with the 1998A Bonds, the 2000A Bonds and the 2000B Bonds, the "Prior Bonds;" (ii) purchase a municipal bond insurance policy for the Refunding Bonds; (iii) fund a deposit in the debt service reserve accounts established for the Refunding Bonds in an amount equal to 50% of the Reserve Account Requirement for each Series of Refunding Bonds and purchase a municipal bond debt service reserve policy for the remaining 50% of each Reserve Account Requirement; and (iv) pay certain costs associated with the issuance of the Refunding Bonds. See "Plan of Refunding."

The Refunding Bonds will be issued pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Government Code"), the provisions of the Community Redevelopment Law, being Division 24 (commencing with Section 33000) of the California Health and Safety Code (the "Redevelopment Law"), a Trust Agreement dated as of April 1, 2014 (the "Trust Agreement"), by and between the Successor Agency and Union Bank, N.A., as trustee (the "Trustee") and Resolution No. 44-13 adopted by the Successor Agency on May 21, 2013.

The Refunding Bonds will each be issued as fully registered Bonds and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Refunding Bonds, as more fully described in Appendix G. The Refunding Bonds will be dated the date of delivery and issued in registered form in denominations of $5,000 or any integral multiple of $5,000 and will mature on September 1 of each year in the amounts as set forth on the inside cover page. Interest on the Refunding Bonds will be payable on each March 1 and September 1, commencing September 1, 2014.

**The Series 2014A Refunding Bonds are subject to optional redemption. The Series 2014B Refunding Bonds are *not* subject to optional redemption prior to their respective stated maturities. See "The Refunding Bonds–Redemption Provisions."**

The Refunding Bonds are limited obligations of the Successor Agency payable solely from and secured by a pledge of Successor Agency Refunding Revenues (as defined herein) and certain other funds as provided in the Trust Agreement.

The obligation of the Successor Agency to make certain debt service payments on the Refunding Bonds are secured by a pledge of certain property tax revenues derived from taxable property within the Successor Agency's merged redevelopment project areas (the "Merged Project Areas"). See "Security and Sources of Payment for the Refunding Bonds–Pledge of Successor Agency Refunding Revenues."

The scheduled payment of principal of and interest on the Refunding Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Refunding Bonds by **Build America Mutual Assurance Company**. See "Bond Insurance."

THE REFUNDING BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, OTHER THAN THE SUCCESSOR AGENCY, AND NONE OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREFOR. IN NO EVENT SHALL PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON THE REFUNDING BONDS CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF ANY PUBLIC AGENCY (OTHER THAN THE LIMITED OBLIGATION OF THE SUCCESSOR AGENCY AS SET FORTH IN THE TRUST AGREEMENT). THE REFUNDING BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND NEITHER THE MEMBERS OF THE SUCCESSOR AGENCY NOR ANY PERSONS EXECUTING THE REFUNDING BONDS ARE LIABLE PERSONALLY ON THE REFUNDING BONDS BY REASON OF THEIR ISSUANCE. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS–PLEDGE OF SUCCESSOR AGENCY REFUNDING REVENUES."

This cover page contains certain information for general reference only. It is not a summary of the Refunding Bonds. Prospective investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the Refunding Bonds involves risks. See "Certain Risks to Bondowners" for a discussion of certain special risks factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Refunding Bonds.

**Maturity Schedule**
(See inside cover page)

*The Refunding Bonds are offered when, as and if issued, subject to the approval as to their legality of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel, and certain other conditions. Certain other legal matters will be passed on by the City Attorney of the City of Richmond, as counsel to the Successor Agency and the City, by Schiff Hardin LLP, San Francisco, California, Disclosure Counsel and by Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California, Underwriter's Counsel. It is anticipated that the Refunding Bonds in book-entry only form will be available for delivery through the facilities of DTC in New York, New York on or about April 11, 2014.*

STIFEL

The date of this Official Statement is March 27, 2014

## MATURITY SCHEDULE

**$25,795,000**
**SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**REFUNDING BONDS, SERIES 2014A (TAX-EXEMPT)**

| Maturity (September 1) | Principal Amount | Interest Rate | Yield | CUSIP No. † (86460E) |
|---|---|---|---|---|
| 2015 | $2,740,000 | 4.000% | 0.630% | AT8 |
| 2016 | 2,840,000 | 4.000 | 0.930 | AU5 |
| 2017 | 2,960,000 | 4.000 | 1.360 | AV3 |
| 2018 | 3,080,000 | 4.000 | 1.770 | AW1 |
| 2019 | 1,775,000 | 5.000 | 2.190 | AX9 |
| 2020 | 1,870,000 | 5.000 | 2.620 | AY7 |
| 2021 | 1,960,000 | 5.000 | 3.000 | AZ4 |
| 2022 | 2,000,000 | 5.000 | 3.270 | BA8 |
| 2023 | 2,095,000 | 5.000 | 3.470 | BB6 |
| 2024 | 2,185,000 | 5.000 | 3.650 | BC4 |
| 2025 | 1,000,000 | 4.500 | 3.850 C | BD2 |
| 2025 | 1,290,000 | 5.000 | 3.850 C | BJ9 |

**$1,655,000**
**SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**REFUNDING BONDS, SERIES 2014B (TAXABLE)**

| Maturity (September 1) | Principal Amount | Interest Rate | Price | CUSIP No. † (86460E) |
|---|---|---|---|---|
| 2015 | $405,000 | 1.400% | 100% | BE0 |
| 2016 | 410,000 | 1.650 | 100 | BF7 |
| 2017 | 415,000 | 2.250 | 100 | BG5 |
| 2018 | 425,000 | 2.900 | 100 | BH3 |

† Copyright 2014, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated by the CUSIP Service Bureau, is managed on behalf of the American Bankers Association by Standard & Poor's. Standard & Poor's is a unit of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the Successor Agency or the City and are included solely for convenience of the registered owners of the Refunding Bonds. None of the Successor Agency, the City or the Underwriter is responsible for the selection or uses of the CUSIP numbers, and no representation is made as to their correctness on the applicable Refunding Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after delivery of the Refunding Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part or as the result of the procurement of a secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Refunding Bonds.

C Priced to the optional call date of September 1, 2024 at a redemption price equal to par.

**SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**AND**
**CITY OF RICHMOND**

---

**SUCCESSOR AGENCY GOVERNING BOARD/CITY COUNCIL**

Gayle McLaughlin, *Chair/Mayor*
Jim Rogers, *Vice Chair/Vice Mayor*
Nathaniel Bates, *Board Member/Councilmember*
Tom Butt, *Board Member/Councilmember*
Jovanka Beckles, *Board Member/Councilmember*
Courtland "Corky" Booze, *Board Member/Councilmember*
Jeff Ritterman, *Board Member/Councilmember*

**OVERSIGHT BOARD**

Linda Jackson-Whitmore, *Chair*
Chadrick Smalley, *Vice Chair*
Whitney Dotson, *Member*
Sheri Gamba, *Member*
Janet Jackson, *Member*
Jeff Lee, *Member*
John Marquez, *Member*

**CITY ADMINISTRATION**

William A. Lindsay, *Successor Agency Chief Executive Officer and City Manager*
James C. Goins, *Successor Agency Treasurer and City Finance Director*
Bruce Reed Goodmiller, *Successor Agency Attorney and City Attorney*

**SPECIAL SERVICES**

Orrick, Herrington & Sutcliffe LLP
San Francisco, California
***Bond Counsel***

Schiff Hardin LLP
San Francisco, California
***Disclosure Counsel***

Tamalpais Advisors, Inc.
Sausalito, California
***Financial Advisor***

RBC Capital Markets, LLC
San Francisco, California
***Structuring Agent***

Fraser & Associates
Roseville, California
***Fiscal Consultant***

Union Bank, N.A.
San Francisco, California
***Trustee and Escrow Agent for the 2000A, 2000B and 2003 Prior Bonds***

Causey Demgen & Moore P.C.
Denver, Colorado
***Verification Agent***

U.S. Bank National Association
San Francisco, California
***Escrow Agent for the 1998A Prior Bonds***

No dealer, broker, salesperson or other person has been authorized by the Successor Agency, the City, or the Underwriter to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Refunding Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Refunding Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from sources which are believed to be reliable, but such information is neither guaranteed as to accuracy or completeness, nor to be construed as a representation of such by Successor Agency, the City or the Underwriter. The information and expressions of opinion stated herein are subject to change without notice; and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Successor Agency or the City since the date hereof.

The Underwriter was provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Refunding Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Refunding Bonds to certain dealers and others at yields higher than the initial public offering yields set forth on the inside cover page hereof and said initial public offering yields may be changed from time to time by the Underwriter.

The issuance and sale of the Refunding Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities and the Trust Agreement has not been qualified under the Trust Indenture Act of 1939, as amended. The Refunding Bonds have not been registered or qualified under the securities laws of any state.

## CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements contained in this Official Statement reflect not historical facts but forecasts and "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe," "plan," "budget," and similar expressions are intended to identify forward-looking statements. Projections, forecasts, assumptions, expressions of opinions, estimates and other forward statements are not to be construed as representations of fact and are qualified in their entirety by the cautionary statements set forth in this Official Statement.

**The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Successor Agency does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur or do not occur.**

The Successor Agency and the City each maintain a website. Unless specifically indicated otherwise, the information presented on those websites is *not* incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Refunding Bonds.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Refunding Bonds or the advisability of investing in the Refunding Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE," APPENDIX H–"SPECIMEN MUNICIPAL BOND INSURANCE POLICY" and APPENDIX I–"SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY."

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**$25,795,000**
**SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY REFUNDING BONDS SERIES 2014A (TAX-EXEMPT)**

**$1,655,000**
**SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY REFUNDING BONDS SERIES 2014B (TAXABLE)**

## INTRODUCTION

*The description and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meaning as in the Trust Agreement (defined below).*

### General; Purpose

This Official Statement, including the cover page, the inside cover page and through the Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by the Successor Agency to the Richmond Community Redevelopment Agency (the "Successor Agency"), acting as the successor agency of the Richmond Community Redevelopment Agency (the "Former Agency") of $25,795,000 aggregate principal amount of Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds, Series 2014A (Tax-Exempt) (the "Series 2014A Refunding Bonds") and $1,655,000 aggregate principal amount of Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds, Series 2014B (Taxable) (the "Series 2014B Refunding Bonds" and together with the Series 2014A Refunding Bonds, the "Refunding Bonds").

The Refunding Bonds are being issued in fully registered book-entry form in denominations of $5,000 or any integral multiple of $5,000, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). The Refunding Bonds will be dated the date of delivery and will mature on September 1 of each year in the amounts as set forth on the inside cover. Interest on the Refunding Bonds is payable on March 1 and September 1 of each year, commencing September 1, 2014. See "THE REFUNDING BONDS." Payments of principal of and interest on the Refunding Bonds will be payable by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Refunding Bonds. See APPENDIX G–"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The proceeds of the Refunding Bonds, together with other available funds, will be used to: (i) refund $9,180,000 outstanding principal amount of Richmond Redevelopment Agency Harbour Redevelopment Project Tax Allocation Refunding Bonds, 1998 Series A (the "1998A Bonds"); and prepay and discharge the loan agreements securing all of the $10,470,000 outstanding principal amount of Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds Series 2000A (the "2000A Bonds"); all of the outstanding $2,440,000 principal amount of Richmond Joint Powers Financing Authority Housing-Set Aside Tax Allocation Revenue Bonds, Series 2000B (Taxable) (the "2000B Bonds"); and prepay the loan agreement securing all of the outstanding $13,290,000 principal amount of Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds Series 2003A (Tax-Exempt) (the "2003A Bonds," and together with the 1998A Bonds, the 2000A Bonds and the 2000B Bonds, the "Prior Bonds"); (ii) purchase a municipal bond insurance policy for the Refunding Bonds; (iii) fund a deposit in the debt service reserve accounts for the Refunding Bonds in an amount equal to 50% of the Reserve Account Requirement for each Series of Refunding Bonds and purchase a municipal bond debt service reserve policy for the remaining 50% of each Reserve Account Requirement; and (iv) pay certain costs associated with the issuance of the Refunding Bonds. See "PLAN OF REFUNDING."

**Impact of Changes in Redevelopment Law**

Two bills enacted as part of the 2011 State Budget Act (ABx1 26 and ABx1 27 (Chapter 6, Statutes of 2011-12, First Extraordinary Session) (the "Dissolution Act" and "AB 27," respectively) dissolved all redevelopment agencies, and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the dissolved redevelopment agencies and to administer the wind down and dissolution of the dissolved redevelopment agencies. AB 27 would have allowed a redevelopment agency to continue to exist, notwithstanding the Dissolution Act, if the city or county that created the redevelopment agency made certain payments for the benefit of the local schools and other taxing entities according to their base property tax allocations. 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 issued its decision in *California Redevelopment Association v. Matosantos et al.* (No. S194861) ("*Matosantos*") regarding the constitutionality of the Dissolution Act and AB 27. The Court upheld the Dissolution Act requiring the dissolution of redevelopment agencies and the transfer of assets and obligations to successor agencies, but invalidated AB 27. The *Matosantos* decision also modified various deadlines for the implementation of the Dissolution Act. See "SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS."

As a consequence of the *Matosantos* decision all redevelopment agencies, in the State, including the Former Agency, dissolved by operation of law on February 1, 2012. All property tax revenues that would have been allocated to redevelopment agencies, including the Former Agency, will be allocated to the applicable redevelopment property tax trust fund created by the county auditor-controller for the "successor agency." Such funds will to be used for payments on indebtedness and other "enforceable obligations" (as defined in the Dissolution Act), and to pay certain administrative costs and any amounts in excess of that amount are to be considered property taxes that will be distributed to taxing agencies.

In addition, under the Dissolution Act tax increment is no longer deemed to flow to the successor agency and the requirement to deposit a portion of the tax increment into a low and moderate income housing fund is also no longer required. Rather, all funds are considered property taxes. See "SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS"

Pursuant to California Health and Safety Code Section 34173(d), the City Council adopted Resolution No. 4-12 on January 24, 2012, electing and determining to become the "successor agency" to the Former Agency under the Dissolution Act. Pursuant to AB 1484, the Successor Agency is a separate public entity from the City. See "THE SUCCESSOR AGENCY." The Dissolution Act also requires an oversight board for each successor agency to be established no later than May 1, 2012. On April 24, 2012, the Successor Agency duly established the Oversight Board of the Successor Agency to the Richmond Community Redevelopment Agency (the "Oversight Board") pursuant to California Health and Safety Code Section 34179(a). See "THE OVERSIGHT BOARD."

**Authority for Issuance**

The Refunding Bonds will be issued pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Government Code"); the provisions of the Community Redevelopment Law, being Division 24 (commencing with Section 33000) of the California Health and Safety Code (the "Redevelopment Law"); and a Trust Agreement dated as of April 1, 2014 (the "Trust Agreement"), by and between the Successor Agency and Union Bank, N.A., as trustee (the "Trustee").

***Approval by the Successor Agency***. The Successor Agency governing board approved the issuance of the Refunding Bonds by Resolution No. 44-13 adopted on May 21, 2013 (the "Resolution").

***Approval by the Oversight Board***. Under the Law, many actions of the Successor Agency, including issuance of the Refunding Bonds, are subject to approval by an "oversight board." See "–Impact of Changes in Redevelopment Law." On April 11, 2013 the Oversight Board adopted Resolution No. 2-13 (the "First Oversight Board Resolution") directing commencing of a refunding transaction and preparation of financing documents for submission and presentation to the Successor Agency for approval. Following the adoption of the Resolution by the Successor Agency, on June 20, 2013, the Oversight Board adopted Resolution No. 3-13 (the "Second Oversight Board Resolution," and together with the First Oversight Board Resolution, the "Oversight Board Resolutions") authorizing the issuance of the Refunding Bonds and approving the financing documents.

***Approvals by the Department of Finance***. Under the Law, many actions of the Successor Agency are subject to review or approval by the State of California Department of Finance (the "Department of Finance"). See "–Impact of Changes in Redevelopment Law." Written notices of the First Oversight Board Resolution and the Second Oversight Board Resolution were provided to the Department of Finance on April 29, 2013 and June 25, 2013, respectively, and the Department of Finance requested review within five business days of each such written notice. Pursuant to the Dissolution Act, the Department of Finance has 60 days to review actions taken by an oversight board.

The Department of Finance approved the Second Oversight Board Resolution on July 19, 2013.

Health and Safety Code Section 34177.5(i) permits a successor agency to petition the Department of Finance to provide written confirmation that its determination of the enforceable obligations of the successor agency that provide for an irrevocable commitment of property tax revenue over time as approved in a "Recognized Obligation Payment Schedule" is final and conclusive, and reflects the approval by the Department of Finance of subsequent payments made pursuant to the enforceable obligations. If the confirmation is granted, then the review by the Department of Finance of such payments in future Recognized Obligation Payment Schedules is limited to confirming that they are required by the prior enforceable obligations. Copies of the letters received by the Successor Agency from the Department of Finance can be viewed on the website of the Department of Finance at www.dof.ca.gov/redevelopment/ROPS/view.php.

In addition, pursuant to the Trust Agreement, the Successor Agency covenants to petition the Department of Finance to confirm that its determination that the Refunding Bonds constitute enforceable obligations is final and conclusive. See "PROPERTY TAX REVENUE FINANCING UNDER THE DISSOLUTION ACT–Petition to the Department of Finance for Final and Conclusive Determination."

**Property Tax Revenue Financing Under the Dissolution Act**

Prior to the enactment of the Dissolution Act, the Redevelopment Law authorized the financing of redevelopment projects through the use of "tax increment revenues." This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations.

The Dissolution Act authorizes refunding bonds, including the Refunding Bonds, to be secured by a pledge of monies deposited from time to time in a redevelopment property tax trust fund held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment

revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects. Pursuant to the Trust Agreement, "Tax Revenues" consist of the amounts deposited from time to time in the Redevelopment Property Tax Trust Fund (the "RPTTF") established pursuant to and as provided in the Dissolution Act.

The Dissolution Act requires a successor agency to continue to make payments and perform other obligations required under enforceable obligations of the dissolved redevelopment agency. The Dissolution Act defines an "enforceable obligation" to include bonds issued pursuant to Government Code Section 5850, including the required debt service, reserve set-asides and any other payments required under the document governing the issuance of the outstanding bonds of the former agency; loans of moneys borrowed by the former agency for a lawful purpose, including, but not limited to, moneys borrowed from the Low and Moderate Income Housing Fund, to the extent they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms; payments required by the federal government, preexisting obligations to the State or obligations imposed by State law other than pass-through payments that are made by the county auditor-controller pursuant to the Dissolution Act, or legally enforceable payments required in connection with the agencies' employees, including, but not limited to, pension payments, pension obligation debt service, and unemployment payments; judgments or settlements entered by a competent court of law or binding arbitration decisions against the former agency, other than pass-through payments that are made by the county auditor-controller pursuant to the Dissolution Act; any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy; and contracts or agreements necessary for the continued administration or operation of the successor agency, including agreements to purchase or rent office space, equipment, supplies and pay related insurance expenses. The Dissolution Act generally excludes from the definition of enforceable obligations any loans or agreements solely between a redevelopment agency and the city or county that created the agency. It also excludes any agreements that are void as violating the debt limit or public policy. Payment and performance of enforceable obligations is subject to review by oversight boards, the State Controller and Department of Finance and certification by the county auditor-controller. See "PROPERTY TAX REVENUE FINANCING UNDER THE DISSOLUTION ACT."

**Security for the Refunding Bonds**

***General***. Pursuant to Health and Safety Code Section 34177.5(g), any bonds issued by the Successor Agency to refund the bonds of the Former Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the RPTTF established pursuant to Health and Safety Code Section 34172(c).

The Refunding Bonds and any Additional Refunding Bonds are equally secured by and are payable from a first pledge of Successor Agency Refunding Revenues (each as defined herein), and all moneys deposited in the Special Fund (including the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account created therein), and the Redemption Fund. The Successor Agency Refunding Revenues are required to be deposited by the Successor Agency in the Special Fund to the extent required under the Trust Agreement, which fund is to be held by and maintained with the Trustee. The term "Successor Agency Refunding Revenues" is defined in the Trust Agreement to mean for any period of time, moneys deposited from time to time in RPTTF, excluding (i) Senior Obligations (defined herein) payable during such period; and (ii) amounts, if any, payable to a taxing entity pursuant to Section 33607.5 and 33607.7 of the California Health and Safety Code during such period. See "PROPERTY TAX REVENUE FINANCING UNDER THE DISSOLUTION ACT" and "SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS." See also, APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT–THE TRUST AGREEMENT–Pledge of Successor Agency Refunding Revenues."

THE REFUNDING BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, OTHER THAN THE SUCCESSOR AGENCY, AND NONE OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREFOR. IN NO EVENT SHALL PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON THE REFUNDING BONDS CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF ANY PUBLIC AGENCY (OTHER THAN THE LIMITED OBLIGATION OF THE SUCCESSOR AGENCY AS SET FORTH IN THE TRUST AGREEMENT). THE REFUNDING BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND NEITHER THE MEMBERS OF THE SUCCESSOR AGENCY NOR ANY PERSONS EXECUTING THE REFUNDING BONDS ARE LIABLE PERSONALLY ON THE REFUNDING BONDS BY REASON OF THEIR ISSUANCE. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS–PLEDGE OF SUCCESSOR AGENCY REFUNDING REVENUES."

***Reserve Accounts***. Under the Trust Agreement, the Successor Agency is required to establish and fund a reserve account (each a "Debt Service Reserve Account") for each Series of the Refunding Bonds, in the amount of the respective Reserve Account Requirement. The Successor Agency will satisfy this requirement by depositing in each Debt Service Reserve Account proceeds from the respective series of Refunding Bonds in an amount equal to 50% of the applicable Reserve Account Requirement and a municipal bond debt service reserve policy issued by Build America Mutual Assurance Company representing the remaining 50% of each Reserve Account Requirement. See "SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS–Debt Service Reserve Accounts" and APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT–THE TRUST AGREEMENT–Special Fund–Series 2014A Debt Service Reserve Account and Series 2014B Debt Service Reserve Account."

***Bond Insurance Policy***. The scheduled payment of principal of and interest on the Refunding Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Refunding Bonds by Build America Mutual Assurance Company. See "BOND INSURANCE."

**Outstanding Indebtedness**

***Senior Obligations***. The payment of debt service on the Refunding Bonds and any Additional Refunding Bonds issued or executed under the Trust Agreement are subordinate to the payment of debt service on certain Senior Obligations, as defined in the Trust Agreement. Pursuant to the Trust Agreement, the Successor Agency covenants that, so long as the Refunding Bonds remain Outstanding and unpaid, it will not issue any bond, note, or other evidence of indebtedness payable from or secured by the Successor Agency Refunding Revenues on a basis which is: (i) in any manner prior or superior to the lien on, pledge of and security interest in the Successor Agency Refunding Revenues securing the Outstanding Refunding Bonds pursuant to the Trust Agreement; or (ii) except for Additional Refunding Bonds with respect to the Successor Agency Refunding Revenues, in any manner on a parity with the lien on, pledge of and security interest in the Successor Agency Refunding Revenues securing the Outstanding Refunding Bonds pursuant to the Trust Agreement. For a description of the Senior Obligations, see "SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS–Pledge of Successor Agency Refunding Revenues." See also, APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT–DEFINITIONS–Pledge of Successor Agency Refunding Revenues."

***Subordinate Swap Agreement***. In connection with the issuance of $33,740,000 original principal amount of Richmond Community Redevelopment Agency Subordinate Tax Allocation Refunding Bonds (Merged Project Areas), 2010 Series A (the "2010 Series A Bonds"), the Former Agency entered into an interest rate swap transaction (the "2010 Swap Agreement") with Royal Bank of Canada, the parent company of RBC Capital Markets, LLC (the "Swap Provider") for the purpose of receiving amounts approximately

equal to the expected floating rate interest payments due to holders of the 2010 Series A Bonds. For a summary of the 2010 Swap Agreement, see Table A-1–"Summary of Interest Rate Swap" in APPENDIX A–"FINANCIAL POLICIES AND ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF RICHMOND–Financial Policies–*Swap Policy*."

The 2010 Swap Agreement requires the Swap Provider to make periodic payments to the Successor Agency based on a variable interest rate and for the Successor Agency to make periodic payments to the Swap Provider based on a fixed interest rate and for the Successor Agency to make periodic payments to the Swap Provider based on a variable interest rate from tax revenues. On August 13, 2013, the Swap Provider provided to the Successor Agency an estoppel certificate agreeing to subordinate the lien of any termination payments due under the 2010 Swap Agreement to the payments due on the Refunding Bonds. The Swap Provider has executed a revised estoppel certificate reaffirming the subordination and revising the names of the Refunding Bonds and dates therein to correspond with the names and dates of the Refunding Bonds. Upon receipt of the executed revised estoppel certificate and delivery of the Refunding Bonds, the Successor Agency will use its best efforts to make conforming amendments to the swap documents entered into in connection with the 2010 Swap Agreement. The inclusion to or absence of such conforming amendments to the swap documents will not affect the validity of the estoppel certificate. See APPENDIX A–"FINANCIAL POLICES AND ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND–Financial Policies–*Swap Policy.*"

RBC Capital Markets, LLC is serving as the Structuring Agent to the Successor Agency in connection with the Refunding Bonds. See "STRUCTURING AGENT."

**Fiscal Consultant Report**

Included as APPENDIX B to this Official Statement is a Fiscal Consultant Report (the "Fiscal Consultant Report") prepared by Fraser & Associates (the "Fiscal Consultant") which, among other things, analyzes the property tax revenues (which prior to the enactment of the Dissolution Act were referred to as tax increment revenues) generated from taxable property within the Merged Project Areas and pledged to the repayment of the Refunding Bonds. The findings and projections in the Fiscal Consultant Report are subject to a number of assumptions that should be reviewed and considered by prospective investors. No assurances can be given that the projections and expectations discussed in the Fiscal Consultant Report will be achieved. Actual results may differ materially from the projections described therein. See "THE MERGED PROJECT AREAS" and APPENDIX B–"REPORT OF THE FISCAL CONSULTANT."

**Continuing Disclosure**

The Successor Agency has covenanted for the benefit of Bondholders and Beneficial Owners to provide certain financial information and operating data relating to the Successor Agency by not later than 270 days after the end of the fiscal year of the Successor Agency, commencing with the fiscal year ending June 30, 2013 (the "Annual Report"), and to provide notices of the occurrence of certain significant events. The Annual Report and notices of significant events will be filed by the Successor Agency or the Dissemination Agent, if any, on behalf of the Successor Agency through the Electronic Municipal Market Access ("EMMA") site maintained by the Municipal Securities Rulemaking Board (the "MSRB"). These covenants have been made in order to assist the Underwriter to comply with Securities and Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of significant events by the City is summarized in APPENDIX E–"FORM OF CONTINUING DISCLOSURE AGREEMENT." Also see "CONTINUING DISCLOSURE."

**Additional Information**

Brief descriptions of the Refunding Bonds, the security for the Refunding Bonds, the Successor Agency and the City are included in this Official Statement together with summaries of certain provisions of the Redevelopment Law, the Dissolution Act, the Trust Agreement, the Refunding Bonds and the Escrow Agreements. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Trust Agreement and the Escrow Agreements are qualified in their entirety by reference to such documents, copies of which are available for inspection at the office of Trustee, 350 California Street, 11th Floor, San Francisco, California 94104.

## PLAN OF REFUNDING

The Successor Agency will apply proceeds from the issuance of the Refunding Bonds to refund the 1998A Bonds and prepay and discharge the loan agreements securing the 2000A Bonds, the 2000B Bonds and the 2003A Bonds. A portion of the proceeds from the sale of the Refunding Bonds will be deposited by the Successor Agency in an irrevocable escrow fund (the "Escrow Fund") established pursuant to an Escrow Agreement dated as of April 1, 2014, by and between the Successor Agency and U.S. Bank National Association, as escrow agent (the "Escrow Bank") and a portion of the proceeds will be deposited with Union Bank N.A., as successor trustee for the 2000A Bonds, the 2000B Bonds and the 2003A Bonds (the "2000 and 2003 Prior Bonds Trustee") pursuant to a Written Request of the Successor Agency to the 2000 and 2003 Prior Bonds Trustee dated April 11, 2014 regarding the redemption of the 2000A Bonds, the 2000B Bonds and the 2003A Bonds, such deposit with the 2000 and 2003 Prior Bonds Trustee will constitute prepayment of amounts owed under the loan agreements securing such bonds. The Prior Bonds consist of the following:

**Table 1**

**$9,180,000**
**Richmond Redevelopment Agency**
**Harbour Redevelopment Project**
**Tax Allocation Refunding Bonds, 1998 Series A**
**Current Interest Bonds**
**Dated Date: February 26, 1998**
**Redemption Date: May 12, 2014**
**Redemption Price: 100%**

| Maturity Date (September 1) | Amount | Interest Rate | CUSIP[1] |
|---|---|---|---|
| 2018[2] | $4,015,000 | 5.500% | 764472CS3 |
| 2023 | 5,165,000 | 4.750 | 764472CX2 |

(1) Copyright 2014, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated by the CUSIP Service Bureau, is managed on behalf of the American Bankers Association by Standard & Poor's. Standard & Poor's is a unit of The McGraw-Hill Companies, Inc. This data is *not* intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for reference only. None of the Successor Agency, the City or the Underwriter takes any responsibility for the accuracy of such numbers.

(2) Represents sinking fund payments due September 1, 2014 through 2018.

**$10,470,000**
**Richmond Joint Powers Financing Authority**
**Tax Allocation Revenue Bonds**
**Series 2000A (Tax-Exempt)**
**Dated Date: November 28, 2000**
**Redemption Date: April 11, 2014**
**Redemption Price: 100%**

| Maturity Date (September 1) | Amount | Interest Rate | CUSIP† |
|---|---|---|---|
| 2014 | $1,800,000 | 4.900% | 76443NAM6 |
| 2015 | 1,885,000 | 5.000 | 76443NAN4 |
| 2016 | 1,980,000 | 5.500 | 76443NAP9 |
| 2017 | 2,090,000 | 5.500 | 76443NAQ7 |
| 2018 | 2,205,000 | 5.500 | 76443NAR5 |
| 2029 | 510,000 | 5.250 | 76443NAS3 |

**$2,440,000**
**Richmond Joint Powers Financing Authority**
**Housing Set-Aside Tax Allocation Bonds**
**Series 2000B (Taxable)**
**Dated Date: November 28, 2000**
**Redemption Date: April 11, 2014**
**Redemption Price: 100%**

| Maturity Date (September 1) | Amount | Interest Rate | CUSIP† |
|---|---|---|---|
| 2018 | $2,330,000 | 7.700% | 76443NAV6 |
| 2029 | 110,000 | 8.000% | 76443NAW4 |

**$13,290,000**
**Richmond Joint Powers Financing Authority**
**Tax Allocation Bonds Series 2003A (Tax-Exempt)**
**Dated Date: August 27, 2003**
**Redemption Date: April 11, 2014**
**Redemption Price: 100%**

| Maturity Date (September 1) | Amount | Interest Rate | CUSIP† |
|---|---|---|---|
| 2014 | $530,000 | 4.250% | 76443NBJ2 |
| 2015 | 555,000 | 4.500 | 76443NBK9 |
| 2016 | 575,000 | 4.500 | 76443NBL7 |
| 2017 | 605,000 | 4.500 | 76443NBM5 |
| 2018 | 630,000 | 4.625 | 76443NBN3 |
| 2022 | 4,320,000 | 5.250 | 76443NBS2 |
| 2025 | 4,050,000 | 5.250 | 76443NBV5 |
| 2025 | 2,025,000 | 5.000 | 76443NBQ5 |

† Copyright 2014, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated by the CUSIP Service Bureau, is managed on behalf of the American Bankers Association by Standard & Poor's. Standard & Poor's is a unit of The McGraw-Hill Companies, Inc. This data is *not* intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for reference only. None of the Successor Agency, the City or the Underwriter takes any responsibility for the accuracy of such numbers.

On the delivery date of the Refunding Bonds, the Successor Agency will deposit portions of the proceeds therefrom, together with certain other available funds, in the Escrow Fund held by the Escrow Bank and the 2000 and 2003 Prior Bonds Trustee. The funds deposited with the Escrow Bank and the 2000 and 2003 Prior Bonds Trustee will be held uninvested. Amounts on deposit in the Refunding Escrow Fund are *not* available to make payment on the Refunding Bonds.

Upon such deposit, the 1998A Bonds will be defeased, the loan agreements securing the 2000A Bonds, the 2000B Bonds and the 2003 Bonds will be prepaid and discharged and the 2000A Bonds, 2000B Bonds and 2003 Bonds will no longer be deemed outstanding under the trust agreement pursuant to which such Prior Bonds were issued as of their respective redemption dates.

Causey Demgen & Moore P.C., independent certified public accountants, as the Verification Agent, will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter relating to the principal of and interest on the Prior Bonds to the Redemption Date. For information on mathematical verification of the sufficiency of scheduled payments with respect to such obligations of the United States of America and other funds held in the Refunding Escrow Fund to make such payments, see "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

## ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the financing are set forth in the following table:

| | Series 2014A Refunding Bonds | Series 2014B Refunding Bonds | Total |
|---|---|---|---|
| **Sources of Funds** | | | |
| Principal Amount of Refunding Bonds | $25,795,000.00 | $1,655,000.00 | $27,450,000.00 |
| Original Issue Premium | 2,591,018.40 | – | 2,591,018.40 |
| Balances in Prior Bonds Funds and Accounts | 7,777,117.99 | 974,559.81 | 8,751,677.80 |
| TOTAL ESTIMATED SOURCES | $36,163,136.39 | $2,629,559.81 | $38,792,696.20 |
| **Uses of Funds** | | | |
| Escrow Funds[(1)] | $33,245,477.85 | $2,460,912.22 | $35,706,390.07 |
| Interest Accounts | 454,436.11 | 13,260.14 | 467,696.25 |
| Debt Service Reserve Accounts | 1,289,750.00 | 82,750.00 | 1,372,500.00 |
| Underwriter's Discount | 246,122.93 | 14,652.08 | 260,775.01 |
| Costs of Issuance Fund[(2)] | 927,349.50 | 57,985.37 | 985,334.87 |
| TOTAL ESTIMATED USES | $36,163,136.39 | $2,629,559.81 | $38,792,696.20 |

(1) See "PLAN OF REFUNDING."

(2) Includes fees of Bond Counsel, Disclosure Counsel, the Financial Advisor, the initial fees of the Trustee, fees of the Structuring Agent, the Verification Agent, the Fiscal Consultant, the premiums for the bond insurance policy and the debt service reserve policy, printing costs and other miscellaneous expenses.

## DEBT SERVICE SCHEDULE

The gross debt service schedule for the Refunding Bonds is set forth below:

| | Series 2014A Refunding Bonds | | | Series 2014B Refunding Bonds | | | |
|---|---|---|---|---|---|---|---|
| Bond Year Ending | Principal | Interest | Total | Principal | Interest | Total | Total |
| 9/1/2014 | – | $454,436.11 | $454,436.11 | – | $13,260.14 | $13,260.14 | $467,696.25 |
| 3/1/2015 | – | 584,275.00 | 584,275.00 | – | 17,048.75 | 17,048.75 | 601,323.75 |
| 9/1/2015 | $2,740,000 | 584,275.00 | 3,324,275.00 | $405,000 | 17,048.75 | 422,048.75 | 3,746,323.75 |
| 3/1/2016 | – | 529,475.00 | 529,475.00 | – | 14,213.75 | 14,213.75 | 543,688.75 |
| 9/1/2016 | 2,840,000 | 529,475.00 | 3,369,475.00 | 410,000 | 14,213.75 | 424,213.75 | 3,793,688.75 |
| 3/1/2017 | – | 472,675.00 | 472,675.00 | – | 10,831.25 | 10,831.25 | 483,506.25 |
| 9/1/2017 | 2,960,000 | 472,675.00 | 3,432,675.00 | 415,000 | 10,831.25 | 425,831.25 | 3,858,506.25 |
| 3/1/2018 | – | 413,475.00 | 413,475.00 | – | 6,162.50 | 6,162.50 | 419,637.50 |
| 9/1/2018 | 3,080,000 | 413,475.00 | 3,493,475.00 | 425,000 | 6,162.50 | 431,162.50 | 3,924,637.50 |
| 3/1/2019 | – | 351,875.00 | 351,875.00 | – | – | – | 351,875.00 |
| 9/1/2019 | 1,775,000 | 351,875.00 | 2,126,875.00 | – | – | – | 2,126,875.00 |
| 3/1/2020 | – | 307,500.00 | 307,500.00 | – | – | – | 307,500.00 |
| 9/1/2020 | 1,870,000 | 307,500.00 | 2,177,500.00 | – | – | – | 2,177,500.00 |
| 3/1/2021 | – | 260,750.00 | 260,750.00 | – | – | – | 260,750.00 |
| 9/1/2021 | 1,960,000 | 260,750.00 | 2,220,750.00 | – | – | – | 2,220,750.00 |
| 3/1/2022 | – | 211,750.00 | 211,750.00 | – | – | – | 211,750.00 |
| 9/1/2022 | 2,000,000 | 211,750.00 | 2,211,750.00 | – | – | – | 2,211,750.00 |
| 3/1/2023 | – | 161,750.00 | 161,750.00 | – | – | – | 161,750.00 |
| 9/1/2023 | 2,095,000 | 161,750.00 | 2,256,750.00 | – | – | – | 2,256,750.00 |
| 3/1/2024 | – | 109,375.00 | 109,375.00 | – | – | – | 109,375.00 |
| 9/1/2024 | 2,185,000 | 109,375.00 | 2,294,375.00 | – | – | – | 2,294,375.00 |
| 3/1/2025 | – | 54,750.00 | 54,750.00 | – | – | – | 54,750.00 |
| 9/1/2025 | 2,290,000 | 54,750.00 | 2,344,750.00 | – | – | – | 2,344,750.00 |
| | $25,795,000 | $7,369,736.11 | $33,164,736.11 | $1,655,000 | $109,772.64 | $1,764,772.64 | $34,929,508.75 |

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## THE REFUNDING BONDS

### General

The Refunding Bonds will be issued in denominations of $5,000 or any integral multiple of $5,000, and will be dated the date of delivery thereof and will mature on September 1 of the years and in the amounts set forth on the cover page hereof. Interest on the Refunding Bonds is payable from their dated date, at the rates set forth on the cover page hereof, on March 1 and September 1 of each year (each and "Interest Payment Date"), commencing September 1, 2014.

The Refunding Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC," together with any successor securities depository, the "Securities Depository"). DTC will act as Securities Depository for the Refunding Bonds so purchased. Individual purchases will be made only in book-entry form. Purchasers will not receive physical certificates representing their beneficial ownership interest in the Refunding Bonds. So long as the Refunding Bonds are registered in the name of Cede & Co., payment of the principal of, premium, if any, and interest on the Refunding Bonds will be payable to DTC or its nominee. DTC in turn will remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX G–"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Principal of, and redemption premium, if any, on the Refunding Bonds is payable at the corporate trust office of the Trustee in San Francisco or Los Angeles, California. Interest on the Refunding Bonds will be paid only to the registered owners as shown on the Trustee's books as of the fifteenth day of the calendar month next preceding each interest payment date, except that in the case of an owner of $1,000,000 or more in principal amount of Refunding Bonds outstanding, payment will be made at the owner's option by wire transfer of immediately available funds according to instructions provided by such owner to the Trustee and received no later than the Record Date for such interest payment date.

### Redemption Provisions

#### *Series 2014A Refunding Bonds*

Optional Redemption of Series 2014A Refunding Bonds. The Series 2014A Refunding Bonds maturing on September 1, 2025, are subject to redemption, as a whole or in part in such maturities as are selected by the Successor Agency, prior to their respective maturity dates (or in the absence of such direction, *pro rata* by maturity and by lot within a maturity), at the option of the Successor Agency, on any date on or after September 1, 2024 at a redemption price equal to the principal amount of Series 2014A Refunding Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

Selection of Series 2014A Refunding Bonds for Redemption. If less than all Outstanding Series 2014A Refunding Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the Series 2014A Refunding Bonds of such maturity date to be redeemed in any manner that it deems appropriate and fair and shall promptly notify the Successor Agency in writing of the numbers of the Series 2014A Refunding Bonds so selected for redemption. For purposes of such selection, Series 2014A Refunding Bonds shall be deemed to be composed of $5,000 multiples and any such multiple may be separately redeemed.

Notice of Redemption. Notice of redemption shall be mailed by first-class mail by the Trustee, not less than 30 nor more than 60 days prior to the redemption date to: (i) the respective Holders of the Series 2014A Refunding Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Depository Trust Company and (iii) EMMA. Notice of redemption to the Depository Trust Company and EMMA is required to be given by registered mail or overnight delivery or

facsimile transmission. Each notice of redemption is required to state the date of such notice, the redemption price, if any, (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Series 2014A Refunding Bonds of such maturity, to be redeemed and, in the case of Series 2014A Refunding Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice is also required to state that on said date there will become due and payable on each of said Series 2014A Refunding Bonds the redemption price, if any, thereof and in the case of a Series 2014A Refunding Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Series 2014A Refunding Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice or any defect therein shall not invalidate any of the proceedings taken in connection with such redemption.

Effect of Redemption. If notice of redemption has been duly given as required by the Trust Agreement and money for the payment of the redemption price of the Series 2014A Refunding Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice, the Series 2014A Refunding Bonds so called for redemption will become due and payable, and from and after the date so designated interest on such Series 2014A Refunding Bonds will cease to accrue, and the Holders of such Series 2014A Refunding Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

Right to Rescind Optional Redemption. The Trustee (at the direction of the Successor Agency) has the right to rescind any optional redemption by written notice of rescission. Any notice of redemption will be automatically cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Series 2014A Refunding Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Trust Agreement. The Trustee is required to mail notice of rescission of such redemption in the same manner as the original notice of redemption was sent.

Purchase in Lieu of Redemption. In lieu of redemption of any Series 2014A Refunding Bond, amounts on deposit in the Principal Account of the applicable Revenue Fund may also be used and withdrawn by the Trustee at any time, upon the Request of the Successor Agency, for the purchase of such Series 2014A Refunding Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the applicable Interest Account) as the Successor Agency may in its discretion determine, but not in excess of the principal amount thereof plus accrued interest to the purchase date; provided, however, that no Series 2014A Refunding Bonds are required to be purchased by the Trustee with a settlement date more than 75 days prior to the redemption date.

***Series 2014B Refunding Bonds***

No Optional Redemption of Series 2014B Refunding Bonds. The Series 2014B Refunding Bonds are *not* subject to optional redemption prior to their respective stated maturities.

## PROPERTY TAX REVENUE FINANCING UNDER THE DISSOLUTION ACT

### General

Prior to the enactment of the Dissolution Act, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never dropped below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations. In addition, each former redevelopment agency was required to deposit not less than 20% of the tax increment generated in a project area into a special fund to be used for qualified low and moderate-income housing programs.

***Successor Agency Refunding Revenues***. The Dissolution Act authorizes refunding bonds, including the Refunding Bonds, to be secured by a pledge of monies deposited from time to time in a redevelopment property tax trust fund held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the county auditor-controller. Under the Trust Agreement, the Successor Agency Refunding Revenues consist of the amounts deposited from time to time in the RPTTF established pursuant to and as provided in the Dissolution Act, excluding (i) Senior Obligations payable during such period; and (ii) amounts, if any, payable to a taxing entity pursuant to Section 33607.5 and 33607.7 of the Health and Safety Code during such period. ***Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described in the Redevelopment Law***. See "CERTAIN RISKS TO BONDOWNERS."

Prior to the dissolution of redevelopment agencies, tax increment revenues from one project area could *not* be used to repay indebtedness incurred for another project area. However, the Dissolution Act only requires each county auditor-controller to establish a single redevelopment property tax trust fund with respect to each former redevelopment agency within the respective county. Additionally, the Dissolution Act now requires that all revenues equivalent to the amount that would have been allocated as tax increment to the former redevelopment agency be allocated to the redevelopment property tax trust fund of the applicable successor agency, and this requirement does not require funds derived from separate project areas of a former redevelopment agency to be separated. In effect, in situations where a former redevelopment agency had established more than one redevelopment project area, the Dissolution Act combines the property tax revenues derived from all project areas into a single trust fund, the redevelopment property tax trust fund, to repay indebtedness of the former redevelopment agency or the successor agency, among other enforceable obligations. To the extent the documents governing outstanding bonds of a redevelopment agency have pledged revenues derived from a specific project area, the Dissolution Act states,

> "It is the intent . . . that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge."

The implications of these provisions of the Dissolution Act are not entirely clear when a former redevelopment agency has established more than one redevelopment project area. However, within the County, property tax revenues continue to be calculated by individual project area, or with respect to the Merged Project Areas, by Constituent Project Area.

***Statutory Pass-Through Payments***. The Redevelopment Law authorized redevelopment agencies to make payments to school districts and other taxing agencies to alleviate any financial burden or detriments to such taxing agencies caused by a redevelopment project. Additionally, Section 33607.5 and 33607.7 of the Redevelopment Law required mandatory tax sharing applicable to redevelopment projects adopted after January 1, 1994, or amended thereafter in certain manners specified in such statutes (the "Statutory Tax-Sharing Payments"). For a description of the Statutory Tax-Sharing Payments payable to taxing entities within the Merged Project Areas, see "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS–Statutory Tax-Sharing Payments." The Dissolution Act requires the county auditor-controller to distribute from the redevelopment property tax trust fund on each January 2 and June 1 the amounts required to be distributed and for statutory pass-through amounts to the taxing entities for each six-month period before amounts are distributed by the county auditor-controller from the redevelopment property tax trust fund to the Redevelopment Obligation Retirement Fund of the successor agency, unless (i) pass-through payment obligations have previously been made subordinate to debt service payments for the bonded indebtedness of the former agency, as succeeded by the successor agency, (ii) the successor agency has reported, no later than the December 1 and May 1 preceding the January 2 or June 1 distribution date, that the total amount available to the successor agency from the redevelopment property tax trust fund allocation to the Redevelopment Obligation Retirement Fund of the Successor Agency, from other funds transferred from the Former Agency, and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the enforceable obligations, pass-through payments of the Successor Agency, and the administrative cost allowance of the Successor Agency for the applicable six-month period, and (iii) the State Controller has concurred with the Successor Agency that there are insufficient funds for such purposes for the applicable six-month period.

If the requirements stated in clauses (i) through (iii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed for such six-month period. To provide for calculated shortages to be paid to the former agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the taxing entities under the Dissolution Act after payment of the enforceable obligations, pass-through payments, and the administrative cost allowance of the successor agency. If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the successor agency for administrative costs for the applicable six-month period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed for Statutory Tax-Sharing Payments, in order to be paid to the successor agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted.

The Dissolution Act provides for a procedure by which the Successor Agency may make Statutory Tax-Sharing Payments subordinate to the Refunding Bonds; however, the Successor Agency has determined not to undertake such procedure, and therefore, the Statutory Tax-Sharing Payments are *not* subordinate to the Refunding Bonds. See "–General–*Statutory Pass-Throughs Payments*."

The Successor Agency cannot guarantee that this process prescribed by the Dissolution Act of administering the Successor Agency Refunding Revenues and the subordinations provided in the Pass-Through Agreements will effectively result in sufficient Successor Agency Refunding Revenue for the payment of principal and interest on the Refunding Bonds when due. See "–Recognized Obligation Payment Schedule."

**Recognized Obligation Payment Schedule**

***ROPS Process Under the Dissolution Act***. At least 90 days prior to the annual January 2 and June 1 property tax distribution date, the Dissolution Act requires successor agencies to prepare and submit to the successor agency's oversight board and the Department of Finance for approval of a Recognized Obligation Payment Schedule (a "ROPS") pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each "enforceable obligation." As defined in the Dissolution Act, "enforceable obligation" includes bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and amounts borrowed from the Low and Moderate Income Housing Fund. A reserve may be included on the ROPS and held by the successor agency when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following six-month period. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT–THE TRUST AGREEMENT–Filing of ROPS and Receipt and Deposit of Successor Agency Refunding Revenues."

If a successor agency does not submit an oversight board-approved ROPS by such deadlines, a successor agency will be subject to a civil penalty equal to $10,000 per day for every day the schedule is not submitted to the Department of Finance. Additionally, the successor agency's administrative cost allowance is reduced by 25% if the successor agency did not submit an oversight board-approved ROPS by September 11, 2012, with respect to the ROPS for the six-month period of January 1, 2013 through June 30, 2013, or by the 80 days before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the ROPS for subsequent six-month periods.

To date, the Successor Agency has timely submitted all required ROPS to the Department of Finance.

Sources of Payment for the ROPS. Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a ROPS are the following: (i) the Low and Moderate Income Housing Fund, (ii) bond proceeds, (iii) reserve balances, (iv) administrative cost allowance, (v) the redevelopment property tax trust fund (but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or (vi) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former redevelopment agency, as approved by the oversight board).

The Dissolution Act provides that, commencing on the date the first ROPS is valid thereunder, only those payments listed in the ROPS may be made by the successor agency from the funds specified in the ROPS.

Schedule for Submission of ROPS. The ROPS with respect to the six-month period of January 1, 2013 through June 30, 2013 was required to be submitted by the successor agency, after approval by the oversight board, to the county administrative officer, the county auditor-controller, the Department of Finance, and the State Controller no later than September 1, 2012.

As required by the Dissolution Act, on January 24, 2012, the Former Agency prepared a preliminary draft of the ROPS, including payments under which the Former Agency was obligated to make payments to the City from tax increment revenue from several redevelopment project areas (the "RDA Agreements") and payments for pension and other post-employment obligations attributable to

employees of the Former Agency and adopted an Enforceable Obligation Payment Schedule (an "EOPS") listing all enforceable obligations of the Former Agency. A separate resolution, also adopted on January 24, 2012, approved the retention by the City of all the affordable housing assets of the Former Agency (including encumbered funds in the Low and Moderate Income Housing Fund) and authorized the City to manage the housing assets and exercise the housing functions that the Former Agency formerly performed. The resolution places most of the non-housing assets of the Former Agency under the jurisdiction of the Successor Agency.

The Successor Agency submitted the EOPS to the County Auditor Controller prior to March 1, 2012. The following table summarizes the status of the ROPS approved by the Oversight Board to date.

| | | Oversight Board | Department of Finance | |
|---|---|---|---|---|
| No. | ROPS Period | Approval | Submittal Date | Approval Date |
| I | January 1 - June 30, 2012 | April 24, 2012 | April 26, 2012 | [1] |
| | Revised ROPS I | May 17, 2012 | May 18, 2012 | May 25, 2012 |
| II | July 1 - December 31, 2012 | May 17, 2012 | May 18, 2012 | May 25, 2012 |
| III | January 1 - June 30, 2013 | August 23, 2012 | September 1, 2012 | November 11, 2012[2] |
| | Revised ROPS III | September 26, 2012 | September 27, 2012 | December 18, 2012[3] |
| ROPS 13-14A[4] | July 1 - December 31, 2013 | February 21, 2013 | February 28, 2013 | April 14, 2013[5] |
| ROPS 13-14B | January 1 – June 30, 2014 | September 26, 2013 | September 27, 2013 | November 10, 2013[6] |
| ROPS 14-15A | July 1 – December 31, 2014 | February 25, 2014 | February 27, 2014 | In Process |

(1) On May 1, 2012, the original ROPS I was determined by the Department of Finance to be incomplete and therefore was not approved.

(2) On September 17, 2012, the Department of Finance approved a portion of ROPS III and the remaining items were denied. Certain of those remaining items on Revised ROPS III were approved and others were subject to a Meet and Confer session held on November 29, 2012. During that session, the majority of the items were approved, or reclassified as allowable administrative costs.

(3) This approval date is applicable only to the remaining items on Revised ROPS III that were subject to the Meet and Confer session resulting in the denial of certain items, the classification of certain contracts as administrative costs and the reclassification of certain employee costs and "enforceable obligations" rather than administrative costs.

(4) Following ROPS III, the Department of Finance changed the naming convention to indicate the applicable Fiscal Year and period.

(5) On April 14, 2013, the Department of Finance approved the majority of the items on ROPS 13-14A. Following a Meet and Confer session held on May 1, 2013, the Department of Finance approved the majority of the disputed items of ROPS 13-14A.

(6) On November 10, 2013, the Department of Finance approved a portion of the ROPS 13-14B, and the remaining items were denied. Certain of the disputed items on ROPS 13-14B were approved following a Meet and Confer session held on November 26, 2013. Following the Meet and Confer session, on December 17, 2013, the Department of Finance approved all of the items contested by the Successor Agency.

Pursuant to the Trust Agreement, the Successor Agency covenants to timely file all ROPS as required by the Redevelopment Law and comply with all requirements of the Redevelopment Law to insure the allocation and payment to the Successor Agency of the Successor Agency Refunding Revenues. The ROPS for the six month fiscal period commencing January 1 of each year is required to include, in addition to the other amounts required to be included thereon pursuant to the Redevelopment Law, the sum of (i) difference, if any, between the amount of Debt Service payable on the Refunding Bonds on the next succeeding March 1 and September 1 and the amounts then on deposit in the Interest Account and Principal Account *plus* (ii) the amount, if any, required to be deposited in the Series 2014A Debt Service Reserve Account and the Series 2014B Debt Service Reserve Account pursuant to the Trust Agreement. The ROPS for the six month fiscal period commencing July 1 of each year is required to

include, in addition to the other amounts required to be included thereon pursuant to the Redevelopment Law, the sum of (i) the difference, if any, between the amount then on deposit in the Interest Account hereunder and the amount of interest and principal payable on the Refunding Bonds on September 1 of such fiscal period *plus* (ii) the amount, if any, required to be deposited in the Series 2014A Debt Service Reserve Account and the Series 2014B Debt Service Reserve Account pursuant to the Trust Agreement.

Although the City, as the Successor Agency, is obligated to continue including on the ROPS all payments under the RDA Agreements that are enforceable obligations under Dissolution Act (so as to avoid defaults), no assurances can be given regarding the actions of the Oversight Board to include scheduled payments under the RDA Agreements on a ROPS. In addition, there may be a delay in such scheduled payments because the actions of the Oversight Board are subject to review by the Department of Finance and/or State Controller as described later in this section, and because the ROPS is subject to certification by the Contra Costa County Auditor-Controller.

For additional information regarding procedures under the Dissolution Act relating to late ROPS and implications thereof on the Refunding Bonds, see "PROPERTY TAX REVENUE FINANCING UNDER THE DISSOLUTION ACT–Recognized Obligation Payment Schedule."

ROPS Determination by the Department of Finance. The Dissolution Act requires the Department of Finance to make a determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than 45 days after the ROPS is submitted. Within five business days of the determination by the Department of Finance, the successor agency may request additional review by the department and an opportunity to meet and confer on disputed items, if any. The Department of Finance will notify the successor agency and the county auditor-controller as to the outcome of its review at least 15 days before the January 2 or June 1 date of property tax distribution, as applicable. Additionally, the county auditor-controller may review a submitted ROPS and object to the inclusion of any items that are not demonstrated to be enforceable obligations and may object to the funding source proposed for any items, provided that the county auditor-controller must provide notice of any such objections to the successor agency, the oversight board, and the Department of Finance at least 60 days prior to the January 2 or June 1 date of property tax distribution, as applicable.

In connection with the allocation and distribution by the county auditor-controller of property tax revenues deposited in the redevelopment property tax trust fund, under the Dissolution Act, the county auditor-controller is required to prepare estimates of the amounts of (i) property tax to be allocated and distributed and (ii) the amounts of pass-through payments to be made in the upcoming six-month period, and provide those estimates to the entities receiving the distributions and the Department of Finance no later than October 1 and April 1 of each year, as applicable. If, after receiving such estimate from the county auditor-controller, the successor agency determines and reports, no later than December 1 or May 1, as applicable (*i.e.*, by May 1, 2014 with respect to ROPS 14-15A for July 1, 2014 through December 31, 2014), that the total amount available to the successor agency from the redevelopment property tax trust fund allocation to the redevelopment obligation retirement fund of the successor agency, from other funds transferred from the former agency, and from funds that have or will become available through asset sales and all redevelopment operations, is insufficient to fund the payment of pass-through obligations, for successor agency enforceable obligations listed on the ROPS, and for the administrative cost allowance of the successor agency, the county auditor-controller must notify the State Controller and the Department of Finance no later than 10 days from the date of the successor agency's notification. If the State Controller concurs that there are insufficient funds to pay required debt service, the Dissolution Act provides for certain adjustments to be made to the estimated distributions, as described in more detail under "INTRODUCTION–Property Tax Revenue Financing Under the Dissolution Act."

***RDA Agreements***. The Dissolution Act generally provides that agreements between a redevelopment agency and the city or county that established the agency are not "enforceable obligations." The Dissolution Act further provides, however, that certain agreements for "indebtedness obligations" will be deemed "enforceable obligations" if entered into before December 31, 2010, by a redevelopment agency and the city or county that established the agency.

The City believes that the RDA Agreements meet the Dissolution Act criteria for "indebtedness obligations" and therefore constitute "enforceable obligations" that will remain in effect. However, the courts have not yet interpreted the Dissolution Act in this respect, and there can be no assurances that, if the validity of the RDA Agreements is challenged, the RDA Agreements will ultimately be determined to constitute "enforceable obligations" under the Dissolution Act or otherwise be determined to be enforceable. There also can be no assurances that the Dissolution Act will not interfere with the City's receipt from the Contra Costa County Assessor of amounts to support other existing agreements between the City and the dissolved Former Agency for City economic-development activities.

Amounts Received. Pursuant to this ROPS process, the Successor Agency has timely received all distributions for its enforceable obligations.

Confirmation of Refunding Bonds Debt Service Obligations by DOF. The Dissolution Act provides that any bonds authorized thereunder to be issued by a successor agency will be considered indebtedness incurred by the dissolved former agency, with the same legal effect as if the bonds had been issued prior to effective date of the Dissolution Act, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, will be included in the ROPS of the former agency, and will not be subject to further review and approval by the Department of Finance or the State Controller.

Additionally, if an enforceable obligation provides for an irrevocable commitment of property tax revenue and where allocation of revenues is expected to occur over time, Section 34177.5(i) of the Dissolution Act provides that a successor agency may petition the Department of Finance to provide written confirmation that its determination of such enforceable obligation as approved in a ROPS is final and conclusive, and reflects the department's approval of subsequent payments made pursuant to the enforceable obligation. If the confirmation is granted by the Department of Finance, then Section 34177.5(i) of the Dissolution Act provides that the review by the Department of Finance of such payments in each future ROPS will be limited to confirming that they are required by the prior enforceable obligation.

***Status of Due Diligence Review***. The Dissolution Act requires a due diligence review be conducted to determine the unobligated balances of each successor agency that are available for transfer to taxing entities. The due diligence review involves separate reviews of the low and moderate income housing fund and of all other funds and accounts of each successor agency. Once a successor agency completes the due diligence review and any transfers to taxing entities, the Department of Finance will issue a finding of completion that expands the authority of each successor agency in carrying out the wind-down process. A finding of completion allows a successor agency to, among other things, retain real property assets of the dissolved former agency and utilize proceeds derived from bonds issued prior to January 1, 2011.

The Successor Agency expects to complete the due diligence process by the end of Fiscal Year 2013-14.

After receiving a finding of completion, each successor agency is required to submit a long range property management plan detailing what it intends to do with its inventory of properties. Successor agencies are not required to immediately dispose of their properties but are limited in terms of what they can do with the retained properties. Permissible uses include: sale of the property, use of the property to fill an enforceable obligation, retention of the property for future redevelopment, and retention of the property for

governmental use. These plans must be filed by successor agencies within six months of receiving a finding of completion, and Finance will review these plans as submitted on a rolling basis.

The Successor Agency has not yet submitted its long range property management plan to the Department of Finance, but will do so following receipt of a finding of completion from the Department of Finance.

**Petition to the Department of Finance for Final and Conclusive Determination**

In addition to the other covenants contained in the Trust Agreement, the Successor Agency covenants with the Owners of the Refunding Bonds to petition the Department of Finance pursuant to Section 34177.5(i) of the Health and Safety Code to confirm that its determination that the Refunding Bonds approved in the ROPS constitute enforceable obligations is final and conclusive, and that it has finally and conclusively approved of subsequent payments made pursuant to the Refunding Bonds. See also "INTRODUCTION–Authority for Issuance–*Approvals by the Department of Finance*." For other covenants of the Successor Agency, See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT–THE TRUST AGREEMENT–Petition for Final and Conclusive Determination."

## SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS

**Pledge of Successor Agency Refunding Revenues**

Pursuant to Health and Safety Code Section 34177.5(g) (the "Pledge Statute") and the Trust Agreement, the Successor Agency irrevocably grants a lien on and a security interest in, and pledges, the Successor Agency Refunding Revenues and all money in the Special Fund and in the funds or accounts so specified in Trust Agreement, whether held by the Successor Agency or the Trustee, to the Trustee for the benefit of the Owners of the Outstanding Refunding Bonds, but excluding all moneys in the Rebate Fund (as defined in the Tax Certificate) and the Costs of Issuance Fund. The lien on and security interest in and pledge of the Successor Agency Refunding Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in the Trust Agreement constitutes a first pledge of and charge and lien upon the Successor Agency Refunding Revenues. See also See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT–Pledge of Successor Agency Refunding Revenues."

"Successor Agency Refunding Revenues" is defined in the Trust Agreement to mean, for any period of time, moneys deposited from time to time in the RPTTF established pursuant to subdivision (c) of Section 34172 of the California Health and Safety Code, as provided in subdivision (a) of Section 34183 of the California Health and Safety Code excluding (i) "Senior Obligations" payable during such period; and (ii) amounts, if any, payable to a taxing entity pursuant to Section 33607.5 and 33607.7 of the California Health and Safety Code during such period.

If, and to the extent, that the provisions of Health & Safety Code Section 34172 or Section 34183(a)(2) are invalidated by a final judicial decision, then Successor Agency Refunding Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution.

"Senior Obligations" is defined in the Trust Agreement to mean the senior and subordinate bond and loan obligations outstanding after the issuance of the Refunding Bonds (but excluding the Refunding Bonds), including the Richmond Redevelopment Agency Harbour Redevelopment Project Tax Allocation Refunding Bonds, 1998 Series A (Non-Callable CABs); the Loan Agreement by and between the Former Agency and the Authority, dated as of August 1, 2003, relating to the Richmond Joint Powers Financing

Authority Tax Allocation Revenue Bonds Series 2003A (Tax-Exempt and Series 2003B (Taxable); the Loan Agreement (Non-Housing) by and between the Former Agency and the Authority, dated as of October 1, 2004, relating to the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2004A (Taxable); the Loan Agreement (Housing) by and between the Former Agency and the Authority, dated as of October 1, 2004, relating to the Richmond Joint Powers Financing Authority Housing Set-Aside Tax Allocation Revenue Bonds, Series 2004A Taxable and Series 2004B (Tax-Exempt); the Richmond Community Redevelopment Agency Housing Set Aside Subordinate Tax Allocation Bonds (Merged Project Areas) (Taxable) 2007 Series B; and the 2010 Series A Bonds.

**The Refunding Bonds do not constitute a charge against the general credit of the Successor Agency but constitute and evidence limited obligations of the Successor Agency payable as to principal, Redemption Price, if any, and interest solely from the Successor Agency Refunding Revenues and the other funds pledged therefor under the Trust Agreement. The Refunding Bonds are not secured by a legal or equitable pledge of, or lien or charge upon, any property of the Successor Agency or any of its income or receipts except the Successor Agency Refunding Revenues pledged therefor pursuant to the Trust Agreement which pledge is subject to the provisions of the Trust Agreement permitting the application of the Successor Agency Refunding Revenues for the purposes and on the terms and conditions set forth therein. The Refunding Bonds are not a debt of the City of Richmond, the State of California or any of its political subdivisions, and none of the City, the State nor any of its political subdivisions is liable therefor, nor in any event shall the payment of the principal or Redemption Price of or interest on the Refunding Bonds constitute a debt, liability or obligation of any public agency (other than the limited obligation of the Successor Agency as provided in the Trust Agreement). The Refunding Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction, and neither the members of the Successor Agency nor any persons executing the Refunding Bonds are liable personally on the Refunding Bonds by reason of their issuance. No member, officer or employee of the Successor Agency is individually or personally liable for the payment of the principal or Redemption Price of or interest on the Refunding Bonds or be subject to any personal liability or accountability by reason of the issuance of the Refunding Bonds or in respect of any undertakings by the Successor Agency under the Trust Agreement; but nothing contained therein will relieve any member, officer or employee of the Successor Agency from the performance of any official duty provided by law.**

**Successor Agency Refunding Revenues Under the Dissolution Act**

The Dissolution Act expressly limits the liabilities of a successor agency in performing duties under the Dissolution Act to the amount of property tax revenues received by such successor agency under the Dissolution Act (generally equal to the amount of former tax increment received by the former redevelopment agency) and the assets of the former redevelopment agency. The Dissolution Act does not provide for any new sources of revenue for any Former Agency bonds.

The Dissolution Act requires the county auditor-controller to determine the amount of property taxes that would have been allocated to the former agency had the former agency not been dissolved using current assessed values on the last equalized roll on August 20, and to deposit that amount in the redevelopment property tax trust fund for the successor agency established and held by the county auditor-controller pursuant to the Dissolution Act. The redevelopment property tax trust fund is administered by the county auditor-controller for the benefit of the holders of enforceable obligations and the taxing entities that receive pass-through payments and property tax distributions. **Any bonds authorized under the Dissolution Act to be issued by a successor agency will be considered indebtedness incurred by the dissolved former agency, with the same legal effect as if the bonds had been issued prior to effective date of the Dissolution Act, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the**

**ROPS of the successor agency.** See "PROPERTY TAX REVENUE FINANCING UNDER THE DISSOLUTION ACT–Recognized Obligation Payment Schedule."

The Dissolution Act further provides that bonds authorized thereunder to be issued by the successor agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in a redevelopment property tax trust fund, and that property tax revenues pledged to any bonds authorized to be issued by the successor agency under the Dissolution Act, including the Refunding Bonds, are taxes allocated to the successor agency pursuant to Section 33670(b) of the Redevelopment Law and Section 16 of Article XVI of the State Constitution.

Pursuant to Section 33670(b) of the Redevelopment Law, Article XVI, Section 16 of the Constitution of the State and as provided in the redevelopment plan, taxes levied upon taxable property in the project area each year by or for the benefit of the State, any city, county, city and county, district, or other public corporation (herein sometimes collectively called "taxing agencies") after the effective date of the ordinance approving the redevelopment plan, or the respective effective dates of ordinances approving amendments to the redevelopment plan that added territory to the project area, as applicable, are to be divided as follows:

(a) *To Taxing Agencies:* That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the applicable project area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of the ordinance adopting the applicable redevelopment plan, or the respective effective dates of ordinances approving amendments to the applicable redevelopment plan that added territory to the applicable project area, as applicable (each, a "base year valuation"), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and

(b) *To the Former Agency/Successor Agency:* Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency, that portion of the levied taxes each year in excess of such amount, annually allocated within the applicable plan limit following the delivery date, when collected will be paid into a special fund of the former agency. Section 34172 of the Dissolution Act provides that, for purposes of Article XVI, Section 16 of the State Constitution, the redevelopment property tax trust fund shall be deemed to be a special fund of the successor agency to pay the debt service on indebtedness incurred by the former agency or the successor agency to finance or refinance the redevelopment projects of the former agency.

That portion of the levied taxes described in paragraph (b) above, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the county auditor-controller, constitute the amounts required under the Dissolution Act to be deposited by the county auditor-controller into the redevelopment property tax trust fund. In addition, Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date from paragraph (b) above.

Taxes levied on the property within the Merged Project Areas on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Merged Project Areas, to the extent they constitute Successor Agency

Refunding Revenues, as described herein, will be deposited in the RPTTF for transfer by the County Auditor-Controller to the Redevelopment Obligation Retirement Fund of the Successor Agency on January 2 and June 1 of each year to the extent required for payments listed in the ROPS of the Successor Agency in accordance with the requirements of the Dissolution Act. See "PROPERTY TAX REVENUE FINANCING UNDER THE DISSOLUTION ACT–Recognized Obligation Payment Schedule." Monies deposited by the County Auditor-Controller into the Redevelopment Obligation Retirement Fund of which those funds comprising Successor Agency Refunding Revenues will be transferred by the Successor Agency to the Trustee for deposit in the Interest Account and Principal Account within the Special Fund established under the Trust Agreement and administered by the Trustee in accordance with the Trust Agreement.

The Successor Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Successor Agency Refunding Revenues available in any six-month period to pay the principal of and interest on the Refunding Bonds. See "PROPERTY TAX REVENUE FINANCING UNDER THE DISSOLUTION ACT–Recognized Obligation Payment Schedule" and "CERTAIN RISKS TO BONDOWNERS."

***Property Tax Overrides***. Generally, California State law limits the amount of *ad valorem* tax levied on real property to one percent of the full cash value of the property. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS–Property Tax Collection Procedures." However, there are provisions in State law that allow a taxing agency to levy additional *ad valorem* taxes to raise revenues for certain purposes with voter approval. The property taxes generated from such levy by a taxing agency is commonly referred to as an "override."

Prior to the dissolution of redevelopment agencies, property tax revenues derived from a redevelopment project area, was considered tax increment and, therefore, allocated to the redevelopment agency) – regardless whether any dollar out of such property tax revenues was attributable to an override levy, except in the case where the override was approved on or after January 1, 1989 or the levying taxing agency had made a special election pursuant to the authorizing statute.

Even though the Dissolution Act generally provides that the deposit into the RPTTF each year is to be based on the property taxes that would have been allocated to the former redevelopment agency as tax increment had the former redevelopment agency not been dissolved, there has been confusion regarding the treatment of overrides because of arguably conflicting language contained in the Dissolution Act.

With respect to the Merged Project Areas, since Fiscal Year 1982-83, $0.140 (the "Pension Override") of the overall tax rate (*i.e.* $1.14 per $100 of assessed value) has been levied pursuant to Article XI of the City Charter and Ordinance No. 9-99 adopted by the City Council on March 30, 1999 and approved by voters for the purpose of paying certain pension obligations of the City. See APPENDIX B–"REPORT OF THE FISCAL CONSULTANT –Section G.–Estimate of Current and Future Tax Increment Rates–*Projected Revenues*." Based on information from the County Auditor-Controller, the Successor Agency expects the County Auditor-Controller to include the property tax revenues attributable to Pension Override when determining the allocation of property tax revenues to the RPTTF as the Pension Override is perpetual.

***Department of Finance and/or State Controller Review***. The Dissolution Act provides that most of the actions and activities taken by redevelopment agencies pending dissolution, by their successor agencies and oversight boards post dissolution, and by county auditor-controllers are subject to review and approval by the Department of Finance and/or the State Controller. This includes but is not limited to actions taken with respect to the preparation and adoption of an Enforceable Obligation Payment Schedule (an "EOPS") and a ROPS and the transfer of the dissolved redevelopment agency's assets. See "PROPERTY TAX REVENUE FINANCING UNDER THE DISSOLUTION ACT–Recognized Obligation Payment Schedule–*ROPS Process Under the Dissolution Act*."

**Flow of Funds**

***RPTTF Flow of Funds***. The Dissolution Act establishes a specific flow of funds for the administration by county auditor-controller's of the RPTTF. Under Health and Safety Code Section 34183, after deducting certain administrative costs due to the county, the county auditor controller is required to allocate money in the RPTTF as follows:

(i) No later than each January 2 and June 1, subject to certain adjustment for subordination or pass-throughs as permitted under the Dissolution Act (as further described below), the county auditor-controller remits to each local agency and school entity, to the extent applicable, amounts required for pass-through payments such taxing agency would have received under the provisions of the Redevelopment Law, as those sections read on January 1, 2011, or pursuant to any pass-through agreement between a redevelopment agency and a taxing entity that was entered into prior to January 1, 1994 (see LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS–Statutory Tax-Sharing Payments"). The amount of such pass-through payments is computed as though the requirement to set aside funds for the Housing Fund was still in effect.

(ii) On each January 2 and June 1, the county auditor-controller disburses to the successor agency the amount approved by the Department of Finance (see "PROPERTY TAX REVENUE FINANCING UNDER THE DISSOLUTION ACT–Recognized Obligation Payment Schedule") for payments listed on the successor agency's ROPS (for the six month fiscal period commencing on January 1 and July 1, as applicable), with debt service payments scheduled to be made for tax allocation bonds having the highest priority. The Dissolution Act provides that a successor agency may include in the ROPS a reserve for bonds when the next following RPTTF disbursement is expected to be insufficient to pay all of the bond obligations due in the corresponding ROPS Period.

(iii) On each January 2 and June 1, the county auditor-controller also disburses the administrative cost allowance (as defined in the Dissolution Act) to the successor agency.

(iv) On each January 2 and June 1, any moneys remaining in the RPTTF after the payments and transfers described in subparagraphs (i) to (iii), inclusive (the "RPTTF Residual"), are distributed to local agencies and school entities in accordance with the provisions of the Dissolution Act.

The Dissolution Act requires the county auditor-controller to provide to a successor agency estimates of the amount of property tax revenues to be allocated to the RPTTF in the upcoming six month ROPS Period no later than October 1 and April 1, respectively. If a successor agency determines that the amount to be allocated to the RPTTF and the other moneys available form funds previously transferred from the former redevelopment agency and through asset sale or other operations) are insufficient to fund the payments required by subparagraphs (i) to (iii) above, then a successor agency may make a report (a "RPTTF Shortfall Report") to the county auditor-controller, who will in turn notify the Department of Finance and the State Controller. Upon verification and concurrence from the State Controller there are insufficient funds to pay required debt service, the county auditor-controller will make adjustment to the upcoming disbursement from the RPTTF as follows:

(a) *First*, the amount of the deficiency will be deducted from the RPTTF Residual described in subparagraph (iv),

(b) *Second*, if the RPTTF Residual is exhausted, deductions will be made from amounts available for distribution as the administrative cost allowance of the successor agency described in subparagraph (iii),

(c) *Third*, if a taxing agency had subordinated its pass-through payments under a pass-through agreement or pursuant to the provisions of the Redevelopment Law or the Dissolution Act to debt service payments required for enforceable obligations, funds for servicing such bond debt will be deducted from such pass-through payments.

No pass-through payments relating to the Merged Project Areas have been subordinated to the Refunding Bonds. Based on the projections shown in Table 7A, the Successor Agency does not anticipate the necessity of any RPTTF Shortfall Report while the Refunding Bonds are outstanding.

The following chart illustrates the RPTTF flow of funds for calendar year 2015.

**Richmond Community Redevelopment Agency Successor Agency**
**ROPS Pro Forma**
**Calendar Year 2015**

| ROPS Designation | Spring† (14-15B) | Fall† (15-16A) | Debt Service Payment Dates |
|---|---|---|---|
| **Senior Obligations** | | | |
| 1998 Series A Tax Exempt CABs | $1,150,000 | – | 7/1/2015 |
| 2003B | 1,093,424 | – | 3/1/2015 and 9/1/2015 |
| 2004B (Housing) | 140,913 | – | 3/1/2015 and 9/1/2015 |
| 2004A (2/3) | – | $604,426 | 9/1/2016 and 3/1/2017 |
| 2004A (Housing) (1/3) | – | 302,213 | 9/1/2016 and 3/1/2017 |
| 2007B | – | – | No Payment |
| 2010A (Debt service payments) | – | 2,716,043 | 9/1/2016 and 3/1/2017 |
| 2010A (Swap payments) | – | 431,600 | |
| **TOTAL SENIOR OBLIGATIONS** | **$2,384,337** | **$4,054,281** | |
| **Subordinate Obligations** | | | |
| 1998 Series A Tax Exempt CABs | | | |
| 1998 Series A Tax Exempt CIBs (Series 2014A Refunding Bonds) | 1,017,850 | | 3/1/2015 and 9/1/2015 |
| Series 2000A (Series 2014A Refunding Bonds) | 1,823,550 | | 3/1/2015 and 9/1/2015 |
| Series 2000B (Series 2014B Refunding Bonds) | 433,310 | | 3/1/2015 and 9/1/2015 |
| 2003A (Series 2014A Refunding Bonds) | 1,137,300 | | 3/1/2015 and 9/1/2015 |
| **TOTAL SUBORDINATE OBLIGATIONS** | **4,412,010** | | |
| **TOTAL ALL OBLIGATIONS** | **$6,796,347** | **$4,054,281** | |

† Pursuant to the Dissolution Act "Spring," ROPS payments are received on January 2 of each year and "Fall" ROPS payments are received each June 1.

***Flow of Successor Agency Refunding Revenues Under the Trust Agreement***. The following describes the flow of Successor Agency Refunding Revenue after payments for debt service for the entire year, plus any required replenishment of the reserve funds for the Senior Obligations is set aside.

So long as the Refunding Bonds are Outstanding, the Trust Agreement establishes the Richmond Community Redevelopment Agency Successor Agency Refunding Bonds Special Fund (the "Special Fund") and the Richmond Community Redevelopment Agency Successor Agency Refunding Bonds Redemption Fund (the "Redemption Fund") to be held any maintained by the Trustee. The following is a summary of the flow of Successor Agency Refunding Revenues as described in the Trust Agreement.

***Special Fund***. All moneys in the Special Fund are required to be set aside by the Trustee when and as received in the following respective special accounts within the Special Fund. All moneys in each of such accounts are required to be held in trust by the Trustee and applied, used and withdrawn only for the purposes described below:

*First*: The Trustee is required to set aside from the Special Fund and deposit in the Interest Account an amount of money which, together with any money contained therein equals the aggregate amount of the Debt Service constituting interest becoming due and payable on all Outstanding Refunding Bonds on the next succeeding Interest Payment Date.

All moneys in the Interest Account is required to be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Refunding Bonds as the same become due and payable.

*Second:* The Trustee shall set aside from the Special Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Refunding Bonds on the next succeeding Principal Payment Date All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Outstanding Refunding Bonds as they shall become due and payable.

*Third:* The Trustee shall set aside from the Special Fund and deposit in the Series 2014A Debt Service Reserve Account an amount of money (or other authorized deposit of security, as provided in the Trust Agreement) equal to the Series 2014A Reserve Account Requirement for the Series 2014A Refunding Bonds then Outstanding. The Series 2014A Debt Service Reserve Account is required to be replenished in the following priority: (i) principal and interest on any Reserve Financial Guaranty shall be paid from first available Successor Agency Refunding Revenues on a pro rata basis; and (ii) after all such amounts are paid in full, amounts necessary to fund the Series 2014A Reserve Account Requirement to the required level, after taking into account the amounts available under any Reserve Financial Guaranty shall be deposited from next available Successor Agency Refunding Revenues. No deposit need be made in the Series 2014A Debt Service Reserve Account so long as there shall be on deposit therein an amount equal to the Series 2014A Reserve Account Requirement of the Series 2014A Refunding Bonds then Outstanding. If on any date on which the principal or Redemption Price of, or interest on, the Series 2014A Refunding Bonds is due, the amount in the applicable account in the Special Fund available for each such payment is less than the amount of the principal and Redemption Price of and interest on the Series 2014A Refunding Bonds due on such date, the Trustee shall apply amounts from the Series 2014A Debt Service Reserve Account to the extent necessary to make good the deficiency.

(b) The Trustee shall (ii) set aside from the Special Fund and deposit in the Series 2014B Debt Service Reserve Account an amount of money (or other authorized deposit of security, as provided in the Trust Agreement) equal to the Series 2014B Reserve Account Requirement for the Series 2014B Refunding Bonds then Outstanding. The Series 2014B Debt Service Reserve Account shall be replenished in the following priority: (i) principal and interest on any Reserve Financial Guaranty shall be paid from first available Successor Agency Refunding Revenues on a pro rata basis; and (ii) after all such amounts are paid in full, amounts necessary to fund the Series 2014B Reserve Account Requirement to the required level, after taking into account the amounts available under any Reserve Financial Guaranty shall be deposited from next available Successor Agency Refunding Revenues. No deposit need be made in the Series 2014B Reserve Debt Service Account so long as there shall be on deposit therein an amount equal to the Series 2014B Reserve Account Requirement of the Series 2014B Refunding Bonds then Outstanding. If on any date on which the principal or Redemption Price of, or interest

on, the Series 2014B Refunding Bonds is due, the amount in the applicable account in the Special Fund available for each such payment is less than the amount of the principal and Redemption Price of and interest on the Series 2014B Refunding Bonds due on such date, the Trustee shall apply amounts from the Series 2014B Debt Service Reserve Account to the extent necessary to make good the deficiency.

Except as provided in the Trust Agreement, if on the last Business Day of any month the amount on deposit in the Series 2014A Debt Service Reserve Account or the Series 2014B Debt Service Reserve Account shall exceed the respective Series 2014A Reserve Account Requirement or the Series 2014B Reserve Account Requirement, as applicable, such excess shall be applied to the reimbursement of each drawing on any Reserve Financial Guaranty deposited in or credited to such Funds and to the payment of interest or other amounts due with respect to such Reserve Financial Guaranty and any remaining moneys shall be deposited in the Interest Account.

Whenever the amount in the Series 2014A Debt Service Reserve Account or the Series 2014B Debt Service Reserve Account (excluding any Reserve Financial Guaranty), together with the amount in the Special Fund, is sufficient to pay in full all of the respective Outstanding Series 2014A Refunding Bonds or Series 2014B Refunding Bonds, as applicable, in accordance with their terms (including principal or Redemption Price and interest thereon), the funds on deposit in the respective Series 2014A Debt Service Reserve Account or the Series 2014B Debt Service Reserve Account, as applicable, shall be transferred to the Special Fund.

See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT–THE TRUST AGREEMENT–Special Fund–Series 2014A Debt Service Reserve Account and Series 2014B Debt Service Reserve Account."

*Fourth:* After making the deposits required above, in any Fiscal Year, the Trustee is required to transfer any amount remaining on deposit in the Special Fund to the Successor Agency to be used for any lawful purpose of the Successor Agency.

In the event that on any date upon which the Successor Agency is to make a payment from Successor Agency Refunding Revenues pursuant to paragraphs *First* and/or *Second* above and the amount of available Successor Agency Refunding Revenues is not sufficient to make such payment, then the Successor Agency will apply the available Successor Agency Refunding Revenues to the payments required by paragraphs *First* and/or *Second* ratably (based on the respective amounts to be paid), without any discrimination or preferences.

In the event that on any date upon which the Successor Agency is to make a payment or deposit from Successor Agency Refunding Revenues pursuant to paragraph *Third* above and the amount of available Successor Agency Refunding Revenues is not sufficient to make such payment or deposit, then the Successor Agency, after making the payments required by paragraphs *First* and/or *Second* above, will apply the available Successor Agency Refunding Revenues to the payments required by paragraph *Third* above ratably (based on the respective amounts to be paid), without any discrimination or preferences.

***Redemption Fund***. From the moneys paid by the Successor Agency, the Trustee shall, on or before each date fixed for redemption, deposit in the Redemption Fund an amount equal to the Redemption Price of the Refunding Bonds to be redeemed. Said moneys shall be set aside in said Fund and shall be applied on or after the redemption date to the payment of the Redemption Price of the Refunding Bonds to be redeemed and, except as otherwise provided in this section, shall be used only for that purpose. If, after all of the Refunding Bonds designated for redemption have been redeemed and cancelled or paid and cancelled, there are moneys remaining in the Redemption Fund, said moneys shall be transferred to the Interest Account; provided, however, that if said moneys are part of the proceeds of

refunding bonds said moneys shall be applied as provided in the instrument authorizing the issuance of such refunding bonds.

**Additional Refunding Bonds**

The Successor Agency may, at any time and from time to time, issue one or more series of Additional Refunding Bonds provided that the Successor Agency provides to the Trustee a certificate prepared by the Successor Agency or at the option of the Successor Agency by a Consultant, showing that the Tax Revenues (based on the assessed valuation of taxable property in the Merged Project Areas as shown on the most recent equalized assessment roll and the most recently established tax rates preceding the date of adoption by the Successor Agency of the issuing instrument providing for the issuance of such Additional Refunding Bonds) expected to be received during the current Fiscal Year and in each Fiscal Year thereafter in which such Additional Refunding Bonds are Outstanding will be in an amount equal to at least 135% of the total Debt Service on all outstanding Senior Obligations and Outstanding Refunding Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues.

**Debt Service Reserve Accounts**

***General***. A Debt Service Reserve Account is established under the Trust Agreement as security for the each Series of Refunding Bonds (the "Series 2014A Debt Service Reserve Account" and the "Series 2014B Debt Service Reserve Account," respectively) in an amount equal to the "Reserve Account Requirement," which, as of any date of calculation, is an amount equal to the least of (i) 10% of the initial offering price to the public of the Series of Refunding Bonds as determined under the Code, or (ii) the greatest amount of Debt Service in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Refunding Bond of such series is due, or (iii) 125% of the sum of the Debt Service for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the execution and delivery of any Refunding Bonds) and terminating with the last Fiscal Year in which any Debt Service is due, divided by the number of such Fiscal Years, all as computed and determined by the Successor Agency and specified in writing to the Trustee. Pursuant to the Trust Agreement, a separate account, in the amount set forth in the applicable Supplemental Trust Agreement may be established for any series of Additional Refunding Bonds.

On the date of delivery of the Refunding Bonds the Successor Agency will deposit in the Series 2014A Debt Service Reserve Account, proceeds in the amount of $1,289,750.00, which is equal to 50% of the Series 2014A Reserve Account Requirement with the remaining 50% being satisfied with the deposit of a municipal bond debt reserve policy; and in the Series 2014B Debt Service Reserve Account, proceeds from the issuance of the Series 2014B Refunding Bonds in the amount of $82,750.00, which is equal to 50% of the Series 2014B Reserve Account Requirement with the remaining 50% being satisfied with the deposit of a municipal bond debt reserve policy. See "*–Debt Service Reserve Policy*" and APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT–THE TRUST AGREEMENT–Special Fund–Series 2014A Debt Service Reserve Account and Series 2014B Debt Service Reserve Account."

***Debt Service Reserve Policy***. *The following information has been provided by Build America Mutual Assurance Company ("BAM") for use in this Official Statement. Reference is made to Appendix I for a specimen of the municipal bond debt service reserve insurance policy to be issued by BAM upon issuance of the Refunding Bonds. None of the Successor Agency, the City or the Underwriter make any representation as to the accuracy or completeness of this information or as to the absence of material adverse changes in this information subsequent to the date hereof.*

BAM has made a commitment to issue a municipal bond debt service reserve insurance policy for the Debt Service Reserve Account with respect to the Refunding Bonds (the "Debt Service Reserve

Policy"), effective as of the date of issuance of the Refunding Bonds. Under the terms of the Debt Service Reserve Policy, BAM will, subject to the Policy Limits described below, unconditionally and irrevocably guarantee to pay that portion of the scheduled principal of and interest on the Refunding Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the Issuer (the "Insured Payments").

BAM will pay each portion of an Insured Payment that is due for payment and unpaid by reason of nonpayment by the Issuer to the Trustee or Paying Agent, as beneficiary of the Debt Service Reserve Policy on behalf of the holders of the Refunding Bonds on the later to occur of (i) the date such scheduled principal or interest becomes due for payment or (ii) the business day next following the day on which BAM receives a demand for payment therefor in accordance with the terms of the Debt Service Reserve Policy.

No payment shall be made under Debt Service Reserve Policy in excess of the lesser of $1,372,500.00 and the reserve fund requirement established for the Refunding Bonds (the "Debt Service Reserve Policy Limit"). Pursuant to the terms of the Debt Service Reserve Policy, the amount available at any particular time to be paid to the Trustee or Paying Agent shall automatically be reduced to the extent of any payment made by BAM under the Debt Service Reserve Policy, provided that, to the extent of the reimbursement of such payment by the Successor Agency to BAM, the amount available under the Debt Service Reserve Policy shall be reinstated in full or in part, in an amount not to exceed the Debt Service Reserve Policy Limit.

The Debt Service Reserve Policy does not insure against nonpayment caused by the insolvency or negligence of the Trustee.

BAM makes no representation regarding the Refunding Bonds or the advisability or suitability of investing in the Refunding Bonds. In addition, BAM has not verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under this heading "SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS–Debt Services Reserve Account–*Debt Service Reserve Policy*" and "BOND INSURANCE," and contained in APPENDIX H–"SPECIMEN MUNICIPAL BOND INSURANCE POLICY" AND APPENDIX I–"SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE POLICY."

## BOND INSURANCE

*The following information has been provided by Build America Mutual Assurance Company ("BAM") for use in this Official Statement. Reference is made to APPENDIX H for a specimen of the municipal bond insurance policy to be issued by BAM upon issuance of the Refunding Bonds. None of the Successor Agency, the City or the Underwriter make any representation as to the accuracy or completeness of this information or as to the absence of material adverse changes in this information subsequent to the date hereof.*

### Bond Insurance Policy

Concurrently with the issuance of the Refunding Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Refunding Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Refunding Bonds when due as set forth in the form of the Policy included as APPENDIX H to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

**Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 1 World Financial Center, 27th Floor, 200 Liberty Street, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Refunding Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Refunding Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Refunding Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Refunding Bonds, nor does it guarantee that the rating on the Refunding Bonds will not be revised or withdrawn.

***Capitalization of BAM***. BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2013 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $486.5 million, $17.5 million and $469.0 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Refunding Bonds or the advisability of investing in the Refunding Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE."

***Additional Information Available from BAM***

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/.

Obligor Disclosure Briefs. Subsequent to closing, BAM posts an Obligor Disclosure Brief on every issue insured by BAM, including the Refunding Bonds. BAM Obligor Disclosure Briefs provide information about the gross par insured by CUSIP, maturity and coupon; sector designation (e.g. general obligation, sales tax); a summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. The Obligor Disclosure Briefs are also easily accessible on BAM's website at buildamerica.com/obligor/.

Disclaimers. The Obligor Disclosure Briefs and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Obligor Disclosure Briefs and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Obligor Disclosure Briefs and Credit Insight videos are prepared by BAM and have not been reviewed or approved by the issuer of or the underwriter for the Refunding Bonds, and they assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Refunding Bonds, whether at the initial offering or otherwise.

## THE SUCCESSOR AGENCY

### General

The Successor Agency was established by the City Council following the dissolution of the Former Agency pursuant to the Dissolution Act. See "INTRODUCTION–Impact of Changes in Redevelopment Law."

On January 24, 2012, pursuant to Resolution No. 4-13 and Section 34173 of the Dissolution Act, the City Council elected to serve as successor agency to the Former Agency and also established rules and regulations for the operations of the Successor Agency to assume these successor functions pursuant to such resolution, adopted by the City Council as the governing body of the Successor Agency. Section 34173(g) of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Former Agency will not be transferred to the City nor will the assets of the Former Agency become assets of the City.

The Successor Agency believes the recent changes in the Redevelopment Law will not impact its ability to perform its obligations under the Trust Agreement. The Successor Agency covenants in the Trust Agreement to, among other things, take all actions within its power and otherwise as may be required under the Redevelopment Law to cause the Successor Agency Refunding Revenues to be used to timely pay the scheduled debt service on the Refunding Bonds and such acceptance has no effect on the rights or obligations of the Bond Insurer.

**Financial Statements**

Prior to the enactment of the Dissolution Act, the Former Agency retained independent auditors to prepare audited financial statement for each Fiscal Year, separate and apart from the report of the audited financial statements of the City.

The Dissolution Act requires that a post audit of the financial transactions and records of the Successor Agency be made at least annually by a certified public accountant. For Fiscal Year 2012-13, the financial transactions for the Successor Agency will be incorporated in and made part of the Comprehensive Annual Financial Reports (the "CAFR") of the City, which is being prepared by Maze & Associates. Audited financial statements of the Successor Agency will be included in the Fiscal Year 2012-13 CAFR of the City which is attached as Appendix C.

As previously stated in this Official Statement, the Successor Agency is a separate legal entity from the City, the assets and liabilities of the Successor Agency are *not* the assets and liabilities of the City. The Refunding Bonds are payable from and secured by a pledge of Successor Agency Refunding Revenues only. See "SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS." The Fiscal Year 2012-13 CAFR is attached as Appendix C because it includes the audited financial statements of the Successor Agency.

## THE OVERSIGHT BOARD

The Dissolution Act required the creation of a new seven-member oversight board by May 1 2012 which acts by majority vote. The City Council appointed members to the Oversight Board in April 2012.

The Oversight Board is comprised of one member each appointed by: (i) the Board of Supervisors, (ii) the Mayor of the City, (iii) the largest special district in the City by property tax share (the East Bay Regional Parks District), (iv) the West Contra Costa County Unified School District (the "WCCUSD") superintendent of education, and (v) the Chancellor of California Community Colleges District (the "CCCCD"); (vi) a member of the public appointed by the Contra Costa County Board of Supervisors; and (vi) one member representing the employees of the Former Agency appointed by the Mayor of the City.

Lizeht Zepeda, Successor Agency Operations Specialist, serves as Secretary to the Oversight Board. The members and officers of the Oversight Board are listed below:

| Name | Occupation | Appointing Body |
|---|---|---|
| Linda Jackson-Whitmore, *Chair* | City Resident | Contra Costa County Board of Supervisors |
| Chadrick Smalley, *Vice Chair*[1] | Development Project Manager | City of Richmond |
| Whitney Dotson, *Member*[2] | Director | East Bay Regional Park District |
| Sheri Gamba, *Member* | Associate Superintendent, Business Services for WCCUSD | Contra Costa County Office of Education |
| Janet Jackson, *Member*[1] | Senior Business Development Officer | City of Richmond |
| Jeff Lee, *Member* | Senior Planning Commissioner and City Resident | Contra Costa County Board of Supervisors |
| John Marquez, *Member* | CCCCD Board Member | Contra Costa Community College District |

(1) Appointed by the Mayor.
(2) Brad Olson, Program Manager and Chris Barton, Senior Planner are named alternates for the East Bay Regional Park District.

## THE CITY

The City of Richmond, located 16 miles northeast of San Francisco on the western shore of Contra Costa County, occupies 33.7 square miles of land area on a peninsula that separates San Francisco Bay and San Pablo Bay. Richmond is an important oil refining, industrial, commercial, transportation, shipping and government center. A redevelopment program in the downtown and waterfront areas and commercial expansion in the City's Hilltop area, along the I-80 and I-580 freeway corridors and along the Richmond Parkway add to the municipal tax base. Economic and demographic information concerning the City is set forth in APPENDIX A–"FINANCIAL POLICES AND ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND."

## THE MERGED PROJECT AREAS

The Former Agency amended and merged together nine of its project areas for financial and time limit purposes which together constitute the "Merged Project Areas." The Merged Project Areas consist of nine formerly "independent" redevelopment project areas (each a "Constituent Project Area") which were merged together on July 13, 1999 (the "1999 Amendments") and include: Eastshore No. 1-A; Potrero No. 1-C; Galvin No. 3-A; Harbor Gate No. 6-A; Hensley No. 8-A; Downtown No. 10-A; Nevin Center No. 10-B; Harbour No. 11-A and North Richmond No. 12-A.

As part of the merger process, in 1999, territory was added to the Eastshore No. 1-A Project Area, the Harbor Gate No. 6-A Project Area, the Hensley No. 8-A Project Area, the Downtown No. 10-A Project Area, the Nevin Center No. 10-B Project Area and the Harbour No. 11-A Project Area (collectively, the "1999 Amendment Areas"), and in 2005, additional territory was added to the Nevin Center No. 10-B Project Area (the "2005 Amendment Area").

Table 2–"Plan Limits" below provides a summary of the land use, size, and limitations for each Constituent Project Area.

### Redevelopment Plan Limitations

***AB 1290***. Among other amendments to the Redevelopment Law, Section 33607.7 of the State Health and Safety Code added by Assembly Bill ("AB") 1290 (Statutes of 1993, Chapter 942) limits the time for: (i) establishing indebtedness in a project area to the later of 20 years from the date of adoption of the redevelopment plan or January 1, 2004; (ii) the life of existing redevelopment plans to the later of 40 years from the date of adoption or January 1, 2009; (iii) paying indebtedness with tax increment beyond 10 years after the expiration of the redevelopment plan, except to fund deferred low and moderate income housing fund (the "Housing Set-Aside") requirements and to repay indebtedness incurred prior to January 1, 1994. The time limits imposed by AB 1290 apply individually to each plan as well as to specific territory added by amendments to a redevelopment plan.

Pursuant to AB 1290 a redevelopment plan amendment for any redevelopment plan adopted prior to January 1, 1994 that increases the limitation on the number of dollars to be allocated to the redevelopment agency or the time limit on the establishing of loans, advances and indebtedness, must begin making statutory payments to affected taxing entities that do not have existing pre-AB 1290 tax sharing agreements. These payments are to begin once any of the original redevelopment plan limitations would have taken effect. The first limit encountered or to be encountered in a project area is the debt establishment limit.

The AB 1290 payments are computed using the increase in revenue, if any, over the amount of revenue generated by a project area in the year that the debt establishment limit would have been reached. In effect, the year in which the debt establishment limit is met becomes a new "base year" for purposes of

calculating payments. AB 1290 payments are paid from revenues resulting from the growth in the new tax base year.

This time limit to incur debt does not prevent agencies from refinancing indebtedness after expiration of the time limit if the indebtedness is not increased and the time during which the indebtedness is to be repaid does not exceed the date on which the original indebtedness would have been paid. The time limit for the incurrence of debt may be extended for a maximum of ten years by amendment of the redevelopment plan if the agency makes certain findings regarding significant blight remaining in the project area. The Former Agency extended the time limits for certain Constituent Project Areas, which extension triggered the requirement to make AB 1290 payments. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS–Statutory Tax-Sharing Payments" and "–Statutory Tax-Sharing Payments–*Underpayment of AB 1290 Pass-Through Obligations*."

***SB 211***. Senate Bill 211 Chapter 741, Statutes of 2001 ("SB 211") allows a redevelopment agency to (i) delete the debt incurrence date from its redevelopment plan for those project areas that were adopted on or prior to December 31, 1993 and (ii) amend that plan in accordance with specified procedures to extend its time limits on plan effectiveness and receipt of tax increment revenues with respect to the redevelopment plan for not more than 10 years if certain findings are made. The amendment of the redevelopment plan under (i) can be accomplished without the need to follow noticing, hearing and documentation requirements for a normal plan amendment. The legislative body need only adopt an ordinance to delete the debt incurrence limit per SB 211. If a redevelopment plan is amended to extend the effectiveness of the plan and receipt of tax increment revenues, there is a lengthy amendment and notice process and the requirement for allocating tax increment revenues to low and moderate income housing is increased from 20% to 30%. (See also "CERTAIN RISKS TO BONDOWNERS–State Budget Related Matters–2009 SERAF Legislation"). However, such amendments to the plan trigger statutory tax sharing with those taxing entities that do not have tax sharing agreements for the period commencing in the year the eliminated or extended plan limit would have taken effect. Tax sharing will be calculated based on the increase in assessed valuation after the year in which the time limit would have otherwise become effective. See "*–AB 1290*." The Successor Agency removed the debt incurrence limit from certain project areas in September 2003, which triggered the requirement to make AB 1290 payments, as shown in Table 2–"Plan Limits."

See Table 10–"AB 1290 AV Base Year" and "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS–Statutory Tax-Sharing Payments" for detailed information on the implementation by the Former Agency of the required statutory tax-sharing payments.

***SB 1045***. Senate Bill 1045 (Chapter 260, Statutes of 2003) ("SB 1045") amended the Redevelopment Law to permit a legislative body to adopt an ordinance to amend a redevelopment plan to extend by one year the time limit for the effectiveness of the plan and the time limit to pay indebtedness and receive property taxes, without the need to comply with the normal procedures and restrictions contained in the Redevelopment Law relating to the amendment of redevelopment plans. SB 1045 and SB 1096 required redevelopment agencies to shift funds to the Educational Revenue Augmentation Fund (the "ERAF").

The Former Agency paid its ERAF obligation for Fiscal Year 2002-03 in the amount of $360,210 and for Fiscal Year 2003-04 in the amount of $635,637.

***SB 1096***. Senate Bill 1096 (Chapter 211, Statutes of 2004) ("SB 1096") permits a redevelopment agency to extend the term of the redevelopment plans effectiveness and the periods within which a redevelopment agency may repay indebtedness by up to two additional years, *provided* the redevelopment agency pays its ERAF obligations for Fiscal Years 2004-05 and 2005-06. SB 1096 authorizes the following extensions of redevelopment plans: (i) for components of a project area that have 10 years or less of plan effectiveness remaining after June 30, 2005, a two-year extension is authorized; and (ii) for

components of a project area that have more than 10 years and less than 20 years of plan effectiveness remaining after June 30, 2005, a two-year extension is authorized if the legislative body of the redevelopment agency makes certain findings. For those components of a project area with more than 20 years of plan effectiveness remaining after June 30, 2005, no extension of time is authorized under SB 1096.

The Former Agency paid its ERAF obligation for Fiscal Year 2004-05 in the amount of $1,204,003 and for Fiscal Year 2005-06 in the amount of $1,167,821. The Former Agency elected to extend the repayment provisions within the Merged Project Areas as permitted by SB 1096. See Table 2– "Plan Limits."

***Plan Limits***. The Constituent Project Areas have various time limits for incurring debt. The following table summarizes the Successor Agency's deadlines for incurring debt, last date to receive tax increment and various dates of adoption of the Redevelopment Plans and shows the current complement of land use and approximate size of each Constituent Project Area or portion thereof within the Merged Project Areas.

**Table 2**
**Richmond Community Redevelopment Successor Agency**
**Merged Project Areas**
**Plan Limits**

| Constituent Project Area | Primary Land Use | Acres | Original Plan Adoption | Last Date to Incur Debt | Time Limit for Plan | Time Limit for TI Receipt |
|---|---|---|---|---|---|---|
| Eastshore No. 1-A[2] | Residential | 123.0 | 8/26/1957 | Deleted[1] | 1/1/2012 | 1/1/2022 |
| Potrero No. 1-C[2] | Residential | 150.0 | 4/4/1960 | Deleted[1] | 1/1/2012 | 1/1/2022 |
| Galvin No. 3-A[2] | Industrial | 95.0 | 2/28/1955 | Deleted[1] | 1/1/2012 | 1/1/2022 |
| Harbor Gate No. 6-A (Original)[2] | Industrial | 118.0 | 11/8/1954 | Deleted[1] | 1/1/2012 | 1/1/2022 |
| Hensley No. 8-A (Original)[2] | Industrial | 90.5 | 5/29/1960 | Deleted[1] | 1/1/2012 | 1/1/2022 |
| Hensley No. 8-A (1980 Area)[2] | Industrial | 23.5 | 3/31/1980 | Deleted[1] | 3/31/2023 | 3/31/2033 |
| Downtown No. 10-A[2] | Commercial | 107.0 | 5/23/1966 | Deleted[1] | 1/1/2012 | 1/1/2022 |
| Nevin Center No. 10-B[2] | Residential | 17.0 | 9/18/1972 | Deleted[1] | 9/18/2015 | 9/18/2025 |
| Harbour No. 11-A[2] | Commercial | 964.0 | 6/9/1975 | Deleted[1] | 6/9/2018 | 6/9/2028 |
| North Richmond No. 12-A[2] | Commercial | 19.0 | 9/18/1972 | Deleted[1] | 9/18/2015 | 9/18/2025 |
| Harbor Gate No. 6-A (1995 Amendment Area) | Industrial | 616.0 | 6/26/1995 | 7/26/2015 | 7/26/2026 | 7/26/2041 |
| Eastshore No. 1-A (1999 Amendment Area) | Commercial | 14.0 | 7/13/1999 | 7/13/2019 | 7/13/2030 | 7/13/2045 |
| Harbor Gate No. 6-A (1999 Amendment Area) | Industrial | 16.0 | 7/13/1999 | 7/13/2019 | 7/13/2030 | 7/13/2045 |
| Hensley No. 8-A (1999 Amendment Area) | Residential | 887.0 | 7/13/1999 | 7/13/2019 | 7/13/2030 | 7/13/2045 |
| Downtown No. 10-A (1999 Amendment Area) | Commercial | 174.0 | 7/13/1999 | 7/13/2019 | 7/13/2030 | 7/13/2045 |
| Nevin Center No. 10-B (1999 Amendment Area) | Commercial | 10.0 | 7/13/1999 | 7/13/2020 | 7/13/2030 | 7/13/2045 |
| Harbour No. 11-A (1999 Amendment Area) | Commercial | 131.0 | 7/13/1999 | 7/13/2020 | 7/13/2030 | 7/13/2045 |
| Nevin Center No. 10-B (2005 Amendment Area)[3] | Resid/Indust | 1,783.0 | 7/12/2005 | 7/12/2025 | 7/12/2035 | 7/12/2050 |
| TOTAL | | 5,338.0 | | | | |

(1) The debt incurrence limit for this project area was deleted pursuant to an ordinance adopted by the City Council. See "–SB 211."
(2) Subject to tax increment limit.
(3) Since Fiscal Year 2009-10, the Nevin Center No. 10-B (2005 Amendment Area) has been valued below its base year value of $831.0 million and so the projections exclude the value of this Constituent Project Area.
Source: Fraser & Associates.

***Cumulative Tax Increment Limit***. As part of a plan amendment adopted on May 10, 2010 (the "2010 Amendments"), a combined tax increment limit of $1.610 billion was established. The combined limit applies to tax increment revenues received after the effective date of the ordinance (December 22, 1986) that established the limit in each Constituent Project Area. The combined tax increment limit does not apply to the added areas or to the territory that was added to the Harbor Gate No. 6-A Project Area on

June 26, 1995 (the "1995 Area"). Those areas were added after the implementation of various changes to the Redevelopment Law that were triggered by AB 1290. In addition to the changes described above, AB 1290 eliminated the need to establish a cumulative tax increment limit for new redevelopment project areas or areas that were added to existing project areas. Through the Fiscal Year 2012-13 it is estimated that the Successor Agency has received $279.4 million in tax increment for the portions of the Merged Project Areas subject to the tax increment limit.

While it is uncertain whether, under AB 26, the tax increment limit still exists, based on the projections of tax increment shown in the Fiscal Consultant Report, which are based on an assumed 2% annual increase in real property values commencing in Fiscal Year 2015-16, and reductions for potential Proposition 8 and assessment appeals, the cumulative tax increment limit will not be reached before the time limits for each applicable Constituent Project Area. The Fiscal Consultant estimates that in order for the cumulative tax increment limit to be reached prior to the maturity of the Refunding Bonds in Fiscal Year 2025-26, growth within the Merged Project Areas would need to increase by approximately 25% annually.

***Bonded Indebtedness Limit***. As a part of the 2010 Amendments, a combined limit on the principal amount of bonded indebtedness that can be outstanding at any one time was established. That limit is $1.610 billion and applies to the entire Merged Project Areas. As of June 30, 2013, there was approximately $122.385 million in bonds outstanding under the $1.610 billion limit. See APPENDIX B– "REPORT OF THE FISCAL CONSULTANT."

**Land Uses**

The predominate land use in the Merged Project Areas is residential, representing approximately 37.3% of the total by value and approximately 73.9% of the total parcels. Table 3 presents the breakdown of land uses within the Merged Project Areas (excluding the Nevin Center No. 10-B (2005 Amendment Area, which since Fiscal Year 2009-10 has had a taxable value below its base year value of $831.0 million) by number of parcels and taxable assessed value for Fiscal Year 2013-14 based on the lien date tax roll for Fiscal Year 2013-14.

**Table 3**
**Richmond Community Redevelopment Successor Agency**
**Merged Project Areas**
**Land Uses**

| | | Fiscal Year 2013-14 Taxable Value | |
|---|---|---|---|
| | Number of Parcels | Amount | % of Total |
| Secured†: | | | |
| Residential | 4,509 | $750,405,691 | 37.28% |
| Commercial | 522 | 236,862,203 | 11.77 |
| Industrial | 251 | 678,482,754 | 33.71 |
| Vacant | 388 | 53,553,567 | 2.66 |
| Other | 434 | 33,075,585 | 1.64 |
| SUBTOTAL SECURED | 6,104 | 1,752,379,800 | 87.06 |
| Unsecured/State Assessed | | 260,513,847 | 12.94 |
| TOTAL | | $2,012,893,647 | 100.00% |

† Excludes taxable value of the Nevin Center No. 10-B (2005 Amendment Area). Since Fiscal Year 2009-10, the taxable value has been below its base year value. The Fiscal Year 2013-14 taxable value for the Nevin Center No. 10-B (2005 Amendment Area) was $758.4 million.

Source: Fraser & Associates.

**Constituent Project Areas**

A description of the current and future development within the Merged Project Areas follows. There can be no assurances that such development will actually occur. Planned activities for all Project Areas included in the ROPS repaying bonded indebtedness, alleviating physical and economic blighting conditions, and constructing and/or rehabilitating public infrastructure and public facility improvements in order to stimulate development.

***Eastshore No. 1-A Project Area***. The Eastshore No. 1-A Project Area is comprised of 137 acres, including 14 acres added to this project area as part of the 1999 Amendments. That acreage is characterized by single story retail stores fronting San Pablo Avenue. Successor Agency staff is currently unaware of any major development projects being considered or planned for this project area at this time. Other planned activities may include: providing assistance in the removal or rehabilitation of structurally substandard building; and continuing the implementation of a facade improvement program for existing businesses established in 2006.

***Potrero No. 1-C Project Area***. The Potrero No. 1-C Project Area is a 150-acre residential project redeveloped with housing and various public improvements, including the Richmond Swim Complex. The major roadway through the Potrero No. 1-C Project Area is Cutting Boulevard. The Former Agency made significant progress in achieving the Redevelopment Plan goals in the Potrero No. 1-C Project Area. Major housing developments, Eastshore Manor I and Eastshore Manor II, have been completed, as well as the Richmond Swim Complex, which opened in 1999. Other planned activities may include: assisting in the improvement and upgrade of Carlson and Cutting Boulevards and constructing and/or/rehabilitating public infrastructure and public facility improvements to stimulate new development.

***Galvin No. 3-A Project Area***. The Galvin No. 3-A Project Area is a 95-acre light industrial development containing distribution facilities, light assembly and research and development businesses. The Successor Agency does not receive tax increment from personal property in the Galvin No. 3-A Project Area as further described in "–Property Tax Collection Procedures." Redevelopment activities included an extension of Standard Avenue, the construction and rehabilitation of streets, right-of-way acquisition and installation and upgrades to storm and sanitary sewers, water and utility lines, street lighting and infrastructure.

***Harbor Gate No. 6-A Project Area***. The Harbor Gate No. 6-A Project Area is comprised of 750 acres, including 16 acres added as part of the 1999 Amendments and 616 acres added by the 1995 amendment. A significant portion of this acreage is characterized by underdeveloped/underutilized property, inadequate infrastructure and obsolete parcelization. The Successor Agency does not receive tax increment from personal property in the Harbor Gate No. 6-A Project Area as further described in "–Property Tax Collection Procedures."

Projects completed include: (i) a 300,000 square foot expansion of the 480,000 square foot Department of Health Services State Laboratory facility, completing the 780,000 square foot facility, which houses approximately 1,200 employees; (ii) a 31,000 square foot highway commercial center anchored by a CVS Drug Store; and (iii) over one hundred thousand square feet of light industrial condominiums which were completed across the street from the commercial center. Other developers have expressed interest in development opportunities within this project area, and the City is currently negotiating with a developer for a Hampton Inn adjacent to the commercial center described above. In addition, construction has begun on a major infrastructure improvement on Marina Bay Parkway, namely the Office Bradley A. Moody Memorial Underpass, which will take traffic under an existing active rail line. This project will provide unimpeded access into the Marina Bay neighborhood and is needed to support a planned ferry terminal on the north shore of Marina Bay for San Francisco commuters. There is also an 80 acre brownfield site known as Campus Bay, for which the Department of Toxic Substance Control (the "DTSC") is finalizing the characterization and a preliminary clean-up plan. This site is

partially developed with research and development ("R&D") buildings, but most likely will be developed as a mixed-use development. Immediately adjacent to Campus Bay is the 100+ acre University of California Field Station, which was selected by the Lawrence Berkeley National Laboratory as the preferred site for development of an approximately 5.4 million square foot second campus to be known as the "Richmond Bay Campus." The environmental review process and publication of a draft Environmental Impact Report ("EIR") and a Long Range Development Plan "LRDP") are expected to be completed in April 2014, with the EIR and LRDP tentatively scheduled for approval by the Regents of the University of California in May 2014. There is no timeline for construction at this time. Other planned activities may include: implementing rail grade change (undercrossing) project and activities to provide for continued residential, commercial, industrial and research and development projects; assisting with the removal and rehabilitation of structurally substandard buildings and consolidate irregularly shaped parcels; providing assistance for improvements to railroad crossing protection and safety upgrades; assisting in the remediation of contaminated property; and facilitating the redevelopment of underutilized waterfront property, including development of a new ferry terminal.

***Hensley No. 8-A Project Area***. The Hensley No. 8-A Project Area is comprised of 1,001 acres, including 887 acres added to this project area as part of the 1999 Amendments. The added acreage is characterized by underutilized industrial parcels. Large commercial and industrial development projects are being considered for this site, however, no large projects have been formally presented to the Successor Agency or City for review and consideration. A number of smaller light industrial projects have moved forward. A 30-unit affordable housing project has been completed as well as several in-fill homes, with several more under construction. Significant streetscape improvements have also been completed on Kelsey Street. Other planned activities may include: facilitating development of high quality light industrial/research and development, commercial and residential development and assisting in the remediation of contaminated property.

***Downtown No. 10A Project Area***. The Downtown No. 10-A Project Area is comprised of 281 acres, including 174 acres added to this project area as part of the 1999 Amendments. The new acreage is characterized primarily by older, single and two story commercial/retail buildings fronting Macdonald Avenue. The "Macdonald Avenue Economic Revitalization Plan," is being implemented, including streetscapes, residential, retail, mixed-use and adaptive re-use development. A major 190,000 square foot retail project, Macdonald 80, was constructed on the former Montgomery Ward site, and is anchored by a 140,000 square foot Target store at Macdonald Avenue and Interstate 80.

The initial phase of the transit village, known as Metro-Walk completed in 2004, with all 132 townhomes sold. An intermodal transit station building was completed in 2007. In spring 2013 the construction of an approximately 750-space parking garage at the intermodal station was completed and opened to the public. An additional 100 units of workforce housing are planned for BART's former east parking lot as a second phase of the Metro-Walk project. All entitlements are in place for a 180-unit mixed-income project is planned for the Miraflores site and will include affordable and market rate housing on a former nursery site purchased by the Former Agency. The Miraflores site has also a received a grant from the State to daylight and rehabilitate a creek for additional green space. Planning continues for new streetscapes that will include the 48-block length of Macdonald Avenue. Other planned activities may include: assisting with the removal and rehabilitation of structurally substandard buildings and consolidating irregularly shaped parcels; facilitating the development of new retail services to serve local residents and businesses; implementing the Macdonald Avenue Economic Revitalization Plan; and reinitiating the façade improvement program.

***Nevin Center No. 10-B Project Area***. The Nevin Center No. 10-B Project Area is comprised of 1,810 acres, including 10 acres added as part of the 1999 Amendment and 1,783 acres added as part of the 2005 Amendments. The acreage added by the 1999 and 2005 Amendments is characterized by vacant lots, abandoned buildings, underutilized facilities and residential areas suffering from blighting conditions. Recent projects completed in this area include a 66-unit affordable seniors project known as

Trinity Plaza, which is across Macdonald Avenue from the newly revitalized Nevin Park and Community Center. The 26-unit Lillie Mae Jones Project, which consists of 26 affordable units is also complete, while the proposed 10-unit Nevin Avenue condominium project is still in design and may be delayed until the housing market stabilizes. The most significant single project in this area is the joint City-Former Agency Civic Center Revitalization Project. The first $100 million phase of this project was completed on time, under budget, and is fully occupied by the City, the Successor Agency and other affiliated users. The Civic Center office buildings at 440 and 450 Civic Center Plaza received a Leadership in Energy and Environmental Design (LEED) Gold certification and the project was recognized as the top construction project in Northern California in 2009 by *California Construction* magazine. Future phases that may be undertaken by the City include a police station, a library and an approximately 600-space multi-story parking structure (to make space available for the construction of the police station and residential over retail development on Macdonald Avenue). Other planned activities may include: assisting with the removal and rehabilitation of structurally substandard buildings and consolidating irregularly shaped parcels and implementing the Macdonald Avenue Revitalization Plan.

Since Fiscal Year 2009-10, Nevin Center No. 10-B (2005 Amendment Area) has been valued below its base year value of $831.0 million.

***Harbour No. 11-A Project Area***. Historically, the 1,103-acre Harbour No. 11-A Project Area consisted of Port of Richmond related commercial activities and industrial activities. Presently, it includes residential and commercial uses, marina, parks and research and development facilities and the port.

Development within the Harbour No. 11-A Project Area occurs pursuant to the General Plan of the City. In addition, development within the Marina Bay portion of the Harbour No. 11-A Project Area also occurred pursuant to (i) the Master Agreement, dated as of December 17, 1984, as amended (the "Master Agreement"), among the Former Agency, the City and Penterra Company, an Oklahoma corporation ("Penterra"), and (ii) the Marina Bay Development Agreement, dated as of December 17, 1994, as amended (the "Development Agreement" and, together with the Master Agreement, collectively, the "Penterra Agreements"), among the Former Agency, the City and Penterra. Effective March 1, 1996, Penterra assigned to Penterra LLC its remaining interests under the Master Agreement and the Development Agreement. For additional information regarding development within the Harbour No. 11-A Project Area, see "–Development."

Within the Harbour No. 11-A Project Area, the Former Agency constructed public infrastructure and public facility improvements to stimulate new development, including the implementation of a public improvement program designed to complement the diversity of land users as well as providing a distinct identity for this area. Public improvements completed or in progress include landscaping, signage, lighting, streets, bikeways and enhancement of existing parks and trails systems.

The Harbour No. 11-A Project Area consists of Marina Bay, a water oriented community comprised of over 2,200 single family homes, townhouses and apartments, and commercial, industrial research and development and marine development, including a pleasure boat marina. The balance of the Harbour No. 11-A Project Area consists of office, commercial and light industrial space.

To date, over 2,100 residential units and approximately 1,000,000 square feet of commercial space within the Harbour No. 11-A Project Area have been developed pursuant to the Redevelopment Plan. At present, approximately 40 acres, or approximately five percent of the property within the Harbour No. 11-A Project Area, is vacant and is expected to be developed primarily for commercial use.

Penterra Agreements. Certain development within the Harbour No. 11-A Project Area, consisting of approximately 363 acres within the Richmond Inner Harbor Basin (Marina Bay) (the "Marina Bay Project Site"), was governed by the Master Agreement and the Development Agreement. Under the

Master Agreement, Penterra LLC acted as the "Master Developer" of private development within the Marina Bay Project Site by its direct development of this property or by causing others to develop this property. The Master Agreement governed certain rights and obligations among Penterra LLC, the Former Agency and the City. The Development Agreement governed the development of the Marina Bay Project Site, including the installation of necessary improvements and the provision of public services appropriate to each stage of the development. Following the expiration of the Master Agreement and the Development Agreement on December 31, 2009, an assessment district was established by a vote of the land-owners to continue the high level of maintenance that the Former Agency provided throughout the term of the Master Agreement.

To date, over 2,100 residential units and approximately 400,000 square feet of commercial space within the Marina Bay project site have been developed pursuant to the Penterra Agreements.

While it is anticipated that additional projects will be developed by Penterra LLC or its designees, there can be no assurance that such projects will actually be developed. One project, the 128-unit townhome project by Signature Properties, is partially complete. Pursuant to a settlement agreement with Signature Properties, the Successor Agency received a parcel of land that was, under the original development plan, slated to include over 20,000 square feet of retail space on the "North Shore" of Marina Bay.

Regatta Center. The Regatta Center consists of a 49-acre complex including buildings for commercial and light industrial uses. The total proposed project area is approximately 2,165,700 square feet, including buildings (approximately 725,300 square feet), parking areas and road improvements (approximately 974,600 square feet) and landscaping (approximately 465,800 square feet). The first phase of this multi-phased development is located on the north side of Regatta Boulevard and includes 138,000 square feet of office flex space. Construction of Phase Two of this development (see *Dicon Fiberoptics Inc. Office Campus* below), consisting of approximately 465,000 square feet of space, was completed in 2002.

Dicon Fiberoptics Inc. Office Campus. Dicon has completed the initial phase of an office and research and development complex. The Phase I development includes 67,493 square feet of office use, 136,575 square feet in three research and development buildings, and 15,000 square feet of ancillary uses. Two additional phases, which have not been included in the tax increment projections, were planned to include 228,000 square feet of research and development uses. However, Dicon has sold one large parcel to Pulte Homes, now under construction for a 208-unit residential for-sale townhome project.

Bay West Group. The construction of this office/flex project is complete and includes research and development and light industrial uses. This four building complex currently houses a national call center for a telecommunications company, a design firm, and a high-technology manufacturer of testing and calibration equipment. This complex has experienced high occupancy rates in spite of regional trends.

Marina Center. In June 2000, the Successor Agency sold this property to a Bay Area developer. Construction has been completed on the rehabilitation of two existing industrial buildings with a total of approximately 90,000 square feet. The Successor Agency land sale added taxable value to the fiscal year 2001-02 tax roll, with the rehabilitation of the buildings adding value in 2002-03. Future plans on the site include the construction of 180,000 square feet of new light industrial uses that have not been included in the projections.

Other Development. There are two additional significant projects on the South Shoreline. The historic 517,000 square foot Ford Assembly Building was been sold by the Successor Agency to Orton Development and is nearly 100% leased and occupied. Tenants include Sun Power, Mountain Hardwear and Title Nine, as well as the Assemble restaurant and bar. In addition the Successor Agency, Orton and

the National Park Service completed the Visitors Center for the Rosie the Riveter / WWII Home Front National Historic Park. The second project is the former City Terminal One site located in the Brickyard Cove area. The City is currently evaluating proposals solicited for a residential development on this site. Other planned activities may include: facilitating the development of high quality light industrial/research and development, commercial and residential development; facilitating the development of new retail services to serve local residents and businesses; and continuing to provide assistance for improvements to railroad crossing protection and safety upgrades.

***North Richmond No. 12-A Project Area***. The North Richmond No. 12-A Project Area is comprised of 19 acres. This project area is located in the northern portion of the City. Successor Agency activities in the North Richmond No. 12-A Project Area have focused on the construction and rehabilitation of housing units. Significant streetscape improvements have been completed on Kelsey Street. The City plans to continue the rehabilitation of affordable housing and improve safety and security in the neighborhood.

**Tax Levies, Collections and Delinquencies**

The County does not track secured tax charges and delinquencies by Project Area.

The City is located within a county that has adopted the Teeter Plan. For additional information regarding the Teeter Plan, see "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS– Property Tax Collection Procedures–*County Tax Loss Reserve Fund* (*Teeter Plan)*."

**2007 Coverage Accounts**

In connection with the issuance by the Former Agency of its Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (the "2007 Series A Bonds") pursuant to the terms and conditions of the First Supplemental Indenture of Trust, dated as of July 1, 2007 (the "2007 Series A First Supplemental Indenture") to the Indenture, dated as of July 1, 2007 (the "Master Subordinate Indenture"), each by and between the Former Agency and Union Bank of California, N.A., as trustee (the "2007 Trustee"); and its Richmond Community Redevelopment Agency Housing Set-Aside Subordinate Tax Allocation Bonds (Merged Project Areas), (Taxable) 2007 Series A 2007 Series B Bonds (the "2007 Series B Bonds" and together with the 2007 Series A Bonds, the "2007 Series Bonds"), pursuant to the terms and conditions of the First Supplemental Indenture of Trust, dated as of July 1, 2007 (the "2007 Series B First Supplemental Indenture") to the Master Subordinate Housing Indenture, dated as of July 1, 2007 (the "Master Subordinate Indenture (Housing)"), each by and between the Former Agency and the 2007 Trustee, the Former Agency established the 2007 Series A Coverage Reserve Subaccount pursuant to the 2007 Series A First Supplemental Indenture and the 2007 Series B Coverage Reserve Subaccount pursuant to the 2007 Series B First Supplemental Indenture (together, the "2007 Coverage Accounts").

The 2007 Coverage Accounts are established within each related debt service reserve account and are required to be maintained and applied to the payment of the 2007 Series A Bonds (which were refunded by the 2010 Series A Bonds, resulting in the 2007 Series A Coverage Account becoming associated with the 2010 Series A Bonds) and 2007 Series B Bonds, respectively. As of March 31, 2014, the balance in the 2007 Series A Coverage Reserve Subaccount was $813,767 and the balance in the 2007 Series B Coverage Reserve Subaccount was $635,039.

Pursuant to the terms of the Master Subordinate Indenture and the Master Subordinate Indenture (Housing), the 2007 Series A Coverage Reserve Subaccount and the 2007 Series B Coverage Reserve Subaccount shall each be applied and maintained until such time as the requirements set forth in the Master Subordinate Indenture and the Master Subordinate Indenture (Housing), respectively, are satisfied, including, that no earlier than July 15, 2020 the filing of a certificate that the coverage reserve test with respect to the

2007 Series Bonds is satisfied and that the all-in coverage for all obligations payable from tax revenues is greater than or equal to 1.35x.

**The amounts on deposit in the 2007 Coverage Accounts are not available to make payments on the Refunding Bonds.**

**Taxable Values and Property Tax Revenues**

For Fiscal Year 2013-14, secured values for the Merged Project Areas increased by $54.5 million compared to the secured values for Fiscal year 2012-13. The majority of the increase was driven by either the partial reversal of residential Proposition 8 reductions or by the sale of residential property.

The Fiscal Consultant reviewed the status of Proposition 8 residential parcels in the three Constituent Project Areas with the largest increases: the Harbour No. 11-A Project Area (an approximately $52 million increase in secured value), the Downtown No. 10-A Project Area (an approximately $11.5 million increase in secured value) and the Potrero No. 1-C Project Area (an approximately $6 million increase in secured value). For the Harbour No. 11-A Project Area, 1,642 residential parcels increased in value by approximately $61 million (representing an average increase of approximately 24%); and industrial properties increased by approximately $16 million. Growth in secured value was offset by reductions in both the residential sector (an approximately $5 million decline) and the industrial sector, where one major resolved appeal for Pacific Atlantic Terminals reduced value by approximately $20 million. For the Downtown No. 10-A Project Area, there were 200 residential parcels that increased in value by approximately $4.5 million. There was also an increase caused by a property owned by Bridge Housing that has typically been tax exempt, which increased secured values by $5 million. For purposes of the tax increment projections the Fiscal Consultant assumed that such property would be exempt beginning in Fiscal Year 2014-15. For the Potrero No. 1-C Project Area, a total of 252 parcels were increased by approximately $5.4 million. See also "–Appeals and Other Reductions to Assessed Values–*Proposition 8 Appeals*."

The growth in secured value within the Merged Project Areas for Fiscal Year 2013-14 was offset by resolution of a major assessment appeal in the Harbor Gate No. 6-A (1995 Amendment Area) where property owned by Cherokee Simeon Ventures was reduced by approximately $31 million.

Unsecured values in the Merged Project Areas for Fiscal Year 2013-14 declined by approximately $18.8 million due to the removal of approximately $30 million in personal property by Foss Maritime Company.

For the Merged Project Areas, set forth below in Table 4, Table 5 and Table 7A and Table 7B, respectively are historical taxable values and property tax revenues from Fiscal Years 2008-09 through 2013-14, the 10 major property tax assessees and a projection of property tax revenue from Fiscal Years 2013-14 through 2035-36 assuming 0% growth and 2% growth commencing in Fiscal Year 2015-16. Property tax revenues may be reduced in the future as a result of a number of factors. See "CERTAIN RISKS TO BONDOWNERS."

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## Table 4
## Richmond Community Redevelopment Agency Successor Agency
## Merged Project Areas
## Historical Taxable Values and Property Tax Revenues[1]

| Description | 2009-10 | % Change | 2010-11 | % Change | 2011-12 | % Change | 2012-13[3] | % Change | 2013-14 | % Change |
|---|---|---|---|---|---|---|---|---|---|---|
| Secured | $1,922,822,221 | (44.50%)[2] | $1,799,262,113 | (6.43%) | $1,730,671,381 | (3.81%) | $1,697,860,233 | (1.90%) | $1,752,379,800 | 3.21% |
| Utility Roll | 1,560,816 | 0.00 | 1,708,420 | 0.00 | 1,752,073 | 0.00 | 1,754,001 | 0.00 | 1,750,562 | 0.00 |
| Unsecured | 229,429,459 | (4.00) | 208,507,841 | (9.12) | 264,453,129 | 26.83 | 277,590,110 | 4.97 | 258,763,285 | (6.78) |
| TOTAL VALUE | 2,153,812,496 | (41.86) | 2,009,478,374 | (6.70) | 1,996,876,583 | (0.63) | 1,977,204,344 | (0.99) | 2,012,893,647 | 1.81 |
| Base Year Value | 426,859,902 | (66.09)[3] | 426,859,902 | 0.00 | 426,859,902 | 0.00 | 426,859,902 | 0.00 | 426,859,902 | 0.00 |
| Incremental Value | 1,726,952,594 | (29.40) | 1,582,618,472 | (8.36) | 1,570,016,681 | (0.80) | 1,550,344,442 | (1.25) | 1,586,033,745 | 2.30 |
| Tax Increment Levy | 19,874,890 | (29.35) | 18,175,864 | (8.55) | 17,998,193 | (0.98) | 17,673,926 | (1.80) | 18,080,785 | 2.30 |
| Unitary Revenue | 200,061 | 4.92 | 171,316 | (14.37) | 160,708 | (6.19) | 157,844 | (1.78) | 157,844 | 0.00 |
| Less Pass Through | (624,498) | (66.69) | (548,571) | (12.16) | (707,626) | 28.99 | (299,509)[3] | (57.67) | (1,537,525)[3] | 413.35 |
| Less Admin Fee | (188,400) | (29.50) | (154,001) | (18.26) | (159,381) | 3.49 | (249,558) | 56.58 | (255,341)[4] | 1.52 |
| TOTAL LEVY | $19,262,053 | (26.43) | $17,644,608 | (8.40) | $17,291,894 | (2.57) | $17,282,703 | (0.05) | $16,445,763 | (4.84) |
| Actual Receipts, less Supplemental Revenue | 19,265,573 | (28.38) | 17,644,003 | (8.42) | 17,275,720 | (2.09) | 17,387,652 | 0.65 | | |
| PERCENTAGE OF LEVY | 100.02% | | 100.00% | | 99.91% | | 100.61% | | | |
| Supplemental Revenues | (808,016) | (183.96) | (8,019) | 99.01 | 450,039 | 5,712.16 | 76,829 | (82.93) | | |
| TOTAL RECEIPTS | 18,457,557 | (33.76) | 17,635,984 | (4.45) | 17,725,759 | 0.51 | 17,464,481 | (1.47) | | |
| PERCENTAGE OF LEVY | 95.82% | | 99.95% | | 102.51% | | 101.05% | | | |

| | |
|---|---|
| Total Percentage Assessed Value Change[5] | (6.54%) |
| Average Percentage Assessed Value Change[5] | (1.68) |
| Average Receipts as a Percentage of Levy Without Supplementals | 100.83 |
| Average Receipts as a Percentage of Levy With Supplementals | 101.52 |

(1) Beginning in Fiscal Year 2009-10, the taxable value for Nevin Center No. 10-B (2005 Amendment Area) has been below its base year value of $831.0 million and has therefore been excluded from the calculations.

(2) The approximately 44.5% decline in secured valued in Fiscal Year 2009-10 was due to across the board Proposition 8 reductions initiated by the County Assessor and the exclusion of the taxable value for Nevin Center No. 10-B (2005 Amendment Area) which is valued below its base year value of $831.0 million.

(3) The Fiscal Year 2012-13 pass-through amount is based on County calculations which amount did not represent the full amount of the pass-through payment. The balance of that payment in the amount of $1.8 million will be deducted from the amounts that would otherwise be deposited into the RPTTF in June 2014. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS–Statutory Tax-Sharing Payments–*Underpayment of AB 1290 Pass-Through Obligations*."

(4) Estimated, based upon the actual amount collected for Fiscal Year 2012-13 and reflects the actual deduction from the January payment and an estimate for the June 2014 ROPS payment.

(5) Measured between Fiscal Year 2009-10 through Fiscal Year 2013-14.

Source: Fraser & Associates.

## Table 5
## Richmond Community Redevelopment Agency Successor Agency
## Merged Project Areas
## Comparison of Fiscal Year 2009-10 through 2013-14
## Assessed Values by Constituent Project Area

| Constituent Project Area | 2009-10 Total Value | % Change | 2010-11 Total Value | % Change | 2011-12 Total Value | % Change | 2012-13 Total Value | % Change | 2013-14 Total Value | % Change |
|---|---|---|---|---|---|---|---|---|---|---|
| Eastshore No. 1-A | $39,264,346 | (58.76%) | $34,818,358 | (11.32%) | $32,712,364 | (6.05%) | $34,506,619 | 5.48% | $35,104,259 | 1.73% |
| Eastshore No. 1-A (1999 Amendment Area) | 29,632,046 | 5.93 | 29,074,725 | (1.88) | 29,009,324 | (0.22) | 30,111,031 | 3.80 | 29,946,525 | (0.55) |
| Potrero No. 1-C | 91,444,632 | (23.12) | 89,391,208 | (2.25) | 80,682,553 | (9.74) | 77,205,372 | (4.31) | 83,275,623 | 7.86 |
| Galvin No. 3-A [1] | 93,980,185 | (1.58) | 88,949,106 | (5.35) | 88,378,980 | (0.64) | 88,780,787 | 0.45 | 90,797,044 | 2.27 |
| Harbor Gate No. 6-A (Original) | 54,167,182 | (0.10) | 57,769,967 | 6.65 | 51,702,378 | (10.50) | 58,197,542 | 12.56 | 57,309,392 | (1.53) |
| Harbor Gate No. 6-A (1995 Amendment Area) | 191,481,343 | 3.97 | 183,225,321 | (4.31) | 176,702,818 | (3.56) | 181,601,595 | 2.77 | 150,520,052 | (17.12) |
| Harbor Gate No. 6-A (1999 Amendment Area) | 9,582,253 | 1.34 | 9,553,439 | (0.30) | 10,149,256 | 6.24) | 11,044,803 | 8.82 | 12,834,820 | 16.21 |
| Hensley No. 8-A (Original) | 71,743,901 | 1.89 | 71,463,308 | (0.39) | 58,116,862 | (18.68) | 57,434,387 | (1.17) | 59,085,760 | 2.88 |
| Hensley No. 8-A (1980 Area) | 5,016,466 | 3.70 | 5,358,324 | 6.81 | 5,382,354 | 0.45 | 5,363,503 | (0.35) | 5,151,044 | (3.96) |
| Hensley No. 8-A (1999 Amendment Area) | 160,393,518 | (30.42) | 153,049,215 | (4.58) | 145,327,244 | (5.05) | 142,217,425 | (2.14) | 147,568,423 | 3.76 |
| Downtown No. 10-A | 116,728,907 | 2.14 | 90,371,281 | (22.58) | 83,485,916 | (7.62) | 80,199,164 | (3.94) | 90,673,375 | 13.06 |
| Downtown No. 10-A (1999 Amendment Area) | 161,674,737 | 14.33 | 155,262,550 | (3.97) | 156,490,985 | 0.79 | 157,491,641 | 0.64 | 158,917,168 | 0.91 |
| Nevin Center No. 10-B | 6,178,096 | (60.28) | 6,401,927 | 3.62 | 6,070,262 | (5.18) | 5,361,766 | (11.67) | 5,740,535 | 7.06 |
| Nevin Center No. 10-B (1999 Amendment Area) | 2,577,127 | (46.67) | 2,513,869 | (2.45) | 4,566,945 | 81.67 | 6,409,272 | 40.34 | 6,366,474 | (0.67) |
| Nevin Center No. 10-B (2005 Amendment Area) | 769,308,700 | (41.29) | 778,668,034 | 1.22 | 761,514,658 | (2.20) | 746,777,251 | (1.94) | 758,402,846 | 1.56 |
| Harbour No. 11-A | 1,108,600,784 | (8.30) | 1,022,430,990 | (7.77) | 1,013,870,101 | (0.84) | 989,621,717 | (2.39) | 1,029,452,330 | 4.02 |
| Harbour No. 11-A (1999 Amendment Area) | 4,107,415 | (20.48) | 3,505,993 | (14.64) | 48,212,696 | 1275.15 | 46,297,596 | (3.97) | 44,288,238 | (4.34) |
| North Richmond No. 12-A | 7,239,558 | (44.49) | 6,338,793 | (12.44) | 6,015,545 | (5.10) | 5,360,123 | (10.90) | 5,862,585 | 9.37 |
| **TOTAL** | **2,923,121,196** | (21.10) | **2,788,146,408** | (4.62) | **2,758,391,241** | (1.07) | **2,723,981,594** | (**1.25**) | **2,771,296,493** | **1.74** |
| Less: Nevin Center No. 10-B (2005 Amendment Area)[2] | 769,308,700 | | 778,668,034 | | 761,514,658 | | 746,777,251 | | 758,402,846 | |
| **Net Value** | **$2,153,812,496** | (10.05%) | **$2,009,478,374** | (6.70%) | **$1,996,876,583** | (0.63%) | **$1,977,204,343** | (**0.99%**) | **2,012,893,647** | **1.81%** |

(1) The County reported assessed value shown on Table 4–"Historical Taxable Values and Property Tax Revenues" includes certain personal property values that are typically excluded. For purposes of this table and the tax increment projections such personal property values have been excluded.

(2) Since Fiscal Year 2009-10, the Nevin Center No. 10-B (2005 Amendment Area) has been valued below its base year value of $831.0 million and so the data in this table exclude the value of this Constituent Project Area.

Source: Fraser & Associates.

Table 6 sets forth assessed taxable property values and tax increment revenues for Fiscal Year 2013-14 disaggregated by Constituent Project Area.

**Table 6**
**Richmond Community Redevelopment Agency Successor Agency**
**Merged Project Areas**
**Ten Major Property Tax Assessees**

| | | | Fiscal Year 2013-14 | | |
|---|---|---|---|---|---|
| Assessee | Constituent Project Area | Land Use | Taxable Value[1][2][3] | % of Total Taxable Value | % of Incremental Value[2] |
| Lennar Emerald Marina Shores[3] | Harbour No. 11-A | Residential | $83,014,408 | 4.12% | 5.23% |
| Kaiser Foundation Hospitals | Downtown No. 10-A (1999 Amendment Area) and Harbour No. 11-A | Hospital | 70,963,752 | 3.53 | 4.47 |
| Auto Warehousing Company[4] | Harbour No. 11-A 1999 | Unsecured | 40,751,600 | 2.02 | 2.57 |
| Dicon Fiberoptics Inc. | Harbour No. 11-A | Industrial | 40,640,233 | 2.02 | 2.56 |
| Ford Point LLC | Harbour No. 11-A | Industrial | 38,824,752 | 1.93 | 2.45 |
| California Fats & Oils Inc. | Harbour No. 11-A (1999 Amendment Area) | Industrial | 36,188,574 | 1.80 | 2.28 |
| Stephens and Stephens | Harbor Gate No. 6-A (1995 Amendment Area) | Industrial | 33,661,600 | 1.67 | 2.12 |
| Tosco Corporation | Harbour No. 11-A | Industrial | 33,145,170 | 1.65 | 2.09 |
| BP West Coast Products | Harbour No. 11-A | Industrial | 30,025,457 | 1.49 | 1.89 |
| Safeway Stores | Harbor Gate No. 6-A (1995 Amendment Area) | Commercial | 29,717,275 | 1.48 | 1.87 |
| SUBTOTAL | | | 436,932,821 | 21.71 | 27.53 |
| All Others | | | 1,575,960,826 | 78.29 | 72.47 |
| TOTAL | | | $2,012,893,647 | 100.00% | 100.00% |

(1) Based on ownership of locally-assessed secured and unsecured property. The Fiscal Year 2013-14 taxable value reflects the partial reversal of Proposition 8 temporary reductions for residential parcels in the Galvin No. 3-A, Downtown No. 10-A and Harbour No. 11-A Constituent Project Areas. See also "–Appeals and Other Reductions to Assessed Values–*Proposition 8 Appeals*."

(2) Based on Fiscal Year 2013-14 Merged Project Areas taxable value of $2,012,893,647 and incremental value of $1,586,033,745. Excludes the current value ($746.8 million) and base year value ($831.0 million) of Nevin Center No. 10-B (2005 Amendment Area) Constituent Project Area which since Fiscal Year 2009-10 has been valued below its base year value.

(3) Column does not total due to independent rounding.

(4) These owners have outstanding assessment appeals.

Source: Contra Costa County Assessor Records.

Table 7A sets forth projections of property tax revenues for the Merged Project Areas assuming no new development, 0% growth in assessed value and a tax rate equal to 1.14%. Table 7B sets forth projections assuming no new development 2% growth, and a tax rate equal to 1.14%. For projected debt service on the Refunding Bonds, see Table 9A and Table 9B.

**Table 7A**
**Richmond Community Redevelopment Agency Successor Agency**
**Merged Project Areas**
**Projection of Property Tax Revenue**
**0% Growth**

| Fiscal Year | Real Property[1] | Other Property[2] | Total Value | Incremental Value Over Base | Tax Increment[3] | Unitary Revenue[4] | Total Tax Increment Revenue | Property Tax Admin Fee[5] | AB 1290 Tax Sharing Payments[6] | Tax Revenues |
|---|---|---|---|---|---|---|---|---|---|---|
| 2013-14 | $1,878,938,206 | $133,955,441 | $2,012,893,647 | $1,586,033,745 | $18,080,785 | $157,843 | $18,238,628 | $255,341 | $1,537,517 | $16,445,770 |
| 2014-15 | 1,867,791,398 | 133,955,441 | 2,001,746,839 | 1,574,886,937 | 17,953,711 | 157,843 | 18,111,554 | 253,562 | 1,512,026 | 16,345,966 |
| 2015-16 | 1,867,791,398 | 133,955,441 | 2,001,746,839 | 1,574,886,937 | 17,953,711 | 157,843 | 18,111,554 | 253,562 | 1,512,026 | 16,345,966 |
| 2016-17 | 1,867,791,398 | 133,955,441 | 2,001,746,839 | 1,574,886,937 | 17,953,711 | 157,843 | 18,111,554 | 253,562 | 1,512,026 | 16,345,966 |
| 2017-18 | 1,867,791,398 | 133,955,441 | 2,001,746,839 | 1,574,886,937 | 17,953,711 | 157,843 | 18,111,554 | 253,562 | 1,512,026 | 16,345,966 |
| 2018-19 | 1,867,791,398 | 133,955,441 | 2,001,746,839 | 1,574,886,937 | 17,953,711 | 157,843 | 18,111,554 | 253,562 | 1,512,026 | 16,345,966 |
| 2019-20 | 1,867,791,398 | 133,955,441 | 2,001,746,839 | 1,574,886,937 | 17,953,711 | 157,843 | 18,111,554 | 253,562 | 1,512,026 | 16,345,966 |
| 2020-21 | 1,867,791,398 | 133,955,441 | 2,001,746,839 | 1,574,886,937 | 17,953,711 | 157,843 | 18,111,554 | 253,562 | 1,512,026 | 16,345,966 |
| 2021-22 | 1,559,001,133 | 123,299,854 | 1,682,300,987 | 1,272,614,537 | 14,507,806 | 121,722 | 14,629,528 | 204,813 | 1,365,431 | 13,059,283 |
| 2022-23 | 1,476,372,265 | 120,235,929 | 1,596,608,194 | 1,208,211,484 | 13,773,611 | 101,625 | 13,875,236 | 194,253 | 1,308,469 | 12,372,513 |
| 2023-24 | 1,476,372,265 | 120,235,929 | 1,596,608,194 | 1,208,211,484 | 13,773,611 | 101,625 | 13,875,236 | 194,253 | 1,308,469 | 12,372,513 |
| 2024-25 | 1,476,372,265 | 120,235,929 | 1,596,608,194 | 1,208,211,484 | 13,773,611 | 101,625 | 13,875,236 | 194,253 | 1,308,469 | 12,372,513 |
| 2025-26 | 1,470,507,980 | 120,237,629 | 1,590,745,609 | 1,203,007,559 | 13,714,286 | 100,183 | 13,814,469 | 193,403 | 1,305,576 | 12,315,491 |
| 2026-27 | 1,464,813,587 | 120,231,487 | 1,585,045,074 | 1,198,377,652 | 13,661,505 | 97,488 | 13,758,993 | 192,626 | 1,304,657 | 12,261,710 |
| 2027-28 | 1,464,813,587 | 120,231,487 | 1,585,045,074 | 1,198,377,652 | 13,661,505 | 97,488 | 13,758,993 | 192,626 | 1,304,657 | 12,261,710 |
| 2028-29 | 517,350,859 | 38,241,885 | 555,592,744 | 219,050,774 | 2,497,179 | 20,455 | 2,517,634 | 35,247 | 590,678 | 1,891,709 |
| 2029-30 | 517,350,859 | 38,241,885 | 555,592,744 | 219,050,774 | 2,497,179 | 20,455 | 2,517,634 | 35,247 | 590,678 | 1,891,709 |
| 2030-31 | 517,350,859 | 38,241,885 | 555,592,744 | 219,050,774 | 2,497,179 | 20,455 | 2,517,634 | 35,247 | 590,678 | 1,891,709 |
| 2031-32 | 517,350,859 | 38,241,885 | 555,592,744 | 219,050,774 | 2,497,179 | 20,455 | 2,517,634 | 35,247 | 590,678 | 1,891,709 |
| 2032-33 | 517,350,859 | 38,241,885 | 555,592,744 | 219,050,774 | 2,497,179 | 20,455 | 2,517,634 | 35,247 | 590,678 | 1,891,709 |
| 2033-34 | 512,617,823 | 37,823,877 | 550,441,700 | 214,166,690 | 2,441,500 | 19,801 | 2,461,301 | 34,458 | 588,738 | 1,838,105 |
| 2034-35 | 512,617,823 | 37,823,877 | 550,441,700 | 214,166,690 | 2,441,500 | 19,801 | 2,461,301 | 34,458 | 588,738 | 1,838,105 |
| 2035-36 | 512,617,823 | 37,823,877 | 550,441,700 | 214,166,690 | 2,441,500 | 19,801 | 2,461,301 | 34,458 | 588,738 | 1,838,105 |
| 2036-37 | 512,617,823 | 37,823,877 | 550,441,700 | 214,166,690 | 2,441,500 | 19,801 | 2,461,301 | 34,458 | 588,738 | 1,838,105 |

(1) Prior Year Real Property held constant except for reductions due to recently resolved assessment appeals and an adjustment for exemptions in Fiscal Year 2014-15 as described above.
(2) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.
(3) Based on the application of Constituent Project Area tax rates to the total incremental taxable value.
(4) Based on County estimate for Fiscal Year 2012-13.
(5) Property tax administration fees are based on 1.39% of tax increment, which is the percentage that such fees represented from the January and June 2013 payment.
(6) Represents tax sharing payments pursuant to AB 1290. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS–Statutory Tax-Sharing Payments."
(7) The decrease in assumed real property values reflects the expiration for the time limit for receipt of tax increment for the Eastshore No. 1-A, Potrero No. 1-C, Galvin No. 3-A, Harbor Gate No. 6-A (Original), Hensley No. 8-A (Original) and Downtown No. 10-A Constituent Project Areas on January 1, 2022.
(8) The decrease in assumed real property values reflects the expiration for the time limit for receipt of tax increment for the Harbor No. 11-A Project Area on June 6, 2028.
(9) The decrease in assumed real property values reflects the expiration for the time limit for receipt of tax increment for the and for Hensley No. 8-A (1980 Area) Constituent Project Area on March 31, 2033.

Source: Fraser & Associates.

## Table 7B
## Richmond Community Redevelopment Agency Successor Agency
## Merged Project Areas
## Projection of Property Tax Revenue
## 2% Growth

| Fiscal Year | Real Property[1] | Other Property[2] | Total Value | Incremental Value Over Base | Tax Increment[3] | Unitary Revenue[4] | Total Tax Increment Revenue | Property Tax Admin Fee[5] | AB 1290 Tax Sharing Payments[6] | Total Tax Revenues |
|---|---|---|---|---|---|---|---|---|---|---|
| 2013-14 | $1,878,938,206 | $133,955,441 | $2,012,893,647 | $1,586,033,745 | $18,080,785 | $157,843 | $18,238,628 | $255,341 | $1,537,517 | $16,445,770 |
| 2014-15 | 1,864,560,883 | 133,955,441 | 1,998,516,324 | 1,571,656,422 | 17,916,883 | 157,843 | 18,074,726 | 253,046 | 1,504,630 | 16,317,050 |
| 2015-16 | 1,901,307,259 | 133,955,441 | 2,035,262,700 | 1,608,402,798 | 18,335,792 | 157,843 | 18,493,635 | 258,911 | 1,620,275 | 16,614,449 |
| 2016-17 | 1,938,786,088 | 133,955,441 | 2,072,741,529 | 1,645,881,627 | 18,763,051 | 157,843 | 18,920,894 | 264,893 | 1,745,706 | 16,910,295 |
| 2017-18 | 1,977,012,010 | 133,955,441 | 2,110,967,451 | 1,684,107,549 | 19,198,826 | 157,843 | 19,356,669 | 270,993 | 1,876,843 | 17,208,832 |
| 2018-19 | 2,015,999,954 | 133,955,441 | 2,149,955,395 | 1,723,095,493 | 19,643,289 | 157,843 | 19,801,132 | 277,216 | 2,012,665 | 17,511,251 |
| 2019-20 | 2,055,765,149 | 133,955,441 | 2,189,720,590 | 1,762,860,688 | 20,096,612 | 157,843 | 20,254,455 | 283,562 | 2,156,172 | 17,814,721 |
| 2020-21 | 2,913,348,883[7] | 152,352,890 | 3,065,701,773 | 1,811,489,966 | 20,650,986 | 157,843 | 20,808,829 | 291,324 | 2,320,941 | 18,196,564 |
| 2021-22 | 2,615,798,672 | 141,697,303 | 2,757,495,975 | 1,520,457,620 | 17,333,217 | 121,722 | 17,454,939 | 244,369 | 2,232,367 | 14,978,203 |
| 2022-23 | 2,569,365,499[8] | 138,633,378 | 2,707,998,877 | 1,492,250,262 | 17,011,653 | 101,625 | 17,113,278 | 239,586 | 2,318,450 | 14,555,242 |
| 2023-24 | 2,620,752,809 | 138,633,378 | 2,759,386,187 | 1,543,637,572 | 17,597,468 | 101,625 | 17,699,093 | 247,787 | 2,519,541 | 14,931,765 |
| 2024-25 | 2,673,167,866 | 138,633,378 | 2,811,801,244 | 1,596,052,629 | 18,195,000 | 101,625 | 18,296,625 | 256,153 | 2,724,655 | 15,315,818 |
| 2025-26 | 2,719,193,892 | 138,635,078 | 2,857,828,970 | 1,642,739,015 | 18,727,225 | 100,183 | 18,827,408 | 263,584 | 2,924,377 | 15,639,447 |
| 2026-27 | 2,766,159,721 | 138,628,936 | 2,904,788,657 | 1,690,769,330 | 19,274,770 | 97,488 | 19,372,258 | 271,212 | 3,129,004 | 15,972,043 |
| 2027-28 | 2,821,482,915[9] | 138,628,936 | 2,960,111,851 | 1,746,092,524 | 19,905,455 | 97,488 | 20,002,943 | 280,041 | 3,349,647 | 16,373,255 |
| 2028-29 | 1,632,711,093 | 56,639,334 | 1,689,350,427 | 525,456,552 | 5,990,205 | 20,455 | 6,010,660 | 84,149 | 1,611,650 | 4,314,861 |
| 2029-30 | 1,665,365,314 | 56,639,334 | 1,722,004,648 | 558,110,773 | 6,362,463 | 20,455 | 6,382,918 | 89,361 | 1,736,889 | 4,556,668 |
| 2030-31 | 1,698,672,621 | 56,639,334 | 1,755,311,955 | 591,418,080 | 6,742,166 | 20,455 | 6,762,621 | 94,677 | 1,864,633 | 4,803,311 |
| 2031-32 | 1,732,646,073 | 56,639,334 | 1,789,285,407 | 625,391,532 | 7,129,463 | 20,455 | 7,149,918 | 100,099 | 2,008,124 | 5,041,695 |
| 2032-33 | 1,767,298,995 | 56,639,334 | 1,823,938,329 | 660,044,454 | 7,524,507 | 20,455 | 7,544,962 | 105,629 | 2,154,485 | 5,284,847 |
| 2033-34 | 1,795,611,932 | 56,221,326 | 1,851,833,258 | 688,206,343 | 7,845,552 | 19,801 | 7,865,353 | 110,115 | 2,291,354 | 5,463,884 |
| 2034-35 | 1,831,524,171 | 56,221,326 | 1,887,745,497 | 724,118,582 | 8,254,952 | 19,801 | 8,274,753 | 115,847 | 2,442,862 | 5,716,044 |
| 2035-36 | 1,868,154,654 | 56,221,326 | 1,924,375,980 | 760,749,065 | 8,672,539 | 19,801 | 8,692,340 | 121,693 | 2,597,400 | 5,973,247 |
| 2036-37 | 1,905,517,747 | 56,221,326 | 1,961,739,073 | 798,112,158 | 9,098,479 | 19,801 | 9,118,280 | 127,656 | 2,755,029 | 6,235,595 |

(1) Prior Year Real Property held constant except for reductions due to recently resolved assessment appeals.
(2) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.
(3) Based on the application of Constituent Project Area tax rates to the total incremental taxable value (4) Based on County estimate for Fiscal Year 2012-13.
(5) Property tax administration fees are based on 1.39% of tax increment, which is the percentage that such fees represented from the January and June 2013 payment.
(6) Represents tax sharing payments pursuant to AB 1290. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS–Statutory Tax-Sharing Payments."
(7) Assumes that the real property value of the Nevin Center No. 10-B (2005 Amendment Area) Constituent Project Area increases above its base year value. See also "–Constituent Project Area–*Nevin Center No. 10-B Project Area*."
(8) The decrease in assumed real property values reflects the expiration for the time limit for receipt of tax increment for the Eastshore No. 1-A, Potrero No. 1-C, Galvin No. 3-A, Harbor Gate No. 6-A (Original), Hensley No. 8-A (Original) and Downtown No. 10-A Constituent Project Areas on January 1, 2022.
(9) The decrease in assumed real property values reflects the expiration for the time limit for receipt of tax increment for the Harbor No. 11-A Project Area on June 6, 2028.
Source: Fraser & Associates.

**Appeals and Other Reductions to Assessed Values**

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. Assessment appeals may have a significant impact on the taxable value of property and therefore the tax increment revenue allocable to a project area.

In the County, a property owner desiring to reduce the assessed value of such property in any one year must submit an application to the Contra Costa County Assessment Appeals Board (the "Appeals Board"). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of the application by the County Assessor's Office (the "Assessor"), the Assessor may (i) reduce the assessment through a roll correction, (ii) offer the property owner the opportunity to stipulate to a reduced assessment or (iii) confirm the assessment. In the County, any appeals where the difference between the current assessed value and the applicant's opinion of value is less than $1 million is handled administratively without a hearing before the Appeals Board. For appeals in this category, the Assessor's office staff may confirm or reduce the assessment with a roll correction. The applicant is notified of the results of the Assessor's action and requested to withdraw the appeal. The roll correction can either be a base year reduction where the value will not be reassessed until the property is sold or a reduction in value which can be reversed once the conditions creating the reduction (*e.g.* recession, property condition) have been remedied. If the applicant does not agree with the decision of the Assessor's office staff, the applicant can pursue the appeal before the Appeals Board for a hearing and decision. The Appeals Board is generally required to determine the outcome of appeals within two years of the date the appeal is filed. The Appeals Board can confirm or reduce the assessment with a roll correction in the manner described above or agree to review the appeal within the two year time period.

There are 18 open appeals, as shown in Table 8. In aggregate, the owners have requested reductions in value equal to $106.4 million. The Fiscal Consultant has estimated the potential impact of the open appeals based on success factor ratios since January 1, 2012 in the Merged Project Areas. Since that date, 102 appeals have been resolved with 34 resulting in reductions of value. On average, the successful appeals resulted reductions in value equal to 20%. Based on that success ratio, the Fiscal Consultant has assumed a 20% decrease in value for the 18 open appeals, resulting in a reduction in future taxable values of approximately $39.3 million. The Fiscal Consultant has reduced taxable value for the impact of open appeals in Fiscal Year 2014-15 in the calculations presented in the projections of property tax revenues in Table 5.

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Due to the impact that assessment appeals can have on the taxable values and tax increment revenues of a project area, a review of recently resolved and open appeals was conducted by the Fiscal Consultant. The review revealed 18 open appeals in the Merged Project Areas, as shown in Table 8 below.

**Table 8**
**Richmond Community Redevelopment Agency Successor Agency**
**Merged Project Areas**
**Open Appeals[1]**

| Assessee | Constituent Project Area | Fiscal Year 2013-14 Roll Value | Applicants Value Opinion | Potential Value Impact | Estimated Resolved Value[2][3] | Estimated Value Reduction[3] |
|---|---|---|---|---|---|---|
| Maple Leaf Bakery | Harbor Gate No. 6-A Original | $7,732,743 | $3,500,000 | $4,232,743 | $6,186,194 | $1,546,549 |
| Cherokee Simeon Venture LLC | Harbor Gate No. 1995 Amendment Area) | 15,044,599 | 846,006 | 14,198,593 | 12,035,679 | 3,008,920 |
| Bio Rad Laboratories | Harbor Gate No. 1995 Amendment Area) | 10,532,078 | 0 | 10,532,078 | 8,425,662 | 2,106,416 |
| Richmond Bay Marina | Harbour No. 11-A Original | 9,903,790 | 6,400,000 | 3,503,790 | 7,923,032 | 1,980,758 |
| Kinder Morgan Liquids Terminal | Harbour No. 11-A Original | 26,968,004 | 18,821,819 | 8,146,185 | 21,574,403 | 5,393,601 |
| Cemex Construction Materials | Harbour No. 11-A Original | 816,395 | 408,198 | 408,197 | 653,116 | 163,279 |
| Cemex Pacific Coast Cement | Harbour No. 11-A Original | 8,025,370 | 4,012,685 | 4,012,685 | 6,420,296 | 1,605,074 |
| Foss Maritime Holdings | Harbour No. 11-A Original | 27,979,462 | 17,150,506 | 10,828,956 | 22,383,570 | 5,595,892 |
| Marina Bay Crossings | Harbour No. 11-A Original | 18,175,374 | 8,500,000 | 9,675,374 | 14,540,299 | 3,635,075 |
| Marina Bay Business Park | Harbour No. 11-A Original | 1,273,095 | 500,000 | 773,095 | 1,018,476 | 254,619 |
| Marina Bay West Shores | Harbour No. 11-A Original | 13,996,942 | 7,000,000 | 6,996,942 | 11,197,554 | 2,799,388 |
| Lennar Emerald Bay | Harbour No. 11-A Original | 4,160,000 | 3,200,000 | 960,000 | 3,328,000 | 832,000 |
| RB Johnson Investments | Hensley No. 8-A (1999 Amendment Area) | 2,265,618 | 600,001 | 1,665,617 | 1,812,494 | 453,124 |
| Bottoms, William & Mary | Hensley No. 8-A (1999 Amendment Area) | 1,046,810 | 314,482 | 732,328 | 837,448 | 209,362 |
| Hendrick Automotive Group | Downtown No. 10-A (1999 Amendment Area) | 2,019,296 | 1,300,000 | 719,296 | 1,615,437 | 403,859 |
| KA Ellie LLC | Downtown No. 10-A (1999 Amendment Area) | 4,254,765 | 1,600,000 | 2,654,765 | 3,403,812 | 850,953 |
| Harman & Associates | Downtown No. 10-A (1999 Amendment Area) | 1,548,000 | 900,000 | 648,000 | 1,238,400 | 309,600 |
| Auto Warehousing Company | Harbour No. 11-A Original | 40,751,600 | 15,000,000 | 25,751,600 | 32,601,280 | 8,150,320 |
| **TOTAL** | | **$196,493,941** | **$90,053,697** | **$106,440,244** | **$157,195,153** | **$39,298,788** |

(1) As of January 1, 2014.
(2) Estimated at 20% based on average reductions in value for 34 successful appeals since January 1, 2012 and a 20% decrease in value for open appeals.
(3) Columns may not total due to rounding.
Source: Fraser & Associates.

***Proposition 8 Appeals***. The County processed temporary assessed value reductions for certain residential properties (Proposition 8 reductions) where the assessed values exceeded the current market value of properties without prompting from individual taxpayers. Those reductions affected the Fiscal Year 2008-09 through 2012-13 tax rolls, however, the majority of the reductions occurred in Fiscal Year 2009-10. The properties that were subject to these "automatic" reductions are single family homes, condominiums, and multi-family residential, which generally transferred ownership during the five-year period prior to Fiscal Year 2008-09.

The Fiscal Consultant reviewed information on all residential parcel value changes between Fiscal Year 2008-09 and Fiscal Year 2012-13 to determine the number of parcels that declined in value within the Merged Project Area, including as a result of Proposition 8 reductions.

For the Fiscal Year 2009-10 tax roll, the value of 5,005 residential parcels (inclusive of both single and multifamily parcels) were adjusted with an aggregate value reduction of $718 million. The Proposition 8 reductions caused the assessed values of Nevin Center No. 10-B (2005 Amendment Area) to fall below its base year value. As a result, the Successor Agency is not currently receiving any revenue from this Constituent Project Area, and the Fiscal Consultant has excluded it from the summary of the Proposition 8 impacts for the period from Fiscal Years 2009-10 through 2012-13.

Commencing with Fiscal Year 2013-14, the County partially reversed some of the Proposition 8 reduction increasing the assessed value by approximately $62 million in Fiscal Year 2013-14. Those reversals affected residential parcels in three of the Constituent Project Areas (Galvin No. 3-A, Downtown No. 10-A and Harbour No. 11-A).

In terms of future Proposition 8 reductions, recent sales data indicates that property is selling for more than the value recorded on the current tax roll. Because Proposition 8 value reductions are temporary for property that has not changed hands, once the market value of property goes back up, the value for those parcels under Proposition 8 status can increase up to their Proposition 13 base, including the compounded Proposition 13 inflation annual adjustment at the rate of 2%. Given that the Fiscal Consultant estimates that future value in the Merged Project Areas could increase by more than $742 million (assuming none of the properties are sold at the lower market value), thus locking-in the Proposition 13 base. In terms of Proposition 8 reductions, recent sales data indicates that property is selling for more than the value recorded on the current tax roll.

Sales prices within the Merged Project Areas were 39% higher than tax roll values in calendar year 2012, and for calendar year 2013 the sales prices were 70% higher. Given that sales prices are exceeding tax roll values by a substantial margin, and the County has begun to gradually reverse the prior Proposition 8 reductions, the Fiscal Consultant has assumed that there would be no further Proposition 8 reductions in Fiscal Year 2014-15 or future Fiscal Years for purposes of the tax increment projections.

The County does not allocate refunds attributable to assessment appeals to redevelopment project areas. Therefore, the Fiscal Consultant has not reduced tax increment revenues for the impact of refunds.

In determining tax increment projections, the Fiscal Consultant assumed that there would be no further Proposition 8 reductions in Fiscal Year 2014-15. For additional information regarding assessment appeals, see APPENDIX B–"REPORT OF THE FISCAL CONSULTANT."

## PROJECTED DEBT SERVICE COVERAGE

The following tables present the projected debt service coverage on the Refunding Bonds and Parity Obligations related to each Series of Bonds. Table 9A and Table 9B present the Tax Revenues and payments on Senior Debt Service, the obligations under the 2004 Loan Agreement, the Refunding Bonds and the debt service coverage ratio using 0% and 2% assumptions in assessed value growth based on the various assumptions discussed in the Report of the Fiscal Consultant. See APPENDIX B–"REPORT OF THE FISCAL CONSULTANT." There can be no assurance that actual Tax Revenues will be equal to the amounts projected.

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# Table 9A
# Richmond Community Redevelopment Agency Successor Agency
# Merged Project Areas
# Projected Debt Service Coverage
# (Assuming 0% Growth)

| Fiscal Year | Total Tax Revenues | 2007 Coverage Accounts | Total Pledged Revenues (for Senior Obligations) | 1998 Tax Allocation Revenue Bond[1] | 2003B Tax Allocation Revenue Bond | 2004A Tax Allocation Revenue Bond | 2004B Tax Allocation Revenue Bond[2] | 2007B Subordinate Tax Allocation Bonds | Subordinate Tax Allocation Refunding Bond 2010A[3] | Senior Obligations | Senior Coverage[4] | Successor Agency Refunding Revenues[5] | Series 2014 Refunding Bonds | Coverage from Successor Agency Refunding Revenues | Total All Debt | All In Coverage[5] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2013-14 | $16,446,000 | $1,448,712 | $17,894,712 | $1,150,000 | $1,083,003 | $906,388 | $140,413 | $725,000 | $3,113,843 | $7,118,646 | 2.51 | $9,327,354 | – | N/A | $7,118,646 | 2.31 |
| 2014-15 | 16,346,000 | 1,448,712 | 17,794,712 | 1,150,000 | 1,082,195 | 907,173 | 137,413 | 0 | 3,116,946 | 6,393,726 | 2.78 | 9,952,274 | $1,069,020 | 9.31 | 7,462,746 | 2.19 |
| 2015-16 | 16,346,000 | 1,448,712 | 17,794,712 | 1,150,000 | 1,078,921 | 907,330 | 139,319 | 0 | 3,129,861 | 6,405,430 | 2.78 | 9,940,570 | 4,290,013 | 2.32 | 10,695,443 | 1.53 |
| 2016-17 | 16,346,000 | 1,448,712 | 17,794,712 | 1,150,000 | 1,079,035 | 906,639 | 136,025 | 0 | 3,138,928 | 6,410,626 | 2.78 | 9,935,374 | 4,277,195 | 2.32 | 10,687,821 | 1.53 |
| 2017-18 | 16,346,000 | 1,448,712 | 17,794,712 | 1,150,000 | 1,077,391 | 905,186 | 137,525 | 935,000 | 3,143,426 | 7,348,528 | 2.42 | 8,997,473 | 4,278,144 | 2.10 | 11,626,671 | 1.41 |
| 2018-19 | 16,346,000 | 1,448,712 | 17,794,712 | 1,150,000 | 1,078,842 | 903,225 | 138,825 | 990,000 | 3,148,830 | 7,409,722 | 2.40 | 8,936,279 | 4,276,513 | 2.09 | 11,686,234 | 1.40 |
| 2019-20 | 16,346,000 | 1,448,712 | 17,794,712 | 1,150,000 | 1,183,403 | 3,585,639 | 139,925 | 1,040,000 | 2,761,574 | 9,860,541 | 1.80 | 6,485,459 | 2,434,375 | 2.66 | 12,294,916 | 1.33 |
| 2020-21 | 16,346,000 | 1,448,712 | 17,794,712 | 1,150,000 | 1,185,523 | 1,069,401 | 135,613 | 1,415,000 | 2,930,011 | 7,885,547 | 2.26 | 8,460,453 | 2,438,250 | 3.47 | 10,323,797 | 1.58 |
| 2020-22 | 13,059,000 | 1,448,712 | 14,507,712 | 1,150,000 | 1,184,493 | 1,072,912 | 135,872 | 1,030,000 | 2,398,223 | 6,971,499 | 2.08 | 6,087,501 | 2,432,500 | 2.50 | 9,403,999 | 1.39 |
| 2020-23 | 12,373,000 | 1,448,712 | 13,821,712 | 1,150,000 | 1,180,313 | 1,161,056 | 135,900 | 1,085,000 | 2,395,879 | 7,108,148 | 1.94 | 5,264,852 | 2,373,500 | 2.22 | 9,481,648 | 1.30 |
| 2023-24 | 12,373,000 | 1,448,712 | 13,821,712 | – | 1,177,825 | 1,072,160 | 135,697 | 1,145,000 | 4,153,706 | 7,684,388 | 1.80 | 4,688,612 | 2,366,125 | 1.98 | 10,050,513 | 1.23 |
| 2024-25 | 12,373,000 | 1,448,712 | 13,821,712 | – | 1,757,815 | 1,054,080 | 140,147 | 1,175,000 | 2,460,459 | 6,587,501 | 2.10 | 5,785,499 | 2,349,125 | 2.46 | 8,936,626 | 1.38 |
| 2025-26 | 12,315,000 | 1,448,712 | 13,763,712 | – | 1,758,708 | 1,054,368 | 139,250 | 1,230,000 | 2,465,308 | 6,647,634 | 2.07 | 5,667,366 | 2,344,750 | 2.42 | 8,992,384 | 1.37 |
| 2026-27 | 12,262,000 | 1,448,712 | 13,710,712 | – | – | 5,361,984 | 138,122 | 1,285,000 | 2,467,068 | 9,252,174 | 1.48 | – | – | – | 9,252,174 | – |
| 2027-28 | 12,262,000 | 1,448,712 | 13,710,712 | – | – | – | – | 2,020,000 | 7,280,746 | 9,300,746 | 1.47 | – | – | – | 9,300,746 | – |
| 2028-29 | 1,892,000 | 1,448,712 | 3,340,712 | – | – | – | – | 830,000 | 1,048,765 | 1,878,765 | 1.78 | – | – | – | 1,878,765 | – |
| 2029-30 | 1,892,000 | 1,448,712 | 3,340,712 | – | – | – | – | 830,000 | 1,047,601 | 1,877,601 | 1.78 | – | – | – | 1,877,601 | – |
| 2030-31 | 1,892,000 | 1,448,712 | 3,340,712 | – | – | – | – | 835,000 | 1,086,661 | 1,921,661 | 1.74 | – | – | – | 1,921,661 | – |
| 2031-32 | 1,892,000 | 1,448,712 | 3,340,712 | – | – | – | – | 835,000 | 1,085,208 | 1,920,208 | 1.74 | – | – | – | 1,920,208 | – |
| 2032-33 | 1,892,000 | 1,448,712 | 3,340,712 | – | – | – | – | 835,000 | 1,055,125 | 1,890,125 | 1.77 | – | – | – | 1,890,125 | – |
| 2033-34 | 1,838,000 | 1,448,712 | 3,286,712 | – | – | – | – | 835,000 | 1,056,511 | 1,891,511 | 1.74 | – | – | – | 1,891,511 | – |
| 2034-35 | 1,838,000 | 1,448,712 | 3,286,712 | – | – | – | – | 835,000 | 1,053,189 | 1,888,189 | 1.74 | – | – | – | 1,888,189 | – |
| 2035-36 | 1,838,000 | 1,448,712 | 3,286,712 | – | – | – | – | 835,000 | 1,054,749 | 1,889,749 | 1.74 | – | – | – | 1,889,749 | – |
| 2036-37 | 1,838,000 | 1,448,712 | 3,286,712 | – | – | – | – | 835,000 | 1,055,837 | 1,890,837 | 1.74 | – | – | – | 1,890,837 | – |
| **TOTAL** | | | | **$11,500,000** | **$15,907,463** | **$20,867,539** | **$1,930,044** | **$21,580,000** | **$57,648,454** | **$129,433,500** | | **$99,529,066** | **$34,929,509** | | **$164,363,009** | |

(1) Non-refunded capital appreciation bonds ("CAB") portion.
(2) Assumes this series is not optionally redeemed per its redemption provisions. The Agency may optionally redeem the 2004B Bonds maturing on and after September 1, 2015 on and after September 1, 2014 from proceeds of future refunding bonds if approved by the Department of Finance. Should such a redemption occur in the future, cumulative tax revenue from the date of such refunding will be higher than reflected in the above table.
(3) Assumes this series is not optionally redeemed per its redemption provisions. The Agency may optionally redeem the 2010 Bonds maturing on and after September 1, 2021 on or after September 1, 2020 from proceeds of future refunding bonds if approved by the Department of Finance. Should such a redemption occur in the future, cumulative tax revenue from the date of such refunding will be higher than reflected in the above table.
(4) Includes amounts in the 2007 Coverage Accounts. See "THE MERGED PROJECT AREAS–2007 Coverage Accounts."
(5) Excludes amounts in the 2007 Coverage Accounts. See "THE MERGED PROJECT AREAS–2007 Coverage Accounts."

Sources: Fraser & Associates (Tax Revenues) and RBC Capital Markets, LLC (debt service coverage).

# Table 9B
# Richmond Community Redevelopment Agency Successor Agency
# Merged Project Areas
# Projected Debt Service Coverage
# (Assuming 2% Growth)

| Fiscal Year | Total Tax Revenues | 2007 Coverage Accounts | Total Pledged Revenues (for Senior Obligations) | 1998 Tax Allocation Revenue Bond[1] | 2003B Tax Allocation Revenue Bond | 2004A Tax Allocation Revenue Bond | 2004B Tax Allocation Revenue Bond[2] | 2007B Subordinate Tax Allocation Bonds | Subordinate Tax Allocation Refunding Bond 2010A[3] | Senior Obligations | Senior Coverage[4] | Successor Agency Refunding Revenues[5] | Series 2014 Refunding Bonds | Coverage from Successor Agency Refunding Revenues | Total All Debt | All In Coverage[5] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2013-14 | $16,446,000 | $1,448,712 | $17,894,712 | $1,150,000 | $1,083,003 | $906,388 | $140,413 | $725,000 | $3,113,843 | $7,118,646 | 2.51 | $9,327,354 | – | N/A | $7,118,646 | 2.31 |
| 2014-15 | 16,317,000 | 1,448,712 | 17,765,712 | 1,150,000 | 1,082,195 | 907,173 | 137,413 | 0 | 3,116,946 | 6,393,726 | 2.78 | 9,923,274 | $1,069,020 | 9.28 | 7,462,746 | 2.19 |
| 2015-16 | 16,614,000 | 1,448,712 | 18,062,712 | 1,150,000 | 1,078,921 | 907,330 | 139,319 | 0 | 3,129,861 | 6,405,430 | 2.82 | 10,208,570 | 4,290,013 | 2.38 | 10,695,443 | 1.55 |
| 2016-17 | 16,910,000 | 1,448,712 | 18,358,712 | 1,150,000 | 1,079,035 | 906,639 | 136,025 | 0 | 3,138,928 | 6,410,626 | 2.86 | 10,499,374 | 4,277,195 | 2.45 | 10,687,821 | 1.58 |
| 2017-18 | 17,209,000 | 1,448,712 | 18,657,712 | 1,150,000 | 1,077,391 | 905,186 | 137,525 | 935,000 | 3,143,426 | 7,348,528 | 2.54 | 9,860,473 | 4,278,144 | 2.30 | 11,626,671 | 1.48 |
| 2018-19 | 17,511,000 | 1,448,712 | 18,959,712 | 1,150,000 | 1,078,842 | 903,225 | 138,825 | 990,000 | 3,148,830 | 7,409,722 | 2.56 | 10,101,279 | 4,276,513 | 2.36 | 11,686,234 | 1.50 |
| 2019-20 | 17,815,000 | 1,448,712 | 19,263,712 | 1,150,000 | 1,183,403 | 3,585,639 | 139,925 | 1,040,000 | 2,761,574 | 9,860,541 | 1.95 | 7,954,459 | 2,434,375 | 3.27 | 12,294,916 | 1.45 |
| 2020-21 | 18,197,000[6] | 1,448,712 | 19,645,712 | 1,150,000 | 1,185,523 | 1,069,401 | 135,613 | 1,415,000 | 2,930,011 | 7,885,547 | 2.49 | 10,311,453 | 2,438,250 | 4.23 | 10,323,797 | 1.76 |
| 2020-22 | 14,978,000 | 1,448,712 | 16,426,712 | 1,150,000 | 1,184,493 | 1,072,912 | 135,872 | 1,030,000 | 2,398,223 | 6,971,499 | 2.36 | 8,006,501 | 2,432,500 | 3.29 | 9,403,999 | 1.59 |
| 2020-23 | 14,555,000 | 1,448,712 | 16,003,712 | 1,150,000 | 1,180,313 | 1,161,056 | 135,900 | 1,085,000 | 2,395,879 | 7,108,148 | 2.25 | 7,446,852 | 2,373,500 | 3.14 | 9,481,648 | 1.54 |
| 2023-24 | 14,932,000 | 1,448,712 | 16,380,712 | | 1,177,825 | 1,072,160 | 135,697 | 1,145,000 | 4,153,706 | 7,684,388 | 2.13 | 7,247,612 | 2,366,125 | 3.06 | 10,050,513 | 1.49 |
| 2024-25 | 15,316,000 | 1,448,712 | 16,764,712 | – | 1,757,815 | 1,054,080 | 140,147 | 1,175,000 | 2,460,459 | 6,587,501 | 2.54 | 8,728,499 | 2,349,125 | 3.72 | 8,936,626 | 1.71 |
| 2025-26 | 15,639,000 | 1,448,712 | 17,087,712 | – | 1,758,708 | 1,054,368 | 139,250 | 1,230,000 | 2,465,308 | 6,647,634 | 2.57 | 8,991,366 | 2,344,750 | 3.83 | 8,992,384 | 1.74 |
| 2026-27 | 15,972,000 | 1,448,712 | 17,420,712 | – | – | 5,361,984 | 138,122 | 1,285,000 | 2,467,068 | 9,252,174 | 1.88 | – | – | – | 9,252,174 | – |
| 2027-28 | 16,373,000 | 1,448,712 | 17,821,712 | – | – | – | – | 2,020,000 | 7,280,746 | 9,300,746 | 1.92 | – | – | – | 9,300,746 | – |
| 2028-29 | 4,315,000 | 1,448,712 | 5,763,712 | – | – | – | – | 830,000 | 1,048,765 | 1,878,765 | 3.07 | – | – | – | 1,878,765 | – |
| 2029-30 | 4,557,000 | 1,448,712 | 6,005,712 | – | – | – | – | 830,000 | 1,047,601 | 1,877,601 | 3.20 | – | – | – | 1,877,601 | – |
| 2030-31 | 4,803,000 | 1,448,712 | 6,251,712 | – | – | – | – | 835,000 | 1,086,661 | 1,921,661 | 3.25 | – | – | – | 1,921,661 | – |
| 2031-32 | 5,042,000 | 1,448,712 | 6,490,712 | – | – | – | – | 835,000 | 1,085,208 | 1,920,208 | 3.38 | – | – | – | 1,920,208 | – |
| 2032-33 | 5,285,000 | 1,448,712 | 6,733,712 | – | – | – | – | 835,000 | 1,055,125 | 1,890,125 | 3.56 | – | – | – | 1,890,125 | – |
| 2033-34 | 5,464,000 | 1,448,712 | 6,912,712 | – | – | – | – | 835,000 | 1,056,511 | 1,891,511 | 3.65 | – | – | – | 1,891,511 | – |
| 2034-35 | 5,716,000 | 1,448,712 | 7,164,712 | – | – | – | – | 835,000 | 1,053,189 | 1,888,189 | 3.79 | – | – | – | 1,888,189 | – |
| 2035-36 | 5,973,000 | 1,448,712 | 7,421,712 | – | – | – | – | 835,000 | 1,054,749 | 1,889,749 | 3.93 | – | – | – | 1,889,749 | – |
| 2036-37 | 6,236,000 | 1,448,712 | 7,684,712 | – | – | – | – | 835,000 | 1,055,837 | 1,890,837 | 4.06 | – | – | – | 1,890,837 | – |
| **TOTAL** | | | | **$11,500,000** | **$15,907,463** | **$20,867,539** | **$1,930,044** | **$21,580,000** | **$57,648,454** | **$129,433,500** | | **$118,607,066** | **$34,929,509** | | **$164,363,009** | |

(1) Non-refunded CAB portion.

(2) Assumes this series is not optionally redeemed per its redemption provisions. The Agency may optionally redeem the 2004B Bonds maturing on and after September 1, 2015 on and after September 1, 2014 from proceeds of future refunding bonds if approved by the Department of Finance. Should such a redemption occur in the future, cumulative tax revenue from the date of such refunding will be higher than reflected in the above table.

(3) Assumes this series is not optionally redeemed per its redemption provisions. The Agency may optionally redeem the 2010 Bonds maturing on and after September 1, 2021 on or after September 1, 2020 from proceeds of future refunding bonds if approved by the Department of Finance. Should such a redemption occur in the future, cumulative tax revenue from the date of such refunding will be higher than reflected in the above table.

(4) Includes amounts in the 2007 Coverage Accounts. See "THE MERGED PROJECT AREAS–2007 Coverage Accounts."

(5) Excludes amounts in the 2007 Coverage Accounts. See "THE MERGED PROJECT AREAS–2007 Coverage Accounts."

(6) Assumes that the real property value of the Nevin Center No. 10-B (2005 Amendment Area) Constituent Project Area increases above its base year value. See also "–Constituent Project Area–*Nevin Center No. 10-B Project Area*."

Sources: Fraser & Associates (Tax Revenues) and RBC Capital Markets, LLC (debt service coverage).

## CERTAIN RISKS TO BONDOWNERS

*The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating a purchase of the Refunding Bonds. However, they do not constitute an exhaustive listing of risks and other considerations which may be relevant to an investment in the Refunding Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.*

### Recognized Obligation Payment Schedules

The Dissolution Act provides that only those payments listed in a ROPS may be made by the Successor Agency from the funds specified in such ROPS. If the Successor Agency were to fail to timely complete a ROPS with respect to a six-month period, the availability of Tax Revenues to the Successor Agency to pay debt service on the Refunding Bonds could be adversely affected for such period. See "PROPERTY TAX REVENUE FINANCING UNDER THE DISSOLUTION ACT–Recognized Obligation Payment Schedules" and "SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS–Pledge of Successor Agency Refunding Revenues."

### Estimates of Property Tax Revenues

In estimating that the total property tax revenues to be received by the Successor Agency will be sufficient to pay debt service on the Refunding Bonds, the Successor Agency and the Fiscal Consultant relied on actual historical tax increment and made certain assumptions with regard to future assessed valuations in the Merged Project Area, future tax rates and the percentage of taxes collected and the outcome of assessment appeals. See "THE MERGED PROJECT AREAS–Taxable Values and Property Tax Revenues," Table 6–"Ten Major Property Tax Assessees" and APPENDIX B–"REPORT OF THE FISCAL CONSULTANT." The Successor Agency and the Fiscal Consultant believe these assumptions are reasonable, but there is no assurance that these assumptions will be realized and to the extent that the assessed valuation and the tax rates are less than expected, the total amount of property tax revenues available to pay debt service on the Refunding Bonds will be reduced. Such reduced property tax revenues may be insufficient to provide for the payment of debt service on the Refunding Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS."

### Concentration of Tax Base

Approximately 22% of the assessed value in the Merged Project Areas is attributable to 10 assessees, the majority of which are located in the Harbour No. 11-A Project Area. The occurrence of a localized catastrophic event within this Project Area could result in a reduction in assessed value and have a significant detrimental impact on the amount of the Successor Agency Refunding Revenues allocable to the Merged Project Areas available to secure the Refunding Bonds. See Table 6–"Ten Major Property Tax Assessees" and "PROJECTED DEBT SERVICE COVERAGE." See also "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS–Property Tax Collection Procedures–*County Tax Losses Reserve Fund (Teeter Plan)*."

### Appeals to Assessed Values

There are two basic types of assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the County assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the County assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs. The second type of appeal, commonly referred to as a Proposition 8 appeal, can result if factors occur causing a decline in the market value of the property to

a level below the property's then current taxable value (escalated base year value). Pursuant to California law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

In the County, a property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the Contra Costa County Assessment Appeals Board (the "Appeals Board"). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of the application by the Contra Costa County Assessor's Office (the "County Assessor"), the County Assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the County Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted. For Fiscal Years 2008-09 through 2009-10, Proposition 8 reductions within the Merged Project Areas resulted in a temporary reduction equal to $718.4 million in value for 5,005 residential parcels, and a reduction equal to $85.1 million for Fiscal Years 2090-10 through 2012-13. As the economy has improved, the County Assessor has begun to reverse the prior Proposition 8 reductions. See "INTRODUCTION–Recent Developments Regarding Possible Eminent Domain Proceedings," "THE MERGED PROJECT AREAS–Appeals and Other Reductions to Assessed Values–*Proposition 8 Appeals*" and "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS–Property Tax Collection Procedures."

An appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant property owner. A reduction in taxable values within the Merged Project Area and the refund of taxes which may arise out of successful appeals by these owners will affect the amount of Successor Agency Refunding Revenues available to pay debt service on the Refunding Bonds. See also "THE MERGED PROJECT AREA–Appeals and Other Reductions to Assessed Values."

**Reduction in Taxable Value**

Pledged Successor Agency Refunding Revenues allocated to the RPTTF are determined by the amount of incremental taxable value in the Merged Project Areas and the current rate or rates at which property in each Constituent Project Area is taxed. The reduction of taxable values of property in the Merged Project Areas caused by economic factors beyond the control of the Successor Agency, such as relocation out of the Merged Project Areas by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the Successor Agency Refunding Revenues that provide for the repayment of and secure the Senior Obligations, the Refunding Bonds and any Parity Bonds. Such reduction of Successor Agency Refunding Revenues could have an adverse effect on the ability of the Successor Agency to make timely payments of principal of and interest on the Refunding Bonds and Parity Bonds.

As described in greater detail under "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS–Article XIII A of the California Constitution," Article XIII A provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining

property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the Refunding Bonds could reduce Successor Agency Refunding Revenues securing the Senior Obligations and the Refunding Bonds.

In addition to the other limitations on, and required application under the Dissolution Act of Successor Agency Refunding Revenues on deposit in the Redevelopment Property Tax Trust Fund, described herein under the heading "CERTAIN RISKS TO BONDOWNERS," the State electorate or Legislature could adopt a constitutional or legislative property tax reduction with the effect of reducing Successor Agency Refunding Revenues allocated to the RPTTF and available to the Successor Agency. Although the federal and State Constitutions include clauses generally prohibiting the Legislature's impairment of contracts, there are also recognized exceptions to these prohibitions. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could reduce the Successor Agency Refunding Revenues and adversely affect the source of repayment and security of the Senior Obligations, the Refunding Bonds and any Parity Bonds.

**Bankruptcy and Foreclosure**

The enforceability of the rights and remedies of the owners of the Refunding Bonds and the obligations of the Successor Agency may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Refunding Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

In addition, although bankruptcy proceedings would not cause *ad valorem* property taxes to become extinguished, bankruptcy of a property owner in the Merged Project Areas could result in a delay in prosecuting superior court foreclosure proceedings of delinquent property and, in the absence of the Teeter Plan, could result in a delay in the receipt by the Successor Agency of tax revenues. Such a delay, in the absence of the Teeter Plan, would increase the possibility of a delay or default in payment of the principal of and interest on the Refunding Bonds.

**Risks Associated with Bond Insurance**

In the event of default of the payment of principal or interest with respect to the Refunding Bonds when all or some becomes due, any owner of the Refunding Bonds shall have a claim under the Policy for such payments. See "BOND INSURANCE" and APPENDIX H–"SPECIMEN MUNICIPAL BOND INSURANCE POLICY." However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Refunding Bonds by the Successor Agency which is recovered by the Successor Agency from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by BAM at such time and in such amounts as would have been due absence such prepayment by the Successor Agency unless BAM chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of BAM without appropriate consent. BAM may direct and must consent to any remedies and the consent of BAM may be required in connection with amendments to any applicable bond documents.

In the event BAM is unable to make payment of principal and interest as such payments become due under the Policy, the Refunding Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event BAM becomes obligated to make payments with respect to the Refunding Bonds, no assurance is given that such event will not adversely affect the market price of the Refunding Bonds or the marketability (liquidity) for the Refunding Bonds.

The long-term insured rating on the Refunding Bonds is dependent in part on the financial strength of BAM and its claim paying ability. The financial strength and claims paying ability of BAM are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of BAM and of the ratings on the Refunding Bonds insured by BAM will not be subject to downgrade and such event could adversely affect the market price of the Refunding Bonds or the marketability (liquidity) for the Refunding Bonds. See "RATINGS."

The obligations of BAM are contractual obligations and in an event of default by BAM, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the Successor Agency nor the Underwriter have made independent investigation into the claims paying ability of BAM and no assurance or representation regarding the financial strength or projected financial strength of BAM is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Successor Agency to pay principal and interest on the Refunding Bonds and the claims paying ability of BAM, particularly over the life of the investment. See "BOND INSURANCE" for further information provided by BAM and APPENDIX H–"SPECIMEN MUNICIPAL BOND INSURANCE POLICY" for the Policy, which includes further instructions for obtaining current financial information concerning BAM.

**Investment Risk**

All funds held under the Trust Agreement are required to be invested in Permitted Investments as provided therein. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT–DEFINITIONS." The Special Fund, into which all Successor Agency Refunding Revenues are initially deposited, may be invested by the Successor Agency in Permitted Investments. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Trust Agreement in the Special Fund could have a material adverse affect on the security for the Refunding Bonds.

**General Economic Risks**

The ability of the Successor Agency to make payments on the Refunding Bonds will be dependent upon the economic strength of the Merged Project Areas. If there is a decline in the general economy of the area, the owners of property within the Merged Project Areas may be less able or less willing to make timely payments of property taxes causing a delay or cessation in receipt of tax revenues by the Successor Agency. In addition, the insolvency or bankruptcy of one or more large owners of property within the Merged Project Areas could delay or impair the receipt of Successor Agency Refunding Revenues.

**Natural Disasters**

There are several geological faults in the greater San Francisco Bay Area that have the potential to cause serious earthquakes which could result in damage to buildings, roads, bridges, and property within the Merged Project Areas and the City. The City is located in the Hayward Fault Zone. Past experiences, including the 1989 Loma Prieta earthquake on the San Andreas fault, with a magnitude of 7.1 on the Richter scale and with the epicenter located in Santa Cruz, approximately 65 miles south of the City, have resulted in minimal damage to the infrastructure and property within the City. It is possible that new geological faults could be discovered in the area and a significant earthquake along these or other faults is possible during the period that the Refunding Bonds will be outstanding which may cause a delay or suspension of receipt of tax increment revenues by the Successor Agency.

Significant portions of the Harbour No. 11-A Project Area (representing approximately 21% of the total acreage and approximately 53% of the assessed value of the Merged Project Area based on the Fiscal Year 2013-14 assessed value (excluding the Nevin Center No. 10-B Project Area, which since Fiscal Year 2009-10 has been below its base year value) are situated on landfill. During an earthquake, landfill areas are subject to liquefaction, which is the temporary change of a saturated soil or fill to a liquid with the loss of support strength for structures. Commercial properties, residential properties and infrastructure in this project area could sustain damage in a major seismic event from ground motion and liquefaction of underlying soils. This could result in a substantial reduction or suspension of receipt of tax increment revenues by the Successor Agency from these areas.

**Climate Change**

In March 2009, the California Climate Change Center released a draft paper, for informational purposes only, which was funded by the California Energy Commission, the California Environmental Protection Agency, the Metropolitan Transportation Commission, the California Department of Transportation and the California Ocean Protection Council. The title of the paper is "The Impacts of Sea-Level Rise on the California Coast." The paper posits that increases in sea level will be a significant consequence of climate change over the next century.

Local impacts of climate change are not definitive, but the City could experience changes to local and regional weather patterns; rising bay water levels; increased risk of flooding; changes in salinity and tidal patterns of San Francisco and San Pablo bays; coastal erosion; water restrictions; and vegetation changes. The San Francisco Bay Conservation and Development Commission identified several portions of the shoreline in the City which may be affected by sea level rise.

The adoption by the State of the California Global Warming Solutions Act of 2006 (AB 32) and subsequent companion bills demonstrate the commitment by the State to take action and reduce greenhouse gases (GHG) to 1990 levels by 2020. The State Attorney General's Office, in accordance with SB 375, now requires that local governments examine local policies and large-scale planning efforts to determine how to reduce greenhouse gas emissions.

The City is taking steps to reduce its GHG emissions and mitigate the potential effects of climate change, both through its municipal operations and by encouraging residents, industry, businesses and developers to reduce their energy consumption. In February 2010, the City completed its initial Citywide GHGs emissions inventory as a means of establishing a baseline for greenhouse gas emissions, identifying existing sources of energy use and providing a foundation which will enable the City to develop relevant energy and climate change policies and programs to reduce GHG emissions.

On April 25, 2012, the City Council adopted a new General Plan ("General Plan 2030") to provide a comprehensive framework for developing a healthy City and healthy neighborhoods and guide sustainable growth and development within the City. While General Plans are required by the State to

contain seven elements, 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 is one of the first cities in the country to include a comprehensive element dedicated to community health and wellness.

General Plan 2030 seeks to accommodate open space and increased access to public parks as well as growth in mixed-use, high-density infill development around the City's intermodal transit center and along its key commercial transit corridors and also articulates a vision for revitalizing the City's Southern Gateway area anchored by the Richmond Field Station site, which is the Lawrence Berkeley National Laboratory's preferred site for their second campus.

Climate change concerns are leading to new laws and regulations at the federal, State and local levels. The Successor Agency is unable to predict the impact such laws and regulations, if adopted, will have on development within the Merged Project Areas. The effects, however, could be material.

**Brownfields**

Development in certain of constituent project areas is complicated by the presence or perceived presence of contaminants. These areas of contamination or suspected contamination are often referred to as "brownfields." The Agency has initiated a toxic remediation program, the goal of which is to convert brownfields into viable sites for development. For example, the Marina Bay development is a successful conversion of a brownfield area into vibrant commercial and residential development. However there can be no guarantee that similar efforts in other project areas will be successful. If hazardous substances cannot be removed or sufficiently remediated in a cost effective manner, the development proposed for a particular project area may never be realized and the Agency may not receive any tax increment revenues from such Project Area(s).

**Hazardous Substances**

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the Merged Project Areas. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the Merged Project Areas be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition and/or other amounts.

The City, through the Former Agency, intended to undertake a known pollution remediation project at the proposed Miraflores Housing Development site. The Successor Agency assumed the administration of the project as of February 1, 2012.

The Successor Agency plans to clean up a 14-acre former flower nursery site to provide for future residential and open space land uses. The property is currently owned by the Successor Agency. A Remedial Action Plan has been completed and the cost of the preferred alternative remediation was originally estimated to be $3,200,000.

During Fiscal Year 2011-12, the Former Agency increased the remediation estimate to $9,000,000. From July 1, 2011 to January 31, 2012, the Former Agency spent $3,947,749 in remediation costs. As a result of the Dissolution Act, that pollution liability in the amount of $3,452,323 was assumed by the Successor Agency. From February 1, 2012 to June 30, 2012, the Successor Agency spent $887,038 in pollution remediation costs, leaving a pollution liability of $2,565,285 as of June 30, 2012.

During Fiscal Year 2012-13, the Successor Agency spent $878,871 (unaudited) in pollution remediation costs, leaving a pollution liability of $1,843,460 (unaudited) as of June 30, 2013. The Successor Agency recorded this amount as an accrued liability in the Statement of Fiduciary Net Assets, however this obligation is an estimate and is subject to changes regulating from price increases or reductions, technology, or changes in applicable laws or regulations.

**Levy and Collection of Taxes**

The Successor Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the tax revenues, and accordingly, could have an adverse impact on the ability of the Successor Agency to pay debt service on the Refunding Bonds. In addition, the impact of bankruptcy proceedings on the legal ability of taxing agencies to collect property taxes could have an adverse affect on the Successor Agency's ability to make debt service payments.

Likewise, delinquencies in the payment of property taxes by the owners of land in a Constituent Project Area, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes, could have an adverse effect on the ability of the Successor Agency to make timely payments on the Refunding Bonds. Any reduction in Successor Agency Refunding Revenues, whether for any of these reasons or any other reasons, could have an adverse effect on the ability of the Successor Agency to pay the principal of and interest on the Refunding Bonds

**Reductions in Inflationary Rate**

Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. For Fiscal Year 2014-15 (except for reductions due to appeals and Proposition 8 reductions), the Fiscal Consultant assumed constant property values and used a 2% inflation factor to increase real property values in the Merged Project Areas thereafter. A 2% factor is the maximum inflation factor that county assessors can use to increase real property values. However, in certain Fiscal Years, including Fiscal Years 2010-11 and 2011-12, the inflation factor has been less than 2%. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS."

**State Budget Related Matters**

***Dissolution Act and AB 1484***. The Dissolution Act and AB 1484 were enacted by the State Legislature and Governor as trailer bills necessary to implement provisions of the State's budget acts for Fiscal Years 2011-12 and 2012-13, respectively. The Fiscal Year 2011-12 State budget included projected State savings estimated to aggregate $1.7 billion in Fiscal Year 2011-12 associated with AB X1 27, which would have allowed redevelopment agencies to continue in operation provided their establishing cities or counties agreed to make an aggregate $1.7 billion in payments to K-12 schools. However, AB X1 27 was found in December 2011 by the California Supreme Court to violate the State Constitution, which altered this budgetary plan of the State. According to the State's Summary of the Fiscal Year 2012-13 State budget, AB 1484 implements a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs (projected savings of $1.5 billion). There can be no assurance that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or the Successor Agency Refunding Revenue.

The full text of each State Assembly bill cited above may be obtained from the "Official California Legislative Information" website maintained by the Legislative Counsel of the State of California pursuant to State law, at the following web link: http://www.leginfo.ca.gov/bilinfo.html.

Information about the State budget and State spending is available at various State maintained websites. Text of the 2012-13 Budget Summary, the current State budget, and other documents related to the State budget may be found at the website of the Department of Finance, *www.dof.ca.gov*. A nonpartisan analysis of the budget is posted by the Legislative Analyst's Office at *www.lao.ca.gov*. In addition, various State official statements, many of which contain a summary of the current and past State budget Treasurer, *www.treasurer.ca.gov*.

***2009 SERAF Legislation***. In connection with the Fiscal Year 2009-10 State budget, Assembly Bill X426 (Chapter 21, Statutes 29) was adopted directing that a portion of the incremental property taxes received by redevelopment agencies, be paid to the county supplemental educational revenue augmentation fund (the "SERAF") in Fiscal Year 2009-10 and 2010-11. The Former Agency did not have the resources to make these payments and instead was able to enter into a structured payment plan agreement with the Department of Finance that allows the payments to the County to be made over a 10 year period. The loan bears interest at a rate of 2%. Payments of interest have been made annually. Payments of principal and interest are due on an annual commencing May 10, 2014.

**AB 1484 Penalty for Failure to Remit Unencumbered Funds**

AB 1484 further implements certain provisions of the Dissolution Act including establishing a process for determining the liquid assets that redevelopment agencies should have shifted to their successor agencies when they were dissolved, and the amount that should be available for remittance by the successor agencies to their respective county auditor-controller for distribution to affected taxing entities within the project areas of the former redevelopment agencies. This determination process is required to be completed through the final step (review by the Department of Finance) by November 9, 2012 with respect to affordable housing funds and by April 1, 2013 with respect to non-housing funds. Within five business days of receiving notification from the Department of Finance, the successor agency is required to remit to the county auditor-controller the amount of unobligated balances determined by the Department of Finance, or it may request a meet and confer with the Department of Finance to resolve any disputes. If there is a meet and confer process, the successor agency is required to remit the amount of unobligated balances within five working days of receiving a subsequent notification from the Department of Finance of the amount of unobligated balances at the conclusion of that process.

If a successor agency failed to remit the amounts determined by the Department of Finance by the respective deadlines, certain penalties and remedies apply, including, if the city that established the redevelopment agency is performing the duties of the successor agency, the Department of Finance may order an offset to the city's sales and use tax revenues equal to the amount the successor agency fails to remit. If the Department of Finance does not order an offset, the county auditor-controller may reduce the property tax allocation of the city. Alternatively or in addition to the remedies summarized above, the Department of Finance may direct the county auditor-controller to deduct the unpaid amount from future allocations of property tax to the successor agency under Section 34183 of the Dissolution Act until the amounts required to be remitted are paid.

The Successor Agency has *not* completed the process described above, and with respect to non-housing funds, the Successor Agency also has *not* remitted to the County Auditor-Controller the amounts of unobligated balances determined by the Department Finance within the time frames required under AB 1484. Since this procedure for remittance of unencumbered balance is new, the Successor Agency cannot predict whether circumstances outside of the Successor Agency's control may introduce complications in the process that may have an adverse consequence on the Successor Agency Refunding Revenues that secure the Refunding Bonds. See also "PROPERTY TAX REVENUE FINANCING UNDER THE

DISSOLUTION ACT–Recognized Obligation Payment Schedule–Recognized Obligation Payment Schedule–Finding of Completion Status."

As of the effective date of the dissolution of the Former Agency, there were no unencumbered affordable housing funds. The Successor Agency does not believe that the Department of Finance will order any offsets against amounts to be remitted to the Successor Agency.

**No Validation of the Refunding Bonds**

California Code of Civil Procedure Section 860 authorizes public agencies to institute a process, known as a "validation proceeding," for purposes of determining the validity of a resolution or any action taken pursuant thereto. Section 860 authorizes a public agency to institute validation proceedings in cases where another statute authorizes its use. California Government Code Section 53511 authorizes a local agency to "bring an action to determine the validity of its bonds, warrants, contracts, obligations or evidences of indebtedness." Pursuant to Code of Civil Procedure Section 870, a final favorable judgment issued in a validation proceeding shall, notwithstanding any other provision of law, be forever binding and conclusive, as to all matters herein adjudicated or which could have been adjudicated, against all persons: "The judgment shall permanently enjoin the institution by any person of any action or proceeding raising any issue as to which the judgment is binding and conclusive."

The Successor Agency has not undertaken or endeavored to undertake any validation proceeding in connection with the issuance of the Refunding Bonds. The Successor Agency and Bond Counsel have relied on the provisions of AB 1484 authorizing the issuance of the Refunding Bonds and specifying the related deadline for any challenge to the Refunding Bonds to be brought. Specifically, Section 34177.5(e) of the Dissolution Act provides that notwithstanding any other law, an action to challenge the issuance of bonds (such as the Refunding Bonds), the incurrence of indebtedness, the amendment of an enforceable obligation, or the execution of a financing agreement authorized under Section 34177.5, must be brought within 30 days after the date on which the oversight board approves the resolution of the successor agency approving the such financing. Such challenge period expired with respect to the Refunding Bonds and the Oversight Board Resolution on July 30, 2013.

**Changes in the Law**

In addition to the other limitations on tax revenues described herein under "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS" the California electorate or Legislature could adopt a constitutional or legislative change that decreases property taxes or the amount thereof allocable to the Successor Agency with the effect of reducing tax revenues payable to the Successor Agency. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could reduce such tax revenues and adversely affect the security for the Refunding Bonds.

## LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS

**Article XIII A of the California Constitution**

California voters, on June 6, 1978, approved an amendment (commonly known as Proposition 13) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value', or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, a reduction in the consumer price index or comparable local data, or declining property value caused by

damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition.

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend Article XIII A. Proposition 58 amends Article XIII A to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first $1,000,000 of other property between parents and children.

Proposition 60 amends Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in the same county, and to transfer the old residence's assessed value to the new residence. Pursuant to Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60.

***Challenges to Article XIII A***. On September 22, 1978, the California Supreme Court upheld the amendment over challenges on several state and federal constitutional grounds (*Amador Valley Joint Union High School District v. State Board of Equalization*). The Court reserved certain constitutional issues and the validity of legislation implementing the amendment for future determination in proper cases. Since 1978, several cases have been decided interpreting various provisions of Article XIII A; however, none of them have questioned the ability of redevelopment agencies to use tax allocation financing. The United States Supreme Court upheld the validity of the assessment procedures of Article XIII A in *Nordlinger v. Hahn*.

The Successor Agency cannot predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the Successor Agency's receipt of Successor Agency Refunding Revenues should a future decision hold unconstitutional the method of assessing property.

***Implementing Legislation***. Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1.00 per $100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs, except for certain utility property assessed by the State Board of Equalization. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The Successor Agency is unable to predict the nature or magnitude of future revenue sources which may be provided by the State of California to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

***Litigation Relating to Property Assessments***. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2% for properties that have not changed hands, depending on the assessor's measure of the restoration of value of the damaged property. The California courts have upheld the constitutionality of this procedure.

**Article XIII B of the California Constitution**

On November 6, 1979, California voters approved Proposition 4, which added Article XIII B to the California Constitution. Propositions 98 and 111, approved by the California voters in 1988 and 1990 respectively, substantially modify Article XIII B. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The initial version of Article XIII B provided that the "base year" for establishing an appropriations limit was the 1978-79 Fiscal Year, which was then adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Proposition 111 revised the method for making annual adjustments to the appropriations limit by redefining changes in the cost of living and in population. It also required that beginning in Fiscal Year 1990-91, each appropriations limit must be recalculated using the actual Fiscal Year 1986-87 appropriations limit and making the applicable annual adjustments as if the provisions of Proposition 111 had been in effect.

Appropriations subject to limitation of a local government under Article XIII B generally include any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity, exclusive of refunds of taxes. Proceeds of taxes include, but are not limited to, all tax revenues plus the proceeds to an entity of government from (1) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), (2) the investment of tax revenues, and (3) certain subventions received from the State.

As amended by Proposition 111, Article XIII B provides for testing of appropriations limits over consecutive two-year periods. If an entity's revenues in any two-year period exceed the amounts permitted to be spent over such period, the excess has to be returned by revising tax rates or fee schedules over the subsequent two years. As amended by Proposition 98, Article XIII B provides for the payment of a portion of any excess revenues to a fund established to assist in financing certain school needs.

Effective September 30, 1980, the California Legislature added Section 33678 to the Redevelopment Law which provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by such agency of proceeds of taxes levied by or on behalf of such agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of the proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678. The constitutionality of Section 33678 has been upheld in two California appellate court decisions, *Brown v. Community Redevelopment Agency of the City of Santa Ana* and *Bell Community Redevelopment Agency v. Woosley*. The plaintiff in *Brown v. Community Redevelopment Agency of the City of Santa A*na petitioned the California Supreme Court for a hearing of this case. The California Supreme Court formally denied the petition and therefore the earlier court decisions are now final and binding.

**Articles XIII C and XIII D of the California Constitution**

On November 5, 1996, the voters of the State approved Proposition 218. Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of local entities of government to levy and collect both existing and future taxes, assessments, fees and charges. Article XIII C to the State Constitution provides that any tax assessment or charge may be repealed by the State's initiative process. However, since the Refunding Bonds are not payable from or secured by any such sources of revenue, Proposition 218 does not affect the issuance or sale of, or the security for, the Refunding Bonds.

**Proposition 87**

On November 8, 1988 the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the California Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on bonded indebtedness approved by the voters of the taxing entity after January 1, 1989 will be allocated to the taxing entity and not to the redevelopment agency. Because this provision is not retroactive, the Successor Agency does not believe the provisions of Proposition 87 can have a material adverse effect on the ability of the Successor Agency to pay debt service on the Refunding Bonds.

**Property Tax Collection Procedures**

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

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

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

In 1978, the voters of the State passed Proposition 8, a constitutional amendment to Article XIII A that allows a temporary reduction in assessed value when real property suffers a decline in value. A decline in value occurs when the current market value of real property is less than the current assessed (taxable) factored base year value as of the lien date, January 1. See also "THE MERGED PROJECT AREAS–Taxable Values and Tax Increment Revenues."

***Classifications***. In California, property that is subject to *ad valorem* taxation is classified as "secured" or "unsecured." Secured and unsecured property is entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by a county becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax that becomes a lien on secured property has priority over all other liens arising pursuant to State law on the secured property, regardless of the time of the creation of the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer.

***Collections***. The County collects the *ad valorem* property taxes. Taxes arising from the basic one percent levy are apportioned among local taxing agencies on the basis of a formula established by State law in 1979. Under this formula, the City receives a base year allocation plus an allocation on the basis of growth in assessed value (consisting of new construction, change of ownership and inflation). Taxes relating to voter-approved indebtedness are allocated to the relevant taxing agency. Taxes relating to voter-approved pension costs are allocated to the taxing agency.

The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured personal property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes that are delinquent.

***Delinquencies***. Except for property assessed by the State, the valuation of property is determined as of January l each year and equal installments of taxes levied upon secured property become delinquent after the following December 10 and April 10. Taxes on unsecured property are due January 1. Unsecured taxes enrolled by July 31, if unpaid, are delinquent August 31 at 5:00 p.m. and are subject to penalty; unsecured taxes added to roll after July 31, if unpaid, are delinquent on the last day of the month succeeding the month of enrollment.

Current tax payment practices by the County provide for payment to the Successor Agency of tax revenues on a semiannual basis. Tax increment is allocated to the Successor Agency based on 100% of the calculated tax levy.

***Penalty***. A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll and not paid by the due date. In addition, property on the secured roll on which taxes are delinquent are declared in default with respect to such property on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption and a $15 cost. Because the County allocates property taxes to the Successor Agency based on 100% of the tax levy, the County retains all such penalties and interest. See "*–County Tax Losses Reserve Fund (Teeter Plan)*."

***County Tax Losses Reserve Fund (Teeter Plan)***. The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code and has created a tax loss reserve fund (the "Tax Losses Reserve Fund"). Under the Teeter Plan, each participating local agency levying property taxes in the County receives the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency. The constitutionality of the Teeter Plan was upheld in *Corrie v. County of Contra Costa*, 110 Cal. App. 2d 210 (1952). The County was the first Teeter Plan county in the State when the Teeter Plan was enacted by the State Legislature in 1949.

The Contra Costa County Auditor Controller (the "County Auditor") reports that, to date, the Tax Losses Reserve Fund has proved adequate to meet all tax and special assessment delinquencies, with the effect that, each year, the City has received the full amount of taxes levied and assessment installments posted to the tax bill. There can be no guarantee, however, that the County Tax Losses Reserve Fund will

continue to be sufficient to meet such delinquencies in the future. The County has the power to unilaterally discontinue the Teeter Plan on a countywide basis with respect to one or more categories, including general taxes, special taxes or special assessment installments. The Teeter Plan may also be discontinued by petition of two-thirds (2/3) of the participant taxing agencies.

***Property Tax Administrative Charges***. In 1990, the State Legislature enacted SB 2557 (Chapter 466, Statutes of 1990), codified in Section 97.5 of the California Revenue and Taxation Code, which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. Subsequent legislation clarified that the provisions of SB 2557 include redevelopment agencies as a local government agency which must pay such administrative costs. Since the enactment of SB 2557, the Successor Agency has had its tax increment reduced by the County for its *pro rata* share of property tax administrative costs. The estimated SB 2557 charges to the Successor Agency attributable to the Merged Project Areas for Fiscal Year 2013-014 is $255,341, which is slightly less than 1.5% of Fiscal Year 2013-14 tax increment revenues.

**Unitary Property**

AB 2890 (Chapter 1457, Statutes of 1986) provides that, commencing with the 1988-89 Fiscal Year, assessed value derived from State assessed unitary property county wide is to be allocated as follows: (1) each tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable county wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro rata basis; and (2) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a *pro rata* share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State assessed property is changed from March 1 to January 1.

AB 454 (Chapter 921, Statutes of 1987) further modifies Chapter 1457 regarding the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State assessed unitary property, except for railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State assessed property and distribution of property tax revenues derived from State-assessed property to taxing jurisdictions within each county in accordance with a new formula. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited. The intent of Chapters 1457 and 921 is to provide redevelopment agencies with their appropriate share of revenues generated from the property assessed by the State Board of Equalization and administrative procedures have been determined by the County Auditor to implement the legislation.

AB 454 provided that revenues derived from Unitary Property, commencing with the 1988-89 fiscal year, will be allocated as follows: (1) for revenues generated from the one percent tax rate, (a) each jurisdiction, including project areas, will receive a percentage up to 102% of its prior year State-assessed unitary revenue; and (b) if countywide revenues generated from Unitary Property are greater than 102% of the previous year's unitary revenues, each jurisdiction will receive a percentage share of the excess unitary revenues by a specified formula and (2) for revenue generated from the application of the debt service tax rate to county-wide unitary taxable value, each jurisdiction will receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes. This provision applies to all Unitary Property except railroads whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the method of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

The Fiscal Consultant has estimated that the Successor Agency is qualified to receive approximately $157,800 of allocable tax revenues in Fiscal Year 2013-14 from unitary property tax revenues. To the extent unitary values decrease county-wide, the Successor Agency's allocable tax revenues resulting from unitary assessments can be expected to decrease.

**Statutory Tax-Sharing Payments**

***Calculation***. The Redevelopment Plan of the Merged Project Areas was amended after January 1, 1994 and therefore is subject to the statutory tax-sharing payments mandated by the Redevelopment Law, as amended by AB 1290, requiring that a portion of the property tax revenues be shared with affected taxing entities within the Merged Project Areas. The payments are calculated somewhat differently for the parts of the Merged Project Areas that were adopted prior to AB 1290 ("Pre-AB 1290") and the areas that were added after AB 1290 (the Harbor Gate No. 6-A (1995 Amendment Area), the 1999 Amendment Areas and the 2005 Amendment Areas).

The payments for the Pre-AB 1290 Constituent Project Areas are required because the financial and time limitations for the various Redevelopment Plans have been amended since AB 1290 was enacted. Payments of the pass through payment are only due on increases in tax increment revenues above levels received in certain years. These years are referred to as the "AB 1290 AV Base Year" and are different for the various Constituent Project Areas.

The Successor Agency has not entered into any agreements with taxing entities to subordinate the statutory tax-sharing payments.

Table 10 below shows, for each Pre-AB 1290 Project Area, the dates when AB 1290 pass through payments began, and the AB 1290 AV Base Year, which represents the date after which the Successor Agency owed pass through payments on any tax increment increases.

**Table 10**
**Richmond Community Redevelopment Agency Successor Agency**
**Merged Project Areas**
**AB 1290 AV Base Year**

| Constituent Project Area | AB 1290 AV Base | Fiscal Year Pass Thru Began |
|---|---|---|
| Eastshore No. 1-A | 1990-91 | 1999-00 |
| Potrero No. 1-C | 1999-00 | 2000-01 |
| Galvin No. 3-A | 1991-92 | 1999-00 |
| Harbor Gate No. 6-A (Original) | 1990-91 | 1995-96 |
| Hensley No. 8-A (Original) | 1993-94 | 1999-00 |
| Hensley No. 8-A (1980 Area) | 1993-94 | 1999-00 |
| Downtown No. 10-A | 2003-04 | 2004-05 |
| Nevin Center No. 10-B | 2002-03 | 2003-04 |
| North Richmond No. 12-A | 2002-03 | 2003-04 |
| Harbour No. 11-A | 2003-04 | 2004-05 |

For the Harbor Gate No. 6-A (1995 Amendment Area) and the 1999 and 2005 Amendment Areas, pass-through payments are due based on the total tax increment generated in those areas. The pass-through payments for all Constituent Project Areas are based on a three tier formula, and payments are made after the deposit by the Successor Agency to its housing set-aside. Although the Successor Agency is no longer required to make a housing set-aside deposit, the Dissolution Act specifically stats that, the AB 1290 payments are to be made as if the housing deposits were still being made. The calculation methodology is summarized below.

| | |
|---|---|
| Tier 1 | *Pre-AB 1290 Projects*: 20% of the gross tax increment attributable to increases above the AB 1290 AV Base assessed values during the remaining term the Successor Agency receives tax increment |
| | *Post-AB 1290 Projects*: 20% of total tax increment during the entire term the Successor Agency receives tax increment |
| Tier 2 | *Pre-AB 1290 Projects*: Beginning in the 11th year after AB 1290 pass through was triggered, an additional payment equal to 16.8% of the gross tax increment attributable to growth above levels in the 10th year after the AB 1290 pass through was triggered |
| | *Post-AB 1290 Projects*: Beginning in the 11th year, an additional payment equal to 16.8% of the tax increment attributable to growth above year 10 levels |
| Tier 3 | *Pre-AB 1290 Projects*: No Tier 3 payments are due since the Merged Project Areas will no longer be receiving tax increment in the year in which this tier is triggered |
| | *Post-AB 1290 Projects*: Beginning in the 31st year, an additional payment equal to 11.2% of the tax increment attributable to growth above year 30 levels |

***Underpayment of AB 1290 Pass-Through Obligations***. The Fiscal Consultant noted inconsistencies in the calculation by the County of the AB 1290 pass-through payments, including: (i) the County did not include any tax increment generated from debt service tax rates in the tax sharing payment amount; (ii) payments should have been made for Harbour No. 11-A Project Area and Hensley No. 8-A Project Area; (iii) an incorrect adjusted base year for purposes of payments owed for the Downtown 10A Project Area was used; and (iv) the County did not withhold any tax sharing payments from the June 2013 RPTTF distribution although such amounts were deducted from the January 2014 RPTTF distribution.

The Fiscal Consultant estimates that the County method understated the tax sharing payments by approximately $1.2 million for Fiscal Year 2012-13. For purposes of the tax-sharing payment, amounts shown in the projections in Tables 7A and 7B, the Fiscal Consultant corrected each of these problems and showed the amounts that they estimated are owed.

In 2012, the Successor Agency was notified by the County Auditor-Controller that certain taxing entities had not received their full allocation of AB 1290 pass-through payments from two of the Constituent Project Areas (Hensley No 8-A Project Area and Harbour No. 11-A Project Area). It is estimated that the aggregate amount of the underpayments equal $4.3 million ($2.6 million for amounts prior to the Dissolution Act, *i.e.* Fiscal Years 2008-09 through 2011-12 and $1.8 million for post-dissolution amounts, *i.e.* Fiscal Years 2011-12 through 2013-14).

The Dissolution Act authorizes the County Auditor-Controller to *first* deduct from the RPTTF the AB 1290 pass-through payments for a *current* Fiscal Year prior to distributing funds to the Successor Agency, any *prior* Fiscal Year underpayments or refund claims are required to be listed on a ROPS prepared by the Successor Agency, approved by the Oversight Board and submitted to the Department of Finance. See "PROPERTY TAX REVENUE FINANCING UNDER THE DISSOLUTION ACT–Recognized Obligation Payment

Schedule–*ROPS Process Under the Dissolution Act*." The Successor Agency believes that under the Dissolution Act, any *prior* Fiscal Year underpayments or refunds are payable from the RPTTF on a subordinate basis to debt service payments on any outstanding bonded debt.

The County Auditor-Controller has advised the Successor Agency that it intends to deduct the post-dissolution amounts ($1.8 million) from the distribution that would otherwise be deposited into the RPTTF in June 2014. The Successor Agency believes that sufficient funds will be available to pay its bonded enforceable obligations even if the post-dissolution underpayments are deducted from the June 2014 RPTTF distribution. The Successor Agency has decided not to dispute the plan of the County Auditor-Controller to deduct all three years of post-dissolution catch-up payments in a single year.

The Successor Agency plans to include Fiscal Year 2008-09 through Fiscal Year 2010-11 pre-dissolution underpayments, estimated to be approximately $2.6 million on future ROPS. The Successor Agency believes that there will be sufficient Tax Revenues to timely pay all enforceable obligations of the Successor Agency, including the Series 2014 Bonds, however, completion of certain planned activities within the Merged Project Areas may need to be delayed. For a description of activities planned within the Merged Project Areas, see "THE MERGED PROJECT AREAS–Constituent Project Areas."

**Future Initiatives**

Article XIII A, Article XIII B and certain other propositions affecting property tax levies were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting the Successor Agency Refunding Revenues or the ability of the Successor Agency to expend revenues.

## LEGAL MATTERS

The validity of the Refunding Bonds and certain other legal matters are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel. A copy of the proposed form of Bond Counsel opinion is contained in APPENDIX F to this Official Statement, and the final opinion will be made available to the owners of the Refunding Bonds at the time of delivery. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

Certain legal matters will be passed upon for the Successor Agency by the City Attorney. Certain other legal matters will be passed on for the Successor Agency and the City by Schiff Hardin LLP, San Francisco, California, Disclosure Counsel and for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California.

The fees of Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the issuance of the Refunding Bonds.

## TAX MATTERS

**Series 2014A Refunding Bonds**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Successor Agency ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2014A Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State

of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2014A Refunding Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on the Series 2014A Refunding Bonds. A complete copy of the proposed form of the opinion of Bond Counsel is set forth in APPENDIX F.

To the extent the issue price of any maturity of the Series 2014A Refunding Bonds is less than the amount to be paid at maturity of such Series 2014A Refunding Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2014A Refunding Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the Series 2014A Refunding Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2014A Refunding Bonds is the first price at which a substantial amount of such maturity of the Series 2014A Refunding Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2014A Refunding Bonds accrues daily over the term to maturity of such Series 2014A Refunding Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2014A Refunding Bond to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2014A Refunding Bond. Beneficial owners of the Series 2014A Refunding Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2014A Refunding Bond with original issue discount, including the treatment of beneficial owners who do not purchase such Series 2014A Refunding Bond in the original offering to the public at the first price at which a substantial amount of such Series 2014A Refunding Bond is sold to the public.

Series 2014A Refunding Bond purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2014A Refunding Bonds. The Successor Agency has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2014A Refunding Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2014A Refunding Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2014A Refunding Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2014A Refunding Bonds may adversely affect the value of, or the tax status of interest on, the Series 2014A Refunding Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2014A Refunding Bonds is excluded from gross income for federal income tax purposes and that the interest on the Series 2014A Refunding Bonds is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2014A Refunding Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2014A Refunding Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. For example, Representative Dave Camp, Chair of the House Ways and Means Committee released draft legislation that would subject interest on the Series 2014A Refunding Bonds to a federal income tax at an effective rate of 10% or more for individuals, trusts, and estates in the highest tax bracket, and the Obama Administration proposed legislation that would limit the exclusion from gross income of interest on the Series 2014A Refunding Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2014A Refunding Bonds. Prospective purchasers of the Series 2014A Refunding Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2014A Refunding Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Successor Agency, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Successor Agency has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2014A Refunding Bonds ends with the issuance of the Series 2014A Refunding Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Successor Agency or the beneficial owners regarding the tax-exempt status of the Series 2014A Refunding Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Successor Agency and their appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2014A Refunding Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2014A Refunding Bonds, and may cause the Successor Agency or the beneficial owners to incur significant expense.

**Series 2014B Refunding Bonds**

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Series 2014B Refunding Bonds that acquire their Series 2014B Refunding Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the

IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2014B Refunding Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to investors that acquire their Series 2014B Refunding Bonds pursuant to this offering for the issue price that is applicable to such Series 2014B Refunding Bonds (i.e., the price at which a substantial amount of the Series 2014B Refunding Bonds are sold to the public) and who will hold their Series 2014B Refunding Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Series 2014B Refunding Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Series 2014B Refunding Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2014B Refunding Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2014B Refunding Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2014B Refunding Bonds (including their status as U.S. Holders or Non-U.S. Holders).

***U.S. Holders***

Interest. In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming compliance with certain covenants, interest on the Series 2014B Refunding Bonds is exempt from State of California personal income taxes. Interest on the Series 2014B Refunding Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on, the Series 2014B Refunding Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

Stated interest on the Series 2014B Refunding Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. Federal income tax purposes.

The Series 2014B Refunding Bonds are not expected to be treated as issued with original issue discount ("OID") for U.S. federal income tax purposes because the stated redemption price at maturity of the Series 2014B Refunding Bonds is not expected to exceed their issue price, or because any such excess is expected to only be a de minimis amount (as determined for tax purposes).

Disposition of the Series 2014B Refunding Bonds. Unless a non-recognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the Successor Agency) or other disposition of a Series 2014B Refunding Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2014B Refunding Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2014B Refunding Bonds) and

(ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Series 2014B Refunding Bond (generally, the purchase price paid for the Series 2014B Refunding Bond decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Series 2014B Refunding Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Series 2014B Refunding Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Tax on Net Investment Income. Certain non-corporate U.S. Holders of Series 2014B Refunding Bonds will be subject to a 3.8% tax on the lesser of (1) the U.S. Holder's "net investment income" (in the case of individuals) or "undistributed net investment income" (in the case of estates and certain trusts) for the relevant taxable year and (2) the excess of the U.S. Holder's "modified adjusted gross income" (in the case of individuals) or "adjusted gross income" (in the case of estates and certain trusts) for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual's circumstances). A U.S. Holder's calculation of net investment income generally will include its interest income on the Series 2014B Refunding Bonds and its net gains from the disposition of the Series 2014B Refunding Bonds, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. Holder that is an individual, estate or trust, you are urged to consult your tax advisors regarding the applicability of this tax to your income and gains in respect of your investment in the Series 2014B Refunding Bonds.

Information Reporting and Backup Withholding. Payments on the Series 2014B Refunding Bonds generally will be subject to U.S. information reporting and "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Series 2014B Refunding Bonds may be subject to backup withholding at the current rate of 28% with respect to "reportable payments," which include interest paid on the Series 2014B Refunding Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2014B Refunding Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) there has been a failure of the payee to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

***Non-U.S. Holders***

Interest. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," payments of principal of, and interest on, any Series 2014B Refunding Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, as such term is defined in the Code, which is related to the Successor Agency through stock ownership and (2) a bank which acquires such Series 2014B Refunding Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the Series 2014B Refunding Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Series 2014B Refunding Bonds. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Successor Agency) or other disposition of a Series 2014B Refunding Bond generally will not be subject to

U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Successor Agency) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Series 2014B Refunding Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that, at the time of such individual's death, payments of interest with respect to such Series 2014B Refunding Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading "FATCA," under current U.S. Treasury Regulations, payment of principal and interest on any Series 2014B Refunding Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Series 2014B Refunding Bond or a financial institution holding the Series 2014B Refunding Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. If a financial institution, other than a financial institution that is a qualified intermediary, provides the certification, the certification must state that the financial institution has received from the beneficial owner the certification set forth in the preceding sentence, set forth the information contained in such certification, and include a copy of such certification, and an authorized representative of the financial institution must sign the certificate under penalties of perjury. A financial institution generally will not be required to furnish to the IRS the names of the beneficial owners of the Series 2014B Refunding Bonds that are not United States persons and copies of such owners' certifications where the financial institution is a qualified intermediary that has entered into a withholding agreement with the IRS pursuant to applicable U.S. Treasury Regulations.

In the case of payments to a foreign partnership, foreign simple trust or foreign grantor trust, other than payments to a foreign partnership, foreign simple trust or foreign grantor trust that qualifies as a withholding foreign partnership or a withholding foreign trust within the meaning of applicable U.S. Treasury Regulations and payments to a foreign partnership, foreign simple trust or foreign grantor trust that are effectively connected with the conduct of a trade or business within the United States, the partners of the foreign partnership, the beneficiaries of the foreign simple trust or the persons treated as the owners of the foreign grantor trust, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from withholding and backup withholding tax requirements. The current backup withholding tax rate is 28%.

In addition, if the foreign office of a foreign "broker," as defined in applicable U.S. Treasury regulations pays the proceeds of the sale of a Series 2014B Refunding Bond to the seller of the Series 2014B Refunding Bond, backup withholding and information reporting requirements will not apply to such payments provided that such broker derives less than 50% of its gross income for certain specified periods from the conduct of a trade or business within the United States, is not a controlled foreign corporation, as such term is defined in the Code, and is not a foreign partnership (1) one or more of the partners of which, at any time during its tax year, are U.S. persons (as defined in U.S. Treasury Regulations Section 1.1441-1(c)(2)) or (2) which, at any time during its tax year, is engaged in the conduct of a trade or business within the United States. Moreover, the payment by a foreign office of other brokers of the proceeds of the sale of a Series 2014B Refunding Bond, will not be subject to backup withholding unless the payer has actual knowledge that the payee is a U.S. person. Principal and interest so paid by the U.S. office of a custodian, nominee or agent, or the payment by the U.S. office of a broker of the proceeds of a sale of a

Series 2014B Refunding Bond, is subject to backup withholding requirements unless the beneficial owner provides the nominee, custodian, agent or broker with an appropriate certification as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

FATCA. Sections 1471 through 1474 of the Code, impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of U.S. source interest (including OID) and sales proceeds of debt obligations held by or through a foreign entity. Withholding under FATCA generally will apply to (i) payments of U.S. source interest (including OID) made after June 30, 2014, (ii) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2016 and (iii) certain foreign "pass-thru" payments no earlier than January 1, 2017, but exempt from withholding any payments made on and proceeds realized from the disposition of obligations that are outstanding on July 1, 2014 and are not substantially modified after that date, which exemption should exclude the Series 2014B Refunding Bonds from the withholding provisions of FATCA. Prospective investors should nonetheless consult their own tax advisors regarding FATCA and its effect on them.

***Circular 230.*** Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), the Successor Agency and their tax advisors are (or may be) required to inform prospective investors that:

i. any advice contained herein is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer;

ii. any such advice is written to support the promotion or marketing of the Series 2014B Refunding Bonds and the transactions described herein; and

iii. each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

## NO MATERIAL LITIGATION

### General

There are a number of lawsuits and claims pending against the Successor Agency. The aggregate amount of the uninsured liabilities of the Successor Agency and the timing of any anticipated payments of judgments which may result from suits and claims will not, in the opinion of the City Attorney, as Counsel to the Successor Agency, materially affect the finances of the Successor Agency or impair its ability to repay the Refunding Bonds.

### No Litigation Relating to the Refunding Bonds

No material litigation is pending or threatened against the Successor Agency concerning the validity of the Refunding Bonds, and an opinion of the City Attorney to that effect will be furnished to the

purchaser(s) at the time of the original delivery of the Refunding Bonds. The Successor Agency is not aware of any litigation pending or threatened against the Successor Agency questioning the political existence of the Successor Agency or the City or contesting the City's ability to levy and collect *ad valorem* property taxes or contesting the ability of the Successor Agency to issue and repay the Refunding Bonds.

**Possible Residential Eminent Domain Proceedings**

***City Actions***. On April 2, 2013, the City Council approved the execution of an advisory services agreement (the "Advisory Agreement") with Mortgage Resolution Partners, LLC ("MRP"), a community advisory firm, to assist the City in designing and implementing a program to ease the impacts of the mortgage crisis on residents of the City, including identifying and arranging acquisition financing of private label securities mortgages (*i.e.* loans in mortgage-backed securities pooled by private sponsors rather than by government sponsored enterprises such as Fannie May or Freddie Mac and thus do not have any government guarantee of repayment to investors) for the purpose of achieving mortgage principal reduction for residential property owners whose mortgages exceed the current market value of their homes, *i.e.* "underwater mortgages." Pursuant to the Advisory Agreement, the City will pay MRP a fee for each residential loan acquired and MRP agrees to indemnify, protect, defend and hold the City and its representatives harmless for any liability, penalties, costs, losses, damages, expenses, causes of action, claims or judgments, including attorney's fees and other defense costs arising out of or in any way related directly or indirectly from the Advisory Agreement, the programs or tasks implemented under the Advisory Agreement, any failure to comply with applicable law, and any default or breach by MRP in the performance of its obligations under the Advisory Agreement.

In June 2013, Mortgage Industry Advisory Corporation (a provider of third party mortgage asset pricing services) appraised the value of all of the underwater residential mortgages to determine the fair market value of the loans to be purchased. The residential loan appraisals are *not* real estate appraisals of the market value of the related properties. Rather, the loan residential appraisals are appraisals solely of the mortgage loans. In order to estimate the value of a given mortgage loan, Mortgage Industry Advisory Corporation uses an automated property valuation methodology known as ABSNet Loan Home/Val that incorporates a number of demographic and market analysis parameters into the analysis of a given loan, including an estimate of the value of the related property when it was first placed in the mortgage-backed securities pool. Of the 624 residential mortgage loans appraised, only 85 of the loans are associated with property located within the Merged Project Areas.

On July 29, 2013, the City Manager's Office sent letters to the lender trustees of 624 residential mortgage loans informing them that the City was investigating the acquisition of mortgage loans as part of a public program to modify underwater mortgage loans to reduce principal and avoid foreclosure. Based upon the appraisals completed by Mortgage Industry Advisory Corporation, the City made an offer (collectively, the "Offer") to each lender trustee to purchase the loans (free and clear of any encumbrances to title or other interests that the City, in its discretion, deems unacceptable) for the fair market values set forth in the related loan appraisals. Consummation of each Offer is subject to approval by the City Council, including approval of final conditions for the implementation of the loan acquisition program. If any lender trustee deems its Offer unacceptable or fails to accept the Offer by August 13, 2013, the City may decide to proceed with the acquisition of the loans through eminent domain, in which case the owner of the loans would have the right to have the amount of just compensation to be paid by the City for such loans fixed by a court of law.

On December 17, 2013, the City Council adopted a resolution approving guidelines for the proposed program, including: (i) working *only* with qualifying homeowners choosing to opt-in to the program, who have first mortgages held in private label securities trusts (another form of mortgage backed securities) with remaining balances that are below the conforming loan limit defined by the Federal Housing Authority; (ii) using eminent domain to acquire underwater mortgages *only* when a clear public purpose is served, when large numbers of residential mortgages are underwater and other measures to address the problem are

inadequate; (iii) instructing staff to contact the trustees and servicers of residential loans that may be eligible for the program to determine if alternative solutions exist that result in assisting underwater homeowners with in private label securities trusts in reducing their mortgages to current market values and interest rates; and (iv) restating the desire of the City to work with interested City Council members in encouraging other cities to join the City in establishing a joint powers authority to implement the proposed program.

Although the residential loan appraisals are *not* real estate appraisals and are not based on current assessed valuation data, the Fiscal Consultant (defined below) determined that the current aggregate assessed valuation of the 85 properties located in the Merged Project Areas was a combined $17,520,450 compared to the $17,128,207 aggregate loan value estimated by Mortgage Industry Advisory Corporation. Thus, the current aggregate assessed valuation of the 85 residential properties located in the Merged Project Area is $392,243 higher than the aggregated estimated value of the mortgage loans. Even if all of the residential mortgage loans within the Merged Project Areas were to be acquired, the Fiscal Consultant estimates that the impact on the assessed value would be immaterial.

***The Bank of New York Mellon and The Bank of New York Mellon Trust Company v. City of Richmond and Wells Fargo Bank, National Association, solely in its capacity as Trustee, Deutsche Bank National Trust Company, solely in its capacity as Trustee and Deutsche Bank Trust Company Americas, solely in its capacity as Trustee v. City of Richmond and Mortgage Resolution Partners LLC.*** On April 2, 2013, the City Council approved the execution of an advisory services agreement (the "Advisory Agreement") with Mortgage Resolution Partners, LLC ("MRP"), a community advisory firm, to assist the City in designing and implementing a program called "Richmond CARES" to ease the impacts of the mortgage crisis on residents, including identifying and arranging acquisition financing of private label securities mortgages (*i.e.* loans in mortgage-backed securities pooled by private sponsors rather than by government-sponsored enterprises such as Fannie Mae or Freddie Mac – and thus do not have any government guarantee of repayment to investors) for the purpose of achieving mortgage principal reduction for property owners that are underwater on their mortgages. Pursuant to the Advisory Agreement, the City will pay MRP a fee for each loan acquired and MRP agrees to indemnify, protect, defend and hold the City and its representatives harmless for any liability, penalties, costs, losses, damages, expenses, causes of action, claims or judgments, including attorney's fees and other defense costs arising out of or in any way related directly or indirectly from the Advisory Agreement, the programs or tasks implemented under the Advisory Agreement, any failure to comply with applicable law, and any default or breach by MRP in the performance of its obligations under the Advisory Agreement.

BNY Complaint for Declaratory Relief and Injunctive Relief. On August 7, 2013, The Bank of New York Mellon Trust Company, as Trustee on behalf of certain trusts holding private label residential mortgage loans (collectively, the "BNY Plaintiffs"), filed a Complaint (Case No. CV-13-3664-CRB) (the "BNY Complaint") for Declaratory and Injunctive Relief in United States District Court, Northern District of California against the City, MRP and Gordian Sword LLC.

The BNY Plaintiffs alleged that that the proposed loan acquisition program (the "Proposed Program") violated provisions of the United States and California constitution and certain provisions of the State Code of Civil Procedure. The BNY Plaintiffs sought a judgment: (i) declaring that the Proposed Program violated certain provisions of the United States Constitution, the California Constitution and the State Code of Civil Procedure; (ii) issuing a preliminary and permanent injunction restraining the implementation of the Proposed Program; and (iii) awarding attorney's fees and such further relief as the court deemed necessary and proper.

WFB Complaint for Declaratory and Injunctive Relief Ruled in Favor of the City. On August 8, 2013, Wells Fargo Bank, National Association, Deutsche Bank National Trust Company and Deutsche Bank Trust Company Americas (collectively, the "WFB Plaintiffs"), each solely in its capacity as trustee for various residential mortgage-backed securitization trusts that hold mortgage loans on

property located within the City filed a Complaint for Declaratory and Injunctive Relief in United States District court, Northern District of California (Case No. CV-13-3663-CRB) (the "WFB Complaint") against the City and MRP (together, the "Defendants").

The WFP Plaintiffs made allegations similar to those in the BNY Complaint and sought similar relief.

Actions Taken by the City Council on September 10, 2013. At a Special Regular Meeting of the City Council on September 10, 2013, among other matters, the City Council heard a report from staff on Richmond CARES - the Local Principal Reduction Program, and by a 4 to 3 vote, approved a motion to direct staff to: work to set up a Joint Powers Authority (JPA) together with other interested municipalities as a next step forward in the development of this program; confirm that no loans will be acquired by the City through eminent domain before coming back to the full City Council for a vote; and continue working with MRP to resolve any remaining legal issues.

Ruling Denying WFB Request for Preliminary Injunction and Declaratory Relief. The United States District Court, Northern District of California heard oral arguments on September 12, 2013 (the "September 12 Hearing"). The Court denied the WFB Plaintiffs' request for preliminary injunction and declaratory relief agreeing with the position of the City and MRP that the issue was "not ripe for consideration" by the Court. The Court concluded that the City had *not* yet commenced eminent domain proceedings. Further, while the City may be contemplating such proceedings, it would need to first convene a public hearing to consider a resolution of necessity, and at the conclusion of such public hearing, a supermajority (*i.e.* five of the seven members) of the City Council would be required to vote in favor of the resolution of necessity before any eminent domain proceedings could commence.

Dismissal of WFB Complaint; WFB Appeal. On September 16, 2013, for the reasons stated in open court during the September 12 Hearing, the Court held that the WFB Plaintiffs' claims were not ripe for adjudication and issued an Order Denying the WFB Plaintiffs Motion for a Preliminary Injunction and a judgment dismissing the WFB Complaint for lack of subject jurisdiction without prejudice.

On October 16, 2013, the WFB Plaintiffs filed a Notice of Appeal to the United States Court of Appeals for the Ninth Circuit.

Dismissal of BNY Complaint; BNY Appeal. Based on the dismissal of the WFB Complaint for lack of subject matter jurisdiction and the refusal of the BNY Plaintiffs to voluntarily withdraw the BNY Complaint, on September 20, 2013, the City and MRP filed a Notice of Motion to Dismiss for Lack of Subject Matter Jurisdiction and an *Ex Parte* Motion to Shorten Time and Waive Hearing filed contemporaneously against the BNY Defendants. On November 6, 2013, the court issued an order dismissing the BNY Complaint as not prudentially ripe for consideration without prejudice.

On November 8, 2013, the City and MRP filed a Notice of Motion and Motion for Rule 11 Sanctions against the BNY Plaintiffs seeking recovery of the City's reasonable expenses and attorney's fees, which was denied on January 15, 2014.

On December 9, 2013, the BNY Plaintiffs filed a Notice of Appeal to the United States Court of Appeals for the Ninth Circuit.

Consolidation of BNY and WFB Appeals. On February 18, 2014, the United States Court of Appeals for the Ninth Circuit Court ordered the consolidation of the WFB and BNY appeals. Opening briefs are due April 18, 2014 and reply briefs are due May 19, 2014.

As of the date of this Official Statement, the City Council has *not* taken any action to approve the Proposed Program nor has the City Council taken any action to approve commencement of any eminent domain proceedings.

## RATINGS

Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, Inc. ("S&P") has assigned an uninsured rating of "A-" to the Refunding Bonds. S&P has also assigned a rating of "AA" (stable) to the Refunding Bonds with the understanding that upon delivery of the Refunding Bonds, the Bond Insurance Policy will be delivered by BAM. See "BOND INSURANCE" and APPENDIX H– "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Certain information was supplied by the Successor Agency to S&P to be considered in evaluating the Refunding Bonds. The rating issued reflects only the views of S&P and is not a recommendation to buy, sell or hold the Refunding Bonds. Any explanation of the significance of such ratings may be obtained from Standard & Poor's, 55 Water Street, New York, New York 10041. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by S&P if in its judgment, circumstances so warrant. Other than as provided in the Continuing Disclosure Agreement, the City undertakes no responsibility either to bring to the attention of the owners of any Bonds any downward revision or withdrawal of any ratings obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Refunding Bonds.

## UNDERWRITING

### Series 2014A Refunding Bonds

The Series 2014A Refunding Bonds were purchased through negotiation by Stifel, Nicolaus & Company, Incorporated (the "Underwriter") at a price equal to $28,139,895.47 (which represents the principal amount of the Series 2014A Refunding Bonds plus an original issue premium in the amount of $2,591,018.40 and less an underwriter's discount o in the amount of $246,122.93). The purchase agreement relating to the Series 2014A Refunding Bonds provides that the Underwriter will purchase all of the Series 2014A Refunding Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

### Series 2014B Refunding Bonds

The Series 2014B Refunding Bonds were purchased through negotiation by the Underwriter at a price equal to $1,640,347.92 (which represents the principal amount of the Series 2014B Refunding Bonds less an underwriter's discount in the amount of $14,652.08). The purchase agreement relating to the Series 2014B Refunding Bonds provides that the Underwriter will purchase all of the Series 2014B Refunding Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may change the initial public offering prices set forth on the inside cover page. The Underwriter may offer and sell the Refunding Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page hereof.

## CONTINUING DISCLOSURE

The Successor Agency has covenanted for the benefit of the Owners to provide certain financial information and operating data relating to the Refunding Bonds by not later than 270 days following the end of the Fiscal Year of the Successor Agency (which currently would be June 30) commencing with the report for the 2012-13 Fiscal Year (the "Annual Report"), and to provide notices of the occurrence of certain significant events. The Annual Report and notices of significant events will be filed by the Successor Agency or the Dissemination Agent, if any, through the EMMA site maintained by the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of significant events is contained within APPENDIX E–"FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

In the past five years, the City did not fail to comply in any material respect with its obligation to file annual reports, but did fail on occasion to timely file: (i) annual reports by the 270th day following the end of the Fiscal Year (the City had been making the filings by March 31 of each year, which resulted in the majority of the annual reports being filed one to four days late); (ii) notices of bond insurer-related rating changes and (iii) the audited financial statements of the Former Agency since Fiscal Year 2007-08. The City caused all required filings to be made by January 17, 2014 and has established procedures, including the appointment of Willdan Financial Services, as the Dissemination Agent for *all* City bond transactions, requiring the Dissemination Agent to determine each year the applicable filing date for the annual report and the designation of the Finance Department Debt Analyst as the party responsible for monitoring and making the required filings, that the City believes will be sufficient to ensure timely future compliance with its continuing disclosure undertakings.

## REPORT OF THE FISCAL CONSULTANT

Fraser & Associates (the "Fiscal Consultant") prepared a report (the "Fiscal Consultant Report") which, among other things, analyzes the tax increment revenues generated from taxable property within the Merged Project Areas and pledged to the repayment of the Refunding Bonds. The findings and projections in the Fiscal Consultant Report are subject to a number of assumptions that should be reviewed and considered by prospective investors. No assurances can be given that the projections and expectations discussed in the Fiscal Consultant Report will be achieved. Actual results may differ materially from the projections described therein. See "THE MERGED PROJECT AREAS–Constituent Project Areas" and APPENDIX B–"REPORT OF THE FISCAL CONSULTANT."

## FINANCIAL ADVISOR

The City has retained Tamalpais Advisors, Inc., Sausalito, California, as Financial Advisor (the "Financial Advisor") for the sale of the Refunding Bonds. The Financial Advisor is an independent public financial advisor and is not engaged in the business of underwriting, trading or distributing municipal or other financial securities. The Financial Advisor takes no responsibility for the accuracy, completeness or fairness of this Official Statement. Compensation paid to the Financial Advisor is contingent on the sale and delivery of the Refunding Bonds.

## STRUCTURING AGENT

The City has retained RBC Capital Markets, LLC, San Francisco, California, as Structuring Agent (the "Structuring Agent") for the sale of the Refunding Bonds. The Structuring Agent takes no responsibility for the accuracy, completeness or fairness of this Official Statement. Compensation paid to the Structuring Agent is contingent on the sale and delivery of the Refunding Bonds.

## VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore P.C., a firm of independent public accountants (the "Verification Agent"), will deliver to the Successor Agency, on or before the settlement date of the Refunding Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, relating to the adequacy of cash to be held pursuant to the Escrow Agreements and the mathematical accuracy of the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Refunding Bonds will be excluded from gross income for federal income tax purposes.

The verification performed by the Verification Agent will be solely based upon data, information and documents provided to Verification Agent by the Underwriter and its representatives. The Verification Agent has restricted its procedures to recalculating the computations provided by the Underwriter and its representatives and has not evaluated or examined the assumptions or information used in the computations.

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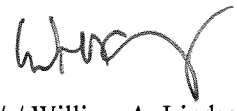
## MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement among the Successor Agency or the City and the purchasers of the Refunding Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Successor Agency or the City since the date hereof.

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of such documents and reports are available for inspection at the office of the Finance Director, City of Richmond, 2600 Barrett Avenue, Richmond, California 94804.

The execution and delivery of the Official Statement by the Successor Agency has been duly authorized by the governing board of the Successor Agency.

SUCCESSOR AGENCY TO THE RICHMOND
COMMUNITY REDEVELOPMENT AGENCY



By: /s/ William A. Lindsay
Chief Executive Officer

## APPENDIX A

## FINANCIAL POLICIES AND ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF RICHMOND

*The following information concerning the City of Richmond (the "City") is included for informational purposes only. The demographic and economic information provided below has been collected from sources that the City has determined to be reliable, but does not guarantee as to the accuracy or completeness. Because it is difficult to obtain complete and timely regional economic and demographic information, the economic condition of the City may not be fully apparent in all of the publicly available regional economic statistics provided herein.*

*The Refunding Bonds are limited obligations of the Successor Agency payable solely from and secured by a pledge of the Successor Agency Refunding Revenues and certain other funds as provided in the Trust Agreement. The Refunding Bonds are not a debt of the City, the State or any of its political subdivisions, other than the Successor Agency.*

### General

The City, located 16 miles northeast of San Francisco on the western shore of Contra Costa County (the "County"), occupies 33.7 square miles of land area on a peninsula that separates San Francisco Bay and San Pablo Bay. Richmond is an important oil refining, industrial, commercial, transportation, shipping and government center. A redevelopment program in the downtown and waterfront areas and commercial expansion in the City's Hilltop area, along the I-80 and I-580 Interstate Freeway corridors, and along the new Richmond Parkway, have added substantially to the tax base.

The City is situated near major metropolitan cities and major new growth areas. San Francisco is within 35 minutes from Richmond by freeway; Oakland is within 20 minutes; San Jose is approximately one hour's drive to the south; the State capitol, Sacramento, is approximately 90 minutes to the east. Central Marin County is approximately 15 minutes from Richmond over the Richmond-San Rafael Bridge. The freeway system provides access to major new growth areas along Interstate 80 to Vallejo, Fairfield and Sacramento, and to the central Contra Costa and Alameda County urban corridor along Interstate 680, stretching from Concord to Pleasanton. The population within a 70-mile radius of the City is approximately 7.8 million, and within a 30-mile radius the population is over 3.7 million.

### Financial Policies

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

***Cash Reserve Policy***. In connection with its budget preparations for Fiscal Year 2004-05, the City Council adopted a policy to maintain structurally balanced budgets whereby one-time funds can be spent only on one-time uses and ongoing funds can be spent on ongoing (or one-time) uses. In addition, the City Council established a $10 million General Fund contingency reserve target to be funded in annual increments of $2 million until the $10 million target is reached. The contingency reserve reached the $10 million level in Fiscal Year 2005-06.

Effective January 1, 2007, the City Council adopted a cash reserve policy (the "Cash Reserve Policy") that requires that the City maintain year-end contingency reserve balances in the General Fund, including PERS savings reserves but excluding departmental carryover, equal to a minimum of 7% of budgeted General Fund expenditures. City Council approval is required before any withdrawals are made from the cash reserve and the City Council has discretion to use the cash reserve *only* for emergencies and not for on-going expenses. The Cash Reserve Policy permits the cash reserve to be temporarily reduced

in times of an emergency, but requires that the cash reserve grow back to 7% of total expenditures following the stabilization policy, in order to allow the City to buildup its capacity to handle future short-term economic downturns or emergencies without cutting services.

Due to the impact of the weak economy on City revenues, the City temporarily reduced the cash reserve in Fiscal Year 2011-12 to $7.0 million or 6.3% of General Fund expenditures.

For Fiscal Year 2012-13, the cash reserve was equal to 8.3% of budgeted General Fund expenditures or approximately $11.6 million. For Fiscal Year 2013-14, the cash reserve is budgeted at $7.0 million of the budgeted General Fund expenditures or approximately $10.1 million.

***Debt Policy***. In January 2006, the City Council adopted a debt management policy (the "Debt Policy") pertaining to financings under the jurisdiction of the City, the Richmond Housing Authority, the former Richmond Community Redevelopment Agency and the Richmond Joint Powers Financing Authority. The Debt Policy is intended to guide the Finance Department in its debt issuance and includes components such as the financing approval process, selection of the method of sale for various types of debt issues, general bond structuring parameters, selection of financing team members, permitted investments, on-going debt administration and post-issuance tax compliance procedures for tax-exempt bonds and Build America Bonds. The Debt Policy contains a requirement that the aggregate debt service payments funded from the City's General Fund sources be no greater than 10% of then-current General Fund revenues. Payments on bonds that are tied to a specified revenue stream other than General Fund sources are not subject to this 10% limit. In addition, the Debt Policy requires that no more than 20% of the City's outstanding debt portfolio be comprised of unhedged short-term variable rate issues. The City's Debt Policy limits aggregate debt service payments funded from General Fund sources to no more than 10% of General Fund revenues and sets forth detailed debt management and refunding practices.

The City is in compliance with the Debt Policy.

***Swap Policy***. The City is authorized under California Government Code Section 5922 to enter into interest rate swaps to reduce the amount and duration of rate, spread, or similar risk when used in combination with the issuance of bonds. In May 2006, the City Council adopted a comprehensive interest rate swap policy (the "Swap Policy") to provide procedural direction to the City, the Richmond Housing Authority, the former Richmond Community Redevelopment Agency and the Richmond Joint Powers Finance Authority regarding the utilization, execution, and management of interest rate swaps and related instruments (collectively, "interest rate swaps"). Periodically, but at least annually, the City reviews the Swap Policy and makes modifications as appropriate due to changes in the business environment or market conditions. The current Swap Policy was adopted on October 10, 2010 and most recently reviewed by the Finance Committee of the City Council on May 3, 2013. A summary of the City's swap agreements as of March 1, 2014 is set forth in Table A-1.

## Table A-1
## Summary of Interest Rate Swap Agreements†

| Associated Bonds | Effective Date/ Expiration Date | Initial/Current Notional Amount | Counterparty/ Guarantor | Counterparty/ Guarantor Credit Ratings (Moody's/S&P/Fitch) | Rates | | Index | Market Rate/Market Termination Value to City[1] |
|---|---|---|---|---|---|---|---|---|
| City of Richmond Taxable Pension Funding Bonds Series 2005B-1[2] | 8-1-2013/ 8-1-2023 | $75,230,476/ 75,230,476 | Bear Stearns Capital Markets Inc./ JPMorgan Chase Co. Bank, N.A. | Aa3/A+/A+ | Pay: Receive: | 5.712% 100.000% | Fixed 1 mo. LIBOR | 2.034/ ($14,938,736) |
| City of Richmond Taxable Pension Funding Bonds Series 2005B-2[2] | 8-1-2023/ 8-1-2034 | $127,990,254/ 127,990,254 | Bear Stearns Capital Markets Inc./ JPMorgan Chase Co. Bank, N.A. | Aa3/A+/A+ | Pay: Receive: | 5.730% 100.000% | Fixed 1 mo. LIBOR | ,4.457 (7,409,036) |
| City of Richmond Variable Rate Wastewater Revenue Refunding Bonds, Series 2008A[5] | 11-23-2009/ 8-1-2037 | $32,260,000/ 32,260,000 | Royal Bank of Canada | Aa3/AA-/AA | Pay: Receive: | 3.897% 63.420% | Fixed 1 mo. LIBOR | ,2.278 (,7,064,315) |
| Richmond Community Redevelopment Agency Subordinate Tax Allocation Refunding Bonds (Merged Project Areas) 2010 Series A[3] | 7-12-2007/ 9-1-2036 | $65,400,000/ 54,000,000 | Royal Bank of Canada | Aa3/AA-/AA | Pay: Receive: | 100.000% 68.000 % | SIFMA 1 mo. LIBOR | (7,795,772) |
| Richmond Joint Powers Financing Authority Lease Revenue Refunding Bonds (Civic Center) Series 2007[4] | 9-19-2007/ 8-1-2037 | $101,420,000/ 82,800,000 | Royal Bank of Canada | Aa3/AA-/AA | Pay: Receive: | 100.000% 68.000 % | SIFMA 1 mo. LIBOR | (12,859,225) |
| TOTAL | | $402,300,730/ 372,280,730 | | | | | | ($50,067,084) |

† As of March 1, 2014.

(1) All values are shown at mid-market from the perspective of the City. Payment due on March 3, 2014 are treated as made on March 1, 2014 and are excluded from this summary.

(2) A pro-rata obligation of all City agencies and the General Fund.

(3) Originally, an obligation of the Richmond Community Redevelopment Agency, now an obligation of the RCRA Successor Agency. See "–Dissolution of the Richmond Community Redevelopment Agency."

(4) An obligation of the General Fund.

(5) An obligation of the Wastewater Enterprise Fund.

*Source: The Majors Group.*

**Population**

City residents account for approximately 10% of the population of the County. While the period from 1980 to 2000 was characterized by rapid population growth in both the City and the County, the last five years reflect a trend of slower growth. Table A-2 below shows the population of the City, the County and the State according to the U.S. Census for the years 2000 and 2010 and the California Department of Finance for 2009 through 2013.

**Table A-2**
**City, County and State Population Statistics**

| Year | City of Richmond | Contra Costa County | State of California |
|---|---|---|---|
| 2000† | 99,216 | 948,816 | 33,873,086 |
| | | | |
| 2009 | 102,887 | 1,038,390 | 36,966,713 |
| 2010 | 103,764 | 1,047,948 | 37,223,900 |
| 2011 | 104,382 | 1,056,306 | 37,427,946 |
| 2012 | 105,004 | 1,066,602 | 37,668,804 |
| 2013 | 105,562 | 1,074,702 | 37,966,471 |

† Census 2000 counts include changes from the Count Question Resolution program. Data may not match that published in Census 2000 reports.

*Sources: U.S. Census Bureau (2000 and 2010), California Department of Finance, E-1: Population Estimates for Cities, Counties and the State, with Annual Percentage Change - January 1, 2012 and 2013 (May 1, 2013).*

**Assessed Valuation**

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

The County levies and collects the *ad valorem* property taxes. Taxes arising from the 1% Proposition 13 levy are apportioned among local taxing agencies on the basis of a formula established by State law in 1979. Under this formula, the City receives a base year allocation plus an allocation on the basis of growth in assessed value (consisting of new construction, change of ownership and inflation). Taxes relating to voter-approved indebtedness and voter approved pension costs are levied by the County and allocated to the relevant taxing agency. Beginning in Fiscal Year 1990-91 (with the adoption of new State legislation), the County has deducted the pro-rata cost of collecting property taxes from the City's allocation.

The California Community Redevelopment Law authorized redevelopment agencies to receive the allocation of tax revenues resulting from increases in assessed valuations of properties within designated project areas. In effect, the other local taxing authorities realized tax revenues from such properties only on the base-year valuations, which were frozen at the time a redevelopment project area was created. The tax revenues which resulted from increases in assessed valuations flow to the redevelopment areas. The City created redevelopment project areas pursuant to then-existing State law. Assembly Bill x1 26 and Assembly Bill x1 27 (Chapter 6, Statutes of 2011-12, First Extraordinary Session) (the "Dissolution Act" and "AB 27," respectively) enacted as part of the 2011 State Budget Act dissolved all redevelopment agencies, and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of those dissolved redevelopment agencies and to administer the dissolution and wind down of the dissolved redevelopment agencies. Both of these bills were challenged

before the California Supreme Court by the California Redevelopment Association in and other organizations in *California Redevelopment Association v. Matosantos et al.* (No. S194861) ("*Matosantos*"). The Court upheld the Dissolution Act requiring the dissolution of redevelopment agencies and the transfer of assets and obligations to successor agencies, invalidated AB 27 and modified various deadlines for the implementation of the Dissolution Act.

As a consequence of the *Matosantos* decision all redevelopment agencies, in the State, including the Richmond Community Redevelopment Agency (the "Former Agency"), dissolved by operation of law on February 1, 2012. All property tax revenues that would have been allocated to redevelopment agencies, including the Former Agency, will be allocated to the applicable redevelopment property tax trust fund created by the county auditor-controller for the "successor agency" to pay indebtedness and other "enforceable obligations" (as defined in the Dissolution Act) and certain administrative costs. Any amounts in excess of that amount 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 Former Agency under the Dissolution Act and the Oversight Board for the Former Agency was formed on April 24, 2012. See "INTRODUCTION–Impact of Changes in Redevelopment Law," "THE SUCCESSOR AGENCY," and "THE OVERSIGHT BOARD" in the body of this Official Statement.

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

In 1978, the voters of the State passed Proposition 8, a constitutional amendment to Article XIII A that allows a temporary reduction in assessed value when real property suffers a decline in market value. A decline in assessed value occurs when the current market value of real property is less than the current assessed (taxable) factored base year value as of the lien date, January 1. See also *"*LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS–*Property Tax Collection Procedures."*

"Secured" property is real property which in the opinion of the County Assessor can serve as a lien to secure payment of taxes. "Utility" property is any property of a public utility which is assessed by the State Board of Equalization rather than the County Assessor, and which is also "secured" property.

Fiscal Year 2012-13. The City received a copy of a letter dated July 2, 2012 from the County Assessor to the County Board of Supervisors to the effect that the Fiscal Year 2012-13 assessment roll had been prepared. While it reflected a 0.86% increase Countywide in assessed valuation from the prior Fiscal Year, the assessed valuation within the City increased by approximately 16.8%, the greatest increase of any City in the County. Of the approximately $2.5 billion increase in assessed value for Fiscal Year 2012-13, most of the increase is attributable to properties owned by Chevron. Absent any other adjustments, property taxes are estimated to be approximately $3.0 million higher than the amounts assumed when the Fiscal Year 2012-13 Adopted Budget was adopted in June 2012. In September 2012, the City Council revised the Fiscal Year 2012-13 Adopted Budget to incorporate the additional $3.0 million in property tax revenues.

In 2013 it was discovered that one parcel owned by Chevron that had been the subject of a parcel split had erroneously been assessed twice. Due to this error, the July 1, 2013 certificate of assessed valuation and the equalized role prepared by the County overstated the assessed value within the City by $917 million. Using the corrected assessed value, the increase in Fiscal Year 2012-13 assessed value within the City was 8.4% ($916.4 million) compared to the assessed value for Fiscal Year 2011-12 not the 16.8% increase

originally reported in July 2012. Further, in fall 2013, the City and County reached a settlement with Chevron regarding its assessment appeals. Among other things, the settlement agreement provides that the Fiscal Year 2012-13 assessed valuation for Chevron would be reduced by $591 million, with the reduced assessed valuation being the baseline for future adjustments beginning with the Fiscal Year 2014-15 assessed valuation. The Fiscal Year 2013-14 assessed valuation was not revised as discussed below. See also "*–Assessment Appeals."*

Fiscal Year 2013-14. The City received a copy of a letter dated July 1, 2013 from the County Assessor to the County Board of Supervisors to the effect that the Fiscal Year 2013-14 assessment roll had been prepared. While it reflected a 3.5% increase Countywide in assessed valuation from the prior Fiscal Year, the assessed valuation within the City decreased by approximately 14.6%, the only decrease in value experienced by a city within the County. Of the approximately $1.9 billion decrease in assessed value for Fiscal Year 2013-14, most of the decrease (approximately $1.1 billion or approximately 60%) is attributable to the removal from the role of a parcel owned by Chevron that was assessed twice (discussed above) and the reduction in assessed value of the Chevron Richmond Refinery facilities following a fire that occurred on August 6, 2012.

The tables below summarize the assessed valuation of taxable property in the City for Fiscal Years 2009-10 through 2013-14. Table A-3A reflects the assessed valuation as determined by the County Assessor as of July 1 of each Fiscal Year, which value determines the property tax revenues of the City as reported for that Fiscal Year. Table A-3B reflects the assessed valuation, as subsequently adjusted for outcomes of assessment appeals and other adjustments, less the amount of the redevelopment tax increment.

**Table A-3A**
**City of Richmond, California**
**Assessed Valuation of Taxable Property**
**Fiscal Years 2009-10 through 2013-14[(1)]**
**(As of July 1)**

| Fiscal Year | Local Secured | Unsecured | Gross Value | Local Exemptions | Net Value |
|---|---|---|---|---|---|
| 2009-10 | $11,307,254,764 | $980,366,418 | $12,287,621,182 | $432,115,751 | $11,855,505,431 |
| 2010-11 | 9,960,643,402 | 848,687,072 | 10,809,330,474 | 473,916,942 | 10,335,413,532 |
| 2011-12 | 10,419,609,337 | 995,493,304 | 11,415,102,641 | 495,344,446 | 10,919,758,195 |
| 2012-13 | 12,277,217,519 | 994,741,656 | 13,511,425,784 | 519,971,516 | 12,751,987,659[(2)] |
| 2013-14 | 10,453,101,395 | 992,545,595 | 11,445,646,990 | 557,739,881 | 10,887,907,109 |

(1) Contra Costa County Assessor Combined Tax Rolls for Fiscal Years 2008-09 through 2012-13 and for Fiscal Year 2013-14, the Adopted Biennial Operating Budget, Fiscal Year 2013-14 to Fiscal Year 2014-15.

(2) In 2013, it was discovered that the certificate of assessed valuation and equalized role prepared by the County erroneously included the value of a parcel twice in the assessed value within the City for Fiscal Year 2012-13. In addition, a settlement agreement among the City, the County and Chevron that was approved by the Appeals Board in October 2013 further reduced the Fiscal Year 2012-13 assessed by $591 million to $11,836,225,332. See the discussion "*–County Property Tax Collection and Assessed Valuation–*Fiscal Year 2013-14."

*Sources: Contra Costa County Assessor.*

**Table A-3B**
**City of Richmond, California**
**Assessed Valuation of Taxable Property**
**Fiscal Years 2009-10 through 2013-14[1]**
**(Adjusted to Reflect Property Tax Appeals and/or Other Adjustments)**

| Fiscal Year | Local Secured | Unsecured | Utility | Total Before Redevelopment Tax Increment | Total After Redevelopment Tax Increment |
|---|---|---|---|---|---|
| 2009-10 | $10,888,628,825 | $966,977,863 | $9,957,443 | $11,865,564,131 | $10,129,018,131 |
| 2010-11 | 9,510,080,747 | 825,312,089 | 10,484,620 | 10,345,877,456 | 10,344,281,169 |
| 2011-12 | 9,959,619,174 | 960,095,175 | 8,524,691 | 10,928,299,022 | N/A[3] |
| 2012-13[2] | 12,277,217,519 | 994,741,656 | 8,546,757 | 13,280,505,932 | N/A[3] |
| 2013-14[1] | 10,453,101,395 | 992,545,595 | 8,463,103 | 11,454,110,093 | N/A[3] |

(1) Adopted Budget.

(2) In 2013, it was discovered that the certificate of assessed valuation and equalized role prepared by the County erroneously included the value of a parcel twice in the assessed value within the City for Fiscal Year 2012-13. In addition, a settlement agreement among the City, the County and Chevron that was approved by the Appeals Board in October 2013 further reduced the Fiscal Year 2012-13 assessed by $591 million to $11,836,225,332. See the discussion "*–County Property Tax Collection and Assessed Valuation*–Fiscal Year 2013-14."

(3) Pursuant to the Dissolution Act and AB 27, all redevelopment agencies in the State were dissolved effective February 1, 2012. See "–Dissolution of the Richmond Community Redevelopment Agency" for additional information.

*Sources: Contra Costa County Assessor Combined Tax Rolls for Fiscal Years 2008-09 through 2012-13 and for Fiscal Year 2013-14, the Adopted Biennial Operating Budget Fiscal Year 2013-14 to Fiscal Year 2014-15.*

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The table below summarizes the change in assessed value in the City and the County by source (*i.e.* whether due to a Proposition 8 temporary reduction or due to a Proposition 13 reduction, representing the sale of property at current market value, as calculated by ParcelQuest based upon information obtained from the County.)

**Table A-4**
**City of Richmond, California and Contra Costa County**
**Change in Secured Assessed Valuation by Source**
**Fiscal Years 2008-09 through 2012-13**
**($ in 000's)**

| | Total Secured Assessed Value[1] | | Source of Change in Assessed Valuation | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Proposition 13 | | | Proposition 8 | | |
| Area | No. of Parcels[2] | Amount | No. of Parcels | Amount | % of Total AV | No. of Parcels | Amount | % of Total AV |
| *City* | | | | | | | | |
| 2008-09 | 32,702 | $13,780,753 | 26,081 | $11,113,449 | 80.6% | 6,621 | $2,667,304 | 19.4% |
| 2009-10 | 31,869 | 10,904,869 | 18,124 | 7,793,681 | 71.5 | 13,745 | 3,111,188 | 28.5 |
| 2010-11 | 31,832 | 9,526,330 | 18,832 | 6,205,751 | 65.1 | 13,000 | 3,320,578 | 34.9 |
| 2011-12 | 31,067 | 9,976,240 | 15,994 | 6,309,247 | 63.2 | 15,073 | 3,666,992 | 36.8 |
| 2012-13[3] | 31,043 | 11,806,430 | 14,485 | 8,143,815 | 69.0 | 16,558 | 3,662,615 | 31.0 |
| *County* | | | | | | | | |
| 2008-09 | 366,430 | $157,497,255 | 284,471 | $118,523,803 | 75.3% | 81,959 | $38,973,452 | 24.8% |
| 2009-10 | 360,032 | 140,809,225 | 210,334 | 88,418,140 | 62.8 | 149,698 | 52,391,085 | 37.2 |
| 2010-11 | 360,066 | 136,112,315 | 205,184 | 79,565,067 | 58.5 | 154,882 | 56,547,247 | 41.5 |
| 2011-12 | 354,256 | 135,173,067 | 183,228 | 74,764,499 | 55.3 | 171,028 | 60,408,568 | 44.7 |
| 2012-13[3] | 354,642 | 136,161,751 | 166,471 | 70,546,901 | 51.8 | 188,171 | 65,614,850 | 48.2 |

(1) Data is based on July 1 Assessor's statutory roll wherein the Proposition 8 and Proposition 13 attributes reside. Any difference in the assessed value presented in this table and in the equalized roll of the County Auditor-Controller represents the changes and adjustments made by the County Assessor and/or County Auditor between the July 1 statutory roll and the County Auditor-Controller published in early September.

(2) The number of parcels for Fiscal Year 2008-09 through 2011-12 have been restated. During the Fiscal Year 2012-13, the definition of parcels within the City was changed (relative to the total number of parcels that make up the tax base) resulting in a higher total parcel count reported in Fiscal Years 2008-09 through 2011-12.

(3) The secured assessed values presented in this Table A-7 for Fiscal Year 2012-13 *do not* reflect corrections made to the equalized role to remove the value of a parcel erroneously assessed twice and to reflect the assessment appeals settlement among the City, the County and Chevron. See "*–County Property Collection Assessed Valuation*–Fiscal Year 2013-14."

*Source: ParcelQuest.*

***Assessment Appeals***. Property tax values determined by the County Assessor may be subject to an appeal by the property owners. Assessment appeals are annually filed with the County Assessment Appeals Board (the "Appeals Board") for a hearing and resolution. Hearings on appeals generally are expected to occur within two years of the filing date, although waivers and extensions are available. The resolution of an appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant/property owner.

Property tax assessment appeals were filed by Chevron for the years 2004 through 2012 challenging the assessed value of its refinery. Chevron disagreed with the determinations by the Appeals Board and filed three separate actions in Contra Costa Superior Court.

Chevron has no property located within the Merged Project Areas.

On September 17, 2013, the County Board of Supervisors approved execution of a Settlement Agreement and Release (the "Settlement Agreement") among Chevron, Chevron Corporation, the County, the County Assessor and the City. The Appeals Board approved the Settlement Agreement in October 2013. Pursuant to the Settlement Agreement, the assessment appeals by Chevron for the years 2004 through 2012 are resolved, and Chevron agrees to dismiss the three pending court cases challenging the assessed value, withdraw or dismiss the pending appeals before the Assessment Board and forgo an approximately $8 million refund in exchange for decreasing the Fiscal Year 2012-13 assessed value of the refinery by $3.87 billion to $3.28 billion (a reduction of $591,000,000). In addition, Chevron agreed not to file or re-file assessment appeals for Fiscal Year 2013-14 and to annually meet and confer with the County about the value of the refinery facilities. The Settlement Agreement does not prevent Chevron from filing future assessment appeals or litigation against the County. The City cannot predict whether additional appeals will be filed by Chevron or any other major property taxpayer in the future, or if filed whether or to what extent such appeals will be successful. Appeals are decided upon the Appeals Board and the City has no control over the actions of such officials.

A summary of the aggregate adjustments made by the Appeals Board to the assessed value of the last seven Fiscal Years is set forth below.

**Table A-5**
**Summary of Adjustments Made to the Assessed Value**
**of Property Owned by Chevron within the City of Richmond**

| Fiscal Year | Adjustment to Assessed Value |
|---|---|
| 2006-07 | ($465,000,000) |
| 2007-08 | 360,008,707 |
| 2008-09 | 902,123,042[(2)] |
| 2009-10 | 687,586,750 |
| 2010-11 | N/A |
| 2011-12 | N/A |
| 2012-13 | (591,000,000)[(2)] |

(1) The actual decision by the Appeals Board was $1,014,824, however, the amount of the adjustment was limited to the amount shown as a result of Proposition 13.
(2) This reduction is in accordance with the terms of the Settlement Agreement discussed above.
*Source: Contra Costa County Auditor-Controller.*

On June 23, 2011, 13 cities and six special districts filed a Petition for Writ of Mandate (CIVMSN11-1029) claiming that the County improperly required them to repay *ad valorem* property taxes they never received to refund Chevron for the over assessment of its property The plaintiffs contend that only governments that received the *ad valorem* property taxes, primarily the City, should repay the amount to be refunded to Chevron. A trial was held on this action and the County and the City prevailed Judgment was entered, and the other cities and special districts have filed an appeal. A hearing date has not yet been set in the appeal. While the City is unable to predict the eventual outcome of the appeal, if the plaintiffs are successful and the appellate court compels the County Auditor-Controller to revise the allocation among the taxing jurisdictions for repayment of the refund to Chevron, the City would be responsible for the repayment of an additional $8.4 million to the County for redistribution to the 13 cities and six special districts.

***Property Taxes***. Property tax receipts collected for the City by the County are set forth in Table A-5 below. In preparing its annual budgets, the City forecasts property taxes based on each of the specific categories of receipts (secured and unsecured, current and delinquent receipts, supplemental, and State replacement funds). Prior to the Statewide dissolution of redevelopment agencies, current receipts were derived from the County Assessor's estimate of growth in assessed valuation, adjusted for estimates

in growth for redevelopment project areas. Estimates of other property tax receipts are primarily based on historical collections.

Property tax receipts in Fiscal Year 2012-13 are estimated to be $32.4 million, representing approximately 23.9% of estimated General Fund revenues (excluding transfers in) and a projected 14.6% increase compared to Fiscal Year 2011-12.

Property tax receipts for Fiscal Year 2013-14 are budgeted at $30.1 million, representing approximately 21.5% of budgeted General Fund revenues (excluding transfers in) and a projected 7.2% decrease compared to Fiscal Year 2012-13 unaudited actual.

**Table A-6**
**City of Richmond**
**Property Tax Receipts[(1)]**
**Fiscal Years 2008-09 through 2011-12, Estimated Fiscal Year 2012-13 and Budgeted Fiscal Year 2013-14[†]**

| | Property Tax | | Percentage of General Fund |
|---|---|---|---|
| Fiscal Year | Receipts | % Change | Revenues[(2)] |
| 2008-09 | $33,296,446 | (2.8%) | 25.1% |
| 2009-10 | 29,746,915 | (10.7) | 26.4 |
| 2010-11 | 26,277,405 | (11.7) | 22.0 |
| 2011-12 | 28,359,544 | 7.9 | 21.4 |
| 2012-13[(3)] | 32,489,548 | 14.6 | 23.9 |
| 2013-14[(4)] | 34,158,660 | 5.1 | 21.5 |

[†] Budgeted.

(1) Excludes property tax override receipts of which approximately $12.5 million were budgeted for Fiscal Year 2010-11.

(2) Excludes transfers in.

(3) Unaudited actual. Property taxes for Fiscal Year 2012-13 were budgeted at 2.6% lower ($0.6 million) than the amounts expected to be received based on the Fiscal Year 2010-11 Adjusted Budget. The amount received in Fiscal Year 2011-12 was reduced further by $241,200 to account for repayment of amounts owed to Chevron USA as a result of its successful assessment appeal. See "*–Assessment Appeals.*"

(4) Budgeted. Approximately 60% of this decrease is attributable to the removal from the role of a parcel owned by Chevron that was assessed twice and the temporary reduction in the assessment value of the Chevron Richmond Refinery following the August 6, 2012 fire.

*Sources: City of Richmond, Comprehensive Annual Financial Report for Fiscal Years, 2008-09 through 2011-12, Fiscal Year 2012-13 Mid Year Budget, Adopted Biennial Operating Budget, Fiscal Year 2012-13 to Fiscal Year 2014-15, as amended by the Revised the Adopted Fiscal Year 2013-14.*

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

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

110 Cal. App. 2d 210 (1952). The County was the first Teeter Plan county in the State when the Teeter Plan was enacted by the State Legislature in 1949.

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

The City receives its entire secured tax levy amount each year under the Teeter Plan. A history of collections for the last five Fiscal Years and estimated for Fiscal Year 2012-13 is shown in Table A-7 and the aggregate amount of County secured tax levies, delinquencies and tax losses reserve fund balances for Fiscal Year 2008-09 through Fiscal Year 2011-12 and estimated for Fiscal Year 2012-13 are shown in Table A-8 as reported annually by the County Auditor-Controller.

**Table A-7**
**City of Richmond**
**Secured Tax Levies and Delinquencies(1)**
**Fiscal Years 2008-09 through 2011-12 and Estimated for Fiscal Year 2012-13**

| Fiscal Year Ended June 30 | Total Current Fiscal Year Tax Levy | Reimbursed Tax Levy | Percent Current Levy Delinquent June 30(2) |
|---|---|---|---|
| 2008-09 | $$38,286,630 | 1,529,548 | 3.99% |
| 2009-10 | 33,111,961 | 886,295 | 2.68 |
| 2010-11 | 29,107,690 | 499,882 | 1.72 |
| 2011-12 | 31,057,647 | 843,797 | 2.72 |
| 2012-13† | 35,432,191 | 343,593 | 0.97 |

† Preliminary.
(1) Includes property tax override receipts collected for payment of certain pension benefits.
(2) Due to the County use of the Teeter Plan, the City receives 100% of its tax levy, with the County responsible for collection of delinquent amounts.
*Source: Contra Costa County Auditor-Controller.*

**Table A-8**
**Contra Costa County**
**Secured Property Tax Levies, Delinquencies and**
**Tax Losses Reserve Balances**
**Fiscal Years 2008-09 through 2012-13**
**($ in 000's)**

| | | Collected within the Fiscal Year of the Levy | | | Total Collection as of June 30, 2013 | |
|---|---|---|---|---|---|---|
| Fiscal Year Ended June 30 | Total Tax Levy for Fiscal Year | Amount | Percentage of Levy | Collection in Subsequent Years | Amount | Percentage of Levy |
| 2008-09 | $2,061,930 | $1,975,895 | 95.83% | $76,796 | $2,052,691 | 99.55% |
| 2009-10 | 1,964,724 | 1,909,306 | 97.18 | 44,102 | 1,953,408 | 99.42 |
| 2010-11 | 1,932,504 | 1,896,819 | 98.15 | 21,497 | 1,918,316 | 99.27 |
| 2011-12 | 1,973,646 | 1,918,653 | 97.21 | 43,875 | 1,962,528 | 97.21 |
| 2012-13 | 1,974,838 | 1,953,215 | 98.90 | N/A | 1,953,215 | 98.90 |

*Source: Contra Costa County Auditor-Controller.*

The County can elect to terminate its Teeter Plan for subsequent fiscal years, in which case the City would receive only the taxes and assessments actually collected and delinquent amounts when and if received. The County can also elect to terminate its Teeter Plan if more than 3% of the total tax levy is delinquent. The County has never terminated its Teeter Plan and has not informed the City of any plans to terminate its Teeter Plan.

***Foreclosure Activity***. Residential mortgage loan defaults and foreclosures between 2005 and 2009 increased significantly in connection with the collapse of the subprime sector of the residential mortgage market and broader economic pressures. In California, the greatest impacts to date are in regions of the Central Valley and the Inland Empire (both areas that are outside of the County), although the County has been impacted as well, particularly in the eastern portions of the County where the largest number of new mortgages were originated as growth in residential development occurred.

Such foreclosure activity has also affected the City, however, since calendar year 2009 when foreclosures in the City peaked at 1,484, the housing market has been gradually recovering. Based on information provided by MDA DataQuick Information, an independent data collection service, for calendar year 2013, mortgage holders had sent 222 notices of default with respect to properties located within the City compared to 591 during calendar year 2012 (a decline of 62.4%), and 152 trustee deeds had been recorded (indicating that the property has been lost to foreclosure) during calendar year 2013 compared to 354 during calendar year 2012 (a decline of 57.1%).

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A summary of the notices of default sent and trustee deeds recorded for the City, the County and the State of California during calendar years 2009 through 2013 is summarized in Table A-9.

**Table A-9**
**City of Richmond, Contra Costa County and State of California**
**Summary of Foreclosure Activity**
**Calendar Years 2009 through 2013**

| | Notices of Default | | | | | Trustee Deeds (Foreclosures) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2010 | 2011 | 2012 | 2013 |
| **CITY** | | | | | | | | | | |
| Number | 1,484 | 1,014 | 815 | 591 | 222 | 797 | 679 | 622 | 354 | 152 |
| % Change | (6.6%) | (31.7%) | (19.6%) | (27.5%) | (62.4%) | (33.7%) | (14.8%) | (8.4%) | (43.1%) | (57.1%) |
| **COUNTY** | | | | | | | | | | |
| Number | 18,210 | 12,564 | 10,721 | 7,535 | 2,972 | 7,946 | 7,276 | 6,736 | 3,881 | 1,495 |
| % Change | 9.1% | (31.0%) | (14.7%) | (29.7%) | (60.6%) | (29.5%) | (8.4%) | (7.4%) | (42.3%) | (61.5%) |
| **STATE** | | | | | | | | | | |
| Number | 453,324 | 302,955 | 256,123 | 192,336 | 82,282 | 190,339 | 171,234 | 155,563 | 95,860 | 39,370 |
| % Change | 14.8% | (33.2%) | (15.5%) | (24.9%) | (57.2%) | (20.6%) | (10.0%) | (9.2%) | (38.4%) | (59.0%) |

_____
*Source*: *MDA DataQuick Information.*

The level of default and foreclosure activity has resulted in downward pressure on home prices in the affected areas. In response, the County Assessor has reduced the assessed valuation on certain properties pursuant to Proposition 8, legislation that permits a temporary tax reduction when baseline market value is lower than current market value. The County Assessor reviewed approximately 30,000 properties sold since 2005 and reduced the assessed valuation on approximately 22,500 properties for Fiscal Year 2007-08. The average reduction in assessed value per property was $50,000, resulting in an average tax reduction of 8% per parcel and an aggregate reduction equal to $14 million, or 0.71%, of the Fiscal Year 2008-09 secured roll of the County.

As a result of the downturn in the real estate market, the County Assessor estimated that assessed valuation in Fiscal Year 2011-12 would decline Countywide by approximately $700 million (0.49%), with only three cities (Richmond, Moraga and San Ramon) experiencing increases. For Fiscal Year 2012-13, the County Assessor estimated that assessed value Countywide would increase by approximately $1.2 billion (0.9%), with only five cities experiencing increases compared to the prior Fiscal Year. The City experienced an increase the largest increase within the County in the amount of approximately 3.7% primarily due settlement of outstanding assessment appeals by Chevron and elimination of the double-counting of one of Chevron's parcels.

For Fiscal Year 2013-14, assessed value Countywide is estimated to increase more than $4.87 billion (3.5%), with the City experiencing the only percentage decline in assessed value within the County in the amount of $948 million (-8.1%) due to the temporary reduction in assessed value following the Chevron Richmond Refinery fire. See "*–County Property Tax Collection Process and Assessed Valuation*–Fiscal Year 2012-13" and "–Fiscal Year 2013-14." For a description of the refinery fire, see "*–Utility Users Tax."*

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***Largest Taxpayers***. Set forth in Table A-10 are the 10 largest secured taxpayers in the City for the Fiscal Year ending June 30, 2013, based on assessed valuations within the City.

**Table A-10**
**City of Richmond**
**Largest Property Taxpayers**
**Fiscal Year 2012-13**
**($ in 000's)**

| Property Owner | No. Parcels | Primary Land Use | 2012-13 Assessed Value Secured | Unsecured | Total | % Total |
|---|---|---|---|---|---|---|
| Chevron USA Inc.† | 136 | Industrial | $4,775,599 | $418,709 | $5,194,308 | 40.71 |
| Guardian of KW Hilltop LLC | 2 | Residential | 143,382 | – | 143,382 | 1.12 |
| Kaiser Foundation Health Plan | 10 | Unsecured | 45,791 | 30,886 | 76,677 | 0.60 |
| US Bank | 20 | Commercial | 75,184 | – | 75,184 | 0.59 |
| Richmond Essex, LP | 1 | Residential | 60,694 | – | 60,694 | 0.48 |
| Biorichland LLC† | 11 | Industrial | 59,777 | – | 59,777 | 0.47 |
| Cherokee Simeon Venture I LLC† | 12 | Commercial | 46,477 | – | 46,477 | 0.36 |
| Pacific Atlantic Terminals LLC | 2 | Industrial | 45,295 | – | 45,295 | 0.35 |
| Auto Warehousing Company | 1 | Unsecured | – | 42,817 | 42,817 | 0.34 |
| Foss Maritime Company | 2 | Unsecured | – | 42,314 | 43,314 | 0.33 |
| SUBTOTAL | 197 | | 5,252,198 | 534,726 | 5,786,925 | 45.35 |
| Remaining Property Owners | | Various | 6,545,943 | 427,818 | 6,973,760 | 54.65 |
| TOTAL | | | $11,798,141 | $962,544 | $12,760,685 | 100.0% |

† Indicates that assessment appeals are pending. However, in the case of Chevron, all assessment appeals through Fiscal Year 2013-14 have been settled with the City *not* being required to refund any property tax payments made by Chevron from Fiscal Year 2004-05 through Fiscal Year 2013-14.
*Sources: Contra Costa County Assessor 2012-13 Combined Tax Rolls.*

On March 9, 2010, Chevron Corporation announced details of a restructuring plan that was announced earlier in January 2010. The restructuring plan includes elimination of 2,000 positions in 2010 and more in 2011 and the sale of a refinery in Wales but did not include the closure or sale of any other refineries, including the refinery in Richmond.

There can be no assurance that these owners, or any other large property owner, will not relocate outside of the City or file property tax appeals in the future which could significantly reduce the amount of property tax revenues available to the City. Certain of these taxpayers may own property located in one or more redevelopment areas of the City and the full amount of property taxes paid on such parcels may not contribute to the City's General Fund.

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***Sales and Use Taxes***. The sales tax is an excise tax imposed on retailers for the privilege of selling tangible personal property. The use tax is an excise tax imposed on a person for the storage, use or other consumption of tangible personal property purchased from any retailer. The proceeds of sales and use taxes (collectively, "Sales Tax") imposed within the boundaries of the City are distributed by the State to various agencies as shown below in Table A-11. The total Sales Tax rate for the City as of January 1, 2013 is 9.00% and is allocated as follows:

**Table A-11**
**City of Richmond**
**Composition of Sales Tax Rate**
**(As January 1, 2013)**

| | |
|---|---|
| State - General State | 3.6875% |
| State - General State | 0.2500 |
| State – Fiscal Recovery Fund (2004 Economic Recovery Bonds) | 0.2500 |
| State – Local Public Safety Fund (1993) | 0.5000 |
| State – Local Revenue Fund (Health and Social Services) | 0.5000 |
| State – Local Revenue Fund 2011 (Public Safety) | 1.0625 |
| State – Education Protection Account (2012 Proposition 30)[(1)] | 0.2500 |
| Local - City of Richmond | 0.7500 |
| Local - Contra Costa County | 0.2500 |
| SUBTOTAL STATEWIDE SALES AND USE TAX | 7.5000 |
| San Francisco Bay Area Rapid Transit District | 0.5000 |
| Contra Costa County Transportation Authority | 0.5000 |
| City of Richmond Transactions and Use Tax - General Fund[(2)] | 0.5000 |
| TOTAL | 9.0000% |

(1) Due to voter approval of Proposition 30, the statewide base sales and use tax rate will increase one quarter of one percent (0.25%) on January 1, 2013. The higher tax rate will apply for four years – January 1, 2013 through December 31, 2016.

(2) In November 2004 the voters of the City approved Measure Q, which imposed a one-half of one percent (1/2%) transactions and use tax for General Fund purposes of the City. The authorization to collect taxes pursuant to Measure Q commenced in April 2005 and continues until repealed. This transactions and use tax is collected on a different tax base than the local sales and use tax. Local sales and use taxes are allocated to the area where the sale takes place, while district transactions and use taxes follow the merchandise, so they are allocated to the area where merchandise is delivered and presumably used. As a result of these differences, there is not a perfect correlation between the City's local sales and use tax receipts and its transactions and use tax receipts.

*Source: California State Board of Equalization.*

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**Employment**

Table A-12 provides a listing of principal employers located in the City.

**Table A-12**
**Principal Employers in the City**
**(As of June 30, 2013)[1]**

| Employer Name | Classification | Estimated Number of Employees |
|---|---|---|
| Chevron U.S.A. Inc.[2] | Manufacture | 2,191 |
| West Contra Costa Unified School District | Education | 1,580 |
| Social Security Administration | Governmental Services | 1,259 |
| U.S. Postal Service | Governmental Services | 1,047 |
| Contra Costa County | Governmental Services | 844 |
| City of Richmond | Governmental Services | 776 |
| The Permanent Medical Group | Professional Services | 694 |
| Kaiser Foundation Hospitals | Nonprofit Organization | 426 |
| Bio-RAD Laboratories | Analytical Instruments Manufacturing | 473 |
| Michael Stead Auto Depot & Sales | New and Used Auto Dealer | 472 |
| PG&E | Transmission, Electric Power | 380 |
| YMCA of the East Bay | Youth Organizations | 325 |
| U.S. Air Force | National Security | 254 |
| Target Store T-1507 | Department Store | 223 |
| Macy's Hilltop | Retail | 207 |
| Greenworks US | Warehouse | 200 |
| Sunpower Corporation Systems | Manufacture | 200 |
| TPMG Regional Laboratory | Miscellaneous | 198 |
| Wal-Mart Store N#3455 | Retail | 190 |
| The Home Depot #643 | Miscellaneous | 172 |
| Sears Roebuck & Co. | Department Store | 168 |
| Safeway Stores, Inc. Bakery | Bakery | 164 |
| Galaxy Desserts | Manufacture | 163 |
| Kaiser Foundation Health the Permanente Medical Group | Healthcare | 149 |
| Grace Baking Company | Bakery | 148 |
| East Bay Asian Youth Center | Nonprofit Organization | 138 |
| Veriflo Division | Manufacture | 129 |
| MHN Services | Attorney | 125 |
| Dicon Fiberoptics, Inc. | Manufacture | 124 |

(1) Most recent data available.
(2) In December 2012, Chevron announced that it expects to relocate approximately 800 jobs to Houston, Texas in the next two years. However, all of those jobs are expected to be relocated from the Chevron headquarters in San Ramon *not* from the refinery jobs located in the City.

*Source: City of Richmond.*

Table A-13 compares estimates of the labor force, civilian employment and unemployment for the City, County, State and United States from 2008 through 2012.

**Table A-13**
**Civilian Labor Force, Employment and Unemployment**
**Annual Average for Years 2008 through 2012†**

| Year and Area | Civilian Labor Force | Employment | Unemployment | Unemployment Rate |
|---|---|---|---|---|
| **2012†** | | | | |
| City | 54,200 | 46,300 | 7,900 | 14.6% |
| County | 535,800 | 487,600 | 48,200 | 9.0 |
| State | 18,494,900 | 16,560,300 | 1,934,500 | 10.5 |
| United States | 154,975,000 | 142,469,000 | 12,506,000 | 8.1 |
| **2011** | | | | |
| City | 54,000 | 45,000 | 9,000 | 16.7 |
| County | 528,900 | 473,900 | 55,000 | 10.4 |
| State | 18,404,500 | 16,237,300 | 2,167,200 | 11.8 |
| United States | 153,617,000 | 139,869,000 | 13,747,000 | 8.9 |
| **2010** | | | | |
| City | 53,600 | 44,000 | 9,600 | 17.9 |
| County | 522,200 | 463,500 | 58,700 | 11.2 |
| State | 18,176,200 | 15,916,300 | 2,259,900 | 12.4 |
| United States | 153,889,000 | 139,064,000 | 14,825,000 | 9.6 |
| **2009** | | | | |
| City | 53,700 | 44,800 | 8,900 | 16.6 |
| County | 526,000 | 471,700 | 54,300 | 10.3 |
| State | 18,204,200 | 16,141,500 | 2,062,700 | 11.3 |
| United States | 154,142,000 | 139,877,000 | 14,265,000 | 9.3 |
| **2008** | | | | |
| City | 52,500 | 46,900 | 5,300 | 10.2 |
| County | 526,900 | 494,400 | 32,400 | 6.2 |
| State | 18,191,000 | 16,883,400 | 1,307,600 | 7.2 |
| United States | 154,287,000 | 145,362,000 | 8,924,000 | 5.8 |

† Preliminary. Data is not seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.

*Sources: State of California Employment Development and Department Labor Market Information Division; U.S. Bureau of Labor Statistics.*

**Personal Income**

The United Department of Commerce, Bureau of Economic Analysis (the "BEA") produces economic accounts statistics that enable government and business decision-makers, researchers, and the public to follow and understand the performance of the national economy.

The BEA defines "personal income" as income received by persons from all sources, including income received from participation in production as well as from government and business transfer payments. Personal income represents the sum of compensation of employees (received), supplements to wages and salaries, proprietors' income with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. Per capita personal income is calculated as the personal income divided by the resident population based upon the Census Bureau's annual midyear population estimates.

Table A-14 presents the latest available total personal income and per capita personal income for the City, the County, the State and the nation for the calendar years 2008 through 2012.

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**Table A-14**
**City of Richmond, Contra Costa County, State of California and United States**
**Personal Income[†]**
**Calendar Years 2008 Through 2012**

| Year and Area | Personal Income (millions of dollars) | Per Capita Personal Income (dollars) |
|---|---|---|
| **2012** | | |
| City | $2,541 | $24,225 |
| County | N/A | N/A |
| State | 1,768,039 | 46,477 |
| United States | 13,729,063 | 43,735 |
| **2011** | | |
| City | 2,523 | 23,881 |
| County | 60,779 | 57,011 |
| State | 1,645,138 | 43,647 |
| United States | 12,949,905 | 41,560 |
| **2010** | | |
| City | 2,533 | 24,213 |
| County | 57,700 | 54,817 |
| State | 1,564,209 | 41,893 |
| United States | 12,308,496 | 39,791 |
| **2009** | | |
| City | 2,580 | 24,832 |
| County | 55,782 | 53,745 |
| State | 1,516,677 | 41,034 |
| United States | 11,852,715 | 38,637 |
| **2008** | | |
| City | 2,545 | 24,635 |
| County | 59,914 | 58,547 |
| State | 1,610,698 | 44,003 |
| United States | 12,451,660 | 40,947 |

Sources: U.S. Department of Commerce, Bureau of Economic Analysis and HDL Coren & Cone for City data.

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**Construction Activity**

Table A-15 sets forth a five-year summary of building permit valuations and new dwelling units within the City.

**Table A-15**
**City of Richmond**
**Building Permit Valuations**
**Calendar Years 2008 through 2012**
**($ in 000's)**

| | Residential | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Single Family | | Multifamily | | Value of Alterations and | Total Residential | Nonresidential | |
| Year | Units | Valuation | Units | Valuation | Additions | Valuation | Valuation | Total† |
| 2008 | 28 | $6,734 | 50 | $5,298 | $9,749 | $21,781 | $50,833 | $72,614 |
| 2009 | 7 | 1,842 | 40 | 8,331 | 9,929 | 20,102 | 73,282 | 93,383 |
| 2010 | 70 | 24,271 | 49 | 3,826 | 12,859 | 40,955 | 37,915 | 78,870 |
| 2011 | 1 | 457 | 0 | 0 | 11,838 | 12,295 | 62,996 | 75,291 |
| 2012 | 17 | 3,841 | 27 | 8,156 | 5,876 | 17,873 | 31,813 | 49,686 |

† Total represents the sum of residential and nonresidential building permit valuations. Data may not total due to independent rounding.

*Sources: Construction Industry Research Board.*

**Community Facilities**

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

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

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

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

**Transportation**

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

***Freeways***. Existing and new highways have made travel to and through the City more efficient and convenient. Interstate 80, which passes through the City, is a direct route to Oakland, San Francisco, Vallejo, Fairfield and Sacramento. Interstate 580 provides continuous freeway access from Richmond's South Shoreline area to East Bay communities and to Marin County and is stimulating new commercial, industrial and residential development along Richmond's South Shoreline. Similarly, completion of the Richmond Parkway through North Richmond in 1996 improves vehicular access between Marin and communities to the north and east on Interstate 80, while opening major tracts of land along the City's north shoreline for new development.

***Port and Rail***. The City's deep water port is third largest in the State by annual tonnage, handling more than 20.8 million metric tons of general, liquid and dry bulk commodities each year. In 2009, the Port executed an agreement with American Honda Company whereby Honda agreed to import a minimum annual guarantee of 145,000 units per year through the Port for 15 years.

The Port of Richmond contains seven City-owned terminals, 5 dry-docks and 11 privately owned terminals. Private terminals are responsible for almost 95% of the Port's annual tonnage. On-dock rail service is provided to many port terminals by the Burlington Northern Santa Fe ("BNSF") and the Union Pacific Southern Pacific railroads. The Port, together with the BNSF operations, serve as a highly developed international rail facility. The John T. Knox Freeway has enhanced truck access to the Port.

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

***Regional Airports***. Oakland International Airport (approximately 18 miles from the City) and San Francisco International Airport (approximately 28 miles from the City) provide the City with world-wide passenger and freight service. In addition, Buchanan Field Airport, located in the City of Concord, in central Contra Costa County, is 25 miles to the east of the City and Byron Airport, located in the unincorporated community of Byron, also in central Contra Costa County, each provide general aviation services.

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

**Utilities**

Utility services to the City are supplied by the following:

| | |
|---|---|
| Electric power: | Pacific Gas & Electric Co. ("PG&E") |
| Natural gas: | PG&E |
| Telephone: | AT&T |
| Water: | East Bay Municipal Utility District ("EBMUD") |
| Sewer: | West Contra Costa Sanitary District, Richmond Municipal Sewer District, and Stege Sanitary District |

Approximately 89% of the EBMUD water supply is from the Mokelumne River watershed stored at the 69.4 billion gallon capacity Pardee Dam in Ione, California. EBMUD is entitled to 325 million gallons per day under a contract with the State Water Resources Control Board, plus an additional 119 million gallons per day in a single dry year under a contract with the U.S. Water and Power Resources Service (formerly the U.S. Bureau of Reclamation).

On June 19, 2012, the City Council voted to join the Marin Energy Authority ("MCE"), a nonprofit energy provider that derives a minimum of 50% of its electricity from renewable sources.

Effective July 1, 2013, all City residents and businesses were automatically enrolled in the Green Light package offered by the Marin Clean Energy Community Choice Aggregation program unless they opted out of the program between April and June 2013. Although power is still be transmitted through existing PG&E lines, half of it comes from solar, wind, hydroelectric, and biogas (natural gas extracted from sewage systems or landfills rather than fossil fuels). City residents still receive their bills from PG&E.

MCE also offers customers the option of enrolling in the Deep Green package, which supplies 100% of electricity from renewable sources at rate increase of approximately one cent per kilowatt hour.

**Education**

The City comprises a portion of the attendance area of the West Contra Costa Unified School District, which comprises 36 elementary schools (18 of which are located in the City), six middle and junior high schools (one of which are located in the City), and nine senior high schools, alternative schools and continuation schools (five of which are located in the City) five charter schools and had total K-12 enrollment of approximately 30,398 students for Fiscal Year 2012-13, the most recent data available. In addition, private schools operate in the City and several institutions of higher education are located near the City, including the University of California at Berkeley, Contra Costa College, Diablo Valley College, Los Medanos College, the California Maritime Academy, California State University – East Bay, San Francisco State University, and the University of California at San Francisco.

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# APPENDIX B

# REPORT OF THE FISCAL CONSULTANT

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FA FRASER & ASSOCIATES

**Redevelopment and Financial Consulting**

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# FISCAL CONSULTANT REPORT

*Richmond Community Redevelopment Agency*
*Successor Agency*

Merged Project Area

February 2014

## Section A - Introduction

The Richmond Community Redevelopment Agency Successor Agency (Agency) is considering the issuance of Tax Allocation Refunding Bonds (Bonds). The Bonds will be secured through a Trust Agreement that pledges a portion of the tax increment revenues generated from the Merged Project Area (Project Area) to repayment of the Bonds.

The purpose of this Fiscal Consultant Report (Report) is to provide in depth information about the tax increment revenues to be used to support repayment of the Bonds. The Report includes the following sections that address various aspects of the revenue stream:

A. **Introduction**: This section provides an overview of the Report and its purpose.
B. **Redevelopment Dissolution Act**: Includes a discussion of the Redevelopment Dissolution Act bills that are contained in AB 26 and AB 1484.
C. **General Information**: Provides information on the Project Area, including a general description of the Redevelopment Plans and the financial and time limits of the nine constituent Project Areas that comprise the Project Area. A brief description of the systems and procedures used by Contra Costa County for the allocation of tax increment is also included in this section.
D. **Taxable Values and Historical Revenues**: Information in this section includes a description of the categories of taxable values, the historical trends in values and revenues and the Top Ten Assessees in the Project Area.
E. **Assessment Appeals / Proposition 8 Adjustments**: The findings from a review of the records of the Contra Costa County Assessment Appeals Board are included in this section, along with an analysis of residential Proposition 8 reductions.
F. **Estimate of Current and Future Revenues**: This part of the report includes the tax increment projections for the Project Area.
G. **Adjustments and Liens on Revenue**: This section provides information on and the estimated impact of adjustments and liens on the revenue stream.

The value and revenue estimates contained in this Report are based upon information and data which we believe to be reasonable and accurate. The assessment practices and county allocation procedures discussed in this Report are based on information provided by representatives of Contra Costa County (County). Assessment practices and allocation procedures are set, in part, administratively and can be changed. Nothing came to our attention during this review to indicate changes are imminent. To a certain extent, the estimates of revenue are based on assumptions that are subject to a degree of uncertainty and variation and therefore we do not represent them as results that will actually be achieved. However, they have been conscientiously prepared on the basis of our experience in the field of financial analysis for redevelopment agencies.

## Section B – Redevelopment Dissolution Act

In December 2011, the California Supreme Court issued its opinion in the case of *California Redevelopment Association, et al., v. Matosantos, et al.* The Court upheld the right of the state of California (State) to dissolve redevelopment agencies pursuant to AB 26, which had been passed by the legislature and signed by the governor in June 2011. Based on modified time lines approved by the Court, all redevelopment agencies in the State, including the Richmond Community Redevelopment Agency (Former Agency), were dissolved effective February 1, 2012. The City of Richmond has assumed the role of Successor Agency and is charged with winding down the affairs of the Former Agency and to make payments due on enforceable obligations, as defined in AB 26 and AB 1484 (together the Dissolution Act). AB 1484, which was passed in June 2012, amended certain sections of AB 26.

Under the Dissolution Act, tax increment is no longer deemed to flow to the Successor Agency. Rather, all funds are considered property taxes. The requirement to deposit a portion of the tax increment into a low and moderate income housing fund is also no longer required. The Dissolution Act allows the Agency to issue refunding bonds so long as the refunding results in debt service savings. The Agency is authorized to pledge the property tax revenues that were formerly tax increment revenues to secure repayment of the refunded bonds.

The County Auditor-Controller is required to determine the amount of property taxes that would have been allocated to each redevelopment agency had the Former Agency not been dissolved. All former tax increment monies go into a Redevelopment Property Trust Fund (Trust Fund or RPTTF) which is controlled by the County Auditor-Controller. References in this report to tax increment indicate property taxes that are deposited to the RPTTF.

The money in the Trust Fund is used as follows:

1. Allocate to the County property tax administrative fees and other costs needed to implement the Dissolution Act.
2. Pay all pass-through payments to the taxing entities. The Project Area has an obligation to make payments required pursuant to Sections 33607.5 and 33607.7 of the Community Redevelopment Law (CRL).
3. Pay obligations required per the Recognized Obligation Payment Schedule (ROPS), including debt service on certain Senior Obligations (as defined in the Trust Agreement) and on the Bonds.
4. Pay the administrative allowance, which goes to the Successor Agency to be used to wind down the affairs of the former redevelopment agency.
5. Distribute the balance to the taxing entities pursuant to Section 34183 and 34188 of the Dissolution Act.

The allocations from the Trust Fund take place in two six month installments in January and June of each year. The Successor Agency prepares a forward looking ROPS to cover the subsequent six month period. Once approved by the Oversight Board and the state Department of Finance (DOF), the County Auditor-Controller releases the Trust Fund revenues to pay for the obligations on the ROPS. By way of illustration, funds released in June 2013 generally reflect property taxes that were collected during the period from January through May 2013. The approved ROPS will cover costs that are paid during the period from July through December 2013. Any excess Trust Fund revenue not needed to meet the various obligations shown in items one through four above would be reallocated to the taxing entities. The Agency has submitted all required ROPS to date, and all of the Trust Fund revenues have been retained by the Agency, since its total ROPS payment have equaled or exceeded the revenues when all Bonds and subordinate obligations are included. There was one ROPS period when a delay in funding a capital project caused the Agency to retain a surplus of funds. The DOF allowed the Agency to retain those funds into a future ROPS period to fund the capital project that had been delayed.

## Section C - General Information

*The Project Area*

The Project Area consists of nine formerly "independent" redevelopment project areas (Constituent Project Areas). The Constituent Project Areas were merged together for financing purposes on July 13, 1999 and include:

- No. 1-A Eastshore
- No. 1-C Potrero
- No. 3-A Galvin
- No. 6-A Harbor Gate
- No. 8-A Hensley
- No. 10-A Downtown
- No. 10-B Nevin Center
- No. 11-A Harbour
- No. 12-A North Richmond

As part of the merger process, territory was also added to Project Areas 1-A, 6-A, 8-A, 10-A, 10-B, and 11-A (1999 Amendment Areas). In July, 2005, additional territory was added to Project 10-B (2005 Amendment Area). In the past, other amendments were made to the Redevelopment Plan that changed various limitations on the time period to incur and repay debt with tax increment and on the period when a redevelopment plan can be effective. Given the impact of the Dissolution Act, some of these limits no longer appear to have any impact. For example, the Redevelopment Plan contains a final date when the Agency can incur new debt for the Project Area, but under the Dissolution Act the Agency can no longer incur new debt.

As part of a plan amendment that was adopted on May 10, 2010, a combined tax increment limit of $1,060,000,000 was established. The combined limit applies to tax increment revenues received after the effective date of the ordinance (December 22, 1986) that established those limits in each of the Constituent Project Areas. The combined tax increment limit does not apply to the 1999 or 2005 Amendment Areas, nor to the territory that was added to Project 6-A on June 26, 1995. Those areas were added after the implementation of various changes to the CRL that were triggered by legislation commonly referred to as AB 1290. AB 1290 eliminated the need to establish a cumulative tax increment limit for new redevelopment project areas or areas that were added to existing project areas. Through the 2012-13 fiscal year, it is estimated that the Agency has received $279.4 million in tax increment for the portions of the Project Area subject to the tax increment limit.

It is unclear whether, under AB 26, the tax increment limit is still in existence. Section 34182 (c) (1) of AB 26 states that the amount of revenue previously received by redevelopment agencies prior to dissolution are deemed property tax revenues, which would support the idea that tax increment limits no longer exist, since there is no longer any tax increment being distributed to agencies. It is also unclear, if the limit is still in effect, what revenues counts towards the limit, whether all former tax increment or only that portion which is received by the Agency to pay for enforceable obligations. If it is assumed that all tax increment continues to be subject to the limit, then based on the projections of tax increment shown in this Report in Table 4.1, which are based on a 2 percent trend in real property values and reductions for potential appeals impacts, the cumulative tax increment limit will not be reached before the Project Areas subject to the limits pass the deadline to receive tax increment. Growth would need to equal approximately 25 percent per year for the Agency to reach the tax increment limit prior to the repayment of the refunding Bonds in fiscal year 2025-26.

The Agency also established a combined limit on the principal amount of bonded indebtedness that can be outstanding at any one time as part of the 2010 Plan Amendment. That limit is $1,610,000,000 and applies to the entire Project Area.

The various time limits contained in the Redevelopment Plan are shown in the table below.

| Constituent Project Area | Primary Land Use | Acres | Original Adoption | Last Date to Incur Debt | Time Limit for Plan | Time Limit For TI Receipt |
|---|---|---|---|---|---|---|
| 1A Eastshore | Residential | 123 | 8/26/1957 | Deleted | 1/1/2012 | 1/1/2022 |
| 1C Potrero | Residential | 150 | 4/4/1960 | Deleted | 1/1/2012 | 1/1/2022 |
| 3A Galvin | Industrial | 95 | 2/28/1955 | Deleted | 1/1/2012 | 1/1/2022 |
| 6A Harbor Gate (Original) | Industrial | 118 | 11/8/1954 | Deleted | 1/1/2012 | 1/1/2022 |
| 8A Hensley (Original) | Industrial | 90.5 | 5/29/1960 | Deleted | 1/1/2012 | 1/1/2022 |
| 8A Hensley (1980 Area) | Industrial | 23.5 | 3/31/1980 | Deleted | 3/31/2023 | 3/31/2033 |
| 10A Downtown | Comm. | 107 | 5/23/1966 | Deleted | 1/1/2012 | 1/1/2022 |
| 10B Nevin | Residential | 17 | 9/18/1972 | Deleted | 9/18/2015 | 9/18/2025 |
| 11A Harbour | Comm. | 964 | 6/09/1975 | Deleted | 6/9/2018 | 6/9/2028 |
| 12A North Richmond | Comm. | 19 | 9/18/1972 | Deleted | 9/18/2015 | 9/18/2025 |
| 6A Harbor Gate (1995 Area) | Industrial | 616 | 6/26/1995 | 7/26/2015 | 7/26/2026 | 7/26/2041 |
| 1A Eastshore (1999 Area) | Comm. | 14 | 7/13/1999 | 7/13/2019 | 7/13/2030 | 7/13/2045 |
| 6A Harbor Gate (1999 Area) | Industrial | 16 | 7/13/1999 | 7/13/2019 | 7/13/2030 | 7/13/2045 |
| 8A Hensley (1999 Area) | Residential | 887 | 7/13/1999 | 7/13/2019 | 7/13/2030 | 7/13/2045 |
| 10A Downtown (1999 Area) | Comm. | 174 | 7/13/1999 | 7/13/2019 | 7/13/2030 | 7/13/2045 |
| 10B Nevin (1999 Area) | Comm. | 10 | 7/13/1999 | 7/13/2020 | 7/13/2030 | 7/13/2045 |
| 11A Harbour (1999 Area) | Comm. | 131 | 7/13/1999 | 7/13/2020 | 7/13/2030 | 7/13/2045 |
| 10B Nevin (2005 Area) | Resid. / Indus. | 1,783 | 7/12/2005 | 7/12/2025 | 7/12/2035 | 7/12/2050 |

Shown below are land uses by taxable value as of fiscal year 2013-14 for the Project Area. The taxable values exclude Project 10B 2005 since the value of that Project is currently below the base year value and is excluded from the calculation of former tax increment. Once the taxable value for Project 10B 2005 goes above the base year value, the Agency will be eligible to receive RPTTF from that area, should there be a need for such revenue to meet Enforceable Obligations.

**LAND USE CATEGORY SUMMARY 2013-14**

| | Parcels | Taxable Value | Percent of Total |
|---|---|---|---|
| Residential | 4,509 | $750,405,691 | 37.28% |
| Commercial | 522 | 236,862,203 | 11.77% |
| Industrial | 251 | 678,482,754 | 33.71% |
| Vacant Land | 388 | 53,553,567 | 2.66% |
| Other | 434 | 33,075,585 | 1.64% |
| Total Secured | 6,106 | 1,752,379,800 | 87.06% |
| Unsecured / State Assessed | | 260,513,847 | 12.94% |
| **Grand Total** | | **$2,012,893,647** | **100.00%** |

*Property Tax Allocation Procedures*

The method by which a county allocates property taxes and tax increment revenues can have a significant impact on the receipt of such revenues. Incorrectly allocated revenues can result in a redevelopment project area receiving erroneous amounts of revenue. In addition, the method a county uses to allocate delinquent taxes, roll corrections and property tax refunds will impact the amount of tax increment received. For these reasons, the County's procedures for the allocation of property taxes and tax increment were evaluated.

The County calculates tax increment to the Agency by applying the 1 percent tax rate, plus the City of Richmond's pension override tax rate, to the current year secured and unsecured incremental taxable value. The County also allocates unitary revenue to redevelopment projects. The allocation of unitary revenue is based on revenues received in 1987-88, adjusted by the actual growth or decline in unitary revenues on a countywide basis.

Tax increment is allocated based on 100 percent of the County calculated levy. The method is often referred to as the Teeter Plan. Under the Teeter Plan, taxing entities and redevelopment projects are shielded from the impact of delinquent property taxes. The County also does not adjust tax increment payments for roll corrections, such as refunds of property taxes due to successfully appealed assessments.

Section F of this Report includes a discussion of the impact of the County's allocation practices on the Project Area's tax increment revenues.

## Section E – Taxable Values and Historical Revenues

*Taxable Values*

Property is valued as of January 1 of each year. Property which is subject to taxation is valued at 100 percent of it full cash value. Locally assessed property is appraised by the county assessor's office. The State Board of Equalization (SBE) values state assessed property.

Real property consists of land and improvements and can either appear on the secured or the unsecured roll. The secured roll includes property on which the property tax levied becomes a lien on the property to secure payment of taxes. Unsecured property does not become a lien on such property, but may become a lien on other property of the taxpayer.

Locally assessed real property is subject to the provisions of Article XIII A of the California Constitution, commonly referred to as Proposition 13. Under Proposition 13, property is valued based either on its value in fiscal year 1975-76 or if newly constructed or sold after this date, then on the full cash value of the property at that time. Property values may only increase annually by an inflation factor of up to 2 percent annually. The

Proposition 13 value of property is sometimes referred to as the factored base year value. Pursuant to Section 51 (b) of the Revenue and Taxation Code, assessors must enroll the lesser of the market value or the factored base year value of property.

Personal property values can be classified as either secured or unsecured property. Personal property is not subject to the provisions of Proposition 13. Personal property is appraised annually at the full cash value of the property. Absent new acquisitions, the full cash value of personal property tends to decline over time as a result of depreciation. Fixtures, while categorized as real property and subject to the restrictions of Proposition 13, are also subject to declining values through depreciation.

State-assessed property is also not subject to the provisions of Proposition 13. Such property is valued by the SBE based on the full cash value of the property. State-assessed property is categorized as secured property and is either unitary or non-unitary property. Since 1987-88, unitary property has been reported on a countywide basis, with unitary revenues allocated to taxing entities and redevelopment projects pursuant to a formula contained in the Revenue & Taxation Code. Beginning in fiscal year 2007-08, unitary railroad values are reported on a countywide basis and allocated based on a formula contained in state law. State-assessed non-unitary values are reported at the local tax rate area level.

*Project Area Value Trends*

Table 1 shows the historical taxable values for the Project Area over the past five fiscal years. Table 1.1 shows a breakdown of taxable values by the Constituent Project Areas that make up the Project Area, and includes assessed values for fiscal years from 2008-09 through 2013-14. Taxable values from fiscal year 2008-09 to 2009-10 declined, from $3.7 billion to $2.9 billion, an overall decrease of 21 percent. As shown in Table 1.1, the drop in values from fiscal year 2008-09 to 2009-10 had been concentrated in a few of the sub-areas of the Project Area. It should also be noted that the current value for Project 10B 2005 is continues to be below the base year value, which has shielded the Agency from part of the value drop. Project 10-B 2005 was not included for purposes of the calculation of tax increment in fiscal year 2009-10 and future fiscal years, and will not be included until such time as the current year value exceeds the base year value.

Secured taxable values decreased by approximately $782.7 million between fiscal years 2008-09 and 2009-10. The major reason for the decline was due to across the board residential Proposition 8 reductions processed by the County Assessor, which reduced value in the Project Area by over $718 million. (See Section F- Assessment Appeals / Proposition 8 Reductions for a complete discussion). Changes of ownership also reduced value by an additional $77 million. Project 1-A also declined by approximately $45 million due to the filing of an exemption for a residential apartment project. New development offset part of the decline and added approximately $37 million. The major new development activity included value added by Pacific Atlantic Terminals in Project 11-A and development of a shopping center owned by SPI Richmond Associates LP and

Boulder Bridge Development in the Project 10-A 1999 Area. Changes of ownership and other value increases of $8.5 million also offset the declines in Project 10-B 2005.

In fiscal year 2010-11, secured taxable values (excluding Project 10-B 2005) declined by an additional $123.5 million. Additional residential Proposition 8 reductions, along with changes of ownership, caused values to drop by $94.6 million. Most of the value declines were focused in Project 11-A. In addition, the value for Kaiser Foundation Hospitals declined when they were granted an additional ongoing exemption in the amount of $23.5 million.

Secured values in fiscal year 2011-12 went down by 4 percent, largely due to additional Proposition 8 reductions. The drop in secured values was almost all offset by the addition of a new unsecured assessee, Auto Warehousing Company, which added approximately $42 million. Taxable values in fiscal year 2012-13 were largely stable, with a drop of just under 1 percent.

Secured values in fiscal year 2013-14 went up by $54.5 million. Most of the increase was driven by either the partial reversal of residential Proposition 8 reductions or by the sale of residential property, as shown in the table below.

**Major Reasons for Value Changes**

| | |
|---|---|
| Residential Proposition 8 Value Increases | $61,835,458 |
| Sales of Property | 9,241,183 |
| Residential Decreases | (5,285,728) |
| Non Residential Net Value Change | (2,431,746) |
| Total Net Value Change (1) | 63,359,167 |
| Industrial Reductions - Project 6A 1995 | (31,398,596) |
| Other Sub-Areas Net Growth | 22,558,996 |
| Grand Total | $54,519,567 |

(1) Net value change for Project 11-A, 10-A and 1-C.

We reviewed the status of Proposition 8 residential parcels in the three Constituent Project's with the largest increases: Harbour 11-A ($52 million secured increase) Downtown 10-A ($11.5 million secured increase), and Potrero 1-C ($6 million secured increase). For Harbour 11-A, there were 1,642 residential parcels that increased in value by $61 million, an average increase of 24 percent. There were also industrial properties that increased by $16 million. Growth was offset by reductions to both the residential sector ($5 million drop) and the industrial sector, where one major resolved appeal for Pacific Atlantic Terminals reduced value by $20 million. For Downtown 10-A, there were 200 residential parcels that increased in value by $4.5 million. There was also an increase for a property owned by Bridge Housing that had typically been tax exempt, but for which no exemption was filed for 2013-14, which increased secured values by $5 million. For purposes of the tax increment projections in Section G, we have assumed

that this property would be exempt beginning in fiscal year 2014-15. For Potrero 1-C, a total of 252 residential parcels were increased by $5.4 million.

The growth in secured values was offset by the resolution of a major appeal that was resolved in Project 6-A 1995, where industrial property owned by Cherokee Simeon Ventures was reduced by $31 million. Unsecured values in fiscal year 2013-14 also declined by $18.8 million. This occurred due to the removal of approximately $30 million in personal property by Foss Maritime Company.

*Historical Tax Increment Revenues*

Table 1 provides information on the historical receipt of tax increment revenues in the Project Area. The initial County levy is compared to the actual receipt of tax increment (exclusive of supplemental revenues) to determine collection trends. On average, the Agency has received approximately 101 percent of the levy over the past five years for the Project Area. Since 2000-01, the average receipts to levy has equaled 105 percent.

Supplemental property tax receipts are also shown on Table 1. Supplemental taxes are a function of new construction or changes of ownership since the last property tax lien date. When supplemental revenues are included, the Project Area has received, on average, 101.52 percent of the levy.

*Top Ten Assessees*

The Top Ten Assessees in the Project Area are summarized on Table 2. Taxable value for the Top Ten Assessees as of 2013-14 represented 21.71 percent of the overall value of the entire Project Area and 27.55 percent of the incremental value of the Project Area. Two of the top ten assessees have filed an assessment appeal.

## Section F – Assessment Appeals / Proposition 8 Reductions

Taxpayers may appeal their property tax assessments. The value of locally assessed property is appealed to the local county assessor, while the value of state assessed property is appealed to the SBE. Both real and personal property assessments can be appealed. Personal property appeals are filed based on disputes over the full cash value of the property.

Under California law, there are two types of appeals for the value of real property. A base year appeal involves the Proposition 13 value of property. If an assessee is successful with a base year appeal, the value of the property is permanently reduced. In the future, the value can only be increased by an inflation factor of up to 2 percent annually. Appeals can also be filed pursuant to Section 51 (b) of the Revenue and Taxation Code. Under this section of the code, also referred to as Proposition 8 appeals, the value of property can be reduced due to damage, destruction, removal of property or

other factors that cause a decline in value. When the circumstance that caused the decline is reversed the value of the property can be increased up to the factored base year value of the property. Values can be reduced under Proposition 8 either based on a formal appeal or they can be set by the county assessor.

Due to the impact that assessment appeals can have on the taxable values and tax increment revenues of a project area, a review of recently resolved and open appeals was conducted. The review revealed recently resolved appeals in the Project Area, as shown on the table below.

**Resolved Appeals**

| Assessee | FY 13-14 Roll Value | Resolved Value | Value Reduction |
|---|---|---|---|
| Parker Hanafin Corporation | 10,623,226 | 4,500,000 | 6,123,226 |
| JP Morgan Chase Bank | 4,100,978 | 4,000,000 | 100,978 |
| **Total - Resolved** | **14,724,204** | **8,500,000** | **6,224,204** |

The table below summarizes the history of resolved appeals in the Project Area since January 1, 2012. The impact from these appeals are already included in the 2013-14 reported assessed valued for the Project Area, and the information has been included to show the methodology used to estimate the impact from open appeals.

| Historical Appeals Success Factors | |
|---|---|
| Total Appeals Resolved in 2012 and 2013 | 102 |
| Total Resolved with Reductions | 34 |
| Percent Resolved with Reductions | 33% |
| Average Percent Value Reduction | 20% |

As shown in the table, a total of 102 appeals have been resolved, with 34 of the resolved appeals resulting in value reductions that averaged a 20 percent decrease. There are also eighteen open appeals, as shown in the table below. The owners have requested reductions in value of $106.4 million. We have estimated the potential impact of the open appeals based on success factor ratios discussed above. Based on this, we have assumed a 20 percent decrease in value for the open appeals. This would result in a reduction to future taxable values of $32.3 million. For purposes of the tax increment projections discussed in Section G and shown on Table 4.1, we have reduced taxable value for the impact of open appeals in fiscal year 2014-15.

| Assessee | Current Roll Value | Applicants Value Opinion | Potential Value Impact | Estimated Resolved (1) Value | Estimated Value Reduction |
|---|---|---|---|---|---|
| | | **Open Appeals** | | | |
| *6A Original* | | | | | |
| Maple Leaf Bakery | $7,732,743 | $3,500,000 | $4,232,743 | $6,186,194 | $1,546,549 |
| *6A 95 Amendment* | | | | | |
| Cherokee Simeon Venture LLC | 15,044,599 | 846,006 | 14,198,593 | 12,035,679 | 3,008,920 |
| Bio Rad Laboratories | 10,532,078 | 0 | 10,532,078 | 8,425,662 | 2,106,416 |
| *Subtotal* | 25,576,677 | 846,006 | 24,730,671 | 20,461,342 | 5,115,335 |
| *11 A Harbour* | | | | | |
| Richmond Bay Marina | 9,903,790 | 6,400,000 | 3,503,790 | 7,923,032 | 1,980,758 |
| Kinder Morgan Liquids Terminal | 26,968,004 | 18,821,819 | 8,146,185 | 21,574,403 | 5,393,601 |
| Cemex Construction Materials | 816,395 | 408,198 | 408,197 | 653,116 | 163,279 |
| Cemex Pacific Coast Cement | 8,025,370 | 4,012,685 | 4,012,685 | 6,420,296 | 1,605,074 |
| Foss Maritime Holdings | 27,979,462 | 17,150,506 | 10,828,956 | 22,383,570 | 5,595,892 |
| Marina Bay Crossings | 18,175,374 | 8,500,000 | 9,675,374 | 14,540,299 | 3,635,075 |
| Marina Bay Business Park | 1,273,095 | 500,000 | 773,095 | 1,018,476 | 254,619 |
| Marina West Shores | 13,996,942 | 7,000,000 | 6,996,942 | 11,197,554 | 2,799,388 |
| Lennar Emerald Bay | 4,160,000 | 3,200,000 | 960,000 | 3,328,000 | 832,000 |
| *Subtotal* | 111,298,432 | 65,993,208 | 45,305,224 | 89,038,746 | 22,259,686 |
| *1999 Areas* | | | | | |
| RB Johnson Investments | 2,265,618 | 600,001 | 1,665,617 | 1,812,494 | 453,124 |
| Bottoms, William & Mary | 1,046,810 | 314,482 | 732,328 | 837,448 | 209,362 |
| Hendrick Automotive Group | 2,019,296 | 1,300,000 | 719,296 | 1,615,437 | 403,859 |
| KA Ellie LLC | 4,254,765 | 1,600,000 | 2,654,765 | 3,403,812 | 850,953 |
| Harman & Associates | 1,548,000 | 900,000 | 648,000 | 1,238,400 | 309,600 |
| Auto Warehousing | 40,751,600 | 15,000,000 | 25,751,600 | 32,601,280 | 8,150,320 |
| *Subtotal* | 51,886,089 | 19,714,483 | 32,171,606 | 41,508,871 | 10,377,218 |
| **Grand Total** | **$196,493,941** | **$90,053,697** | **$106,440,244** | **$157,195,153** | **$39,298,788** |

(1) See text for assumptions.

The County does not allocate refunds attributable to assessment appeals to redevelopment project areas. Therefore, we have not reduced tax increment revenues for the impact of refunds.

*Proposition 8 Adjustments*

The County has processed temporary assessed value reductions for certain residential properties (Proposition 8 reductions) where the assessed values exceeded the current market value of properties without prompting from individual taxpayers. These reductions have affected the tax rolls since fiscal year 2008-09, but the major reductions occurred in fiscal year 2009-10. The properties that were subject to these "automatic"

reductions are single family homes, condominiums, and multi-family residential, which generally transferred ownership during the five year period prior to fiscal year 2008-09.

We have reviewed information on all Proposition 8 residential value changes between fiscal years 2008-09 and 2009-10 to determine how many parcels went down in value in the Project Area during that period. The results of our analysis are shown below. In addition, we obtained data on the additional reductions that occurred due to Proposition 8 between fiscal years 2009-10 and 2012-13.

| **Proposition 8 Residential Value Adjustments** | |
|---|---|
| *2008-09 to 2009-10* | |
| Number of Residential Parcels Declines | 5,005 |
| Average % Value Decline | -44% |
| Total Value Decline | ($718,391,546) |
| *2009-10 to 2012-13* | |
| Number of Residential Parcels Declines | 2,998 |
| Average % Value Decline | -45% |
| Total Value Decline | ($85,135,771) |
| | |
| **Proposition 8 Residential Value Increases** | |
| *2012-13 to 2013-14* | |
| Number of Residential Parcel Increases | 1,938 |
| Average % Value Increase | 21% |
| Total Value Increase | $61,835,458 |

As shown on the table above, 5,005 residential parcels (inclusive of both single and multifamily parcels) were reduced on the fiscal year 2009-10 tax roll, with a value reduction of $718 million. The Proposition 8 reductions caused the assessed values of Project 10-B 2005 to fall below the base year value. Due to this, the Agency is not currently receiving an revenue from that Project, and we have excluded it from the compilation of the Proposition 8 impacts for the period from fiscal years 2009-10 to 2012-13. Beginning in 2013-14, the County has partially reversed some of the prior Proposition 8 reductions and increased value by close to $62 million in fiscal year 2013-14. The Proposition 8 reversals for 2013-14 reflected residential parcels in just three of the Constituent Project Areas, and there were likely additional Proposition 8 reversals in other parts of the Project Area. Proposition 8 value reductions are temporary, and once the market value of property goes back up, the value for the parcels under Proposition 8 status can increase up to their Proposition 13 base, including the compounded 2 percent Proposition 13 inflation adjustment. Given this, the future value in the Project Area could increase by over $742 million (assuming none of these properties sell and are locked in at new Proposition 13 values).

In terms of future Proposition 8 reductions, recent sales data indicates that property is selling for more than the value recorded on the current tax roll. The table below shows the recent trends for calendar years 2012 and 2013.

| | |
|---|---|
| **2012 Sales:** | |
| Total Sales | 244 |
| Aggregate Sales Price | $66,207,988 |
| Aggregate Tax Roll Value | $47,720,441 |
| Percent Increase Between Sales Price and Tax Roll Value | 39% |
| **2013 Sales:** | |
| Total Sales | 263 |
| Aggregate Sales Price | $ 45,459,273 |
| Aggregate Tax Roll Value | $ 26,741,064 |
| Percent Increase Between Sales Price and Tax Roll Value | 70% |

The table shows that sales values were 39 percent higher than tax roll values in 2012, and that for 2013 the sales values were 70 percent higher. Given that sales prices are exceeding tax roll values by a substantial margin, and the County has began to gradually reverse the prior Proposition 8 reductions, we have assumed that there would be no further Proposition 8 reductions in fiscal year 2014-15 or future fiscal years for purposes of the tax increment projections shown in Section G.

## Section G - Estimate of Current and Future Tax Increment Revenue

County auditor-controller's are required to calculate the funds that flow to the RPTTF as if the redevelopment agency still existed. Given this, the RPTTF, or tax increment revenues, continue to be calculated by first subtracting the base year value of a project area from the current year taxable value in order to determine the incremental taxable value of the project area. Applicable tax rates are then applied to the incremental taxable value in order to determine tax increment revenues.

Unitary revenues are allocated to each Constituent Project Area based on a formula contained in AB 454. Generally, the Agency receives unitary revenues for its project areas on the basis of amounts that were received in the prior fiscal year. The prior year allocations are adjusted annually based on changes in unitary revenue on a countywide basis.

The Agency also receives supplemental property taxes for the Constituent Project Areas on an annual basis. Due to the difficulty of estimating supplemental revenues, we have not included such revenues in the projections. Supplemental property taxes typically increase the receipt of tax increment. However, transfers of ownership and other roll corrections can sometimes trigger refunds of property taxes and cause supplemental revenues to be negative.

*Current Year Revenues*

Projections of fiscal year 2013-14 tax increment revenues are shown in Table 3. The values utilized are based on actual taxable values provided by the County. It should be noted that Projects 3-A and 6-A are not eligible to receive tax increment revenue from either secured personal property or any type of unsecured value based on agreement between the Agency and the County. As a result, the values reported by the County for purposes of tax increment calculations typically exclude secured personal property and unsecured value attributable to these two Constituent Project Areas.

Tax increment generated from the application of the tax rate to incremental taxable value for fiscal year 2013-2014 is estimated at $18,081,000. Tax rates are composed of the basic one percent tax rate and debt service tax rates (tax rates levied to repay voter approved indebtedness). Debt service tax rates are based on the actual tax rates reported by the County. The overall tax rate that we applied to total incremental taxable value equals $1.14 per $100 of assessed value and represents the tax rate levied for pension obligations of the City of Richmond.

Unitary revenue for the Project Area is estimated to equal $157,800 for the 2013-14 fiscal year. The estimates are based on the actual unitary revenues in each of the Constituent Project Areas for fiscal year 2012-13.

*Projected Revenues*

Tables 4 and 4.1 show alternative projections of tax increment revenues. Real property shown on the tables consists of locally reported secured and unsecured land and improvement values. The other property category includes personal property and state assessed values.

The future level of real and other property values has been estimated based on actual values reported by the County for 2013-14 (see "Current Year Revenues" above). For purposes of the projections in Table 4, we have held real property values constant except for reductions in fiscal year 2014-15 due to recently resolved appeals and the impact of the Bridge Housing exemption. Resolved appeals and the exemption are anticipated to reduce taxable values by approximately $11 million in fiscal year 2014-15.

The projections in Table 4.1 have been increased based on a 2 percent inflation factor beginning in 2015-16. The 2 percent factor is the maximum inflation factor that county assessors can use to increase real property values. On December 11, 2013 the SBE issued a letter showing that the annual inflation adjustment for fiscal year 2014-15 would be .454 percent, which is what we have used to increase value for 2014-15, with the 2 percent factor used thereafter. We have also reduced taxable values in fiscal year 2014-15 by the estimated impact of resolved appeals and the exemption, plus outstanding assessment appeals ($39.3 million).

The other property category of value has been held constant in the projections shown in Tables 4 and 4.1.

Tax increment has been estimated based on the application of the fiscal year 2012-13 tax rate for the City of Richmond to the incremental taxable value of the Project Area. Debt service tax rates typically decline each year due to the growth of taxable values within the jurisdiction that levies the tax or as the debt is retired. The debt service tax rate levied for pension obligations for the City of Richmond, which equals $0.1400 per $100 of assessed value, is levied pursuant to Article XI of the City's Charter and Ordinance No. 9-99 adopted by the City Council on March 30, 1999. The levy of the tax rate does not have a specific ending date. Based on information provided by City staff, the tax rate has been levied at $0.1400 per $100 of assessed value since fiscal year 1982-83. We have confirmed that the rate has remained constant since fiscal year 1991-92. The City also issued Pension Bonds in 1999 and 2005 that are secured by the Pension tax rate. The City is required pursuant to the trust agreement and indenture of trust for the Pension Bonds to levy the tax rate through the final maturity of the Pension Bonds in January 2035. Data previously provided to us also shows that pension obligations are projected to require the levy of the full debt service tax rate in the future, even after the Pension Bonds are retired.

Unitary revenues shown in the projection are based on the actual fiscal year 2012-13 unitary revenues reported for the Project Areas, as provided by Contra Costa County. Unitary revenues have been held constant in the projection.

## Section H – Adjustments and Liens on Tax Increment

The tax increment revenues of the Project Area are subject to certain adjustments and liens, as described in this section, that continue to be applicable under AB 26 and AB 1484.

*Property Tax Administrative Fees*

One adjustment to tax increment revenues is for property tax administrative fees collected by Contra Costa County. State law allows counties to charge taxing entities, including successor agencies, for the cost of administering the property tax collection system. In addition, AB 26 allows counties to recover their costs in implementing the redevelopment dissolution act. Both portions of the fees have been estimated and shown in Table 4 and 4.1 based on the percentage that such fees represented from the January and June 2013 RPTTF distribution.

*Tax Sharing Payments*

Pursuant to 1994 legislation (AB 1290), the Agency is required to make payments to the affected taxing entities from the Project Area. AB 26 requires the County Auditor-Controller to remit these payments to the taxing entities from the RPTTF prior to paying the Successor Agency's ROPS obligations. The payments are calculated somewhat differently for the parts of the Project Area that were adopted prior to AB 1290 (Pre-AB

1290) and the areas that were added after AB 1290 (6A Harbor Gate 1995 Area, and the 1999 & 2005 Amendment Areas).

The payments for the Pre-AB 1290 Constituent Project Areas are required because the financial and time limitations for the various Redevelopment Plans have been amended since AB 1290 was enacted. Payments of the pass through payments are only due on increases in tax increment revenues above levels received in certain years. These years are referred to as the "AB 1290 AV Base Year" and are different for the various Constituent Project Areas.

The table below shows, for each Pre-AB 1290 Constituent Project Area, the dates when AB 1290 pass through payments began. The table also shows the AB 1290 AV Base Year, which represents the date after which the Agency owed pass through payments on any tax increment increases.

| Constituent Project Area | AB 1290 AV Base | FY Pass Thru Begins |
|---|---|---|
| 1A Eastshore | 1990-91 | 1999-00 |
| 1C Potrero | 1999-00 | 2000-01 |
| 3A Galvin | 1991-92 | 1999-00 |
| 6A Harbor Gate (Original) | 1990-91 | 1995-96 |
| 8A Hensley (Original) | 1993-94 | 1999-00 |
| 8A Hensley (1980 Area) | 1993-94 | 1999-00 |
| 10A Downtown | 2003-04 | 2004-05 |
| 10B Nevin | 2002-03 | 2003-04 |
| 12A North Richmond | 2002-03 | 2003-04 |
| 11 A Harbour | 2003-04 | 2004-05 |

For the 1995 Harbour Gate Area and the 1999 & 2005 Amendment Areas, pass through payments are due based on the total tax increment generated in those areas. The pass through payments for all Projects are based on a three tier formula, and payments are made after the Agency's deposit to its housing set-aside. Although the Agency is no longer required to make a housing set-aside deposit, the Dissolution Act specifically states that the AB 1290 payments are to be made as if the housing deposit were still being made. The table below shows the calculation methodology.

| Tier | Payment Required |
|---|---|
| Tier 1 | Pre-AB 1290 Projects: 20% of the gross tax increment attributable to increases above the AB 1290 AV Base assessed values during the remaining term the Agency receives tax increment.<br><br>Post-AB 1290 Projects: 20% of total tax increment during the entire term the Agency receives tax increment. |
| Tier 2 | Pre-AB 1290 Projects: Beginning in the 11th year after the AB 1290 pass through was triggered, an additional payment equal to 16.8% of the gross tax increment attributable to growth above levels in the 10th year after the AB 1290 pass through was triggered.<br><br>Post-AB 1290 Projects: Beginning in the 11th year, an additional payment equal to 16.8% of the tax increment attributable to growth above year 10 levels. |
| Tier 3 | Pre-AB 1290 Projects: No Tier 3 payments are due since the Project Areas will no longer be receiving tax increment in the year in which this tier is triggered.<br><br>Post-AB 1290 Projects: Beginning in the 31st year, an additional payment equal to 11.2% of the tax increment attributable to growth above year 30 levels. |

We have noted four inconsistencies in the County's calculation of the AB 1290 pass through payments, including:

1. The County does not include any tax increment generated from debt service tax rates in the tax sharing payment amount.
2. Payments should be made for Project 11-A and Project 8-A (1980 Area).
3. The County is using an incorrect adjusted base year for purposes of payments owed for Project 10-A.
4. The County did not withhold any tax sharing payments from the June 2013 RPTTF distribution, although those have been deducted from the January 2014 RPTTF allocations.

We estimate that the County method understated tax sharing payments by approximately $1.2 million for 2013-14. For purposes of the tax sharing payment amounts shown on Tables 4 and 4.1, we have corrected for each of these problems and shown the amounts that we estimate are owed.

The County has indicated that both Project 11-A and Project 8-A (1980 Area) should have been included in its calculation in the past. The Auditor-Controller intends to withhold the 2013-14 pass through amount from the Agency's June 2014 RPTTF allocation. In addition, the County intends to withhold the amounts that were owed in 2011-12 and 2012-13 from the June RPTTF distribution, which is estimated at $1.1 million. The Agency and its legal counsel maintain that those amounts are subordinate to debt service on the Bonds, but will not protest the withholding since it has adequate cash flow to meet both debt service on the Bonds and to repay this obligation. Because the prior obligations are subordinate to bond debt service, we have not included the additional 2011-12 and 2012-13 pass through obligations in our calculations.

There are also underpayments for fiscal years 2008-09 through 2010-11. The Agency will list those amounts on its future ROPS, and therefore they will be subject to the approval of the Oversight Board and DOF. The underpayments are subject to a four-year statute of limitations, and so the Agency is not required to go further back than that. The total obligation for that period is estimated at $2.6 million.

*Senior Obligations*

The pledge of tax increment revenues for the Bonds is subordinate to the Senior Obligations. The Senior Obligations include the following:

- The 1998 Series A Harbor Redevelopment Project Tax Allocation Refunding Bonds, (Non-Callable CABs)
- The Richmond Joint Powers Financing Authority (RJPFA) Tax Allocation Revenue Bonds, Series 2004A (Taxable)
- The RJPFA Housing Set-Aside Tax Allocation Revenue Bonds, Series 2004B (Tax-Exempt)
- The RJPFA Tax Allocation Revenue Bonds, Series 2003B (Taxable)
- The Redevelopment Agency Subordinate Tax Allocation Refunding Bonds (Project Areas), 2007 Series B.
- The Redevelopment Agency Subordinate Tax Allocation Refunding Bonds (Project Areas), 2010 Series A.

Table 1
Richmond Successor Agency
Merged Project Area

## Historical Taxable Values and Tax Increment Revenues (1)

| Description | 2008-09 | 2009-10 | % Change | 2010-11 | % Change | 2011-12 | % Change | 2012-13 | % Change | 2013-14 | % Change |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Secured | $3,463,588,277 | $1,922,822,221 | -44.48% | $1,799,262,113 | -6.43% | $1,730,671,381 | -3.81% | $1,697,860,233 | -1.90% | 1,752,379,800 | 3.21% |
| Utility Roll | 2,155,512 | 1,560,816 | -27.59% | 1,708,420 | 0.00% | 1,752,073 | 0.00% | 1,754,001 | 0.00% | 1,750,562 | 0.00% |
| Unsecured | 238,992,760 | 229,429,459 | -4.00% | 208,507,841 | -9.12% | 264,453,129 | 26.83% | 277,590,110 | 4.97% | 258,763,285 | -6.78% |
| TOTAL VALUE | 3,704,736,549 | 2,153,812,496 | -41.86% | 2,009,478,374 | -6.70% | 1,996,876,583 | -0.63% | 1,977,204,344 | -0.99% | 2,012,893,647 | 1.81% |
| Base Year Value | 1,258,732,196 | 426,859,902 | | 426,859,902 | | 426,859,902 | | 426,859,902 | | 426,859,902 | |
| Incremental Value | 2,446,004,353 | 1,726,952,594 | | 1,582,618,472 | | 1,570,016,681 | | 1,550,344,442 | | 1,586,033,745 | |
| Tax Increment Levy | 28,132,201 | 19,874,890 | | 18,175,864 | | 17,998,193 | | 17,673,926 | | 18,080,785 | |
| Unitary Revenue | 190,688 | 200,061 | | 171,316 | | 160,708 | | 157,844 | | 157,844 | |
| Less Pass Through (2) | (1,874,001) | (624,498) | | (548,571) | | (707,626) | | (299,509) | | (1,537,525) | |
| Less Admin Fee (3) | (267,220) | (188,400) | | (154,001) | | (159,381) | | (249,558) | | (255,341) | |
| TOTAL LEVY | $26,181,668 | $19,262,053 | | $17,644,608 | | $17,291,894 | | $17,282,703 | | $16,445,763 | |
| Actual Receipts, less Supplemental Revenue | 26,901,550 | 19,265,573 | | 17,644,003 | | 17,275,720 | | 17,387,652 | | | |
| PERCENTAGE OF LEVY | 102.75% | 100.02% | | 100.00% | | 99.91% | | 100.61% | | | |
| Supplemental Revenues | 962,419 | (808,016) | | (8,019) | | 450,039 | | 76,829 | | | |
| TOTAL RECEIPTS | $27,863,969 | $18,457,557 | | $17,635,984 | | $17,725,759 | | $17,464,481 | | | |
| PERCENTAGE OF LEVY | 106.43% | 95.82% | | 99.95% | | 102.51% | | 101.05% | | | |

| | |
|---|---|
| Total Percentage Assessed Value Change - 2009-10 to 2013-14 | -6.54% |
| Average Percentage Assessed Value Change - 2009-10 to 2013-14 | -1.68% |
| Average Receipts as a Percentage of Levy Without Supplementals | 100.83% |
| Average Receipts as a Percentage of Levy With Supplementals | 101.52% |

(1) Beginning in FY 2009-10, the value for Project 10B 2005 went below the base year value of $831.0 million and is excluded from the calculations.
(2) 2012-13 did not include the full pass through payment, which was deducted from the January 2014 distribution. That amount is subordinate to debt service and has been shown in 2013-14, The amount for 2013-14 is based on Fiscal Consultant Report information and does not include additional amounts that were owed from prior fiscal years, which are also subordinate to debt service.
(3) Estimated based on 2012-13 actual amount.

Table 1.1
Richmond Successor Agency
Merged Project Area

**COMPARISON OF ASSESSED VALUES BY SUB-AREA**

| Project | 2008-09 Total Value | 2009-10 Total Value | % | 2010-11 Total Value | % | 2011-12 Total Value | % | 2012-13 Total Value | % | 2013-14 Total Value | Value Change | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Project No. 1A | $95,201,778 | $39,264,346 | -58.76% | $34,818,358 | -11.32% | $32,712,364 | -6.05% | $34,506,619 | 5.48% | $35,104,259 | 597,640 | 1.73% |
| Project No. 1A 2000 | 27,972,950 | 29,632,046 | 5.93% | 29,074,725 | -1.88% | 29,009,324 | -0.22% | 30,111,031 | 3.80% | 29,946,525 | (164,506) | -0.55% |
| Project No. 1C | 118,941,432 | 91,444,632 | -23.12% | 89,391,208 | -2.25% | 80,682,553 | -9.74% | 77,205,372 | -4.31% | 83,275,623 | 6,070,251 | 7.86% |
| Project No. 3A (2) | 95,490,773 | 93,980,185 | -1.58% | 88,949,106 | -5.35% | 88,378,980 | -0.64% | 88,780,787 | 0.45% | 90,797,044 | 2,016,257 | 2.27% |
| Project No. 6A Original | 54,224,077 | 54,167,182 | -0.10% | 57,769,967 | 6.65% | 51,702,378 | -10.50% | 58,197,542 | 12.56% | 57,309,392 | (888,150) | -1.53% |
| Project No. 6A 1995 Addition | 184,177,719 | 191,481,343 | 3.97% | 183,225,321 | -4.31% | 176,702,818 | -3.56% | 181,601,595 | 2.77% | 150,520,052 | (31,081,543) | -17.12% |
| Project No. 6A 2000 | 9,455,647 | 9,582,253 | 1.34% | 9,553,439 | -0.30% | 10,149,256 | 6.24% | 11,044,803 | 8.82% | 12,834,820 | 1,790,017 | 16.21% |
| Project No. 8A Original | 70,416,042 | 71,743,901 | 1.89% | 71,463,308 | -0.39% | 58,116,862 | -18.68% | 57,434,387 | -1.17% | 59,085,760 | 1,651,373 | 2.88% |
| Project No. 8A 1980 Addition | 4,837,377 | 5,016,466 | 3.70% | 5,358,324 | 6.81% | 5,382,354 | 0.45% | 5,363,503 | -0.35% | 5,151,044 | (212,459) | -3.96% |
| Project No. 8A 2000 | 230,505,526 | 160,393,518 | -30.42% | 153,049,215 | -4.58% | 145,327,244 | -5.05% | 142,217,425 | -2.14% | 147,568,423 | 5,350,998 | 3.76% |
| Project No. 10A | 114,278,181 | 116,728,907 | 2.14% | 90,371,281 | -22.58% | 83,485,916 | -7.62% | 80,199,164 | -3.94% | 90,673,375 | 10,474,211 | 13.06% |
| Project No. 10A 2000 | 141,413,912 | 161,674,737 | 14.33% | 155,262,550 | -3.97% | 156,490,985 | 0.79% | 157,491,641 | 0.64% | 158,917,168 | 1,425,527 | 0.91% |
| Project No. 10B | 15,554,669 | 6,178,096 | -60.28% | 6,401,927 | 3.62% | 6,070,262 | -5.18% | 5,361,766 | -11.67% | 5,740,535 | 378,769 | 7.06% |
| Project No. 10B 2000 | 4,832,074 | 2,577,127 | -46.67% | 2,513,869 | -2.45% | 4,566,945 | 81.67% | 6,409,272 | 40.34% | 6,366,474 | (42,798) | -0.67% |
| Project No. 10B 2005 | 1,310,264,788 | 769,308,700 | -41.29% | 778,668,034 | 1.22% | 761,514,658 | -2.20% | 746,777,251 | -1.94% | 758,402,846 | 11,625,595 | 1.56% |
| Project No. 11A | 1,208,962,476 | 1,108,600,784 | -8.30% | 1,022,430,990 | -7.77% | 1,013,870,101 | -0.84% | 989,621,717 | -2.39% | 1,029,452,330 | 39,830,613 | 4.02% |
| Project No. 11A 2000 | 5,165,161 | 4,107,415 | -20.48% | 3,505,993 | -14.64% | 48,212,696 | 1275.15% | 46,297,596 | -3.97% | 44,288,238 | (2,009,358) | -4.34% |
| Project No. 12A | 13,041,967 | 7,239,558 | -44.49% | 6,338,793 | -12.44% | 6,015,545 | -5.10% | 5,360,123 | -10.90% | 5,862,585 | 502,462 | 9.37% |
| **TOTAL** | **3,704,736,549** | **2,923,121,196** | -21.10% | **2,788,146,408** | -4.62% | **2,758,391,241** | -1.07% | **2,723,981,594** | **-1.25%** | **2,771,296,493** | **47,314,899** | 1.74% |
| Less: Project 10B 2004 (1) | 1,310,264,788 | 769,308,700 | | 778,668,034 | | 761,514,658 | | 746,777,251 | | 758,402,846 | 11,625,595 | |
| **Net Value** | **$2,394,471,761** | **$2,153,812,496** | -10.05% | **$2,009,478,374** | -6.70% | **$1,996,876,583** | -0.63% | **$1,977,204,343** | **-0.99%** | **$2,012,893,647** | **35,689,304** | 1.81% |

(1) Project 10B 2005 is below its base year value and so the projections exclude this.
(2) The County reported assessed value shown on Table 1 includes certain personal property values that are typically excluded. For purposes of this table and the tax increment projections we have continued to exclude those personal property values.

Table 2
Richmond Successor Agency
Merged Project Area

**TEN MAJOR PROPERTY TAX ASSESSEES**

| Assessee | Type of Use | Project | Secured | Unsecured | 2013-14 Taxable Value (1) | % of Total Value (2) | % of Inc Value (2) |
|---|---|---|---|---|---|---|---|
| 1) Lennar Emerald Marina Shores (3) | Residential | 11A | $82,848,000 | $166,408 | $83,014,408 | 4.12% | 5.23% |
| 2) Kaiser Foundation Hospitals | Hospital | 10A & 11A | 46,706,874 | 24,256,878 | 70,963,752 | 3.53% | 4.47% |
| 3) Auto Warehousing Company (3) | Unsecured | 11 A 2000 | 0 | 40,751,600 | 40,751,600 | 2.02% | 2.57% |
| 4) Dicon Fiberoptics Inc. | Industrial | 11A | 40,640,233 | 0 | 40,640,233 | 2.02% | 2.56% |
| 5) Ford Point LLC | Industrial | 11A | 38,824,752 | 0 | 38,824,752 | 1.93% | 2.45% |
| 6) California Fats & Oils Inc. | Industrial | 11A | 34,960,960 | 1,227,614 | 36,188,574 | 1.80% | 2.28% |
| 7) Stephens and Stephens | Industrial | 6A | 33,661,600 | 0 | 33,661,600 | 1.67% | 2.12% |
| 8) Tosco Corporation | Industrial | 11A | 33,145,170 | 0 | 33,145,170 | 1.65% | 2.09% |
| 9) BP West Coast Products | Industrial | 11A | 28,835,133 | 1,190,324 | 30,025,457 | 1.49% | 1.89% |
| 10) Safeway Stores | Commercial | 6A | 29,717,275 | 0 | 29,717,275 | 1.48% | 1.87% |
| **Total Valuation** | | | **$369,339,997** | **$67,592,824** | **$436,932,821** | **21.71%** | **27.55%** |

(1) Based on ownership of locally-assessed secured and unsecured property.
(2) Based on FY 2013-14 Project Area taxable value of $2,012,893,647 and incremental value of $1,586,033,745.
Excludes current and base year value for Project 10B 2005 which is below base.
(3) These owners have outstanding assesment appeals.

Table 3
Richmond Successor Agency
Merged Project Area

**ESTIMATE OF TAX INCREMENT REVENUE FOR FISCAL YEAR 2013-14**

| | Taxable Value (1) |
|---|---|
| Local Secured | |
| Land | $679,336,361 |
| Improvements | 1,330,734,841 |
| Personal Property | 20,170,258 |
| Gross Local Secured | 2,030,241,460 |
| Exempt | 277,861,660 |
| Net Local Secured | 1,752,379,800 |
| State Assessed | 1,750,562 |
| Unsecured | |
| Land | 51,541,554 |
| Improvements | 95,187,110 |
| Personal Property | 126,102,609 |
| Total Unsecured | 272,831,273 |
| Exempt | 14,067,988 |
| Net Unsecured | 258,763,285 |
| Total Value | 2,012,893,647 |
| Base Year Taxable Value | 426,859,902 |
| Incremental Taxable Value | 1,586,033,745 |
| Tax Increment (2) | 18,080,785 |
| Unitary Tax Increment | 157,843 |
| **Total Tax Increment Revenue** | **18,238,628** |
| *Liens on Tax Increment* | |
| Property Tax Administration Fees (3) | 255,341 |
| AB 1290 Tax Sharing (4) | 1,537,517 |
| **Total Tax Revenues** | **$16,445,770** |

(1) Based on taxable values per Contra Costa County Auditor-Controller. Excludes Project 10B 2005 which is below its base value.
(2) Calculated based on the application of the City of Richmond tax rate to incremental value.
(3) Estimated based on percentage that January 2013 actual amount represented to total tax increment.
(4) Tax sharing payments per the provisions of AB 1290. Includes payment obligations in Harbor 11 A and other adjustments which the County is not including.

Table 4
Richmond Successor Agency
Merged Project Area

**PROJECTION OF INCREMENTAL TAX REVENUE - 0% GROWTH**
**COMBINED PROJECT AREA**
(000's Omitted)

| Fiscal Year | Real (1) Property | New (2) Development | Total Real Property | Other (3) Property | Total Value | Incremental Value Over Base | Tax (4) Increment | Unitary (5) Revenue | Total Tax Increment Revenue | Property Tax (6) Admin Fee | AB 1290 (7) Tax Sharing Payments | Total Tax Revenues | (8) Senior Obligations | Successor Agency (9) Refunding Revenues |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2013 - 2014 | 1,878,938 | N/A | $1,878,938 | $133,955 | $2,012,894 | $1,586,034 | $18,081 | $158 | $18,239 | $255 | $1,538 | $16,446 | $7,119 | $9,327 |
| 2014 - 2015 | 1,867,791 | 0 | 1,867,791 | 133,955 | 2,001,747 | 1,574,887 | 17,954 | 158 | 18,112 | 254 | 1,512 | 16,346 | 6,394 | 9,952 |
| 2015 - 2016 | 1,867,791 | 0 | 1,867,791 | 133,955 | 2,001,747 | 1,574,887 | 17,954 | 158 | 18,112 | 254 | 1,512 | 16,346 | 6,405 | 9,941 |
| 2016 - 2017 | 1,867,791 | 0 | 1,867,791 | 133,955 | 2,001,747 | 1,574,887 | 17,954 | 158 | 18,112 | 254 | 1,512 | 16,346 | 6,411 | 9,935 |
| 2017 - 2018 | 1,867,791 | 0 | 1,867,791 | 133,955 | 2,001,747 | 1,574,887 | 17,954 | 158 | 18,112 | 254 | 1,512 | 16,346 | 7,349 | 8,997 |
| 2018 - 2019 | 1,867,791 | 0 | 1,867,791 | 133,955 | 2,001,747 | 1,574,887 | 17,954 | 158 | 18,112 | 254 | 1,512 | 16,346 | 7,410 | 8,936 |
| 2019 - 2020 | 1,867,791 | 0 | 1,867,791 | 133,955 | 2,001,747 | 1,574,887 | 17,954 | 158 | 18,112 | 254 | 1,512 | 16,346 | 9,861 | 6,485 |
| 2020 - 2021 | 1,867,791 | 0 | 1,867,791 | 133,955 | 2,001,747 | 1,574,887 | 17,954 | 158 | 18,112 | 254 | 1,512 | 16,346 | 7,886 | 8,460 |
| 2021 - 2022 | 1,559,001 | 0 | 1,559,001 | 123,300 | 1,682,301 | 1,272,615 | 14,508 | 122 | 14,630 | 205 | 1,365 | 13,059 | 6,971 | 6,088 |
| 2022 - 2023 | 1,476,372 | 0 | 1,476,372 | 120,236 | 1,596,608 | 1,208,211 | 13,774 | 102 | 13,875 | 194 | 1,308 | 12,373 | 7,108 | 5,264 |
| 2023 - 2024 | 1,476,372 | 0 | 1,476,372 | 120,236 | 1,596,608 | 1,208,211 | 13,774 | 102 | 13,875 | 194 | 1,308 | 12,373 | 8,834 | 3,538 |
| 2024 - 2025 | 1,476,372 | 0 | 1,476,372 | 120,236 | 1,596,608 | 1,208,211 | 13,774 | 102 | 13,875 | 194 | 1,308 | 12,373 | 6,588 | 5,785 |
| 2025 - 2026 | 1,470,508 | 0 | 1,470,508 | 120,238 | 1,590,746 | 1,203,008 | 13,714 | 100 | 13,814 | 193 | 1,306 | 12,315 | 6,648 | 5,668 |
| 2026 - 2027 | 1,464,814 | 0 | 1,464,814 | 120,231 | 1,585,045 | 1,198,378 | 13,662 | 97 | 13,759 | 193 | 1,305 | 12,262 | 9,252 | 3,010 |
| 2027 - 2028 | 1,464,814 | 0 | 1,464,814 | 120,231 | 1,585,045 | 1,198,378 | 13,662 | 97 | 13,759 | 193 | 1,305 | 12,262 | 9,301 | 2,961 |
| 2028 - 2029 | 517,351 | 0 | 517,351 | 38,242 | 555,593 | 219,051 | 2,497 | 20 | 2,518 | 35 | 591 | 1,892 | 1,879 | 13 |
| 2029 - 2030 | 517,351 | 0 | 517,351 | 38,242 | 555,593 | 219,051 | 2,497 | 20 | 2,518 | 35 | 591 | 1,892 | 1,878 | 14 |
| 2030 - 2031 | 517,351 | 0 | 517,351 | 38,242 | 555,593 | 219,051 | 2,497 | 20 | 2,518 | 35 | 591 | 1,892 | 1,922 | (30) |
| 2031 - 2032 | 517,351 | 0 | 517,351 | 38,242 | 555,593 | 219,051 | 2,497 | 20 | 2,518 | 35 | 591 | 1,892 | 1,920 | (28) |
| 2032 - 2033 | 517,351 | 0 | 517,351 | 38,242 | 555,593 | 219,051 | 2,497 | 20 | 2,518 | 35 | 591 | 1,892 | 1,890 | 2 |
| 2033 - 2034 | 512,618 | 0 | 512,618 | 37,824 | 550,442 | 214,167 | 2,442 | 20 | 2,461 | 34 | 589 | 1,838 | 1,892 | (53) |
| 2034 - 2035 | 512,618 | 0 | 512,618 | 37,824 | 550,442 | 214,167 | 2,442 | 20 | 2,461 | 34 | 589 | 1,838 | 1,888 | (50) |
| 2035 - 2036 | 512,618 | 0 | 512,618 | 37,824 | 550,442 | 214,167 | 2,442 | 20 | 2,461 | 34 | 589 | 1,838 | 1,890 | (52) |
| 2036 - 2037 | 512,618 | 0 | 512,618 | 37,824 | 550,442 | 214,167 | 2,442 | 20 | 2,461 | 34 | 589 | 1,838 | 1,891 | (53) |

(1) Prior Year Real Property held constant except for reductions due to recently resolved assessment appeals and an adjustment for exemptions in 2014-15.
(2) No new development included in the projections.
(3) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.
(4) Based on the application of Project Area tax rates to the total incremental taxable value.
(5) Based on County actual for FY 2012-13.
(6) Property tax administration fees are based on 1.39 percent of tax increment, which is the percentage that such fees represented from the January and June 2013 payment.
(7) Tax sharing payments per AB 1290.
(8) Annual debt service on Senior Obligations as defined in Trust Agreement.
(9) Amount shown does not include the Coverage Reserve Subaccount funds that are included in the Official Statement.

Table 4.1
Richmond Successor Agency
Merged Project Area

**PROJECTION OF INCREMENTAL TAX REVENUE - 2% GROWTH**
**COMBINED PROJECT AREA**
(000's Omitted)

| Fiscal Year | Real (1) Property | New (2) Development | Total Real Property | Other (3) Property | Total Value | Incremental Value Over Base | Tax (4) Increment | Unitary (5) Revenue | Total Tax Increment Revenue | Property Tax (6) Admin Fee | AB 1290 (7) Tax Sharing Payments | Total Tax Revenues | (8) Senior Obligations | Successor Agency (9) Refunding Revenues |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2013 - 2014 | 1,878,938 | N/A | $1,878,938 | $133,955 | $2,012,894 | $1,586,034 | $18,081 | $158 | $18,239 | $255 | $1,538 | $16,446 | $7,119 | 9,327 |
| 2014 - 2015 | 1,864,561 | 0 | 1,864,561 | 133,955 | 1,998,516 | 1,571,656 | 17,917 | 158 | 18,075 | 253 | 1,505 | 16,317 | 6,394 | 9,923 |
| 2015 - 2016 | 1,901,307 | 0 | 1,901,307 | 133,955 | 2,035,262 | 1,608,403 | 18,336 | 158 | 18,494 | 259 | 1,620 | 16,614 | 6,405 | 10,209 |
| 2016 - 2017 | 1,938,786 | 0 | 1,938,786 | 133,955 | 2,072,741 | 1,645,881 | 18,763 | 158 | 18,921 | 265 | 1,746 | 16,910 | 6,411 | 10,500 |
| 2017 - 2018 | 1,977,012 | 0 | 1,977,012 | 133,955 | 2,110,967 | 1,684,107 | 19,199 | 158 | 19,357 | 271 | 1,877 | 17,209 | 7,349 | 9,860 |
| 2018 - 2019 | 2,016,000 | 0 | 2,016,000 | 133,955 | 2,149,955 | 1,723,095 | 19,643 | 158 | 19,801 | 277 | 2,013 | 17,511 | 7,410 | 10,102 |
| 2019 - 2020 | 2,055,765 | 0 | 2,055,765 | 133,955 | 2,189,720 | 1,762,860 | 20,097 | 158 | 20,254 | 284 | 2,156 | 17,815 | 9,861 | 7,954 |
| 2020 - 2021 | 2,913,349 | 0 | 2,913,349 | 152,353 | 3,065,702 | 1,811,490 | 20,651 | 158 | 20,809 | 291 | 2,321 | 18,197 | 7,886 | 10,311 |
| 2021 - 2022 | 2,615,799 | 0 | 2,615,799 | 141,697 | 2,757,496 | 1,520,458 | 17,333 | 122 | 17,455 | 244 | 2,232 | 14,978 | 6,971 | 8,007 |
| 2022 - 2023 | 2,569,366 | 0 | 2,569,366 | 138,633 | 2,707,999 | 1,492,251 | 17,012 | 102 | 17,113 | 240 | 2,318 | 14,555 | 7,108 | 7,447 |
| 2023 - 2024 | 2,620,753 | 0 | 2,620,753 | 138,633 | 2,759,386 | 1,543,638 | 17,597 | 102 | 17,699 | 248 | 2,520 | 14,932 | 8,834 | 6,097 |
| 2024 - 2025 | 2,673,168 | 0 | 2,673,168 | 138,633 | 2,811,802 | 1,596,053 | 18,195 | 102 | 18,297 | 256 | 2,725 | 15,316 | 6,588 | 8,728 |
| 2025 - 2026 | 2,719,194 | 0 | 2,719,194 | 138,635 | 2,857,829 | 1,642,739 | 18,727 | 100 | 18,827 | 264 | 2,924 | 15,639 | 6,648 | 8,992 |
| 2026 - 2027 | 2,766,160 | 0 | 2,766,160 | 138,629 | 2,904,789 | 1,690,770 | 19,275 | 97 | 19,372 | 271 | 3,129 | 15,972 | 9,252 | 6,720 |
| 2027 - 2028 | 2,821,483 | 0 | 2,821,483 | 138,629 | 2,960,112 | 1,746,093 | 19,905 | 97 | 20,003 | 280 | 3,350 | 16,373 | 9,301 | 7,073 |
| 2028 - 2029 | 1,632,712 | 0 | 1,632,712 | 56,639 | 1,689,351 | 525,457 | 5,990 | 20 | 6,011 | 84 | 1,612 | 4,315 | 1,879 | 2,436 |
| 2029 - 2030 | 1,665,366 | 0 | 1,665,366 | 56,639 | 1,722,005 | 558,112 | 6,362 | 20 | 6,383 | 89 | 1,737 | 4,557 | 1,878 | 2,679 |
| 2030 - 2031 | 1,698,673 | 0 | 1,698,673 | 56,639 | 1,755,313 | 591,419 | 6,742 | 20 | 6,763 | 95 | 1,865 | 4,803 | 1,922 | 2,882 |
| 2031 - 2032 | 1,732,647 | 0 | 1,732,647 | 56,639 | 1,789,286 | 625,392 | 7,129 | 20 | 7,150 | 100 | 2,008 | 5,042 | 1,920 | 3,121 |
| 2032 - 2033 | 1,767,300 | 0 | 1,767,300 | 56,639 | 1,823,939 | 660,045 | 7,525 | 20 | 7,545 | 106 | 2,154 | 5,285 | 1,890 | 3,395 |
| 2033 - 2034 | 1,795,613 | 0 | 1,795,613 | 56,221 | 1,851,834 | 688,207 | 7,846 | 20 | 7,865 | 110 | 2,291 | 5,464 | 1,892 | 3,572 |
| 2034 - 2035 | 1,831,525 | 0 | 1,831,525 | 56,221 | 1,887,746 | 724,119 | 8,255 | 20 | 8,275 | 116 | 2,443 | 5,716 | 1,888 | 3,828 |
| 2035 - 2036 | 1,868,156 | 0 | 1,868,156 | 56,221 | 1,924,377 | 760,750 | 8,673 | 20 | 8,692 | 122 | 2,597 | 5,973 | 1,890 | 4,084 |
| 2036 - 2037 | 1,905,519 | 0 | 1,905,519 | 56,221 | 1,961,740 | 798,113 | 9,098 | 20 | 9,118 | 128 | 2,755 | 6,236 | 1,891 | 4,345 |

(1) Prior Year Real Property increased by .454% for 2014-15 and then by 2% per year except for reductions due to recently resolved and open assessment appeals and an adjustment for exemptions in 2014-15.
(2) No new development included in the projections.
(3) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.
(4) Based on the application of Project Area tax rates to the total incremental taxable value.
(5) Based on County actual for FY 2012-13.
(6) Property tax administration fees are based on 1.39 percent of tax increment, which is the percentage that such fees represented from the January and June 2013 payment.
(7) Tax sharing payments per AB 1290.
(8) Annual debt service on Senior Obligations as defined in Trust Agreement.
(9) Amount shown does not include the Coverage Reserve Subaccount funds that are included in the Official Statement.

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**APPENDIX C**

**AUDITED FINANCIAL STATEMENTS FOR THE SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY FOR THE YEAR ENDED JUNE 30, 2013**

*The Successor Agency is a separate legal entity from the City, with assets and liabilities entirely separate from the assets and liabilities of the City. The Refunding Bonds are payable from and secured by a pledge of Successor Agency Refunding Revenues only. The Comprehensive Annual Financial Report of the City for the Year Ended June 30, 2013 is included* ***only*** *because it includes the audited financial statements of the Successor Agency.*

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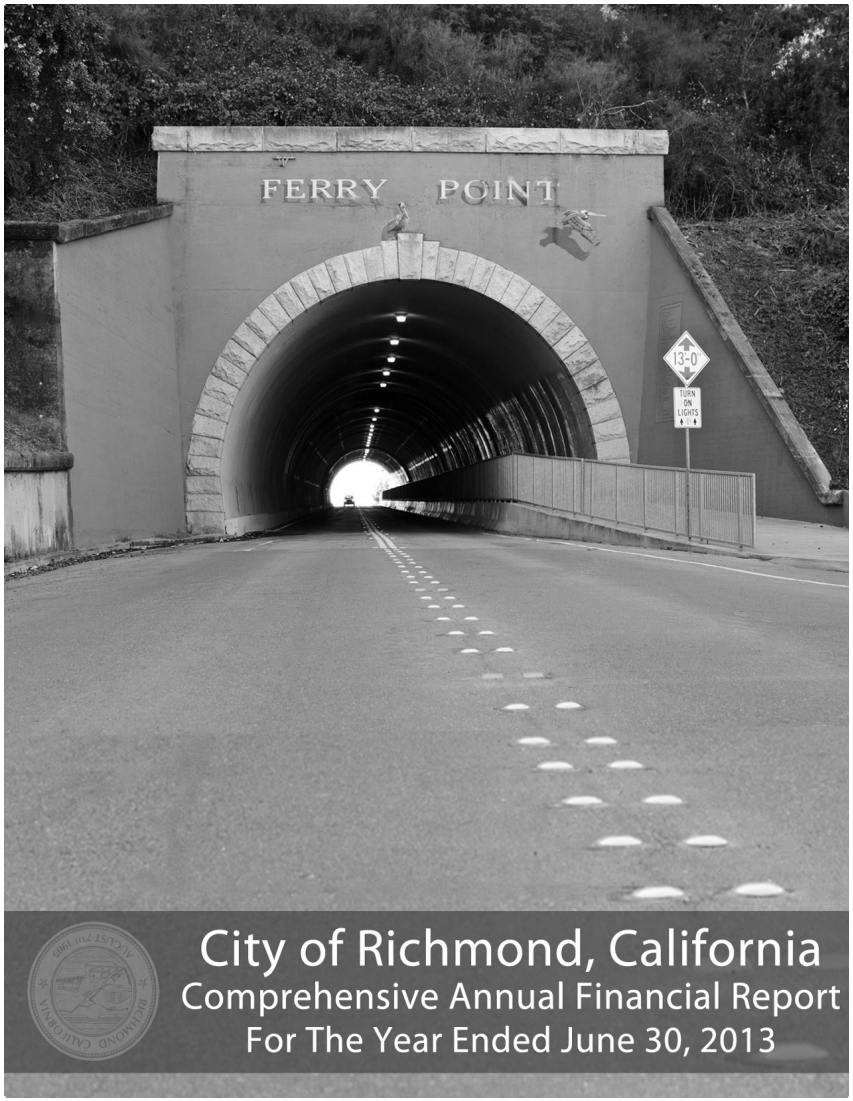




**CITY OF RICHMOND, CALIFORNIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Prepared by**

**THE FINANCE DEPARTMENT**

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**CITY OF RICHMOND**
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2013

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## FINANCE DEPARTMENT


**450 CIVIC CENTER PLAZA**
**RICHMOND, CA 94804**
**(510) 620-6740**


March 18, 2014

Citizens of the City of Richmond
The Honorable Mayor and
Members of the City Council

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Richmond, California (City). The Finance Department has prepared this report to present the financial position and the results of the City's operations for the fiscal year ended June 30, 2013, and the cash flows of its proprietary fund types for the year then ended. The basic financial statements and supporting schedules have been prepared in compliance with Article IV, Section 1(b)3 of the City Charter, with California Government Code Sections 25250 and 25253, and in accordance with generally accepted accounting principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB).

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City's financial statements have been audited by an independent auditing firm of licensed certified public accountants. The objective of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion on

the City's financial statements for the fiscal year ended June 30, 2013. The Independent Auditors' Report is presented as the first component of the Financial Section of this report.

Accounting standards require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

### The Reporting Entity and Its Services

The City has defined its reporting entity in accordance with generally accepted accounting principles that provide guidance for determining which governmental activities, organizations and functions should be included in the reporting entity. This CAFR presents information on the activities of the City and its component units.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements to emphasize their legal separateness from the City. Each blended component unit has a June 30 year-end. The City's sole discretely presented component unit is RHA Properties and also has a June 30 year-end. Please see note 1 for a detailed discussion of the financial reporting entity.

The City's component units and assessment districts are as follows: the Richmond Housing Authority, the Richmond Joint Powers Financing Authority, the Richmond Neighborhood Stabilization Corporation, the Richmond Surplus Property Authority and the Hilltop Redemption, Castro Street, Hilltop A-D, Seaport District 816, Point Richmond Parking, Hilltop E, San Pablo 854, Harbor Navigation, Country Club Vista, Cutting/Canal and Atlas Interchange Special Assessment Districts. The City also has one inactive component unit, Richmond Parking Authority.

### Profile of the Government

The City of Richmond was chartered as a city in 1909, and is located 16 miles northeast of San Francisco, directly across San Francisco Bay. Richmond is on a peninsula separating San Francisco Bay (on the south) and San Pablo Bay (to the north), spanning 32 total miles of shoreline. The City's total area is 56.1 square miles, 33.8 of which is land area and 22.3 water area. Richmond is situated near major metropolitan cities and major new growth areas. San Francisco is within 35 minutes from Richmond by freeway; Oakland is 20 minutes; San Jose is approximately one hour's drive to the south and Sacramento, the state capitol, is approximately 90 minutes to the east. Central Marin County is 15 minutes from Richmond directly across the Richmond-San Rafael Bridge. Freeways provide direct access from Richmond to major new growth areas along Interstate 80 north and east to Vallejo, Fairfield and Sacramento; along Interstate 680 in central Contra Costa County; and south along Interstate 880 to the San Jose area.

Richmond's population is 103,828. The population within a 30-mile radius of Richmond is over 3.7 million, and within a 70-mile radius is approximately 7.8 million. Richmond is located on the western shore of Contra Costa County, and is the largest city in the "West County" region consisting of five cities: Richmond, El Cerrito, San Pablo, Hercules and Pinole.

The City of Richmond provides a full range of municipal services, including police and fire protection, construction and maintenance of highways, streets and infrastructure, library services, storm water and municipal sewer systems, wastewater treatment facility and the administration of recreational activities and cultural events. The City also operates the Richmond Memorial Convention Center and the Port of Richmond.

The City Council is the governing body of the City and has six members elected at-large to alternating 4-year terms. The Mayor is elected at large and is a seventh member of the City Council. The City of Richmond is a Council-Manager form of government. The City Manager, appointed by the Mayor and Council, has administrative authority to manage administrative and fiscal operations of the City. In addition to the City Manager, the City Attorney, City Clerk and Investigative Appeals Officer are appointed by the Mayor and Council.

The mission of the City of Richmond is:

> *The City of Richmond provides services that enhance economic vitality, the environment and the quality of life of our community.*

### Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

**Local economy**

The economy of the City of Richmond includes heavy and light manufacturing, distribution facilities, service industry, high-tech, bio-tech and medical technologies, retail centers and a multi-terminal shipping port on San Francisco Bay. Richmond also serves as a government center for western Contra Costa County. The Richmond economy is experiencing growth in light industrial and high technology companies, as well as retail. At the same time, the Port of Richmond has found success in the importation of automobiles.

A number of prime factors appear to be attracting new high-tech firms to Richmond:

- The ongoing development and leasing of light industrial/business park property at Hilltop and along the relatively new I-580 freeway along Richmond's South Shoreline evidence that an active market for this kind of space exists in the Richmond area;
- Availability of fairly extensive vacant or under-utilized land areas zoned for industrial use;
- Relatively lower land costs than most of the Bay Area;
- Richmond's central location in western Contra Costa County; within a short distance of San Francisco, Oakland, other East Bay cities and Marin County, and a relatively easy commute to and from the State's capitol, Sacramento;
- Proximity to the University of California, Berkeley, one of the major scientific universities and library systems in the world;
- Good access and transportation (Richmond has two Interstate freeways as well as good rail and water transportation facilities, including Southern Pacific and Santa Fe Railroads, Santa Fe western terminal and the Port of Richmond and the Richmond Transit Village featuring an inter-modal station providing easy access to Bay Area Rapid Transit (BART, Amtrak and buses); and
- Availability of relatively affordable housing for employees in a variety of neighborhoods, housing types and price ranges.

Small business firms, with 20 or fewer employees, comprise a very high percentage of Richmond businesses. The City played a major role in building capacity to service this group by establishing the West Contra Costa Business Development Center, which is located in Richmond's historical Downtown. The Center supports the Richmond Main Street Initiative, provides small business loans through a revolving loan fund and a façade improvement program.

Public policy decisions have been made that will improve the quality and quantity of the technical workforce ready to meet the challenges of the technological labor market. The Richmond area policy makers are working as a team to accomplish the common goal of retaining components of the current economic base and creating an economic environment that will attract and retain new businesses in growth industries. Some of the special programs and projects that have been created to accomplish this goal are as follows:

**Richmond Enterprise Zone:** This City of Richmond program offers businesses within its boundaries the opportunity to reduce their state business income taxes through a variety of tax credits. Most commercial and industrial areas of the City are within the Enterprise zone. Incentives include: a Hiring Tax Credit, Sales and Use Tax Credit, Business Expense Deduction for Real Property, Net Operating Loss Carry-over, Net Interest Deduction for Lenders and Employer Tax Credit for hiring Low-Income Employees.

**Workforce Investment Board:** The Richmond Workforce Investment Board (WIB) is the official oversight and policy-making body for federally-funded employer services and employment and training programs in Richmond. The mission of the Richmond WIB is to oversee the articulation and implementation of comprehensive workforce development strategies, policies and performance outcomes of the City of Richmond's integrated service delivery system.





## Significant Events and Accomplishments

The City of Richmond is committed to providing excellent municipal services to its diverse residents and visitors. Highlights of the City's activities and accomplishments for the fiscal year ended June 30, 2013 include the following:

**Public Safety**

- Received a grant award from the U.S. Department of Homeland Security in the amount of $794,968 through its Port Security Grant Program. These funds have been awarded to fund the purchase of a Marine Patrol Unit (Police Boat)

**Economic & Neighborhood Development**

- RichmondBUILD highlighted by the Environmental Protection Agency (EPA) Region 9 as one of their success stories.
- Approved for an $825,000 Project HIRE grant from the State of California Employment Development Department's Workforce Services Division to provide training and employment services for up to 125 Richmond residents in career pathways aligned with the anticipated Lawrence Berkeley National Lab.
- Awarded $75,000 from Stephen Bechtel Fund.
- Completed construction of the Bay Area Rapid Transit (BART) Garage complex.

**Recreation & Cultural Services**

- Richmond Public Library's Children's Room was featured in Demco Interiors' newest brochure.
- The Disabled Persons Recreation Center and Shields-Reid Community Center received their very own Imagination Playground.

**Public Works**

- Acknowledged for significant improvement by the Metropolitan Transportation Commission's (MTC) Annual Report on Bay Area Road Pavement Conditions.

Awarded the Public Works Project of the Year in the Disaster Emergency Construction /Repair category for the Via Verdi Emergence Response Project.

**Strategic Support**

- Received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA) for the fiscal year ending June 30, 2012.
- Received the Achievement of Excellence in Procurement (AEP) Award from the National Purchasing Institute - July 2013.
- Received the Distinguished Budget Presentation Award for fiscal year 2012-13 from the Government Finance Officers Association (GFOA).
- Received the California Society of Municipal Finance Officers (CSMFO) Excellence Award in Operating and Capital Budgets for the fiscal year ending June 30, 2013.

**Long-Term Financial Plan**

- Maintained a $10 million contingency reserve.
- Completed an updated analysis of five-year historical revenue and expenditure trends.
- Updated five-year financial forecasts based on historical trends and other known factors.
- Adhered to the Debt Policy which reflects general debt service cannot exceed 10% of General Fund Revenue.
- Continued to use one-time moneys for one-time uses, and ensured revenues were adequate to finance the City's operations.



## CASH MANAGEMENT POLICIES AND PRACTICES

Public funds held by the City Treasury were invested in accordance with established investment procedures and with the Investment Policy adopted by the City Council on July 22, 2003. An updated Investment Policy was adopted by the City Council on July 31, 2012. The Investment Policy is in compliance with Section 53601 of the State of California Code.

The permitted investments include U.S. Treasury notes, bonds, or bills; instruments issued by a U.S. federal agency or a United States government sponsored enterprise; negotiable certificates of deposit (with certain restrictions); medium term corporate notes with a rating category of "A" or better; commercial paper of "prime quality"; bankers' acceptances; repurchase agreements not to exceed one year; money market mutual funds (with certain restrictions), the Investment Trust of California and with the State of California Local Agency Investment Fund.

The objectives of the Investment Policy are to invest up to 100% of all idle funds, guarantee that funds are always available to meet all possible cash demands of the City and to manage the portfolio in order to take advantage of changing economic conditions that can aid in increasing the total return on the City's portfolio.



The average earned interest yield for the year ended June 30, 2013 was 1.09 percent. The City Council receives reports on the City's pooled investment program on a monthly basis. Please see Note 3 for a detailed discussion of the City's cash and investments.

## RISK MANAGEMENT

The Risk Management Division, a component of the Human Resources Department, is responsible for managing and implementing city employee and retiree benefits in addition to managing and controlling the City's overall cost of risk. This entails a number of components including exposure assessment, loss control and mitigation, loss funding and claims management. The Division's pre-loss efforts include safety training and employee education programs, operational, financial and transactional risk and hazard evaluation, implementation of regulatory and legislative requirements and the evaluation and use of risk financing methods including self-insured retentions, risk transfer opportunities and the purchase of insurance.

Up until April 17, 2009, the City self-insured the first $1 million of its Workers' Compensation program and purchased excess commercial insurance coverage for claims up to $25 million in excess of the annually determined self-insured retention ($1 million). Effective April 18, 2009, the City became a member of the California State Associate of Counties – Excess Insurance Authority (CSAC-EIA) to participate in their excess workers' compensation risk pool. The City's self-insured retention was reduced to $750,000 effective with this change. The excess workers' compensation coverage is now renewed on a fiscal year basis on July 1st. Risk Management is instrumental in evaluating retention and insurance costs to optimize the City's cash flow and manage its overall Workers' Compensation costs.

The City also self-insures the first $500,000 of liability risk exposures and purchases excess insurance from a governmental risk pool, currently with limits of $40 million. As with Workers' Compensation risk, Risk Management is instrumental in evaluating retention and insurance costs to optimize the City's cash flow and manage its overall liability costs.

The City's Risk Manager works with the City Attorney, outside legal counsel and the City Council to review claims and establish claim management strategies. The Risk Manager also works continuously to identify and coordinate practical, operational and strategic best practices to reduce the frequency and severity of losses in order to protect the general public and City employees and to reduce the overall frequency and severity of losses. Please see Note 15 for a complete discussion of Richmond's risk management.

## PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee 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. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. The City also contributes to three closed single-employer plans as follows:

General Pension Plan – Retirement and other benefits are paid from Secured Pension Override and from related investment earnings. The City is required under its charter to contribute the remaining amounts necessary to fund the Plan using the entry age-normal actuarial method as specified by ordinance.

Police and Firemen's Pension Plan – Funding for the Plan is provided from the Secured Pension Override Special Revenue Fund. Employees were vested after five years of service. Members of the Plan are allowed normal retirement benefits after 25 or more continuous years of service. The City is required under its charter to contribute the remaining amounts necessary to fund the Plan using the entry age-normal actuarial method as specified by ordinance.

Garfield Pension Plan – Retirement and other benefits are paid from the assets of the Plan and from related investment earnings. Benefit provisions have been established and may be amended upon agreement between the City and Mr. Garfield.

The City established the Secured Pension Override Special Revenue Fund to which proceeds of a special incremental property tax levy voted by the citizens of the City of Richmond are credited for the payment of benefits under the Plans.

In addition to the pension benefits described above in Notes 11 and 12, the City provides postretirement health care benefits, in accordance with City ordinances, to all employees who retire from the City on or after attaining retirement age (50 for policemen, 50 for firemen, and 55 for all other employees) and who have at least ten years of service. At June 30, 2013, 479 retirees met those eligibility requirements. The City has funded these benefits on a pay-as-you-go basis. During fiscal year 2013, expenditures of $3,185,768 were recognized for post-employment health care benefits. Please see Notes 11, 12, and 13 for a complete discussion of the City's pension and other post-employment benefits



**AWARDS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2012. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current



comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**ACKNOWLEDGEMENTS**

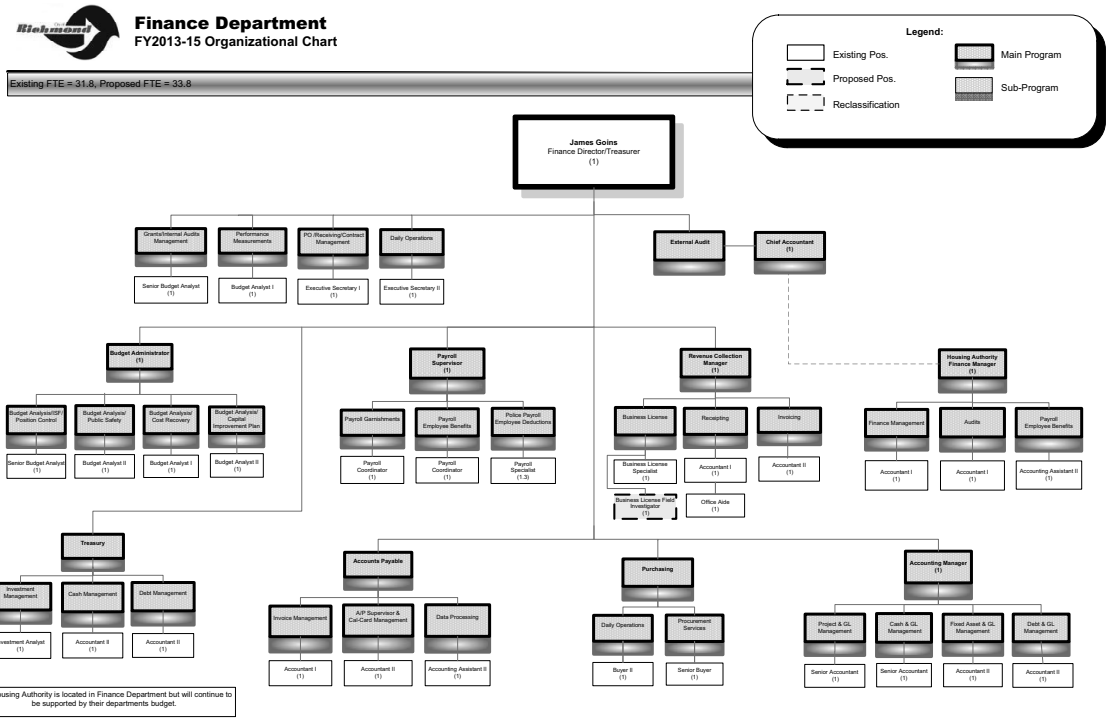
The preparation of this CAFR represents the culmination of a concerted team effort by the entire staff of the Finance Department. They should be commended for their professionalism, dedication, efficiency, and their personal commitment and determination demonstrated through long days of focused attention to produce this exemplary document.

In addition, staff in all City departments should be recognized for responding so positively to the requests for detailed information that accompanies each annual audit. The role of Maze & Associates, Certified Public Accountants, should also be acknowledged as a significant contribution to a fine product.

Finally, we wish to express our sincere appreciation to the Mayor and City Council for providing policy direction and a firm foundation of support for the pursuit of excellence in all realms of professional endeavors.

Respectfully submitted,

James C. Goins
Finance Director/Treasurer






**CITY OFFICIALS**

**JUNE 30, 2013**

**CITY COUNCIL**

Mayor ..... Gayle McLaughlin

Vice Mayor ..... Courtland "Corky" Boozé

Councilmember ..... Tom Butt

Councilmember ..... Nathaniel Bates

Councilmember ..... Jovanka Beckles

Councilmember ..... Jim Rogers

Councilmember ..... Jael Myrick

**ADMINISTRATION AND DEPARTMENT HEADS**

City Manager ..... Bill Lindsay

Asst. City Manager/Human Resources Director ..... Leslie Knight

City Attorney ..... Bruce Goodmiller

City Clerk ..... Diane Holmes

Employment & Training Director ..... Sal Vaca

Finance Director/Treasurer ..... James Goins

Fire Chief ..... Michael Banks

Housing Director ..... Patrick Lynch

Information Technology Director ..... Sue Hartman

Interim Engineer Director ..... Alan Wolken

Library and 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 ..... Keith Jabari

# CITY OF RICHMOND, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT
## For The Fiscal Year Ended June 30, 2013

**Prepared by the City of Richmond Department of Finance**
**Accounting Division**

### PROJECT TEAM

James C. Goins
*Finance Director/Treasurer*

General Accounting
Tina Mckenney, *Chief Accountant*
Latha Ravinder, *Accounting Manager*
Nena Gapasin, *Senior Accountant*
Yolanda Skelton, *Senior Accountant*
Crispin Nunez, *Accountant II*
Rhonda Jackson, *Accountant II*
Ted Ferrer, *Senior Accountant*
Iluminada Hallare, *Senior Accountant*

Other Finance Department Contributors
Administration Division Accounts Payable Division
Treasury Division Purchasing Division Revenue Division
Payroll Division Budget Division
Capital Projects/Grants Division

Special Assistance from Other Departments

HOUSING & COMMUNITY DEVELOPMENT
RICHMOND HOUSING AUTHORITY





Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Richmond**
**California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

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MAZE & ASSOCIATES

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Richmond, California

***Report on Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richmond as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the component unit financial statements of RHA Properties, which represent 4.06%, 4.31% and 1.75% of the assets, net position and revenues, respectively, of the primary government. We did not audit the component unit financial statements of the Richmond Housing Authority (Authority), which is both a major fund and 21.16%, 65.74% and 37.05% of the assets, net position and revenues, respectively, of the business-type activities. These component unit financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the report of these other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Emphasis of Matters***

Management adopted the provisions of the following Governmental Accounting Standards Board Statement, which became effective during the year ended June 30, 2013 that affected the format and nomenclature of the financial statements:

> Statement 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* See Note 2 to the financial statements for relevant disclosures.

Management early-implemented the provisions of the following Governmental Accounting Standards Board Statement during the year ended June 30, 2013 that also affected the format and nomenclature of the financial statements and required the restatement of net position:

> Statement 65 – *Items Previously Report as Assets and Liabilities.* See Notes 2G and 2H to the financial statements for relevant disclosures.

As discussed in Note 18, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Richmond Community Redevelopment Agency was dissolved and its assets turned over to and liabilities assumed by Successor Agencies effective January 31, 2012. Certain transactions undertaken by the Richmond Community Redevelopment Agency prior to the date of dissolution may be subject to review by the State as discussed in Note 18, but the effect of that review cannot be determined as of June 30, 2013.

The City's position on these matters is not a position of settled law and there is considerable legal uncertainty regarding these matters. It is possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably or unfavorably to the City. No provision for liabilities resulting from the outcome of these uncertain matters has been recorded in the accompanying financial statements.

On May 24, 2013, RHA Properties entered into a Purchase and Sale Agreement (PSA) with Menlo Capital Group, LLC (the Buyer) for the disposition of Westridge at Hilltop Apartments for a price of $40 million. The disposition of Westridge at Hilltop Apartments, its primary asset will cause the liquidation of RHA Properties and discontinuation of the business operation, which raises substantial doubt about RHA Properties' ability to continue as a going concern. Management currently has no further plans for the entity after the property is sold.

As discussed in Note 10F, the Richmond Housing Authority restated the balance of a loan receivable from RHA Properties.

The emphasis of these matters does not constitute a modification to our opinions.





***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the budgetary comparison information for the General Fund, Cost Recovery Special Revenue Fund, and Community Development and Loan Programs Special Revenue Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
March 18, 2014

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**Fiscal Year Ended June 30, 2013**

Management of the City of Richmond (the "City") provides this Management's Discussion and Analysis of the City's Basic Financial Statements for readers of the City's financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the financial statements, which begin on page 31.

## FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $232.9 million (net position). Of this amount, $60.5 million is restricted for specific purposes (restricted net position), $296.6 million is the net investment in capital assets and $124.1 million represents a deficit in unrestricted net position.

- During fiscal year 2013, Business-Type Activities Net Position was restated by $1.9 million changing the City's total net position at July 1, 2012 from $243.7 million to $241.8 million. After restatement, the City's total net position decreased by $8.9 million during the fiscal year. This decrease is the net result of a $28.6 million decrease and $19.7 million increase in net position for governmental and business-type activities, respectively. The decrease in the governmental activities is largely due to $11.5 million deficiency of revenues over expenses in various governmental activities, $11.6 million of net internal service funds activities and $4.6 million adjustment to the Other Post-Employment Benefits (OPEB) liability for retiree medical benefits. Conversely, business-type activities reported a positive change in net position in the Port, Richmond Marina, Municipal Sewer, Cable TV and Richmond Housing Authority. Restricted net position for governmental activities decreased $6.7 million to $51.3 million. Unrestricted deficit net position for governmental activities increased by $799 thousand to $117.8 million. Restricted net position for business-type activities increased by $1 million to $9.2 million. Unrestricted deficit net position for business-type activities increased by $16.6 million to a $6.3 million deficit.

- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of $62.2 million, a decrease of $11.4 million in comparison to prior year, primarily due to deficit spending in Cost Recovery, State Gax Tax, Secured Pension Override and various debt service and capital project funds. This decrease of $11.4 million includes a $22.1 million decrease in total assets and a $10.6 million decrease in total liabilities and deferred inflows of resources. The ending fund balance includes $26.4 million of nonspendable resources, $38 million of resources restricted for a specific purpose, $2 million of assigned resources and a deficit $4.1 million of unassigned resources. The unassigned fund balance decreased

from prior year by $3.2 million to deficit $4.1 million. This $4.1 million deficit is a net result of a positive $10.2 million balance in General Fund and $14.4 million in deficits occurring in Cost Recovery and other governmental funds.

- At the end of the fiscal year, the General Fund had a fund balance of $36.8 million, of which $26.4 million was nonspendable, $220 thousand was assigned and the remaining $10.2 million was unassigned. Total fund balance decreased $533 thousand from prior year.

- The City implemented GASB Statement 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This Statement provides financial reporting guidance for deferred inflows/outflows of resources. The City's business-type activities report one item as Deferred Outflow of Resources which is the loss on refunding resulting from the difference in the carrying value of Wastewater Revenue Bonds, Series 1999 and Series 2006B refunded debt and its reacquisition price under Wastewater Revenue Refunding Bonds Series 2006A and 2008A, respectively. The City also reports Deferred Inflows of Resources in governmental funds from unavailable revenues. In addition, this statement amends GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments to* change the net asset reporting requirement to net position.

- As part of the early implementation of GASB Statement 65 – *Items previously reported as assets and liabilities*, the City restated its net position in business-type activities by $1.9 million. The net position of the Port and Municipal Sewer were restated by $2.1 million to adjust bond issuance costs outstanding as of July 1, 2012. Additionally, the Richmond Housing Authority restated its net position by a positive $198 thousand to account for a previously unrecorded advance for a net $1.9 million.

- The City reports $21.5 million in other post-employment benefit (OPEB) liability for this fiscal year which is an increase of $4.6 million over the $16.9 million liability reported for fiscal year 2012. The increase represents the current year change in net OPEB obligation and was the result of the actuarially required contributions being in excess of actual contributions.

- The City participates in the miscellaneous and safety plans offered by the California Public Employees Retirement System and the City maintains three City funded single-employer pension plans. The City's governmental activities report net pension assets of $100.0 million for fiscal year 2013. This reflects a $230 thousand increase from $99.8 million assets reported for fiscal year 2012 due to contributions exceeding actuarially required contributions in the city funded pension plans.





**OVERVIEW OF FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements:**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. The City implemented the provisions of GASB Statement 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* which replaced the financial statement term "net assets" with "net position". Additionally, the statement required reporting of deferred outflows of resources and deferred inflows of resources. See Note 2G for further discussion. The government-wide financial statements are now comprised of the *Statement of Net Position and Statement of Activities and Changes in Net Position.*

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements include the activities of the City and five blended component units which consist of the Richmond Housing Authority, Richmond Joint Powers Financing Authority, Richmond Neighborhood Stabilization Corporation, Richmond Surplus Property Authority and Richmond Parking Authority. Although legally separate, the City is financially accountable for the activities of these entities which are therefore shown as blended as part of the primary government. As of February 1, 2012, the activity of the Successor Agency to the Redevelopment Community Redevelopment Agency (Successor Agency) is reported with the City's fiduciary funds,

which is not included in the government-wide statements since the resources of those funds are not available to support the City's own programs. The Successor Agency is included as a fiduciary fund as the activities are under control of an Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

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

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

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

The government-wide financial statements can be found on pages 31-33 of the financial report.

**Fund Financial Statements**

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

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

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





changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The City implemented GASB Statement 63- *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* which requires the fund financial statements to report deferred inflows/outflows of resources. See Note 2G for further discussion.

The City has 19 governmental funds, of which three are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The City's three major funds are the General Fund, Cost Recovery Special Revenue Fund and the Community Development and Loan Programs. The basic governmental fund financial statements can be found on pages 36 through 39 of the financial report. Data from the other sixteen governmental funds are combined into a single, aggregated presentation and separately on pages 158 through 169 of the financial report.

***Proprietary Funds*** – Proprietary funds of the City are two types: (1) enterprise funds; and (2) internal service funds. The City maintains six enterprise funds that provide the same type of information as the government-wide financial statements, only in more detail. The major enterprise funds consist of the Richmond Housing Authority, Port of Richmond and Municipal Sewer. Enterprise funds financial statements can be found on pages 42 through 44 of the financial report.

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

***Fiduciary Funds*** – Fiduciary funds are used to account for resources held for the benefit of third parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The fiduciary funds for the City consist of Pension Trust Funds, Pt. Molate Private-Purpose Trust Fund, Successor Agency to the Richmond Community Redevelopment Agency Private-Purpose Trust Fund and Agency Funds. The accounting used for fiduciary funds is much like that used for proprietary funds. The financial statements for these funds can be found on pages 46-47.

**Notes to the Financial Statements:**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 49 through 150 of this report.

**Required Supplementary Information:**

In addition to the basic financial statements and accompanying notes, this report also includes certain required supplementary information providing budgetary comparison

statements for the General Fund, the Cost Recovery Special Revenue Fund and the Community Development and Loan Programs Special Revenue Fund. Required supplementary information can be found on pages 151 through 154 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Analysis of Net Position:**

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. As of July 1, 2012, the City restated business-type activities thereby reducing it by $1.9 million to $60.1 million. The restatement was the net result of the implementation of GASB 65 in which $2.1 million of previously deferred bond issuance costs, other than prepaid insurance, were treated as having been expensed in the year incurred and increasing net position by $198 thousand to recognize an unrecorded advance as discussed in Notes 2H and 10F, respectively. After restatement, the City's combined net position (government and business-type activities) totaled $232.9 million at the close of the fiscal year ending June 30, 2013. The City's net position decreased by $8.9 million during the current fiscal year. This is a net result of governmental activities decrease of $28.6 million and an increase in business-type activities of $19.7 million.

The largest portion of the City's net position is invested in capital assets (e.g. land, streets, sewers, buildings, machinery, and equipment). Investment in capital assets totaled $296.6 million, representing a $22.4 million decrease from the prior year. Investment in capital assets is net of the outstanding debt that was incurred to acquire the assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

$60.5 million of the City's net position is accounted for as restricted net position and represents resources that are subject to external restrictions on how they may be used. Restricted net position decreased $5.7 million primarily due to reductions in governmental activities related to capital projects, debt service and resources available to fund pension benefits.

Unrestricted net deficits represent the net unfunded liabilities of the government. Overtime, increases and decreases in this account will allow the reader to determine if the City's condition is improving or deteriorating. The City's combined unrestricted deficit (government and business-type activities) increased by $19.3 million to a deficit $124.1 million at the close of the fiscal year ending June 30, 2013. This increase is the net result of $799 thousand and $18.5 million increase in governmental and business-type activities, respectively.





On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 that provided for the dissolution of all redevelopment agencies in the State of California. In accordance with the timeline set forth in the bill, all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

The Successor Agency is a separate legal entity which was formed to hold the assets of the former Redevelopment Agency pursuant to City Council actions. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities were also reported in the private-purpose trust fund as an extraordinary loss. During FY 2013, the State Department of Finance denied the prior year transfer of certain projects in progress to the City and required $5,328,244 of those projects to be returned to the Successor Agency which has been reported as an extraordinary transfer of Capital Assets from governmental activities to the Successor Agency. See Note 6B for discussion.

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

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | FY2013 | FY2012 | FY2013 | FY2012 (A) | FY2013 | FY2012 |
| **Assets:** | | | | | | |
| Current assets | $ 219,076 | $ 253,003 | $ 46,732 | $ 33,849 | $ 265,808 | $ 286,852 |
| Capital assets | 301,254 | 310,607 | 185,022 | 182,046 | 486,276 | 492,653 |
| Total assets | 520,330 | 563,610 | 231,754 | 215,895 | 752,084 | 779,505 |
| **Deferred Outflows of Resources:** | | | | | | |
| Deferred charge on refunding | - | - | 6,560 | - | 6,560 | - |
| **Liabilities:** | | | | | | |
| Current liabilities | 114,170 | 130,213 | 17,496 | 19,738 | 131,666 | 149,951 |
| Long-term liabilities | 253,107 | 251,746 | 140,938 | 142,941 | 394,045 | 394,687 |
| Total liabilities | 367,277 | 381,959 | 158,434 | 162,679 | 525,711 | 544,638 |
| **Net Position:** | | | | | | |
| Invested in capital assets, net of related debt | 219,606 | 242,281 | 76,966 | 76,732 | 296,572 | 319,013 |
| Restricted | 51,269 | 57,990 | 9,196 | 8,170 | 60,465 | 66,160 |
| Unrestricted | (117,822) | (118,621) | (6,282) | (24,760) | (124,104) | (143,381) |
| Total net position | $ 153,053 | $ 181,650 | $ 79,880 | $ 60,142 | $ 232,933 | $ 241,792 |

(A) Restated as discussed in Notes 2H, 8B and 10F

**Analysis of Activities:**

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

**City of Richmond's Changes in Net Position**
**For the Year Ended June 30, 2013**
**(in thousands)**

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | FY2013 | FY2012 | FY2013 | FY2012 (A) | FY2013 | FY2012 |
| **Revenues:** | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 20,839 | $ 17,649 | $ 33,026 | $ 30,748 | $ 53,865 | $ 48,397 |
| Operating grants/contributions | 9,703 | 11,260 | 22,323 | 22,742 | 32,026 | 34,002 |
| Capital grants/contributions | 11,360 | 17,238 | 10,088 | 3,775 | 21,448 | 21,013 |
| General revenues: | | | | | | |
| Property taxes-current collections | 47,208 | 52,220 | | | 47,208 | 52,220 |
| Sales taxes | 29,866 | 27,788 | | | 29,866 | 27,788 |
| Utility user taxes | 48,398 | 45,984 | | | 48,398 | 45,984 |
| Documentary transfer taxes | 2,958 | 2,766 | | | 2,958 | 2,766 |
| Other taxes | 3,290 | 3,785 | | | 3,290 | 3,785 |
| Use of money and property | 11,332 | (22,064) | 4,054 | (5,331) | 15,386 | (27,395) |
| Unrestricted Intergovernmental | 45 | 4,752 | | | 45 | 4,752 |
| Pension stabilization revenue | 2,550 | 2,544 | | | 2,550 | 2,544 |
| Developer revenue sharing | - | 56 | | | - | 56 |
| Other | 3,461 | 7,918 | | | 3,461 | 7,918 |
| Total revenues | 191,010 | 171,896 | 69,491 | 51,934 | 260,501 | 223,830 |
| **Expenses:** | | | | | | |
| General government | 35,273 | 32,550 | | | 35,273 | 32,550 |
| Public safety | 97,137 | 100,403 | | | 97,137 | 100,403 |
| Public works | 46,012 | 42,748 | | | 46,012 | 42,748 |
| Community development | 4,909 | 5,846 | | | 4,909 | 5,846 |
| Cultural & recreation | 12,130 | 14,584 | | | 12,130 | 14,584 |
| Housing & redevelopment | 2,816 | 19,769 | | | 2,816 | 19,769 |
| Interest and fiscal charges | 15,412 | 19,633 | | | 15,412 | 19,633 |
| Richmond Housing Authority | | | 28,992 | 30,989 | 28,992 | 30,989 |
| Port of Richmond | | | 9,337 | 7,869 | 9,337 | 7,869 |
| Richmond Marina | | | 267 | 1,682 | 267 | 1,682 |
| Municipal Sewer | | | 16,964 | 14,656 | 16,964 | 14,656 |
| Storm Sewer | | | 2,816 | 2,745 | 2,816 | 2,745 |
| Cable TV | | | 991 | 1,037 | 991 | 1,037 |
| Total expenses | 213,689 | 235,533 | 59,367 | 58,978 | 273,056 | 294,511 |
| Excess (Deficiency) of Revenues Over (Under) Expenses | (22,679) | (63,637) | 10,124 | (7,044) | (12,555) | (70,681) |
| Extraordinary item | (5,328) | 84,426 | 9,024 | | 3,696 | 84,426 |
| Transfers | (590) | 1,030 | 590 | (1,030) | - | - |
| Changes in Net Position | (28,597) | 21,819 | 19,738 | (8,074) | (8,859) | 13,745 |
| Net position at beginning of year, as restated | 181,650 | 159,831 | 60,142 | 68,216 | 241,792 | 228,047 |
| Net position at end of year | $ 153,053 | $ 181,650 | $ 79,880 | $ 60,142 | $ 232,933 | $ 241,792 |

(A) Restated as discussed in Notes 2H, 8B and 10F



**Governmental Activities:**

Governmental activities decreased the City's net position by $28.6 million accounting for 321 percent of the City's total decrease in net position of $8.9 million. Total expenses of $213.7 million exceeded total revenues of $191 million by $22.7 million. Current year revenues (including Extraordinary Item) of $185.1 million reflect a $72.3 million decrease from the prior year. The $72.3 million decrease is the net result of $114.6 million in decreases offset by $42.3 million increases in various revenue categories. A comparison of the cost of services by function for the City's governmental activities is shown in the preceding table, along with the revenues used to cover the net expenses of the governmental activities.

Key elements of the change in net position for governmental activities are as follows:

*Revenues, Transfers and Extraordinary Highlights:*

- Transfers and Extraordinary Items decreased by $91.4 million the bulk of which, $89.7 million represents the net result of $84.4 million increase in prior year and $5.3 million decrease in current year. This reflects the net amount of extraordinary transfers made in conjunction with the Redevelopment Agency dissolution that is fully discussed in Note 18 in each respective year.
- Capital grants of $11.4 million represent a decrease of $5.9 million which is the net result of a $10 million decrease primarily due the reclassification of the former Redevelopment Agency grants to a private-purpose trust fund offset by $3.8 million increases in public works grants.
- Property taxes (current collections) in the current year were $47.2 million, a decrease of $5 million, or approximately 10 percent from prior year receipts. This decrease is primarily due to the $7.7 million decrease of tax increment associated with the former Redevelopment Agency being redirected to the Successor Agency as of February 1, 2012 offset by property tax increases.
- Operating grants of $9.7 million represent a decrease of $1.6 million from the prior year due to a decline in Community Development Block Grant, CalHome grant funding, Neighborhood Stabilization Program and Employment and Training grant funding.
- Unrestricted intergovernmental revenues of $45 thousand represent a $4.7 million decrease from prior year.
- Other revenues of $3.5 million decreased $4.5 million, or 56 percent from prior year, due to the non-recurring reimbursement of $1.7 million from the OPEB Trust for fiscal year 2011 premiums and approximately $1.5 million in Redevelopment Agency revenues that are accounted for in the Successor Agency private-purpose trust fund.
- The use of money and property increased $33.4 million from prior year. The bulk of this increase was due to changes in the fair value of investment hedges (swap agreements) the City entered into in prior years in order to receive favorable interest rates on several bond issues. The current year $11.5 million fair value adjustment is an approximately $34.5 million favorable variance from the prior year unfavorable change of $23 million.

- Charges for services of $20.8 million increased $3.2 million, or 18 percent, from prior year due to an increase in planning projects for a major corporation.
- Utility user taxes of $48.4 million reflect a $2.4 million or 5 percent increase from the prior year which is consistent with the terms of a settlement agreement reached with a major property tax taxpayer in the prior fiscal year.
- Current fiscal year receipts from sales tax of $29.9 million reflect a $2.1 million, or a 7.5 percent increase from the prior year due to a $1.5 million increase in VLF swap revenue and a combined $622 thousand increase in Triple Flip revenue, medical marijuana and State Board of Equalization collections.
- Documentary transfer taxes of $3 million increased $192 thousand, or 7 percent from prior year.

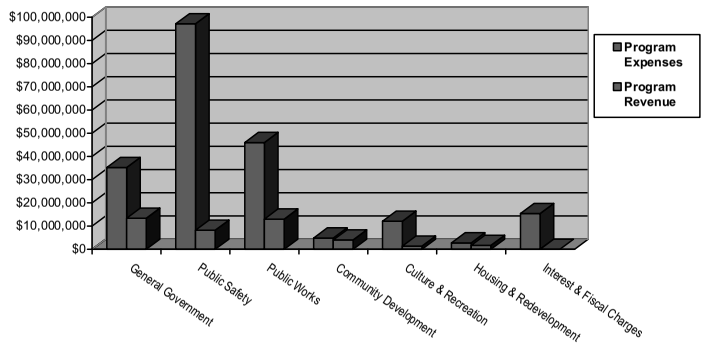
*Expense Highlights:*

- Expenses of $213.7 million reflect a $21.8 million, or an approximately 9 percent, decrease from the prior year. The elements representing the $21.8 million decrease in expenses are discussed below.
- Housing and redevelopment expenses declined by $17 million, or 86 percent, along with current year interest and fiscal charges of $15.4 million which represents a $4.2 million, or 22 percent decline from the prior year as part of the dissolution of the Redevelopment Agency and subsequent reclassification of the Successor Agency activity to a private-purpose trust fund as of February 1, 2012.
- Public Safety expenses declined by $3.3 million, or 3% in the prior year primarily due to the reduction in the pension and retiree medical expenses attributable to Public Safety.
- Cultural & Recreational expenses reported a $2.5 million decrease from the prior year.
- Expenses for General Government and Public Works showed a combined increase of $6 million which is partially attributed to a $3 million increase in planning expenses associated with a major corporation's expansion. Additionally, internal service costs attributed to governmental activities increased by $4.2 million.



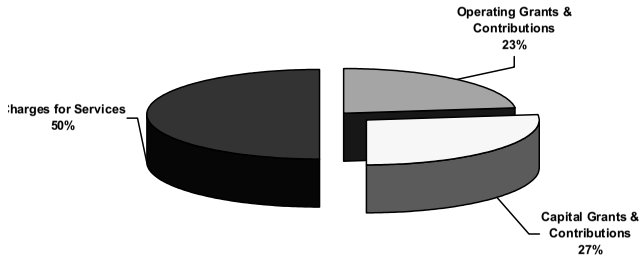


**Expenses and Program Revenues**
**Governmental Activities**

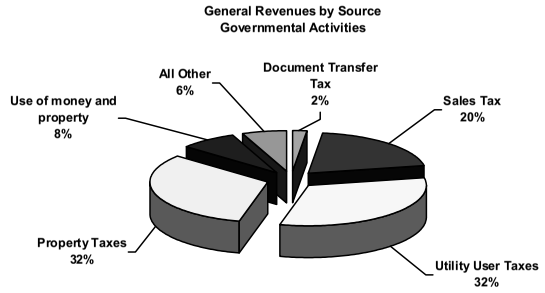



Total governmental activities expenses were $213.7 million in fiscal year 2013. The largest expenses, in descending order, were for Public Safety, Public Works, General Government, Interest on Long Term Debt, Cultural and Recreation, Community Development and Housing and Redevelopment. These expenses do not include capital outlays, which are reflected in the City's capital assets.

**Program Revenue by Source**
**Governmental Activities**



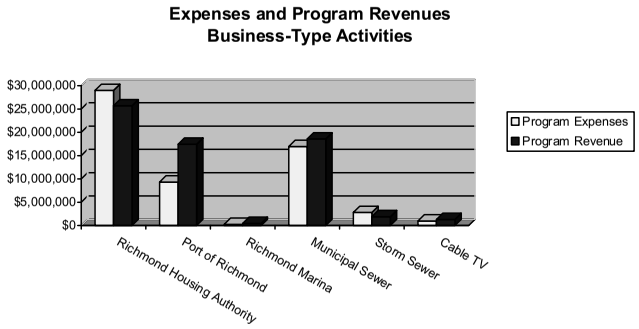
Total program revenues from governmental activities were $41.9 million in fiscal year 2013. Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues. As reflected in the pie chart above, 50 percent of the governmental program revenues came from Charges for Services, which includes licenses and permits and fees, fines, forfeitures and penalties, and several other revenues. The remaining 50 percent of governmental program revenues come from Operating Grants and Capital Grants Contributions which include restricted revenues such as Gas Tax, Transportation and Sales Tax, and Federal/State Grants.

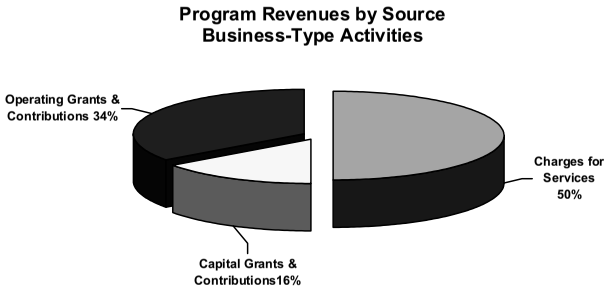



General revenues are all other revenues not categorized as program revenues and include property taxes, sales taxes, utility users' tax, documentary transfer taxes, investment earnings, grants and contributions not related to specific programs and other miscellaneous general revenues. Total general revenues, transfers and extraordinary items from governmental activities were $143.2 million in fiscal year 2013. The three largest components of general revenues received during fiscal year 2013 for governmental activities were Utility User Taxes of $48.4 million, Property Taxes-current collections of $47.2 million, and Sales Taxes of $29.9 million. Due to their non-recurring nature, excluded from the chart are $5.9 million extraordinary transfers to Successor Agency. The percentage breakdown of the remaining $149.1 million of General Revenues is presented in the chart above.

**Business Type Activities:** Business-type activities increased the City's net position by $19.7 million. Key factors contributing to the increase in business-type activities are as follows:

- The Richmond Housing Authority ("RHA") net position increased by $5.7 million. RHA's operating loss of $26.4 million declined $2.3 million, or 8 percent from prior year due to an $860 thousand decrease in salaries and benefits, $960 thousand decrease in inspections, risk assessments and site monitoring maintenance costs and $441 thousand in bad debt expense that resulted from the write-off in low income Public Housing program. Richmond Housing Authority's operating loss was mitigated by non-operating revenues, including $22.3 million grants and $9 million extraordinary transfer of Housing Authority debt that was assumed by RHA properties thus, resulting in the $5.7 million positive change in net position.
- The Port of Richmond ("Port") reported total operating revenues of $9 million and total operating expenses of $5.9 million resulting in operating income of $3.1 million. During the year, the Port incurred $3.4 million interest expenses for the 2009A and 2009B Point Potrero Lease Revenue Bonds and received grants totaling $8.4 million for lighting improvements, fiber optic installation and Security Center remodel resulting in a $9 million increase in net position compared to the prior year.
- The Municipal Sewer fund reported an increase of $5.7 million in its net position from the prior year. Although the Municipal Sewer reported operating income of approximately $5.7 million, down $2.3 million, or 28 percent, from prior year, there was a $3.9 million non-operating gain representing an adjustment to interest income for changes in fair value of Swap Agreements attached to the 2006B Wastewater Bonds that offset the fund's $4.9 million interest expense on the respective debt.
- The Richmond Marina fund reported an increase of $122 thousand from the prior year mainly attributed to increase in lease income from berthing rentals. The change in net position represents a $1.5 million increase due to major dredging expenses incurred in the prior year.
- The Cable TV fund also reported an increase of $184 thousand. This increase can be attributed to an increase in Public Educational Governmental access fees (PEG).
- There was a decrease of $901 thousand in the Storm Sewer net position from the prior year. The Storm Sewer Fund reported total operating revenues of $1.8 million and total operating expenses of $2.7 million resulting in an operating loss of $901 thousand. The City is continuing to explore additional revenue sources to address the recurring issue of insufficient operating funds faced over the past few years.








**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

**Governmental Funds:**

Types of governmental funds reported by the City include the General Fund, special revenue funds, capital projects funds and debt service funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial capacity.

Fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The objective is to enhance the usefulness of fund balance information by providing clearer fund balance categories and classifications that can be more consistently applied and understood: nonspendable, restricted, committed, assigned and unassigned. The contingency reserve is shown as a component of unassigned fund balance. The fund balance note disclosures also give users information necessary to understand the processes under which constraints are imposed upon the use of resources and how those constraints may be modified or eliminated. In particular, assigned and unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $62.2 million, an $11.4 million decrease from prior year. Of the total fund balance, $26.4 million is nonspendable, $38 million is restricted, $2 million is assigned and the deficit $4.1 million represents net unassigned fund balance.

The General Fund is the only fund that should report a positive unassigned fund balance. During fiscal year 2013, the General Fund reported an unassigned fund balance of $10.2 million (which represents the $10 million contingency reserve reported in current and prior years). All other governmental funds will only report unassigned fund balance if they are showing a deficit. The following governmental funds reported a cumulative $14.4 million deficit unassigned fund balance at the end of the fiscal year:

- Cost Recovery Fund deficit of $8.4 million
- Civic Center Debt Service deficit of $3.5 million
- Developer Impact Fees deficit of $2.0 million
- Paratransit Operations deficit of $387 thousand
- General Debt Service deficit of $13 thousand

The City's major governmental funds are General Fund, Cost Recovery Fund and Community Development and Loan Programs Fund. Financial highlights for the major funds are discussed below.

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

At the end of the current fiscal year, the total fund balance decreased by $533 thousand from the prior year to $36.8 million.

During fiscal year 2013, General Fund revenues exceeded expenditures by $8 thousand while other financing uses exceeded sources by $1.3 million. In addition, the General Fund reported a $745 thousand special item to convert accrued unpaid interest on the Port advance to principal. Altogether, the General Fund reported a $533 thousand negative change in fund balance that can be partially attributed to a $685 thousand prefunding of retiree medical expenditures.

General Fund revenues decreased by $1.5 million, or 1 percent, from prior year while expenditures decreased by $7.8 million, or 6 percent, from prior year. Additionally, net other financing sources decreased by $4.4 million from prior year to a net other financing use of $1.3 million. The combined property tax and sales tax increase of $6.2 million was offset by the decline in Utility Users Tax and Intergovernmental revenues of $5.7 million. The overall decrease in the revenues can be attributed to a $1.7 million non-recurring PARS drawdown that occurred during the prior fiscal year. The $7.8 million decrease in expenditures is primarily due to a $1 million decrease in General government expenditures mainly attributed to prior year recording of National Park Service expenditures and $5.4 million decline in Public Safety expenditures attributed to decreases in worker's comp, internal service cost allocations and overtime. The $1.3 million other financing uses is partially attributed to $843 thousand adjustment to reduce the principal balance of the Port advance and $212 thousand forgiveness of an advance to an impact fee fund. A $745 thousand special item was recorded to restructure the interfund advance to the Port which resulted in a $533 thousand net change in fund balance.

At the end of the fiscal year, the total fund balance for the General Fund of $36.8 million included $26.4 million nonspendable fund balance, $220 thousand assigned fund balance and $10.2 million unassigned fund balance. The majority of the nonspendable fund balance represents advances to other funds and loans to third parties while the assigned fund balance is to meet future appropriations for specific programs. The $10.2 million reported as unassigned fund balance represents the contingency reserve that is reflected as a component of unassigned fund balance. The $423 thousand increase in nonspendable fund balance was offset by a combined $956 thousand decline in assigned and unassigned fund balance for a net decrease of $533 thousand in total fund balance.

***Cost Recovery*** This fund was established to record the receipt and use of monies for services provided to the public and developers. At the end of fiscal year 2013, total fund balance decreased by $2.2 million from the prior year to a deficit $8.4 million. During fiscal year 2013, Cost Recovery expenditures exceeded the revenues by $7.1 million; however, the fund also reported net other financing sources of $4.9 million which





represented a subsidy from the General Fund. The $2.2 million negative change in fund balance for the year can be attributed to the increase in current year expenditures to repair the Via Verde Sinkhole. The entire $8.4 million deficit fund balance is attributed to a negative residual unassigned fund balance.

***Community Development and Loan Programs*** This fund was established to account for the receipt of Community Development Block Grant, HOME Investment Partnership Program and Neighborhood Stabilization Program grant monies and the use of the grants. In conjunction with the dissolution of the Redevelopment Agency, this fund also accounts for the low and moderate income housing activities of the City as Housing Successor to the former Redevelopment Agency's low and moderate income housing activities. At the end of fiscal year 2013, total fund balance decreased by $478 thousand from the prior year to $18.7 million. This decrease can be attributed to a decline in intergovernmental grant receipts.

**Proprietary Funds:**

The City's proprietary funds are enterprise and internal service funds. An enterprise fund is used to report any activity for which a fee is charged to external users for goods or services provided. An internal service fund is used to centralize certain services and then allocate the cost of the services within the government. The City's major enterprise funds are the Richmond Housing Authority, Port of Richmond, and Municipal Sewer District.

**Enterprise Funds:**

***Richmond Housing Authority*** The Richmond Housing Authority ("RHA") was established to administer funds provided by the Department of Housing and Urban Development (HUD) to assist low-income families in obtaining decent, safe and sanitary housing. Although RHA is a separate legal entity, it is a component unit of the City of Richmond. The City exercises management control over the Authority, and members of the City Council serve as the governing board of the Authority. RHA's prior year net position was restated by $198 thousand from $45.9 million to $46.1 million to recognize in unrecorded advance to RHA Properties as discussed in Note 10F. After restatement, RHA's total net position was $51.9 million at June 30, 2013, a $5.7 million increase from prior year. Of the $51.9 million, $39.2 million is invested in capital assets, net of related debt; $161 thousand is restricted for housing programs and $12.5 million is unrestricted, of which, $12 million is due from a developer as reimbursement of various projects associated with the Hope VI grant revitalization. RHA reported a net loss of $4.1 million which was offset by a $758 thousand capital grant contribution for projects and $9 million extraordinary item recorded to reflect RHA Properties' assumption of Housing Authority debt which resulted in the $5.7 million positive change in net position. The $9 million assumption of debt by the RHA Properties is expected to be extinguished using the sale proceeds of Westridge at Hilltop apartment complex at which point, $2.3 million will reimburse the Authority's Public Housing/Section 8 programs and approximately $6.6 million will be available to reimburse the City of Richmond for prior advances.

***The Port of Richmond*** The Port of Richmond ("Port") is a public enterprise established by the City of Richmond and is administered as a department of the City. Operations include the marine terminal facilities and commercial property rentals. The Port's prior year net position was restated by $449 thousand from $228 thousand to a deficit $221 thousand to restate 2009 lease revenue refunding and 2009 Point Potrero Lease Revenue bond issuance costs in conjunction with the GASB 65 implementation as discussed in Note 2H. The Port had total net position of $8.8 million as of June 30, 2013, which represents a $9 million increase in net position from the prior year. The Port reported an operating income of $3.1 million at the end of the fiscal year as the result of a sustained increase in service charges and lease income exceeding operating expenses. However, the Port also reported deficit nonoperating expenses of $3.3 million due to interest expense incurred in conjunction with the Series 2009A and 2009B Point Potrero Lease Revenue Bonds that were issued to fund the construction at the Port that offset the operating income above. The positive change in net position of $9 million can mainly be attributed to the receipt of a $4.4 million state grant contribution to fund installation of a fiber optic network and an additional $4 million federal grant to offset Security Center construction expenses at the Port in addition to an $843 thousand adjustment to reduce the principal balance of the Port advance to account for the prior year Red Oak Victory Ship berthing rental offset as part of the restructuring of this advance from the General Fund.

***Municipal Sewer Fund*** This fund is used to account for a variety of sewer service-related revenues and expenses. The Municipal Sewer fund's prior year net position was restated by $1.6 million from $11.9 million to $10.3 million to restate bond issuance costs for Wastewater 2006A, 2010A and 2010B Revenue bonds and 2008A Refunding Revenue Bonds to implement GASB 65 as discussed in Note 2H. At the end of fiscal year 2013, the total net position for the sewer fund were $15.8 million, which was a $5.6 million increase from the prior fiscal year. The Municipal Sewer reported a $5.7 million operating income which is a $2.3 million decrease from prior year. This decrease is partially attributed to a $1.9 million increase in depreciation expense due to the capitalization of $51.3 million of various Wastewater projects.

**Fiduciary Funds:**

The City's fiduciary funds are the pension trust funds, private-purpose trust fund and various agency funds. The Pension Trust Funds which include the General Pension, Police and Fireman's Pension and Garfield Pension were established to account for revenues and expenditures related to City employee's pension activities. The City administers the activities of the pension funds on behalf of the employees with the assets not being accessible for City operations. The City also uses Private-Purpose Trust Funds to account for a pass-thru federal grant which is being used for pollution remediation in the development of the Naval Fuel Depot Point Molate (Point Molate) and the Successor Agency activities associated with the dissolution of the former Redevelopment Agency. As with the Pension Trust Funds, the assets of the Private Purpose Trust Fund are not accessible for City operations. The City also uses various agency funds to maintain records of assets and the fund's financial activities on behalf of a third party. The City does not make any decisions relating to the uses of the assets nor can they be used for City operations.

***The Pension Trust Funds*** total assets at June 30, 2013 were $21.1 million held in trust for employees' pension benefits. Net Position increased by $3.3 million primarily due to $5.8 million contribution from the City to fund current pension payments and Annual Required Contributions in the Police and Fire and General Pension funds.

***The Pt. Molate Private-Purpose Trust Fund*** total assets at June 30, 2013 were $19.7 million to be held in trust for pollution remediation costs incurred by the Developer of Point Molate. Net position decreased by $1.5 million due to ongoing remediation activities.

***The Successor Agency to the Richmond Community Redevelopment Agency Private-Purpose Trust Fund*** - On December 29, 2011, the California Supreme Court upheld ABx1 26 that provided for the dissolution of all redevelopment agencies in the State of California. In accordance with the timeline set forth in the bill, all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

The Successor Agency is a separate legal entity which was formed to hold the assets of the former Redevelopment Agency pursuant to City Council action. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies.

During the prior year, the transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements, but as an extraordinary gain in the governmental activities due to the transfer of the long-term debt. The receipt of these assets and liabilities were reported in the private-purpose trust fund as an extraordinary loss. Because of the different measurement focus of the governmental funds and trust funds, the extraordinary loss recognized in the governmental fund was not the same as the extraordinary loss recognized in the fiduciary fund financial statements. As of June 30, 2013, $5,328,244 of projects in progress was transferred back to Successor Agency after the State Department of Finance denied the original transfer. This transaction is shown as a transfer of capital assets from the City and an extraordinary gain in the Fiduciary Statements.

As of June 30, 2013, total assets accounted for $80.7 million while liabilities were $151.6 million resulting in a $70.9 million net deficit.

***Agency Funds*** total assets at June 30, 2013 were $22.6 million which is recorded on the City books as a liability to third parties.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The adopted budget, excluding transfers and proceeds from sale of property, reflected $130.1 million in estimated revenues and $130.3 million in appropriations.

Budget adjustments reflect extensive analysis and updates arising from the Mid-Year Revenue and Expenditure Review, and Council approved amendments that occurred during the fiscal year.

The final amended budget included a $6 million increase in estimated revenue and a $2.9 million increase in appropriations. Actual revenues of $127.1 million were $3 million less than adjusted operating revenue projections, a variance of 2.3 percent. Key elements of the decreases in revenues are discussed as follows:

The original budget for property tax of $28.8 million was adjusted upward at Mid-Year to $33 million. Final property taxes totaled $32.5 million causing a $551 thousand variance of the revenue expected to be collected due to an adjustment by Contra Costa County.

The utility user tax is a tax imposed on various utilities and is usually collected from customers through their utility bills. Actual revenue of $48.4 million is $822 thousand below the projected budget of $49.2 million as a result of a decrease in several utility payments due to variances in projected growth.

Other taxes' original budget of $6.1 million was followed by an increase adjustment to $7 million at Mid-Year. Actual other tax revenue of $6.2 million is $765 thousand lower than projected as a result lower than expected gas and electricity franchise fees.

Licenses, permits and fees revenue actual revenue of $2.5 million is $305 thousand below the projected budget of $2.8 million as a result of lower than expected growth in business licenses.

Intergovernmental actual revenues of $2.2 million are $651 thousand below the projected budget of $2.8 million as a result of several Office of Neighborhood Safety grants that were budgeted but not received.

Charges for services actual revenues were $2.8 million; $139 thousand less than the final budget of $3 million.

The final adjusted appropriations were $130.3 million, an increase of $2.9 million over the original adopted budget appropriation. Actual operating expenditures of $127.1 million were $3.2 million less than final appropriations. Public works actual was $802 thousand less than budget; cultural and recreational expenditures were $683 thousand lower than budget and, capital outlay $2.7 million less than budget. This is largely due to salary and benefit savings in public works and cultural and recreational as a result of vacancies remaining at year end; and, capital projects budget from the prior year for new Police radios that inadvertently carried forward.





Operating transfers out of $10.5 million were less than budget appropriations by $780 thousand as a result of operating savings realized in other operating funds resulting in lower than expected operating transfers to those operating funds. Additionally, operating transfers in of $9 million were $1.5 million less than final budget of $10.5 million. This reduction was due to mid-year adjustment to suspend the General Liability allocation for the second half of the fiscal year. The City also recorded a $745 thousand special item to convert accrued unpaid interest on the Port advance to principal.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets:

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013 amounted to $486.3 million, net of accumulated depreciation which is $6.4 million less than prior year. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items.

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

**Capital Assets by Type**

| | Governmental activities | | Business-type activities | | Total | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Land | $ 14,254,885 | $ 14,121,936 | $ 8,231,777 | $ 11,611,407 | $ 22,486,662 | $ 25,733,343 |
| Construction in Progress | 64,112,320 | 56,884,384 | 16,863,271 | 57,339,422 | 80,975,591 | 114,223,806 |
| Building and improvements | 116,329,769 | 118,664,466 | 43,909,206 | 45,424,840 | 160,238,975 | 164,089,306 |
| Machinery and equipment | 14,735,559 | 16,773,200 | 2,018,486 | 2,461,806 | 16,754,045 | 19,235,006 |
| Infrastructure | 91,821,319 | 104,163,397 | 113,999,231 | 65,208,806 | 205,820,550 | 169,372,203 |
| Total Capital assets | $ 301,253,852 | $ 310,607,383 | $ 185,021,971 | $ 182,046,281 | $ 486,275,823 | $ 492,653,664 |

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

Additional information about the City's capital assets can be found in Note 6 on pages 75 through 78 in the financial statements.

**Debt Administration:**

*Long Term Debt* – The City restated business-type activities beginning balance for long-term debt by $6.9 million from $136 million to $142.9 million to implement GASB Statement No. 65 and restate the deferred amount on refunding as discussed in Note 8B. After restatement, the City's total debt outstanding at June 30, 2013 decreased $642 thousand from $394.7 million to $394 million.

**Outstanding Debt**
**June 30**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 (A) | 2013 | 2012 |
| Revenue bonds | $ - | $ 405,000 | $ 90,096,593 | $ 91,131,128 | $ 90,096,593 | $ 91,536,128 |
| Lease revenue bonds | 87,121,545 | 87,121,545 | 47,834,187 | 48,293,974 | 134,955,732 | 135,415,519 |
| Pension obligation bonds | 156,483,676 | 155,060,554 | - | - | 156,483,676 | 155,060,554 |
| Total bonds payable | 243,605,221 | 242,587,099 | 137,930,780 | 139,425,102 | 381,536,001 | 382,012,201 |
| Loans payable | 1,231,880 | 635,646 | 3,007,372 | 3,516,009 | 4,239,252 | 4,151,655 |
| Capital leases | 8,269,494 | 8,523,072 | - | - | 8,269,494 | 8,523,072 |
| Total outstanding debt | $ 253,106,595 | $ 251,745,817 | $ 140,938,152 | $ 142,941,111 | $ 394,044,747 | $ 394,686,928 |

(A) Restated as discussed in Note 8.

The City does not have any general obligation bonds as of June 30, 2013.

The City maintains an Issuer Credit Rating of "A+" from Standard & Poor's Ratings Services ("S&P") and "A3" from Moody's Investor Services ("Moody's"). Other credit ratings include S&P's assigned underlying rating (SPUR) of "AA-" for the Wastewater Enterprise Fund having risen from "A+" in October, 2008. For all ratings, specific credit strengths include strong financial controls, policies, and management practices.

The City has purchased municipal bond insurance policies on its bond issuances in the past, including the 2007 Lease Revenue Bonds, resulting in the debt issues being assigned the ratings of the respective bond insurers. In fiscal year 2008, the City's variable rate debt was affected by the credit downgrades of bond insurers MBIA and Ambac; resulting in higher than anticipated rate resets. In November 2009, the City refunded the 2007 Lease Revenue Bonds with fixed rate bonds. In October 2008, the City refunded its 2006 Wastewater Bonds, Series A with a new bond issue, which is supported by a Letter of Credit from Union Bank of California, and removes Ambac as the bond insurer. Since this restructuring, the bonds have traded at a level below the Securities Industry & Financial Market Association Index ("SIFMA").

For more detailed information on the City's long-term debt see Note 8 on pages 79 through 104.





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

- The East Bay economy continues to recover and with it the City of Richmond. And, with real estate one of the driving forces, assessed valuation ("AV") within the City of Richmond is set to rise in the coming years. Unfortunately, there was a fire at the Chevron refinery in August 2012 which contributed to a 14 .7% decline for the City's 2013-14 AV roll, and an 18.6% decline in subsequent property taxes. Excluding the Refinery, the rest of the city experienced assessed valuation growth of 2.2%. It is expected that the AV in the City will return to a positive growth in 2014-15 and grow by 6% to 7% over the next five fiscal years with improvement in the local economy, including residential and commercial real estate.

- The City has formally adopted debt and investment policies to guide critical financing and investment decisions. The City was also one of the first cities to adopt a swap policy.

- The City has established a reserves policy and has funded a $10 million contingency reserve within the General Fund, equating to over seven percent of the City's current budget level.

- The City has adopted a structurally balanced budget policy requiring one-time revenues to be spent only on one-time expenditures, and on-going revenues to be spent on on-going expenditures. Additionally, the City Manager has recommended to the City Council that City services only be expanded if a specific, new revenue stream can be identified, thus preventing the creation of structural deficits. The final fiscal year 2012-13 budget reflected a $730 thousand deficit, and an actual $533 thousand deficit resulting primarily from operating transfers that did not materialize due to fund balance constraints.

- The City has adopted a Five-Year Financial Plan, which is tied to both the Five-Year Strategic Business Plan and the City's General Plan. The Five-Year Financial Plan enables the City to better plan how it will fund and incorporate strategic goals. The City updates this Plan annually.

- The City continues to closely monitor revenue and expenditures through monthly variance reports to assure adherence to budget controls. Simultaneously, position control is strictly enforced, ensuring that any employee hired is moving into a funded position.

- The Department of Housing and Urban Development (HUD) has historically been underfunded to meet the subsidy needs of Public Housing Authorities (PHAs). We do not expect this consistent trend to change. Even if HUD was fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs. Further, funding for the Departments of

Defense and Homeland Security will probably result in reduced appropriations for all other domestic program spending. These issues will continue to impact the Richmond Housing Authority.

The City continues to search for and identify opportunities to refinance its debt obligations that should extract additional one-time funding for critical infrastructure improvements.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all of its citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Richmond, Finance Department, 450 Civic Center Plaza, Richmond, CA 94804. Alternatively, you may send your inquiries via e-mail to Finance@ci.richmond.ca.us.







**STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

The purpose of the Statement of Net Position and the Statement of Activities is to summarize the entire City's financial activities and financial position.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows of resources and the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position focuses the reader on the composition of the City's net position, by subtracting total liabilities and deferred inflows of resources from total assets and deferred outflows of resources and summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds primarily service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business Type Activities include all its Enterprise Fund activities and any portion of the Internal Service Fund balances that service Enterprise Funds. Fiduciary activity is excluded.

The Statement of Activities reports increases and decreases in the City's net position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, deferred outflows/inflows of resources, available revenues and measurable expenditures.

Both these Statements include the financial activities of the City, Richmond Joint Powers Finance Authority, City of Richmond Housing Authority, Richmond Neighborhood Stabilization Corporation and Richmond Surplus Property Authority, which are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for the activities of these entities. The balances and the activities of the discretely presented component unit of the RHA Properties are included in these Statements as separate columns.

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CITY OF RICHMOND
STATEMENT OF NET POSITION
JUNE 30, 2013

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | RHA Properties |
| ASSETS | | | | |
| Cash and investments (Note 3) | $22,425,306 | $21,984,565 | $44,409,871 | $359,140 |
| Restricted cash and investments (Note 3) | 14,364,898 | 26,511,181 | 40,876,079 | 2,645,727 |
| Receivables: | | | | |
| Accounts, net | 10,972,843 | 5,323,624 | 16,296,467 | 38,227 |
| Interest | 4,379 | 1,332 | 5,711 | |
| Grants | 5,231,886 | 3,081,348 | 8,313,234 | |
| Due from developer (Note 17E) | | 11,971,431 | 11,971,431 | |
| Loans (Note 5) | 39,925,629 | 3,223,982 | 43,149,611 | |
| Internal balances (Note 4D) | 25,448,470 | (25,448,470) | | |
| Prepaids, supplies, and other assets | 695,522 | 83,321 | 778,843 | 862,355 |
| Net pension asset (Notes 11 and 12) | 100,007,396 | | 100,007,396 | |
| Capital assets (Note 6): | | | | |
| Nondepreciable | 78,367,205 | 25,095,048 | 103,462,253 | 10,431,153 |
| Depreciable, net | 222,886,647 | 159,926,923 | 382,813,570 | 16,183,108 |
| Total Assets | 520,330,181 | 231,754,285 | 752,084,466 | 30,519,710 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred charge on refunding (Note 2G) | | 6,559,560 | 6,559,560 | 647,048 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 7,392,187 | 5,066,490 | 12,458,677 | 176,692 |
| Interest payable | 2,541,297 | 3,622,602 | 6,163,899 | |
| Refundable deposits | 1,471,492 | 216,062 | 1,687,554 | 361,543 |
| Unearned revenue (Note 9) | 11,317,212 | | 11,317,212 | |
| Derivative instrument at fair value - liability (Note 8) | 35,627,459 | 8,070,044 | 43,697,503 | |
| Net pension obligation (Note 12): | | | | |
| Due in more than one year | 196,534 | | 196,534 | |
| Net OPEB liability (Note 13): | | | | |
| Due in more than one year | 21,469,178 | | 21,469,178 | |
| Compensated absences (Note 2D): | | | | |
| Due within one year | 7,156,242 | 71,779 | 7,228,021 | |
| Due in more than one year | 4,735,309 | 448,583 | 5,183,892 | |
| Claims liabilities (Note 15): | | | | |
| Due within one year | 6,005,150 | | 6,005,150 | |
| Due in more than one year | 16,258,313 | | 16,258,313 | |
| Long-term debt (Note 8): | | | | |
| Due within one year | 7,183,912 | 4,081,483 | 11,265,395 | 10,663,982 |
| Due in more than one year | 245,922,683 | 136,856,669 | 382,779,352 | 29,995,000 |
| Total Liabilities | 367,276,968 | 158,433,712 | 525,710,680 | 41,197,217 |
| NET POSITION (Note 10) | | | | |
| Net investment in capital assets | 219,606,153 | 76,966,448 | 296,572,601 | (3,573,691) |
| Restricted for: | | | | |
| Capital projects | 8,819,409 | | 8,819,409 | |
| Debt service | 7,088,584 | 9,034,984 | 16,123,568 | |
| Housing and redevelopment | 33,206,530 | 161,271 | 33,367,801 | 2,645,727 |
| Pension benefits | 2,154,383 | | 2,154,383 | |
| Total Restricted Net Position | 51,268,906 | 9,196,255 | 60,465,161 | 2,645,727 |
| Unrestricted (Deficit) | (117,821,846) | (6,282,570) | (124,104,416) | (9,102,495) |
| Total Net Position (Deficit) | $153,053,213 | $79,880,133 | $232,933,346 | ($10,030,459) |

See accompanying notes to financial statements

CITY OF RICHMOND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities | Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities | Net (Expense) Revenue and Changes in Net Position: Primary Government: Total | Net (Expense) Revenue and Changes in Net Position: Component Unit: RHA Properties |
|---|---|---|---|---|---|---|---|---|
| **Primary Government:** | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| General government | $35,272,517 | $11,596,612 | $862,984 | $945,739 | ($21,867,182) | | ($21,867,182) | |
| Public safety | 97,136,602 | 5,400,290 | 1,398,908 | 1,432,655 | (88,904,749) | | (88,904,749) | |
| Public works | 46,011,618 | 3,090,211 | 2,387,730 | 7,558,285 | (32,975,392) | | (32,975,392) | |
| Community development | 4,909,158 | 234,836 | 3,836,724 | | (837,598) | | (837,598) | |
| Cultural and recreational | 12,129,962 | 516,499 | 253,209 | 640,961 | (10,719,293) | | (10,719,293) | |
| Housing and redevelopment | 2,816,094 | | 963,861 | 782,513 | (1,069,720) | | (1,069,720) | |
| Interest on long-term debt | 15,411,831 | | | | (15,411,831) | | (15,411,831) | |
| Total Governmental Activities | 213,687,782 | 20,838,448 | 9,703,416 | 11,360,153 | (171,785,765) | | (171,785,765) | |
| Business-type Activities: | | | | | | | | |
| Richmond Housing Authority | 28,992,229 | 2,619,669 | 22,323,336 | 758,334 | | ($3,290,890) | (3,290,890) | |
| Port of Richmond | 9,337,252 | 9,043,026 | | 8,394,610 | | 8,100,384 | 8,100,384 | |
| Richmond Marina | 266,918 | 466,921 | | | | 200,003 | 200,003 | |
| Municipal Sewer | 16,964,175 | 17,733,454 | | 862,241 | | 1,631,520 | 1,631,520 | |
| Storm Sewer | 2,815,541 | 1,842,001 | | 72,353 | | (901,187) | (901,187) | |
| Cable TV | 990,802 | 1,320,552 | | | | 329,750 | 329,750 | |
| Total Business-type Activities | 59,366,917 | 33,025,623 | 22,323,336 | 10,087,538 | | 6,069,580 | 6,069,580 | |
| Total Primary Government | $273,054,699 | $53,864,071 | $32,026,752 | $21,447,691 | (171,785,765) | 6,069,580 | (165,716,185) | |
| **Component Unit:** | | | | | | | | |
| RHA Properties | $3,927,946 | $4,553,110 | | | | | | $625,164 |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes-current collections | | | | | 47,207,734 | | 47,207,734 | |
| Sales taxes | | | | | 29,865,548 | | 29,865,548 | |
| Utility user taxes | | | | | 48,398,349 | | 48,398,349 | |
| Documentary transfer taxes | | | | | 2,957,834 | | 2,957,834 | |
| Other taxes | | | | | 3,289,518 | | 3,289,518 | |
| Use of money and property | | | | | 11,331,823 | 4,054,073 | 15,385,896 | 636 |
| Unrestricted intergovernmental | | | | | 44,814 | | 44,814 | |
| Pension stabilization revenue | | | | | 2,549,922 | | 2,549,922 | |
| Other | | | | | 3,461,402 | | 3,461,402 | |
| Transfers (Note 4) | | | | | (590,394) | 590,394 | | |
| Extraordinary items: | | | | | | | | |
| Assets transferred to Successor Agency (Note 6B) | | | | | (5,328,244) | | (5,328,244) | |
| Assumption of Housing Authority debt by RHA Properties (Note 8C) | | | | | | 9,023,704 | 9,023,704 | (9,023,704) |
| Total general revenues, transfers and extraordinary item | | | | | 143,188,306 | 13,668,171 | 156,856,477 | (9,023,068) |
| Change in Net Position | | | | | (28,597,459) | 19,737,751 | (8,859,708) | (8,397,904) |
| Net Position (Deficit)-Beginning, As Restated (Notes 2H and 10F) | | | | | 181,650,672 | 60,142,382 | 241,793,054 | (1,632,555) |
| Net Position (Deficit)-Ending | | | | | $153,053,213 | $79,880,133 | $232,933,346 | ($10,030,459) |

See accompanying notes to financial statements

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**FUND FINANCIAL STATEMENTS**

Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the City in fiscal 2013. Individual non-major funds may be found in the Supplemental section.

**GENERAL FUND**

The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The General Fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

**COST RECOVERY SPECIAL REVENUE FUND**

The Cost Recovery Special Revenue Fund records the receipt and use of monies for services provided to the public and developers.

**COMMUNITY DEVELOPMENT AND LOAN PROGRAMS FUND**

The Community Development and Loan Programs Special Revenue Fund accounts for the receipt of Community Development Block Grant, HOME Investment Partnership Program, and Neighborhood Stabilization Program grant monies and the use of the grants. The Fund also accounts for the low and moderate income housing activities of the City as Housing Successor to the former Redevelopment Agency. The grants and loan programs are to be used to provide, within the City of Richmond, new affordable housing, improve existing housing conditions, assist homeless and disabled with housing, and to expand economic opportunities in business, and employment for low and moderate income residents.

CITY OF RICHMOND
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013

| | General | Cost Recovery | Community Development and Loan Programs | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Cash and investments (Note 3) | $9,779,408 | $250 | $98,604 | $9,228,560 | $19,106,822 |
| Restricted cash and investments (Note 3) | 6,435 | | 3,828,453 | 10,530,010 | 14,364,898 |
| Receivables: | | | | | |
| Accounts, net | 7,294,946 | 2,642,118 | 277,721 | 454,506 | 10,669,291 |
| Interest | 2,036 | 119 | 10 | 822 | 2,987 |
| Grants | 263,663 | 576,461 | 1,424,833 | 2,966,929 | 5,231,886 |
| Loans (Note 5) | 7,548,355 | | 29,433,029 | 1,794,245 | 38,775,629 |
| Due from other funds (Note 4A) | 316,751 | | | | 316,751 |
| Advances to other funds (Note 4B) | 18,782,401 | | 174,067 | | 18,956,468 |
| Prepaids, supplies and other assets | 667,803 | | | | 667,803 |
| Total Assets | $44,661,798 | $3,218,948 | $35,236,717 | $24,975,072 | $108,092,535 |
| LIABILITIES | | | | | |
| Accounts payable and accrued liabilities | $3,194,046 | $2,369,973 | $633,736 | $932,416 | $7,130,171 |
| Refundable deposits | 118,532 | 1,352,960 | | | 1,471,492 |
| Due to other funds (Note 4A) | | 4,655,593 | 2,714,970 | 3,247,402 | 10,617,965 |
| Unearned revenue (Note 9) | 3,892,153 | 2,750,000 | | 3,424,871 | 10,067,024 |
| Total Liabilities | 7,204,731 | 11,128,526 | 3,348,706 | 7,604,689 | 29,286,652 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue (Note 9) | 631,730 | 459,734 | 13,203,066 | 2,318,559 | 16,613,089 |
| FUND BALANCES (Note 10) | | | | | |
| Nonspendable | 26,366,829 | | | | 26,366,829 |
| Restricted | | | 18,684,945 | 19,305,364 | 37,990,309 |
| Assigned | 219,646 | | | 1,734,260 | 1,953,906 |
| Unassigned | 10,238,862 | (8,369,312) | | (5,987,800) | (4,118,250) |
| Total Fund Balances | 36,825,337 | (8,369,312) | 18,684,945 | 15,051,824 | 62,192,794 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | $44,661,798 | $3,218,948 | $35,236,717 | $24,975,072 | $108,092,535 |

See accompanying notes to financial statements





CITY OF RICHMOND
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2013

| | |
|---|---|
| Total fund balances reported on the governmental funds balance sheet | $62,192,794 |
| Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following: | |
| CAPITAL ASSETS | |
| Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. | 301,253,852 |
| ALLOCATION OF INTERNAL SERVICE FUND NET POSITION | |
| Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance to individual governmental funds. The net current position of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Position. | |
| Cash and investments | 3,318,484 |
| Accounts receivable | 303,552 |
| Interest receivable | 1,392 |
| Loans receivable | 1,150,000 |
| Due from other funds | 15,117,019 |
| Advances to other funds | 1,992,948 |
| Prepaids and supplies | 27,719 |
| Accounts payable, accrued liabilities and interest payable | (262,016) |
| Due to other funds | (316,751) |
| Compensated absences | (255,028) |
| Unearned revenue | (1,250,188) |
| Claims payable | (22,263,463) |
| ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES | |
| Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. | 16,613,089 |
| LONG TERM ASSETS AND LIABILITIES | |
| The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds: | |
| Interest payable | (2,541,297) |
| Long-term debt | (253,106,595) |
| Derivative instrument at fair value - liability | (35,627,459) |
| Net pension obligation | (196,534) |
| Net pension asset | 100,007,396 |
| Net OPEB liability | (21,469,178) |
| Governmental activities portion of compensated absences | (11,636,523) |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | $153,053,213 |

See accompanying notes to financial statements

CITY OF RICHMOND
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

| | General | Cost Recovery | Community Development and Loan Programs | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| REVENUES | | | | | |
| Property taxes | $32,489,548 | | | $16,028,780 | $48,518,328 |
| Sales taxes | 29,865,548 | | | | 29,865,548 |
| Utility user taxes | 48,398,349 | | | | 48,398,349 |
| Other taxes | 6,247,352 | | | | 6,247,352 |
| Licenses, permits and fees | 2,463,771 | $9,234,735 | | 131,920 | 11,830,426 |
| Fines, forfeitures and penalties | 328,917 | 266,306 | | 22,286 | 617,509 |
| Use of money and property | 199,190 | 12,681 | $200,787 | 145,278 | 557,936 |
| Intergovernmental | 2,191,751 | 5,838,880 | 1,241,462 | 10,723,829 | 19,995,922 |
| Charges for services | 2,834,425 | 2,186,955 | | 4,328,671 | 9,350,051 |
| Pension stabilization revenue | | | | 2,549,922 | 2,549,922 |
| Other | 1,398,043 | 587,694 | 305,415 | 411,981 | 2,703,133 |
| Rent | 681,141 | | | | 681,141 |
| Total Revenues | 127,098,035 | 18,127,251 | 1,747,664 | 34,342,667 | 181,315,617 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 20,055,388 | 11,029,357 | | 2,166,865 | 33,251,610 |
| Public safety | 76,959,857 | 4,439,677 | | 6,174,005 | 87,573,539 |
| Public works | 18,544,209 | 2,911,588 | | 4,610,199 | 26,065,996 |
| Community development | | | 45,330 | 4,664,148 | 4,709,478 |
| Cultural and recreational | 9,626,590 | | | 1,548,772 | 11,175,362 |
| Housing and redevelopment | | | 2,620,546 | 469,094 | 3,089,640 |
| Capital outlay | 141,047 | 6,815,368 | | 8,748,071 | 15,704,486 |
| Debt service: | | | | | |
| Principal | 1,311,615 | | | 7,380,014 | 8,691,629 |
| Interest and fiscal charges | 450,954 | | | 7,053,968 | 7,504,922 |
| Total Expenditures | 127,089,660 | 25,195,990 | 2,665,876 | 42,815,136 | 197,766,662 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 8,375 | (7,068,739) | (918,212) | (8,472,469) | (16,451,045) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Issuance of debt (Note 8) | | | | 2,621,558 | 2,621,558 |
| Bond premium | 106,740 | | | | 106,740 |
| Proceeds from sale of property | 53,618 | | | | 53,618 |
| Transfers in (Note 4C) | 9,028,336 | 4,923,475 | 446,933 | 6,746,287 | 21,145,031 |
| Transfers (out) (Note 4C) | (10,475,204) | (62,779) | (7,176) | (9,121,311) | (19,666,470) |
| Total Other Financing Sources (Uses) | (1,286,510) | 4,860,696 | 439,757 | 246,534 | 4,260,477 |
| NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM | (1,278,135) | (2,208,043) | (478,455) | (8,225,935) | (12,190,568) |
| SPECIAL ITEM (Note 4B): | | | | | |
| Interfund advance restructuring | 745,119 | | | | 745,119 |
| Total Special Item | 745,119 | | | | 745,119 |
| NET CHANGE IN FUND BALANCES | (533,016) | (2,208,043) | (478,455) | (8,225,935) | (11,445,449) |
| BEGINNING FUND BALANCES (DEFICITS) | 37,358,353 | (6,161,269) | 19,163,400 | 23,277,759 | 73,638,243 |
| ENDING FUND BALANCES (DEFICITS) | $36,825,337 | ($8,369,312) | $18,684,945 | $15,051,824 | $62,192,794 |

See accompanying notes to financial statements



CITY OF RICHMOND
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

| | |
|---|---|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | ($11,445,449) |
| Amounts reported for governmental activities in the Statement of Activities are different because of the following: | |
| CAPITAL ASSETS TRANSACTIONS | |
| Governmental Funds include capital outlays in departmental expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. | |
| The capital outlay expenditures are therefore added back to fund balance | 12,235,577 |
| Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of $1,800,606 which has already been allocated to serviced funds) | (17,452,530) |
| Retirements of capital assets are deducted from the fund balance (Retirements are net of internal service fund retirements of $21,943 which has already been allocated to serviced funds) | (3,922) |
| Capital contributions from developers and the Successor Agency are added to fund balance | 2,042,303 |
| Capital assets transferred to the Successor Agency are deducted from fund balance | (5,328,244) |
| LONG TERM DEBT PROCEEDS AND PAYMENTS | |
| Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities. | |
| Repayment of debt principal is added back to fund balance | 8,691,629 |
| Capital appreciation bonds accretion is deducted from fund balance | (8,338,122) |
| Proceeds from debt issuance is deducted from fund balance | (2,621,558) |
| ACCRUAL OF NON-CURRENT ITEMS | |
| The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change): | |
| Interest payable | 431,213 |
| Unavailable revenue | (1,930,242) |
| Derivative instrument at fair value - liability | 11,494,974 |
| Compensated absences | (447,644) |
| Net pension asset (obligation) | 243,823 |
| Net OPEB obligation | (4,555,111) |
| ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY | |
| Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities. | |
| Change in Net Position - All Internal Service Funds | (11,614,156) |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | ($28,597,459) |

See accompanying notes to financial statements

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**MAJOR PROPRIETARY FUNDS**

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The concept of major funds established by GASB Statement 34 extends to Proprietary Funds. The City has identified the funds below as major proprietary funds in fiscal 2013.

GASB 34 does not provide for the disclosure of budget vs. actual comparisons regarding proprietary funds that are major funds.

**RICHMOND HOUSING AUTHORITY**

This fund accounts for all funds provided by the Department of Housing and Urban Development (HUD) to assist low income families in obtaining decent, safe and sanitary housing.

**PORT OF RICHMOND**

This fund accounts for all financial transactions relating to the City-owned marine terminal facilities and commercial property rentals.

**MUNICIPAL SEWER**

This fund accounts for all financial transactions relating to the City's Wastewater Collection and Treatment. Services are on a user charge basis to residents and business owners located in Richmond.

CITY OF RICHMOND
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013

| | Business-type Activities-Enterprise Funds | | | | | Governmental Activities-Internal Service Funds |
|---|---|---|---|---|---|---|
| | Richmond Housing Authority | Port of Richmond | Municipal Sewer | Other Enterprise Funds | Totals | |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and investments (Note 3) | $532,929 | $250 | $18,243,161 | $3,208,225 | $21,984,565 | $3,318,484 |
| Restricted cash and investments (Note 3) | 188,112 | 9,034,984 | 17,288,085 | | 26,511,181 | |
| Receivables: | | | | | | |
| Accounts, net | 130,034 | 3,755,790 | 900,706 | 537,094 | 5,323,624 | 303,552 |
| Interest | | | 1,128 | 204 | 1,332 | 1,392 |
| Grants | 142,632 | 2,938,716 | | | 3,081,348 | |
| Notes (Note 5) | 3,223,982 | | | | 3,223,982 | 1,150,000 |
| Prepaids and other assets | 83,321 | | | | 83,321 | 27,719 |
| Due from other funds (Note 4A) | | | | | | 15,117,019 |
| Total current assets | 4,301,010 | 15,729,740 | 36,433,080 | 3,745,523 | 60,209,353 | 19,918,166 |
| Noncurrent assets: | | | | | | |
| Receivables: | | | | | | |
| Due from developer | 11,971,431 | | | | 11,971,431 | |
| Capital assets (Note 6): | | | | | | |
| Nondepreciable | 3,807,591 | 16,866,913 | 4,420,544 | | 25,095,048 | |
| Depreciable, net | 35,432,363 | 46,829,348 | 70,980,942 | 6,684,270 | 159,926,923 | 7,724,257 |
| Advances to other funds (Note 4B) | | | | | | 1,992,948 |
| Total noncurrent assets | 51,211,385 | 63,696,261 | 75,401,486 | 6,684,270 | 196,993,402 | 9,717,205 |
| Total Assets | 55,512,395 | 79,426,001 | 111,834,566 | 10,429,793 | 257,202,755 | 29,635,371 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Deferred charge on refunding (Note 2G) | | 33,344 | 6,526,216 | | 6,559,560 | |
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and accrued liabilities | 1,045,328 | 1,043,241 | 2,692,564 | 285,357 | 5,066,490 | 261,378 |
| Interest payable | | 1,664,441 | 1,834,107 | 124,054 | 3,622,602 | 638 |
| Due to other funds (Note 4A) | | 2,889,858 | | 1,609,196 | 4,499,054 | 316,751 |
| Refundable deposits | 188,112 | 26,750 | | 1,200 | 216,062 | |
| Compensated absences (Note 2D) | 25,986 | | | 45,793 | 71,779 | |
| Claims payable (Note 15) | | | | | | 6,005,150 |
| Current portion of long-term debt (Note 8B) | | 2,955,000 | 1,055,000 | 71,483 | 4,081,483 | 557,479 |
| Total current liabilities | 1,259,426 | 8,579,290 | 5,581,671 | 2,137,083 | 17,557,470 | 7,141,396 |
| Noncurrent liabilities: | | | | | | |
| Advances from other funds (Note 4B) | 2,140,311 | 16,816,157 | | 1,992,948 | 20,949,416 | |
| Compensated absences (Note 2D) | 233,877 | 203,136 | 11,570 | | 448,583 | 255,028 |
| Unearned revenue (Note 9) | | | | | | 1,250,188 |
| Claims payable (Note 15) | | | | | | 16,258,313 |
| Derivative instrument at fair value - liability (Note 8B) | | 169,531 | 7,900,513 | | 8,070,044 | |
| Long-term debt, net (Note 8B) | | 44,879,187 | 89,041,593 | 2,935,889 | 136,856,669 | 1,449,585 |
| Total noncurrent liabilities | 2,374,188 | 62,068,011 | 96,953,676 | 4,928,837 | 166,324,712 | 19,213,114 |
| Total Liabilities | 3,633,614 | 70,647,301 | 102,535,347 | 7,065,920 | 183,882,182 | 26,354,510 |
| NET POSITION (Note 10) | | | | | | |
| Net investment in capital assets | 39,239,954 | 24,930,402 | 9,119,194 | 3,676,898 | 76,966,448 | 5,717,193 |
| Restricted for housing programs | 161,271 | | | | 161,271 | |
| Restricted for debt service | | 9,034,984 | | | 9,034,984 | |
| Unrestricted | 12,477,556 | (25,153,342) | 6,706,241 | (313,025) | (6,282,570) | (2,436,332) |
| Total Net Position | $51,878,781 | $8,812,044 | $15,825,435 | $3,363,873 | $79,880,133 | $3,280,861 |

See accompanying notes to financial statements



CITY OF RICHMOND
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

| | Business-type Activities-Enterprise Funds | | | | | Governmental Activities-Internal Service Funds |
|---|---|---|---|---|---|---|
| | Richmond Housing Authority | Port of Richmond | Municipal Sewer | Other Enterprise Funds | Totals | |
| OPERATING REVENUES | | | | | | |
| Rental | $1,662,889 | | | | $1,662,889 | |
| Service charges | | $2,242,222 | $17,733,454 | $2,867,402 | 22,843,078 | $16,608,605 |
| Lease income | | 6,757,311 | | 471,133 | 7,228,444 | |
| Other | 956,780 | 43,493 | | 290,939 | 1,291,212 | |
| Total Operating Revenues | 2,619,669 | 9,043,026 | 17,733,454 | 3,629,474 | 33,025,623 | 16,608,605 |
| OPERATING EXPENSES | | | | | | |
| Salaries and benefits | 5,582,160 | 1,037,408 | 803,697 | 898,319 | 8,321,584 | 6,078,046 |
| General and administrative | | 1,894,294 | 8,472,780 | 1,904,401 | 12,271,475 | 2,025,036 |
| Maintenance | 2,397,479 | 11,664 | 10,832 | | 2,419,975 | 175,266 |
| Depreciation | 2,335,848 | 2,954,415 | 2,537,875 | 1,061,224 | 8,889,362 | 1,800,606 |
| Housing assistance | 18,676,742 | | | | 18,676,742 | |
| Claims losses | | | | | | 16,230,052 |
| Other | | 20,694 | 159,927 | 238 | 180,859 | 13,861 |
| Total Operating Expenses | 28,992,229 | 5,918,475 | 11,985,111 | 3,864,182 | 50,759,997 | 26,322,867 |
| Operating Income (Loss) | (26,372,560) | 3,124,551 | 5,748,343 | (234,708) | (17,734,374) | (9,714,262) |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Loss on retirement of capital assets | | | | | | (20,642) |
| Interest income | 270 | 95,167 | 3,934,817 | 23,819 | 4,054,073 | 268,474 |
| Grants | 22,323,336 | | | 72,353 | 22,395,689 | |
| Interest (expense) | | (3,418,777) | (4,979,064) | (209,079) | (8,606,920) | (78,771) |
| Total Nonoperating Revenues (Expenses) | 22,323,606 | (3,323,610) | (1,044,247) | (112,907) | 17,842,842 | 169,061 |
| Income (Loss) Before Contributions and Transfers | (4,048,954) | (199,059) | 4,704,096 | (347,615) | 108,468 | (9,545,201) |
| Capital contributions/grants | 758,334 | 8,394,610 | 862,241 | | 10,015,185 | |
| Transfers in (Note 4C) | | 842,877 | | | 842,877 | 1,064,820 |
| Transfers (out) (Note 4C) | | (5,428) | | (247,055) | (252,483) | (3,133,775) |
| Total Contributions and Transfers | 758,334 | 9,232,059 | 862,241 | (247,055) | 10,605,579 | (2,068,955) |
| CHANGE IN NET POSITION BEFORE SPECIAL AND EXTRAORDINARY ITEMS | (3,290,620) | 9,033,000 | 5,566,337 | (594,670) | 10,714,047 | (11,614,156) |
| Assumption of Housing Authority debt by RHA Properties (Note 8C) | 9,023,704 | | | | 9,023,704 | |
| Change in net position | 5,733,084 | 9,033,000 | 5,566,337 | (594,670) | 19,737,751 | (11,614,156) |
| BEGINNING NET POSITION (DEFICIT) (AS RESTATED) (Notes 2H and 10F) | 46,145,697 | (220,956) | 10,259,098 | 3,958,543 | 60,142,382 | 14,895,017 |
| ENDING NET POSITION | $51,878,781 | $8,812,044 | $15,825,435 | $3,363,873 | $79,880,133 | $3,280,861 |

See accompanying notes to financial statements

CITY OF RICHMOND
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

| | Business-type Activities-Enterprise Funds | | | | | Governmental Activities-Internal Service Funds |
|---|---|---|---|---|---|---|
| | Richmond Housing Authority | Port of Richmond | Municipal Sewer | Other Enterprise Funds | Totals | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Receipts from customers | $2,642,140 | $8,153,645 | $17,697,241 | $3,528,426 | $32,021,452 | $16,970,659 |
| Payments to suppliers | (23,529,458) | (1,842,325) | (6,622,657) | (2,092,583) | (34,087,023) | (2,403,288) |
| Payments to employees | (2,208,085) | (1,027,514) | (836,212) | (905,029) | (4,976,840) | (6,052,492) |
| Insurance premiums and claims paid | | | | | | (14,470,266) |
| Cash Flows from Operating Activities | (23,095,403) | 5,283,806 | 10,238,372 | 530,814 | (7,042,411) | (5,955,387) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Interfund receipts | | 1,212,979 | | 88,085 | 1,301,064 | |
| Interfund payments | | | | | | (4,249,731) |
| Receipts from other governments | 22,323,336 | | | 72,353 | 22,395,689 | |
| Transfers in | | 842,877 | | | 842,877 | 1,064,820 |
| Transfers (out) | | (5,428) | | (247,055) | (252,483) | (3,133,775) |
| Cash Flows from Noncapital Financing Activities | 22,323,336 | 2,050,428 | | (86,617) | 24,287,147 | (6,318,686) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Receipts from other governments | 758,334 | 6,635,125 | 862,241 | | 8,255,700 | |
| Acquisition of capital assets | (429,833) | (9,024,831) | (6,502,647) | | (15,957,311) | (975,834) |
| Proceeds from sale of capital assets | | | | | | 1,301 |
| Principal payments on capital debt | | (524,999) | (1,445,230) | (68,405) | (2,038,634) | (907,273) |
| Interest paid | | (3,355,312) | (4,676,541) | (211,904) | (8,243,757) | (79,091) |
| Cash Flows from Capital and Related Financing Activities | 328,501 | (6,270,017) | (11,762,177) | (280,309) | (17,984,002) | (1,960,897) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Advances on notes receivable | (81,068) | | | | (81,068) | |
| Advances to affiliate | (319,973) | | | | (319,973) | |
| Interest | 270 | 871 | 107,620 | 24,092 | 132,853 | 271,591 |
| Cash Flows from Investing Activities | (400,771) | 871 | 107,620 | 24,092 | (268,188) | 271,591 |
| Net Cash Flows | (844,337) | 1,065,088 | (1,416,185) | 187,980 | (1,007,454) | (13,963,379) |
| Cash and investments at beginning of period | 1,565,378 | 7,970,146 | 36,947,431 | 3,020,245 | 49,503,200 | 17,281,863 |
| Cash and investments at end of period | $721,041 | $9,035,234 | $35,531,246 | $3,208,225 | $48,495,746 | $3,318,484 |
| Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities: | | | | | | |
| Operating income (loss) | ($26,372,560) | $3,124,551 | $5,748,343 | ($234,708) | ($17,734,374) | ($9,714,262) |
| Adjustments to reconcile operating income to cash flows from operating activities: | | | | | | |
| Depreciation | 2,335,848 | 2,954,415 | 2,537,875 | 1,061,224 | 8,889,362 | 1,800,606 |
| Loss on disposition of capital assets | 81,212 | | | | 81,212 | |
| Contingency expense | 98,381 | | | | 98,381 | |
| Change in assets and liabilities: | | | | | | |
| Receivables, net | 19,450 | (909,631) | (36,213) | (101,048) | (1,027,442) | 295,894 |
| Prepaids and other assets | (34,341) | | | | (34,341) | (1,770) |
| Accounts payable and accrued liabilities and other accrued expenses | 752,616 | 84,327 | 2,020,882 | (187,944) | 2,669,881 | (187,355) |
| Refundable deposits | 20,481 | 20,250 | | | 40,731 | |
| Unearned revenue | | | | | | 66,160 |
| Compensated absences payable | 3,510 | 9,894 | (32,515) | (6,710) | (25,821) | 25,554 |
| Claims payable | | | | | | 1,759,786 |
| Cash Flows from Operating Activities | ($23,095,403) | $5,283,806 | $10,238,372 | $530,814 | ($7,042,411) | ($5,955,387) |
| Non cash transactions: | | | | | | |
| Change in fair value of investment derivative | | $94,296 | $3,828,229 | | $3,922,525 | |
| Amortization of deferred charge on refunding | | (8,336) | (358,020) | | (366,356) | |
| Retirement of capital assets | $81,212 | | | | | $21,943 |

See accompanying notes to financial statements





# CITY OF RICHMOND
# JUNE 30, 2013

## FIDUCIARY FUNDS

Fiduciary funds are presented separately from the Government-wide and Fund financial statements.

Trust funds are used to account for assets held by the City as a trustee agent for individuals, private organizations, or other governments.

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments.

The financial activities of Trust and Agency funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

CITY OF RICHMOND
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013

| | Pension Trust Funds | Private-Purpose Trust Funds | Agency Funds |
|---|---|---|---|
| ASSETS | | | |
| Cash and investments (Note 3) | | $11,014,698 | $6,270,862 |
| Restricted cash and investments (Note 3) | | 52,044,653 | 1,847,037 |
| Investment in reassessment bonds (Note 3) | | | 14,277,500 |
| Pension plan cash and investments (Note 12B): | | | |
| City of Richmond Investment Pool | $3,637,753 | | |
| Local Agency Investment Fund | 191,383 | | |
| Mutual Fund Investments | 17,282,999 | | |
| Accounts receivable | | 106,589 | 220,741 |
| Interest receivable | 246 | 3,180 | 327 |
| Grants receivable | | 4,583,092 | |
| Loans receivable (Note 18B) | | 2,406,000 | |
| Prepaids and other assets | | 7,317,024 | |
| Capital assets (Note 18C): | | | |
| Nondepreciable | | 22,931,406 | |
| Depreciable, net | | 33,133 | |
| Total Assets | 21,112,381 | 100,439,775 | $22,616,467 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | | 8,001,510 | $1,245,347 |
| Refundable deposits payable | | | 1,201,785 |
| Interest payable | | 1,858,049 | |
| Derivative instrument at fair value - liability (Note 18D) | | 7,619,232 | |
| Long-term debt (Note 18D): | | | |
| Due within one year | | 7,483,781 | |
| Due in more than one year | | 126,816,528 | |
| Due to assessment district bondholders | | | 20,169,335 |
| Total Liabilities | | 151,779,100 | $22,616,467 |
| NET POSITION | | | |
| Held in trust for employees' pension benefits and other purposes | $21,112,381 | ($51,339,325) | |

See accompanying notes to financial statements



CITY OF RICHMOND
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

| | Pension Trust Funds | Private-Purpose Trust Funds |
|---|---|---|
| ADDITIONS | | |
| Property taxes | | $16,320,481 |
| Net investment income: | | |
| Net increase (decrease) in the fair value of investments | $1,436,700 | |
| Interest income | 408,161 | 1,375,420 |
| Investment management fees | (102,456) | |
| Contribution from the City | 5,759,331 | |
| Intergovernmental revenue | | 7,750,041 |
| Miscellaneous revenue | | 2,423,627 |
| Total Additions | 7,501,736 | 27,869,569 |
| DEDUCTIONS | | |
| Community development | | 15,015,210 |
| Pension benefits | 4,191,614 | |
| Payments in accordance with trust agreements | | 1,485,225 |
| Depreciation | | 12,369 |
| Interest and fiscal charges | | 7,038,167 |
| Total Deductions | 4,191,614 | 23,550,971 |
| Change in net position before extraordinary item | 3,310,122 | 4,318,598 |
| EXTRAORDINARY ITEM | | |
| Assets transferred to the Successor Agency (Note 18C) | | 5,328,244 |
| Change in net position | 3,310,122 | 9,646,842 |
| NET POSITION (DEFICIT), BEGINNING OF YEAR | 17,802,259 | (60,986,167) |
| NET POSITION(DEFICIT), END OF YEAR | $21,112,381 | ($51,339,325) |

See accompanying notes to financial statements

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## NOTE 1 - ORGANIZATION AND DEFINITION OF REPORTING ENTITY

The City was incorporated in 1905 under the laws of the State of California and adopted its charter in 1909. The City operates under a Council-Manager form of government and provides the following services to its citizens as authorized by its charter: police and fire protection, planning and community development, streets and roads, parks and recreation, sewage treatment, drainage and capital projects. In addition, the City has a port, marina, municipal and storm sewer enterprises, a housing authority, a joint powers financing authority, and a parking authority which is inactive.

The accompanying basic financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of its component units, which are entities for which the City is financially accountable. Although they are separate legal entities, *blended* component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. The discretely presented component unit, on the other hand, is reported in a separate column in the basic financial statements to emphasize it is legally separate from the government.

### *A. PRIMARY GOVERNMENT*

The financial statements of the primary government of the City include the activities of the City as well as the Richmond Housing Authority, the Richmond Joint Powers Financing Authority, the Richmond Neighborhood Stabilization Corporation, the Richmond Parking Authority and the Richmond Surplus Property Authority all of which are controlled by and dependent on the City. While these are separate legal entities, their financial activities are integral to those of the City. Their financial activities have been aggregated and merged (termed "blended") with those of the primary government of the City in the accompanying financial statements.

**Blended Component Units:**

**Richmond Housing Authority (Housing Authority)** - Formed in 1941 as a separate legal entity under the provisions of the Housing Act of 1937, the Housing Authority was established to use funds provided by the Department of Housing and Urban Development (HUD) to rehabilitate local deteriorated housing and to subsidize low-income families in obtaining decent, safe, and sanitary housing needs.

Although the Housing Authority is a separate legal entity, it is an integral part of the City. The City exercises significant financial and management control over the Housing Authority and members of City Council serve as the governing board of the Housing Authority. The financial statements of the Housing Authority are included in the City's basic financial statements as an enterprise fund. Separate financial statements for the Housing Authority may be obtained by contacting the Richmond Housing Authority, 330 24th Street, Richmond, California 94804.

**NOTE 1 - ORGANIZATION AND DEFINITION OF REPORTING ENTITY (Continued)**

**Richmond Joint Powers Financing Authority (JPFA)** - A joint exercise of powers authority formed on December 1, 1989, by and between the City and the former Redevelopment Agency, the JPFA was created to assist the City, the Redevelopment Agency, and other local public agencies in financing and refinancing capital improvements and working capital pursuant to the Marks-Roos Local Bond Pooling Act of 1985. The JPFA is authorized to purchase obligations of the City, Redevelopment Agency, and other local public agencies.

Although the JPFA is a separate legal entity, it is an integral part of the City. The City exercises significant financial and management control over the JPFA and members of the Board of Directors are appointed by City Council. The operations of the JPFA are included in the City's basic financial statements as a debt service fund. Separate financial statements for the JPFA may be obtained by contacting the Office of Finance, City of Richmond, 450 Civic Center Plaza, Richmond, California 94804.

**Richmond Neighborhood Stabilization Corporation (RNSC)** – A California nonprofit public benefit Corporation formed in July 2009 by the City and the former Redevelopment Agency under the laws of the State of California. The Corporation was organized for the purpose of administering and operating the City's Neighborhood Stabilization Program (NSP), which includes purchasing, developing, financing, rehabilitating, land banking and/or demolishing blighted properties and foreclosed or abandoned properties utilizing the NSP funds or other public and private funding sources, and assisting the City and the Agency in providing affordable home ownership opportunities for households of low and moderate income by facilitating the financing necessary for the sale and resale of deed-restricted affordable ownership units to low and moderate income households at affordable costs, and other similar functions.

The Corporation is governed by a board of directors consisting of the City Manager, the Finance Director, and five other City and Housing Authority Directors. Although the RNSC is a separate legal entity, it is an integral part of the City. The City exercises significant financial and management control over the RNSC and members of the Board of Directors are appointed by City Council. The operations of the RNSC are included in the City's basic financial statements as a special revenue fund. Separate financial statements for the RNSC may be obtained by contacting the Office of Finance, City of Richmond, 450 Civic Center Plaza, Richmond, California 94804.

**Richmond Surplus Property Authority** – Formed to become the owner of certain property declared surplus by the U.S. Government, the Authority is a separate legal entity but it is an integral part of the City. The City exercises significant financial and management control over the Authority and members of the City Council serve as the governing board of the Authority. The Authority was reactivated in fiscal year 2011. The financial activities of the Authority are included in the Port of Richmond Enterprise Fund. Separate financial statements are not issued for the Authority.

**Richmond Parking Authority (Parking Authority)** - Formed in 1975 pursuant to the provisions of California statutes for the purpose of financing the construction of off-street parking facilities. Although the Parking Authority is a separate legal entity, it is an integral part of the City. The City exercises significant financial and management control over the Parking Authority and members of the City Council serve as the governing board of the Parking Authority. The Parking Authority is inactive.





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 1 - ORGANIZATION AND DEFINITION OF REPORTING ENTITY (Continued)**

***B. DISCRETELY PRESENTED COMPONENT UNIT***

**RHA Properties** – A joint powers agreement between the City and the Housing Authority formed in 2004 for the purpose of owning and managing the operations of an affordable housing residential complex known as The Hilltop at Westridge Apartments in the City, dedicated to the needs of elderly persons. The City and the Housing Authority funded the acquisition of this complex through the issuance of debt. The City and Housing Authority exercise significant financial and management control over RHA Properties and appoint members of the Board of Directors. Therefore, the financial activities of RHA Properties are discretely presented in the RHA Properties Component Unit column of the Statement of Net Position and the Statement of Activities. Separate financial statements for RHA Properties may be obtained by contacting the Richmond Housing Authority, 330 24th Street, Richmond, California 94804.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***A. Basis of Accounting and Measurement Focus***

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues, and expenditures or expenses. City resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

**Government-Wide Financial Statements -** The Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Fiduciary activities of the City are not included in these statements; they are presented separately.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Government-wide financial statements are presented on an *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows/inflows of resources and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the Statement of Net Position. The Statement of Activities presents all the City's revenues, expenses and other changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total column. In the Statement of Activities, internal service fund transactions have been eliminated. However, transactions between governmental and business-type activities have not been eliminated.

**Governmental Fund Financial Statements** - Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and in the aggregate for all non-major funds. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-Wide financial statements.

All governmental funds are accounted for on the *"current financial resources"* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received such as business licenses and fines and penalties in cash, except that revenues subject to accrual (generally sixty days after the fiscal year-end) are recognized when due. The primary revenue sources which have been treated as susceptible to accrual by the City are property taxes, sales taxes, transient occupancy taxes, franchise taxes, certain other intergovernmental revenues, and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred also generally sixty days after the fiscal year end.

Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences between the two approaches.

**Proprietary Fund Financial Statements -** Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and in the aggregate for all non-major funds. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements.





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Proprietary funds are accounted for using the *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all assets, liabilities and deferred outflows/inflows of resources (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position.

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

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

**Fiduciary Fund Financial Statements and Statement of Changes in Net Position** - Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Position, and a Statement of Changes in Fiduciary Net Position. The City's Fiduciary funds represent Pension Trust funds, Private-Purpose Trust funds and Agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Pension Trust funds and Private-Purpose Trust funds are accounted for on an economic resources measurement focus under the accrual basis of accounting.

***B. Major Funds***

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

**General Fund –** The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The General Fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

**Cost Recovery Special Revenue Fund –** The Cost Recovery Special Revenue Fund records the receipt and use of monies for services provided to the public and developers.

**Community Development and Loan Programs Special Revenue Fund** – The Community Development and Loan Programs Special Revenue Fund accounts for the receipt of Community Development Block Grant, HOME Investment Partnership Program, and Neighborhood Stabilization Program grant monies and the use of the grants. The Fund also accounts for the low and moderate income housing activities of the City as Housing Successor to the former Redevelopment Agency. The grants and loan programs are to be used to provide, within the City of Richmond, new affordable housing, improve existing housing conditions, assist homeless and disabled with housing, and to expand economic opportunities in business, and employment for low and moderate income residents.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City reported the following major enterprise funds in the accompanying financial statements:

**Richmond Housing Authority –** This fund accounts for all funds provided by the Department of Housing and Urban Development (HUD) to assist low income families in obtaining decent, safe and sanitary housing.

**Port of Richmond –** This fund accounts for all financial transactions relating to the City-owned marine terminal facilities and commercial property rentals.

**Municipal Sewer –** This fund accounts for all financial transactions relating to the City's Wastewater Collection and Treatment. Services are on a user charge basis to residents and business owners located in Richmond.

The City also reports the following fund types:

**Internal Service Funds.** The funds account for insurance reserves, equipment services and replacement and police telecommunications, all of which are provided to other departments on a cost-reimbursement basis.

**Trust Funds.** The Pension Trust Funds account for assets held by the City as an Agent for various functions. The General Pension, Police and Fireman's and Garfield Pension Funds account for the accumulation of resources to be used for retiree pension payments at appropriate amounts and times in the future. The Pt. Molate Private-Purpose Trust Fund is used to account for assets held by the City as an agent for the U.S. Navy and a private developer for the cleanup of Point Molate as discussed in Note 17J. The Successor Agency to the Richmond Community Redevelopment Agency Private-Purpose Trust Fund was established as of February 1, 2012 to account for the activities of the Successor Agency to the former Richmond Community Redevelopment Agency as discussed in Note 18. The financial activities of the Trust Funds are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

**Agency Funds.** These funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments, including special assessment districts within the City and non-public organizations. The financial activities of these funds are excluded from the government-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

### *C. Prepaids and Supplies*

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items in governmental funds are equally offset by nonspendable fund balance which indicates that they do not constitute available spendable resources even though they are a component of net current assets.





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Supplies are valued at cost using the weighted average method. Supplies of the governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure in the governmental funds at the time individual inventory items are consumed rather than when purchased. Reported governmental fund inventories are equally offset by nonspendable fund balance which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

### *D. Compensated Absences*

Compensated absences comprise unused vacation and certain other compensated time off, which are accrued and charged to expense as earned. Governmental funds include only amounts that have matured, while their long-term liabilities are recorded in the Statement of Net Position.

Changes in compensated absence liabilities for the fiscal year were as follows:

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| Beginning Balance | $11,418,353 | $546,183 | $11,964,536 |
| Additions | 5,727,035 | 262,535 | 5,989,570 |
| Payments | (5,253,837) | (288,356) | (5,542,193) |
| Ending Balance | $11,891,551 | $520,362 | $12,411,913 |
| Current Portion | $7,156,242 | $71,779 | $7,228,021 |

The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund. Compensated absences for business-type activities are liquidated by the fund that has recorded the liability.

### *E. Property Tax Levy, Collection and Maximum Rates*

The State of California's Constitution limits the combined maximum property tax rate on any given property to one percent of its assessed value except for voter approved incremental property taxes. Assessed value equals purchase price and may be adjusted by no more than two percent per year unless the property is modified, sold, or transferred. The State Legislature distributes property tax receipts from among the counties, cities, school districts, and other districts.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contra Costa County assesses properties and bills for and collects property taxes as follows:

| | Secured | Unsecured |
|---|---|---|
| Valuation/lien dates | January 1 | March 1 |
| Levied dates | July 1 | July 1 |
| Due dates | 50% on November 1<br>50% on February 1 | July 1 |
| Delinquent as of | December 10 (for November)<br>April 10 (for February) | August 31 |

The term "unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed. Property taxes levied are recorded as revenue in the fiscal year of levy.

***F. Expenditures in Excess of Appropriations***

The following funds incurred departmental expenditures in excess of appropriations.

| Fund/Department | Excess of Expenditures Over Appropriations |
|---|---|
| General Fund | |
| General Government | $97,187 |
| Public Safety | 627,143 |
| Debt Service | 264,698 |
| Cost Recovery Special Revenue Fund | |
| General Government | 5,296,637 |
| Public Safety | 161,422 |
| Community Development and Loan Programs Special Revenue Fund | |
| Housing and Redevelopment | 106,812 |
| Paratransit Operations Special Revenue Fund | |
| Cultural and Recreational | 10,186 |
| Lighting and Landscaping Districts Special Revenue Fund | |
| Capital Outlay | 148,968 |
| Richmond Neighborhood Stabilization Corporation Special Revenue Fund | |
| Housing and Redevelopment | 143,094 |
| 2005 Pension Obligation Bonds Debt Service Fund | |
| Debt Service | 321,658 |
| General Debt Service Fund | |
| Debt Service | 60,778 |





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***G. Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category, the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: loans receivable, grants receivable and interest on interfund advances. See Note 9 for further discussion. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

***H. Bond Issuance Costs, Original Issue Discounts and Premiums and Deferred Charge on Refunding***

For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Any differences between proprietary refunded debt and the debt issued to refund it is amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter.

The deferred charge on refunding was previously reported as a component of the long-term debt balance. With the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, the balance of the deferred charge on refunding is to be reported as a deferred inflow or outflow of resources, as applicable. Another provision of GASB Statement No. 65 requires that bond issuance costs, other than prepaid insurance, be expensed in the year incurred. As a result of the implementation, bond issuance costs as of July 1, 2012 in the Port of Richmond Enterprise Fund and the Municipal Sewer Enterprise Fund in the amounts of $448,747 and $1,640,100, respectively, have been removed and net position of the funds has been reduced and restated in those amounts.

***I. Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 3 - CASH AND INVESTMENTS

### *A. Investments and Cash Deposits*

The City maintains a cash and investment pool of cash balances and authorized investments of all funds except for funds required to be held by fiscal agents under the provisions of bond indentures, which the City Treasurer invests to enhance interest earnings. The pooled interest earned is allocated to the funds based on average month-end cash and investment balances in these funds.

The City and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments,* or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. Individual investments are generally made by the City's fiscal agents as required under its debt issues. In order to maximize security, the City employs the Trust Department of a bank as the custodian of all City managed investments, regardless of their form.

All investments are stated at fair value. Market value is used as fair value for all securities.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.



### *B. Cash, Cash Equivalents and Investments*

For purposes of reporting cash flows, the City considers each fund's share in the cash and investments pool and restricted cash and investments to be cash and cash equivalents.



CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

## NOTE 3 - CASH AND INVESTMENTS (Continued)

### *C. Classification*

Cash and investments are classified in the financial statements as shown below at June 30, 2013:

| | |
|---|---|
| Cash and investments | $44,409,871 |
| Restricted cash and investments | 40,876,079 |
| **Total Primary Government cash and investments** | 85,285,950 |
| Cash and investments | 359,140 |
| Restricted cash and investments | 2,645,727 |
| **Total Discrete Component Unit cash and investments** | 3,004,867 |
| Cash and investments in Fiduciary Funds (Separate Statement) | |
| Cash and investments | 17,285,560 |
| Restricted cash and investments | 53,891,690 |
| Investments in reassessment bonds | 14,277,500 |
| **Total Fiduciary Funds cash and investments** | 85,454,750 |
| **Total cash and investments** | $173,745,567 |

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

***D. Investments Authorized by the California Government Code and the City's Investment Policy***

Under the provisions of the City's Investment Policy, and in accordance with California Government Code, the following investments are authorized:

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality | Maximum Percentage of Portfolio | | Maximum Investment In One Issuer |
|---|---|---|---|---|---|
| U.S. Treasury Bills, Bonds and Notes | 5 years | A | None | | None |
| Obligations issued by United States Government or its Agencies | 5 years | | None | | None |
| Treasury bonds and notes issued by the State of California or any local agency with California | 5 years | A | None | | None |
| Commercial Paper | 270 days | A | 10% | **(A)** | 10% |
| Negotiable Certificates of Deposit | 5 years | A | 30% | | None |
| Medium Term Corporate Notes | 5 years | A | 30% | | None |
| Money Market Mutual Funds | N/A | Top rating category | 15% | | None |
| California Local Agency Investment Fund | N/A | | None | | $50 Mil |
| Investment Trust of California (CalTrust) | N/A | | N/A | | None |
| Collateralized Time Deposits | 5 years | | 30% | | 10% |

**(A)**: City may invest an additional 15% or a total of 20% of City surplus money, only if dollar-weighted average maturity of the entire amount does not exceed 31 days.

***Prohibited Investments***

Under the City's Investment Policy, the City imposed restrictions on investments. The City cannot invest in any funds in inverse floaters, range notes, or interest only Separate Trading of Registered Interest and Principal of Securities (STRIPS) that are derived from a pool of mortgages. In any security that could result in zero interest accrual if held to maturity (other than money market mutual funds).



CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

***E. Investments Authorized by the California Government Code and the Housing Authority's Investment Policy***

The California Government Code allows the Authority to invest in the following; provided approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code:

| Authorized Investment Type | Maximum Maturity | Maximum Specified Percentage of Portfolio | Minimum Credit Quality |
|---|---|---|---|
| Local Agency Bonds | 5 years | None | None |
| U.S. Treasury obligations | 5 years | None | None |
| State of California obligations | 5 years | None | None |
| CA Local Agency obligations | 5 years | None | None |
| U.S. Agencies | 5 years | None | None |
| Banker's Acceptances | 180 days | 40% | A1/P1 |
| Commercial Paper - select agencies | 270 days | 40% | A1/P1 |
| Commercial Paper - other agencies | 270 days | 25% | None |
| Negotiable Certificates of Deposit | 5 years | 30% | None |
| Repurchase Agreements | 1 year | None | None |
| Reverse Repurchase Agreements and Securities Lending Agreements | 92 days | 20% | None |
| Medium Term Corporate Notes | 5 years | 30% | A |
| Mutual Funds | N/A | 20% | Multiple |
| Money Market Mutual Funds | N/A | 20% | Multiple |
| Collateralized Bank Deposits | 5 years | None | None |
| Mortgage Pass-Through Securities | 5 years | 20% | AA |
| Time Deposits | 5 years | None | None |
| County Pooled Investment Funds | N/A | None | None |
| California Local Agency Investment Fund | N/A | None | None |

There are no restrictions on the maximum amount invested in each security type or maximum that can be invested in any one issuer.

***F. Investments Authorized by Debt Issues and Lease Agreements***

Under the terms of the City's, Agency's and RHA Properties' debt issues and lease agreements, the City, Agency and RHA Properties are subject to various restrictions in the type, maturity and credit ratings of investments of the unspent proceeds of these issues. These restrictions are generally no more restrictive than those listed above regarding investment of the City's, Agency's and RHA Properties' funds. In addition, some bond indentures authorize investments in guaranteed investment contracts and investment agreements with maturity dates that coincide with the applicable debt maturities. At June 30, 2013, the City, Agency and RHA Properties were in compliance with the terms of all these restrictions.

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

***G. Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

| | Remaining Maturity (in Months) | | | | |
|---|---|---|---|---|---|
| | 12 months or Less | 13 to 24 Months | 25 to 60 Months | More than 60 months | Total |
| ***Primary Government:*** | | | | | |
| Federal Agency Securities | $31,489,750 | $4,997,000 | $9,997,750 | | $46,484,500 |
| U.S. Treasury Notes | 350,757 | | | | 350,757 |
| California Local Agency Investment Fund | 487,717 | | | | 487,717 |
| CalTrust Short Term Fund | | 302,881 | | | 302,881 |
| Medium Term Corporate Note | | | 2,000,000 | | 2,000,000 |
| Certificates of Deposit | | | 750,000 | | 750,000 |
| Money Market Mutual Funds (U.S. Securities) | 676,083 | | | | 676,083 |
| Held by Trustee: | | | | | |
| Federal Agency Securities | 795,584 | | | | 795,584 |
| Certificates of Deposit | 188,112 | | | | 188,112 |
| Money Market Mutual Funds (U.S. Securities) | 60,717,099 | | | | 60,717,099 |
| Money Market Mutual Funds (Fixed-income securities issued by banks, corporations and the U.S. government) | 504,009 | | | | 504,009 |
| Investment Agreement | | | | $1,039,778 | 1,039,778 |
| Guaranteed Investment Contracts | | | | 4,219,950 | 4,219,950 |
| Reassessment Bonds | 935,000 | 965,000 | 3,155,000 | 9,222,500 | 14,277,500 |
| ***RHA Properties:*** | | | | | |
| Money Market Mutual Funds (U.S. Securities) | 1,025,275 | | | | 1,025,275 |
| **Total Investments** | $97,169,386 | $6,264,881 | $15,902,750 | $14,482,228 | 133,819,245 |
| Cash in Banks and on hand - *Primary Government* | | | | | 37,946,730 |
| Cash in banks - *RHA Properties* | | | | | 1,979,592 |
| **Total Cash and Investments** | | | | | $173,745,567 |





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2013, these investments matured in an average of 278 days.

The City is a participant in the Short-Term Fund of the Investment Trust of California (CalTrust), a joint powers authority and public agency established by its members under the provisions of Section 6509.7 of the California Government Code. Members and participants are limited to California public agencies. CalTrust is governed by a Board of Trustees of seven Trustees, at least seventy-five percent of whom are from the participating agencies. The City reports its investment in CalTrust at the fair value amount provided by CalTrust, which is the same as the value of the pool shares. The balance is available for withdrawal on demand, and is based on the accounting records maintained by CalTrust. Included in CalTrust's investment portfolio are: United States Treasury Notes, Bills, Bonds or Certificates of Indebtedness; registered state warrants or treasury notes or bonds; California local agency bonds, notes, warrants or other indebtedness; federal agency or United States government-sponsored enterprise obligations; bankers acceptances; commercial paper; negotiable certificates of deposit; repurchase agreements; medium-term notes; money market mutual funds; notes, bonds or other obligation secured by a first priority security interest in securities authorized under Government Code Section 53651; and mortgage passthrough securities, collateralized mortgage obligations, and other asset – backed securities. CalTrust's Short-Term Fund has a target portfolio duration of 0 to 2 years. At June 30, 2013, these investments matured in an average of 445 days.

Money market funds and mutual funds are available for withdrawal on demand and as of June 30, 2013 have an average maturity from 24 to 58 days.

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

***H. Credit Risk***

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2013 for each investment type:

| Investment Type | AAAm | AAf | AA+ | Am | Total |
|---|---|---|---|---|---|
| Federal Agency Securities | | | $47,280,084 | | $47,280,084 |
| Money Market Mutual Funds (U.S. Securities) | $61,742,374 | | | | 61,742,374 |
| Money Market Mutual Funds (Fixed-income securities issued by banks, corporations and the U.S. government) | | | | $504,009 | 504,009 |
| CalTrust Short Term Fund | | $302,881 | | | 302,881 |
| Medium Term Corporate Note | | | 2,000,000 | | 2,000,000 |
| Totals | $61,742,374 | $302,881 | $49,280,084 | $504,009 | 111,829,348 |
| *Not rated:* | | | | | |
| U.S. Treasury Notes | | | | | 350,757 |
| California Local Agency Investment Fund | | | | | 487,717 |
| Investment Agreement | | | | | 1,039,778 |
| Guaranteed Investment Contracts | | | | | 4,219,950 |
| Certificates of Deposit | | | | | 938,112 |
| Money Market Mutual Funds (U.S. Securities) | | | | | 676,083 |
| Reassessment Bonds | | | | | 14,277,500 |
| **Total Investments** | | | | | 133,819,245 |
| Cash in Banks and On Hand | | | | | 39,926,322 |
| **Total Cash and Investments** | | | | | $173,745,567 |

***I. Concentration of Credit Risk***

Investments in the securities of any individual issuer, other than U. S. Treasury securities, mutual funds, and external investment fund that represent 5% or more of total Government-wide investments are as follows at June 30, 2013:

| Issuer | Type of Investments | Amount |
|---|---|---|
| Federal National Mortgage Association | Federal Agency Securities | $13,998,950 |
| Federal Home Loan Bank | Federal Agency Securities | 13,788,384 |
| Federal Home Loan Mortgage Corporation | Federal Agency Securities | 10,997,300 |
| Federal Farm Credit Bank | Federal Agency Securities | 8,495,450 |



CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, in Fiduciary Funds at June 30, 2013 were as follows:

| Fiduciary Funds | Issuer | Type of Investment | Amount |
|---|---|---|---|
| Agency Funds: | | | |
| JPFA Reassessment | City of Richmond JPFA | Municipal Bonds | $4,945,000 |
| 2006 A&B Reassessment District | City of Richmond JPFA | Municipal Bonds | 9,332,500 |

**NOTE 4 - INTERFUND TRANSACTIONS**

***A. Current Interfund Balances***

Current interfund balances arise in the normal course of business and represent short-term borrowings occurring as a result of expenditures which are paid prior to the receipt of revenues. These balances are expected to be repaid shortly after the end of the fiscal year when revenues are received. Current amounts due from one fund to another at June 30, 2013 were as follows:

| Due From Other Funds | Due To Other Funds | Amount |
|---|---|---|
| General Fund | Internal Service Fund | $316,751 |
| Internal Service Fund | Cost Recovery Fund | 4,655,593 |
| | Community Development and Loan Programs | 2,714,970 |
| | Non Major Governmental Funds | 3,247,402 |
| | Port of Richmond | 2,889,858 |
| | Non Major Enterprise Fund | 1,609,196 |
| | **Total** | $15,433,770 |

***B. Long-Term Interfund Advances***

At June 30, 2013 the funds below had made advances which were not expected to be repaid within the next year.

| Fund Receiving Advance | Fund Making Advance | Amount of Advance |
|---|---|---|
| Richmond Housing Authority | General Fund | $1,966,244 |
| | Community Development and Loan Programs | 174,067 |
| Port of Richmond Enterprise Fund | General Fund | 16,816,157 |
| Non Major Enterprise Fund | Internal Service Funds | 1,992,948 |
| | **Total** | $20,949,416 |

In fiscal 2007, the former Redevelopment Agency advanced $174,067 to the Richmond Housing Authority Enterprise Fund, collateralized by a deed of trust on the Westridge at Hilltop Apartments, to assist the Authority with its lease payments for the 2003 A-S Multifamily Housing Revenue Bonds. The loan bears interest of 3%. In fiscal 2012, the advance receivable was transferred to the City as Housing Successor to the former Redevelopment Agency and is recorded in the Community Development and Loan Programs Special Revenue Fund.

**NOTE 4 - INTERFUND TRANSACTIONS (Continued)**

In fiscal years 2007 through 2013, 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 and the advance bears no interest and was payable in 135 monthly installments of $30,000 and one final installment of $22,446 on or before August 1, 2021. On June 28, 2011 the agreement was amended to make the monthly payments $50,000 for the remaining 71 payments, starting July 1, 2011, and one final installment of $36,634. During fiscal year 2013, $6,600,000 of the advance was assumed by RHA Properties and is has been reclassified as a loan receivable, as discussed in Note 5, and the remaining balance of the interfund advance as of June 30, 2013 is $1,966,244.

In fiscal 2006 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 bore an interest rate of 4%, with the balance payable on or before June 30, 2015. The advance repayment terms were amended in October 2013, effective June 30, 2013, to convert the accrued unpaid interest of $745,119 to principal and reduce the advance balance by $842,877, and the advance no longer bears interest. Annual principal payments of $125,000 are due beginning June 30. 2014 through June, 30, 2066 with a final principal payment of $32,593 due on June 30. 2067, and in addition to those payments, the annual berthing cost of the vessel Red Oak Victory at the Port that is to be paid by the General Fund will instead offset and reduce the principal balance of the advance based on an established rental schedule. Historical rental payments from August 2004 to June 30, 2012 totaling $842,877 were applied to the principal balance of the loan as of June 30. 2013. Another provision of the amended agreement provides that upon the sale of any Port property, including Terminal One and Terminal Four, the proceeds from the sale are to be used to repay and reduce the principal balance of the advance. The balance of the advance as of June 30, 2013 is $16,816,157.

In fiscal 2008 the General Fund advanced $211,686 to the Impact Fees Special Revenue Fund for the purpose of redeeming a portion of the letter of credit with Pinole Point Properties, Inc. that was redeemed with a settlement payment of $1,750,000. The advance was initially going to be repaid with future developer's fees, however, due to low development activities in the area it is unlikely that the fund would be able to repay the advance the advance was forgiven in fiscal 2013.

In fiscal 2008 the General Fund advanced $1,758,342 to the Storm Sewer Enterprise Fund for the purpose of providing a clean storm sewer system and street sweeping activities. In fiscal year 2009 the advance was moved to the Insurance Reserves Internal Service Fund. The advance bears interest of 4.34% and is payable as follows: Semi-annual interest payments in the amount of $52,460 to be made April 30 and December 31 of each year commencing in December 2009 until December 2038. The final interest payment of $52,298 and the total principal balance is due April 30, 2039. The balance of the advance and accrued interest as of June 30, 2013 is $1,992,948.

### *C. Transfers Between Funds*

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund.





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 4 - INTERFUND TRANSACTIONS (Continued)**

Transfers between funds during the fiscal year ended June 30, 2013 were as follows:

| Fund Receiving Transfers | Fund Making Transfers | Amount Transferred |
|---|---|---|
| General Fund | Non-Major Governmental Funds | $5,747,506 |
| | Non-Major Enterprise Funds | 147,055 |
| | Internal Service Funds | 3,133,775 |
| Cost Recovery Fund | General Fund | 4,923,475 |
| Community Development and Loan Programs Fund | General Fund | 446,933 |
| Non-Major Governmental Funds | General Fund | 3,272,482 |
| | Non-Major Governmental Funds | 3,373,805 |
| | Non-Major Enterprise Funds | 100,000 |
| Port of Richmond Enterprise Fund | General Fund | 842,877 |
| Internal Service Funds | General Fund | 989,437 |
| | Cost Recovery Fund | 62,779 |
| | Community Development and Loan Programs | 7,176 |
| | Port of Richmond Enterprise Fund | 5,428 |
| | Total Interfund Transfers | $23,052,728 |

None of these transfers were unusual or non-recurring in nature, except for the transfer from the Secured Pension Override Special Revenue Fund to the General Fund in the amount of $3,146,427 to fund current year pension contributions to PERS, which is included in transfers from Non-Major Governmental Funds, and the transfer from the General Fund to the Port of Richmond Enterprise Fund in the amount of $842,877 to reduce the principal balance of the interfund advance discussed in Note 4B.

### *D. Internal Balances*

Internal balances are presented in the Government-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

## NOTE 5 - NOTES AND LOANS RECEIVABLE

At June 30, 2013, notes and loans receivable consisted of the following:

| | Amount |
|---|---|
| **CalTrans Loan** | $721,415 |
| **Police Chief Loan** | 87,985 |
| **Richmond Art Center Loan** | 128,960 |
| **East Bay Center for the Performing Arts** | 1,150,000 |
| **Groundwork Richmond** | 9,995 |
| **Richmond Neighborhood Stabilization Loans** | 1,794,245 |
| **Community Development Block Grant, Home Investment Partnership Program, EDA and CALHome Loans:** | |
| Mechanics Bank Loans | 41,096 |
| Deferred Loans | 4,265,012 |
| Home Improvement Program Loans | 1,041,467 |
| Rental Rehabilitation Loans | 348,582 |
| Infill Phase II Loan | 828,471 |
| The Carquinez Project | 148,490 |
| Creely Avenue Housing Rehabilitation Loan (Arbors) | 1,614,056 |
| Lillie Mae Jones Project Loan | 849,166 |
| Nevin Court Homeowner Development Project | 343,839 |
| EDA Loans | 591,898 |
| CALHome Program | 1,705,886 |
| Miraflores Loan | 1,208,258 |
| **Subtotal - CDBG, HOME, EDA and CALHome Loans** | 12,986,221 |
| **Housing Successor Loans:** | |
| Rental Rehabilitation Loans | 30,700 |
| The Carquinez Project | 1,152,510 |
| Creely Avenue Housing Rehabilitation Loan (Arbors) | 1,594,057 |
| Lillie Mae Jones Project Loan | 521,254 |
| Miraflores Loan | 91,000 |
| MacDonald Place Senior Housing | 3,411,328 |
| Atchison Village Annex Apartments | 328,565 |
| Heritage Park Development | 219,281 |
| Silent Second Mortgage Loans | 2,074,661 |
| Chesley Avenue Mutual Housing Development | 4,741,492 |
| Easter Hill Project | 2,281,960 |
| **Subtotal- Housing Successor Loans** | 16,446,808 |
| **RHA Properties Loans** | 9,823,982 |
| **Total Notes and Loans Receivable** | $43,149,611 |





## NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)

**CalTrans Loan**

The total of $721,415 consists of two loans from the City of Richmond to Richmond Neighborhood Housing Services. These are pass-through loans from CalTrans for the construction of 27 new homes located in North Richmond.

**Police Chief Loan**

Under the Resolution Number 169-05, the City made a long-term loan of $150,000, and a short-term loan of $50,000, for a total loan amount of $200,000, to finance the acquisition of the new Police Chief's personal residence located within the City of Richmond. The loan is secured by a deed of trust on the property. The loan is due upon sale of the property, within eighteen months after the Police Chief's employment with the City terminates, or fifteen years from the date of the loan, whichever occurs first. The loan bears a variable interest rate from the date of disbursement until repaid in full at an amount equal to the average annual interest rate of the California State Treasurer's Office Local Agency Investment Fund, adjusted effective as of each annual anniversary date of the close of escrow of the Property purchased by the Police Chief. The short-term loan of $50,000 was repaid during fiscal year 2006.

**Richmond Art Center Loan**

On June 5, 2012, the City approved a loan of $161,200 to the Richmond Art Center to finance the salaries and benefits of the Art Center staff for May and June 2012. The loan is secured by the Art Center's assets via a promissory note. The loan bears no interest and is payable in five equal installments of $32,240 starting May 31, 2013 and continuing on May 31st of each year with the final payment due on May 31, 2017.

**East Bay Center for the Performing Arts**

On June 12, 2009 the former Redevelopment Agency entered into an agreement to loan $2,500,000 to the East Bay Center (Center) for the Performing Arts to fund renovations to the Winters Building. The East Bay Center for the Performing Arts is a California nonprofit public benefit corporation that offers programs and training in theater, music and dance. The Loan bore interest of 3% per year and repayments of accrued interest was due in quarterly installments. The Center made a payment of $1,100,000 prior to January 31, 2012. Due to the dissolution of the Redevelopment Agency effective January 31, 2012 as discussed in Note 18, the balance of the loan was evaluated and it was determined that although the Redevelopment Agency implemented and administered the loan, the Insurance Internal Service Fund had funded the loan via an interfund advance and therefore the interfund advance was repaid in fiscal year 2012 by transferring the loan receivable to the Insurance Internal Service Fund. The agreement with the Center was amended on June 27, 2012, to reduce the interest rate to 0% and extend the repayment of the remaining $1,400,000 to June 30, 2016.

**Groundwork Richmond**

On May 10, 2013 the City entered into an agreement to loan $9,995 in cash flow assistance to Groundwork Richmond. Groundwork Richmond is a local non-profit organization dedicated to helping the City of Richmond reach its goals for improving the outdoor environment, and to engaging local residents in specific outdoor improvement projects. The loan bears interest of 1.42% and is due on December 31, 2013.

NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)

**Richmond Neighborhood Stabilization Loans**

The Richmond Neighborhood Stabilization Corporation (RNSC) operates a residential rehabilitation loan program financed by Department of Housing and Urban Development grants that have passed through the City under its Neighborhood Stabilization Program (NSP1) and additional allocation under the third round of funding referred to as (NSP3). The program provides affordable home ownership opportunities for households of low and moderate income by facilitating the development financing necessary for the purchase, rehabilitation, and resale of deed-restricted affordable ownership units. As of June 30, 2013, the total balance of outstanding loans for NSP1 was $1,794,245 and no NSP3 loans had been issued. Loans are payable upon the resale of improved properties.

**Mechanics Bank Loans**

Loans are amortized home improvement loans to low and moderate income borrowers and are repaid at 3% per annum. CDBG loan contracts are forwarded to Mechanics Bank for servicing.

**Deferred Loans**

Deferred loans are granted to low and moderate income families to assist them in purchasing their homes. Emergency repair loans not exceeding $10,000 funded by the HOME Investment Partnership Program (HIPP) are provided to low income families in Richmond to assist them in rehabilitating their existing housing units. These loans are required to be repaid over a period of 15 years to 30 years.

**Home Improvement Program Loans**

"Silent second" mortgage loans are provided to low and moderate income first time homebuyers as gap financing to provide the minimum amount needed to close the gap between the primary lender's requirements and the borrower's ability to pay down payments or closing costs.

Home improvement program loans include amortized loans to assist low income families in Richmond in the improvement of their homes. The interest rates for these loans range from 0% to 3% and are payable over a period of 15 to 30 years.

**Rental Rehabilitation Loans**

Rental Rehabilitation Loans help make rental units affordable to low and very low income housing families. Loans assist private and non-profit owners in purchasing and rehabilitating existing multifamily housing units.

**Scattered Site Infill Housing Development (Infill Phase II)**

Under a loan agreement dated September 30, 2010, the City loaned Community Housing Development Corporation of North Richmond $1,198,013 to fund construction of 36 townhomes to be made available for very-low and low income households. Funding for the loan is as follows: $602,556 in HOME funds, $266,000 in CDBG funds and $329,457 in CDBG-R. The current funding is for predevelopment activities in conjunction with the construction and development of the townhomes. The loan is secured by a deed of trust on the property. The outstanding balance of the loan bears simple interest at the rate of 3% per year.





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)

The payment of principal and interest is deferred and due at the end of the term due September 30, 2065. As of June 30, 2013, $828,471 had been drawn down on the loan.

**The Carquinez Project**

Under a loan agreement dated November 14, 2008, the former Redevelopment Agency loaned Carquinez Associates, L.P., $1,000,000 to fund rehabilitation of a five story building, with 36 apartments housing low-income seniors. On August 23, 2010 the agreement was amended to provide the Developer with a total amount of $1,301,000. Funding for the loan is as follows: $1,152,510 funded by Series 2007 Bonds and $148,900 funded by CDBG. Repayments on the loan are to be made from residual receipts as defined in the agreement. The loan does not bear interest and the unpaid principal balance is due in November 2043. With the dissolution of the Redevelopment Agency as discussed in Note 18, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result City, as Housing Successor, assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund, including the balance of the Carquinez loan as of February 1, 2012.

**Creely Avenue Housing Rehabilitation (Arbors)**

On September 15, 2006, the former Redevelopment Agency and the City loaned Arbors Preservation Limited Partnership the amount of $2,558,557, to construct extremely low, very low and low income rental housing units and a new community room on Creely Avenue. On October 31, 2008, the loan was amended to provide the developer a total loan amount of $3,208,113. Funding for the loan is as follows: $1,539,056 in HOME funds, $75,000 in CDBG funds and $1,594,057 in 2007 Series B bond funds. The loan bears simple interest at the rate of 3% per year. All unpaid principal and interest on the loan is due on April 29, 2063. With the dissolution of the Redevelopment Agency as discussed in Note 18, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result the City, as Housing Successor, assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund, including the balance of the Arbors loan as of February 1, 2012.

**Lillie Mae Jones Project**

On January 19, 2010, the former Redevelopment Agency and the City entered into an agreement with Lillie Mae Jones Plaza, L.P. and the Community Housing Development Corporation of North Richmond to loan $3,119,000 to construct and provide 26 housing units to very low and low income households. Funding for the loan is as follows: $1,081,291 in HOME funds, $84,000 in Section 108 funds and $1,953,709 in 2007 Series B bonds. The loan bears an interest rate of 3% per year and repayments on the loan are to be made from residual receipts as defined in the agreement. All unpaid principal and accrued interest is due in January 2065. The agreement was amended in November 2011, due to securing a $293,884 loan from County of Contra Costa with Mental Health Services Act, which specifies that two Units are required to be available to and occupied by Mental Health Services Act Eligible Tenants pursuant to the County Regulatory Agreement with Lillie Mae Jones Plaza, L.P. With the dissolution of the Redevelopment Agency as discussed in Note 18, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result the City, as Housing Successor, assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund, including the balance of the Lillie Mae Jones loan as of February 1, 2012. As of June 30, 2013, Lillie Mae Jones drew down $1,370,420.

NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)

**Nevin Court Homeowner Development Project**

In May 2005, the City entered into an agreement with Community Housing and Development Corporation of North Richmond (Development), in the original amount of $227,000 to construct and develop 10 single family homes for low and moderate income households. The agreement was amended in November 2008, to increase the loan to $377,000. In fiscal year 2010, the Development drew down $343,839. The loan bears interest of 3% per year and the unpaid balance is due in November 2063.

**EDA loans**

The Agency's Revolving Loan Fund (RLF) is a community based program with the goal of fostering local economic growth through the creation and retention of employment opportunities for Richmond residents and complementing community and individual development initiatives. With the dissolution of the Redevelopment Agency as discussed in Note 18, the EDA loan program that was funded with grant funds from the Economic Development Administration is now administered by the City effective February 1, 2012.

**CALHome Program**

The CALHome loan program provides housing assistance to Richmond residents to assist with first-time homeowner down payments or rehabilitation projects for owner-occupied homes. The loans are secured by deeds of trust on the properties. Principal and interest on the loans are deferred for 30 years, unless otherwise specified in the promissory note. With the dissolution of the Redevelopment Agency as discussed in Note 18, the CALHome loan program that was funded with grant funds is now administered by the City effective February 1, 2012.

**Miraflores Loan**

Under an amended loan agreement dated June 21, 2011, the City agreed to loan Community Housing Development Corporation of North Richmond and Eden Housing, Inc., $1,465,000 to fund the construction of 110 senior housing units for low and moderate income residents. Funding for the loan is as follows: $449,000 in CDBG funds, $925,000 in HOME funds, and $91,000 Redevelopment Agency Low and Moderate Income Housing Fund funds. With the dissolution of the Redevelopment Agency as discussed in Note 18, the portion of the Miraflores loan that was funded by the Redevelopment Agency's Low and Moderate Income Housing Fund was assumed by the City as Housing Successor. The loan does not bear interest and the unpaid principal balance is due September 22, 2015. As of June 30, 2013, $1,299,258 of the loan had been drawn down.

**Housing Successor Loans**

With the dissolution of the Redevelopment Agency as discussed in Note 18, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result City, as Housing Successor, assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund, including the balance of certain loans discussed above and all of the loans below as of February 1, 2012.





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)

**MacDonald Place Senior Housing**

On June 26, 2007, the former Redevelopment Agency agreed to loan MacDonald Housing Partners, L.P., and Richmond Labor and Love Community Development Corporation the amount of $4,720,000, to construct senior housing units, a management office, small meeting rooms and ancillary retail use, and a separate space for community services. The loan's principal is due 57 years from the date of disbursement. The loan bears simple of interest of 2% per year payable from any residual receipts available from the prior calendar year with an additional 1% per year, but only to the extent that funds are available to pay such contingent interest from the Agency's share of residual receipts, as defined in the agreement.

**Atchison Village Annex Apartments**

In 1998, the former Redevelopment Agency loaned Atchison Village Associates, LP $464,000 collateralized by a deed of trust to finance the acquisition and rehabilitation of 100 units of family housing. Interest on the unpaid principal balance is 3% per annum. Loan payments of principal and interest are payable in equal monthly payments of $2,651.

In 2006, the former Redevelopment Agency loaned Atchison Village Associates, LP $44,000 collateralized by a deed of trust to finance the rehabilitation of low- and moderate-income housing. The loan bears no interest and the entire principal is due in 25 years.

**Heritage Park Development**

In 1999, the former Redevelopment Agency loaned Hilltop Group, LP a total of $500,000, collateralized by deeds of trust and bearing interest at an effective rate of 1½% starting September 2004. The loans were used to finance the development of the Heritage Park Development in the City. Monthly installments of interest and principal in the total amount of $3,115 are payable through September 1, 2019.

**Silent Second Mortgage Loans**

Loans were provided to qualifying individuals for the difference between the amount received by the individuals who qualified for low and moderate income housing loans and the amount needed to purchase the homes. The loans are to be forgiven in the future if the property owners do not sell or refinance the property.

**Chesley Avenue Mutual Housing Development**

On December 1, 2003, the former Redevelopment Agency loaned Chesley Avenue Limited Partnership the amount of $4,741,492, to construct very low and low income housing units. The loan's principal is due in 2058; interest is payable starting May 1, 2006, at the rate of 2% per annum or in the amount of 95% of any residual receipts remaining from the prior year, whichever is less.

**NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)**

**Easter Hill Project**

The loan from the former Redevelopment Agency to Easter Hill Development, L.P. is providing financial assistance in the development of the Easter Hill Project. The Easter Hill Project consists of single and multifamily home components. Easter Hill Development, L.P. shall use the loan to pay for predevelopment, acquisition and construction costs. The outstanding balance of the loan bears simple interest at the rate of 2% per year. Repayments on the loan are to be made from residual receipts as defined in the agreement. All unpaid principal and accrued interest on the loan is due February 1, 2069.

**RHA Properties Loans**

In fiscal years 2007 through 2013, 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, as discussed in Note 4B, and RHA Properties assumed a portion of that advance during fiscal year 2013, which is now classified as a loan receivable.

On May 1, 2013, a Memorandum of Understanding (MOU) was reached between the Housing Authority and RHA Properties, which states that the RHA Properties shall provide resources derived from the sale proceeds of the Westridge at Hilltop Apartments to pay a financial sanction imposed by the Office of the Inspector General (OIG) in an amount no less than $2,257,799 to the Housing Authority and to retire the outstanding debt owed to the General Fund by the Housing Authority in an amount no less than $6,600,000. On May 24, 2013 RHA Properties entered into a Purchase and Sale Agreement with buyers. The disposition is expected to take place within fiscal year 2013-2014.

As of June 30, 2013, the Housing Authority had invested $1,000,000 in start-up contributions and had advanced $966,183 to RHA properties, which was used for debt service and operating expenses. The Housing Authority expects the entire amount to be repaid from the proceeds upon disposition of the Westridge at Hilltop Apartments by RHA Properties.

The total balance of the General Fund and Richmond Housing Authority Enterprise Fund loans receivable from RHA Properties as of June 30, 2013 is $9,823,982.





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 6 - CAPITAL ASSETS**

***A. Policies***

Capital assets are valued at historical cost or at estimated fair value on the date donated. If actual historical costs are not available, assets have been valued at approximate historical cost. The City's policy is to capitalize assets costing at least $5,000, and the Housing Authority's and RHA Properties' policy is to capitalize assets costing at least $1,000. Depreciation is recorded on a straight-line basis over the following estimated useful lives:

| | |
|---|---|
| Improvements other than buildings | 20 years |
| Buildings and building improvements | 20 - 50 years |
| Vehicles | 3 – 10 years |
| Infrastructure | 25 - 50 years |
| Machinery and equipment | 3 – 20 years |

RHA Properties has assigned the useful lives listed below to is capital assets:

| | |
|---|---|
| Building and improvements | 27.5 years |
| Furniture and equipment | 5 years |
| Vehicles | 5 years |

Infrastructure includes streets systems, parks and recreation lands and improvement systems, storm water collection systems, and buildings combined with site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system is divided into subsystems. For example, the street system includes pavement, curbs and gutters, sidewalks, medians, streetlights, traffic control devices such as signs, signals and pavement markings, landscaping and land. In the case of the initial capitalization of general infrastructure assets reported by governmental activities, the City chose to include all such items regardless of their acquisition date or amount.

Net interest costs incurred during the construction of capital assets for the business-type and proprietary funds are capitalized as part of the asset's cost.

**NOTE 6 - CAPITAL ASSETS (Continued)**

***B. Current Year Activity***

The following is a summary of capital assets for governmental activities:

| | Balance at June 30, 2012 | Additions | Retirements | Transfers | Transfer to Successor Agency | Balance at June 30, 2013 |
|---|---|---|---|---|---|---|
| ***Governmental activities*** | | | | | | |
| Capital assets not being depreciated: | | | | | | |
| Land | $14,121,936 | $132,949 | | | | $14,254,885 |
| Construction in progress | 56,884,384 | 13,270,865 | | ($714,685) | ($5,328,244) | 64,112,320 |
| Total capital assets not being depreciated | 71,006,320 | 13,403,814 | | (714,685) | (5,328,244) | 78,367,205 |
| Capital assets being depreciated: | | | | | | |
| Buildings and improvements | 139,728,420 | 545,076 | | | | 140,273,496 |
| Machinery and equipment | 40,189,510 | 1,304,824 | ($269,219) | 352,063 | | 41,577,178 |
| Land improvements and infrastructure | 415,764,458 | | | 362,622 | | 416,127,080 |
| Total capital assets being depreciated | 595,682,388 | 1,849,900 | (269,219) | 714,685 | | 597,977,754 |
| Less accumulated depreciation for: | | | | | | |
| Buildings and improvements | (21,063,954) | (2,879,773) | | | | (23,943,727) |
| Machinery and equipment | (23,416,310) | (3,668,663) | 243,354 | | | (26,841,619) |
| Land improvements and infrastructure | (311,601,061) | (12,704,700) | | | | (324,305,761) |
| Total accumulated depreciation | (356,081,325) | (19,253,136) | 243,354 | | | (375,091,107) |
| Capital asset being depreciated, net | 239,601,063 | (17,403,236) | (25,865) | 714,685 | | 222,886,647 |
| Governmental activity capital assets, net | $310,607,383 | ($3,999,422) | ($25,865) | | ($5,328,244) | $301,253,852 |

During fiscal year 2013, the State Department of Finance denied the prior year transfer of certain projects in progress from the former Redevelopment Agency to the City and required the transfer of those projects totaling $5,328,244 to the Successor Agency, which has been reported as a transfer above and as an Extraordinary Item in the Statement of Activities.

Governmental activities depreciation expenses for capital assets is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program for the year ended June 30, 2013 were as follows:

| | |
|---|---|
| **Governmental Activities** | |
| General Government | $2,616,856 |
| Public Safety | 1,091,671 |
| Public Services | 13,457,997 |
| Community Development | 89,378 |
| Cultural and Recreational | 196,628 |
| Internal Service Funds | 1,800,606 |
| **Total Governmental Activities** | $19,253,136 |





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 6 - CAPITAL ASSETS (Continued)**

The following is a summary of capital assets for business activities:

| | Balance at June 30, 2012 | Additions | Retirements | Transfers | Reclassified* | Balance at June 30, 2013 |
|---|---|---|---|---|---|---|
| ***Business-type activities*** | | | | | | |
| Capital assets not being depreciated: | | | | | | |
| Land | $11,611,407 | | | | ($3,379,630) | $8,231,777 |
| Construction in progress | 57,339,422 | $15,939,812 | ($81,212) | ($56,334,751) | | 16,863,271 |
| Total capital assets not being depreciated | 68,950,829 | 15,939,812 | (81,212) | (56,334,751) | (3,379,630) | 25,095,048 |
| Capital assets being depreciated: | | | | | | |
| Buildings and improvements | 92,326,196 | | | 1,816,482 | (614,560) | 93,528,118 |
| Machinery and equipment | 13,577,361 | 17,500 | (11,825) | | (30,000) | 13,553,036 |
| Infrastructure | 140,580,143 | | | 54,518,269 | | 195,098,412 |
| Total capital assets being depreciated | 246,483,700 | 17,500 | (11,825) | 56,334,751 | (644,560) | 302,179,566 |
| Less accumulated depreciation for: | | | | | | |
| Buildings and improvements | (46,901,356) | (2,717,556) | | | | (49,618,912) |
| Machinery and equipment | (11,115,555) | (443,962) | 11,825 | | 13,142 | (11,534,550) |
| Infrastructure | (75,371,337) | (5,727,844) | | | | (81,099,181) |
| Total accumulated depreciation | (133,388,248) | (8,889,362) | 11,825 | | 13,142 | (142,252,643) |
| Capital asset being depreciated, net | 113,095,452 | (8,871,862) | | 56,334,751 | (631,418) | 159,926,923 |
| Business-type activity capital assets, net | $182,046,281 | $7,067,950 | ($81,212) | | ($4,011,048) | $185,021,971 |

*Amount was reclassified as Due from Developer as the funds used to purchase these assets were loaned to Easter Hill by the Housing Authority from Hope VI funding in the past.

The following is a summary of capital assets for RHA Properties:

| | Balance at June 30, 2012 | Additions | Transfers | Balance at June 30, 2013 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $10,431,153 | | | $10,431,153 |
| Construction in progress | 209,224 | | ($209,224) | |
| Total capital assets not being depreciated | 10,640,377 | | (209,224) | 10,431,153 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 24,067,825 | $397,262 | 209,224 | 24,674,311 |
| Furniture and equipment | 169,830 | 51,926 | | 221,756 |
| Vehicles | 7,993 | | | 7,993 |
| Total capital assets being depreciated | 24,245,648 | 449,188 | 209,224 | 24,904,060 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (7,707,717) | (905,863) | | (8,613,580) |
| Furniture and equipment | (75,376) | (29,464) | | (104,840) |
| Vehicles | (933) | (1,599) | | (2,532) |
| Total accumulated depreciation | (7,784,026) | (936,926) | | (8,720,952) |
| Capital asset being depreciated, net | 16,461,622 | (487,738) | 209,224 | 16,183,108 |
| RHA Properties capital assets, net | $27,101,999 | ($487,738) | | $26,614,261 |

## NOTE 6 - CAPITAL ASSETS (Continued)

Business activities depreciation expenses for capital assets allocated to each program for the year ended June 30, 2013 were as follows:

| | |
|---|---|
| Richmond Housing Authority | $2,335,848 |
| Port of Richmond | 2,954,415 |
| Municipal Sewer | 2,537,875 |
| Richmond Marina | 85,197 |
| Storm Sewer | 947,390 |
| Cable TV | 28,637 |
| **Total Business-Type Activities** | $8,889,362 |
| | |
| **Component Unit** | |
| RHA Properties | $936,926 |

## NOTE 7 – NOTES PAYABLE

**Tax and Revenue Anticipation Notes, Series 2011-2012**

On July 26, 2011 the City issued Series 2011-2012 Tax and Revenue Anticipation Note in the amount of $7,650,000. The proceeds from the Note will be used to provide funds to meet the City's anticipated cash flow needs for its fiscal year ending June 30, 2012. The note bore an interest rate of 2.00%. The Note was repaid on October 31, 2012.

**2012-2013 Tax and Revenue Anticipation Note, Series A**

On October 1, 2012 the City issued 2012-2013 Tax and Revenue Anticipation Note, Series A, in the amount of $9,000,000. The proceeds from the Note will be used to provide funds to meet the City's anticipated cash flow needs for its fiscal year ending June 30, 2013. The Note bore an interest rate of 2.00%. The Note was repaid on June 28, 2013.





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

## NOTE 8 – LONG-TERM DEBT OBLIGATIONS

**Government-Wide Financial Statements** – Long-term debt is reported as liabilities of the appropriate governmental or business-type activity.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are expensed in the year incurred.

**Fund Financial Statements –** Proprietary fund financial statements report long-term debt under the same principles as the City-wide financial statements. Governmental fund financial statements do not present long-term debt.

Governmental funds report bond premiums, discounts and issuance costs in the year the debt is issued. Bond proceeds are reported as other financing sources net of premium or discount. Issuance costs are reported as debt service expenditures.

***A. Governmental Activities***

Following is a summary of governmental activities long-term debt transactions during the fiscal year ended June 30, 2013:

| | Balance July 01, 2012 | Additions (A) | Deletions | Balance June 30, 2013 | Due Within One Year | Due in More than One Year |
|---|---|---|---|---|---|---|
| Bonds payable | $242,587,099 | $8,338,122 | ($7,320,000) | $243,605,221 | $5,485,000 | $238,120,221 |
| Loans payable | 635,646 | 621,558 | (25,324) | 1,231,880 | 60,606 | 1,171,274 |
| Capital leases | 8,523,072 | 2,000,000 | (2,253,578) | 8,269,494 | 1,638,306 | 6,631,188 |
| **Total** | $251,745,817 | $10,959,680 | ($9,598,902) | $253,106,595 | $7,183,912 | $245,922,683 |

(A) Includes issuance of debt totaling $2,621,558 and bond accretion for capital appreciation bonds totaling $8,338,122.

**Bonds Payable**

Bonds payable at June 30, 2013 consisted of the following:

| | Net |
|---|---|
| Pension Obligation Bonds - 1999 Series A | $13,675,000 |
| Pension Funding Bond Series 2005 | 142,808,676 |
| JPFA Lease Revenue Refunding Bonds - 2009 | 87,121,545 |
| **Total** | $243,605,221 |

NOTE 8 – LONG-TERM DEBT OBLIGATIONS (Continued)

**1995 Richmond Joint Powers Financing Authority 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 A Bonds consist of serial bonds that mature annually through 2013, in amounts ranging from $525,000 to $1,450,000. Interest rates vary from 4.0% to a maximum of 5.25% and payments are due semiannually on May 15 and November 15. 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. As of June 30, 2013, the bonds were fully repaid.

**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 consist of serial bonds in the amount of $23,885,000 that mature annually on through 2013, in amounts ranging from $1,280,000 to $3,240,000. Interest rates vary from 6.37% to a maximum of 7.39% and are payable semiannually on February 1, and August 1. The term bonds consist of $8,960,000 due August 1, 2020 with an interest rate of 7.57% and $3,435,000 due August 1, 2029 with an interest rate of 7.62%. 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 total principal and interest remaining to be paid on the bonds is $19,466,768. Principal and interest paid for the current fiscal year and total pension tax override revenues were $2,444,523 and $10,267,824, respectively.

The annual debt service requirements on the bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $1,280,000 | $987,315 | $2,267,315 |
| 2015 | 1,190,000 | 894,978 | 2,084,978 |
| 2016 | 1,625,000 | 788,430 | 2,413,430 |
| 2017 | 1,570,000 | 667,499 | 2,237,499 |
| 2018 | 1,520,000 | 550,543 | 2,070,543 |
| 2019-2023 | 4,385,000 | 1,506,950 | 5,891,950 |
| 2024-2028 | 1,885,000 | 381,954 | 2,266,954 |
| 2029-3030 | 220,000 | 14,099 | 234,099 |
| **Total** | $13,675,000 | $5,791,768 | $19,466,768 |





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

**2005 Taxable Pension Funding Bonds – Original Issue $114,995,133**

These Bonds were issued to prepay the unfunded liability of the Miscellaneous and Safety pension plans provided through the California Public Employees' Retirement System (See Note 11). As of June 30, 2013, the City's net pension asset amounted to $93,435,681. The Bonds consist of three series as shown below:

| | | | | | | Index Rate Conversion Data | | |
|---|---|---|---|---|---|---|---|---|
| Bond Type & Series | Initial Interest Rate | Less: Credit Adjust-ment | Adjusted Interest Rate | Maturity Date | Original Principal Amount | Full Accretion Date | Adjusted Subsequent Interest Rate | Adjusted Maturity Value |
| Current Interest - 2005A | 5.9350% | -0.1000% | 5.8350% | 8/1/13 | $26,530,000 | n/a | n/a | n/a |
| Convertible Auction Rate Securities, Capital Appreciation Bonds - | | | | | | | | |
| 2005B-1 | 6.2550% | -0.1000% | 6.1550% | 8/1/23 | 47,061,960 | 8/1/13 | LIBOR + 1.4% | $75,218,000 |
| 2005B-2 | 6.5650% | -0.1000% | 6.4650% | 8/1/34 | 41,403,173 | 8/1/23 | LIBOR + 1.4% | 127,968,000 |
| | | | | | $114,995,133 | | | $203,186,000 |

*Credit Adjustment* - 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's 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 $1/10^{th}$ of one percent.

*Current Interest Bonds* - The Series 2005A Bonds have principal payments due each August 1 in amounts ranging from $845,000 to $4,930,000. Interest is fixed and is payable semiannually on February 1 and August 1.

*Capital Appreciation Bonds* - The Series 2005B-1 Bonds and 2005B-2 Bonds are capital appreciation bonds, which means no interest is paid until the Adjusted Maturity Value is reached on the Full Accretion Date. Capital appreciation bonds are issued at a deep discount which then "accretes" over time. The discount on these bonds represented as the effective interest rate on each series is shown above.

Mandatory Index Rate Conversion – On the respective Full Accretion Date, the Series 2005B-1 or 2005B-2 Bonds convert from Capital Appreciation Bonds to Index Rate Bonds. From that date forward, the Bonds bear interest at a rate based on the LIBOR index plus 1.4%. This rate fluctuates according to the market conditions is limited to 17 percent per year. Following the applicable Full Accretion Date, interest on the converted bond series is due semiannually each February 1 and August 1. The Series 2005B-1 Bonds are due in annual installments from 2014 to 2023 ranging from $4,468,000 to $11,593,000. The 2005B-2 Bonds are due in annual installments from 2024 to 2034 ranging from $6,466,000 to $18,538,000.

Optional Auction Rate Conversion – On the respective Full Accretion Date, the 2005B-1 and the 2005B-2 Bonds may be converted to Auction Rate Bonds provided that certain conversion requirements are met. Auction rates fluctuate according to the market conditions is limited to a maximum 17 percent per year and a minimum of 80 percent of the LIBOR index rate.

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

Swap Agreements - The City entered into two interest rate swap agreements related to the 2005B-1 and 2005B-2 Bonds, which will become effective August 1, 2013 and August 1, 2023, respectively, in the same amount as the outstanding principal balances of the Bonds on that date. The combination of the variable rate bonds and a floating swap rate will create synthetic fixed-rate debt for the City. Because neither the variable rate nor the swap rates are effective as of June 30, 2013 the initial bond interest rates discussed above are used for disclosure purposes.

At June 30, 2013, the Bonds consisted of the following:

| | Maturity Value | Accretion/ Amortization | Unamortized Premium (Discount) | Net |
|---|---|---|---|---|
| Current interest bonds | $4,205,000 | | | $4,205,000 |
| Capital appreciation bonds | 203,186,000 | $8,338,122 | ($72,920,446) | 138,603,676 |
| | $207,391,000 | $8,338,122 | ($72,920,446) | $142,808,676 |

The annual debt service requirements are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $4,205,000 | $2,003,131 | $6,208,131 |
| 2015 | 4,468,000 | 3,649,200 | 8,117,200 |
| 2016 | 4,692,000 | 3,420,200 | 8,112,200 |
| 2017 | 5,660,000 | 3,161,400 | 8,821,400 |
| 2018 | 6,653,000 | 2,853,575 | 9,506,575 |
| 2019-2023 | 47,439,000 | 7,990,475 | 55,429,475 |
| 2024-2028 | 36,201,000 | 26,156,375 | 62,357,375 |
| 2029-2033 | 62,177,000 | 17,611,575 | 79,788,575 |
| 2034-2035 | 35,896,000 | 1,765,300 | 37,661,300 |
| **Total** | $207,391,000 | $68,611,231 | $276,002,231 |

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

On November 10, 2009, the Authority issued Series 2009 Lease Revenue Refunding Bonds in the amount of $89,795,000. The proceeds from the Bonds were used to refund and retire the outstanding principal amount of the Authority's 2007 Lease Revenue Bonds. The 2007 Bonds were used to finance a portion of the costs of the new Civic Center Project, and to refund a portion of the 1995A Joint Powers Financing Authority Revenue Refunding Bonds and the remaining principal amount of the 2001A Joint Powers Financing Authority Lease Revenue Bonds. The 2007 Bonds were also used to refund the remaining 1996 Port Terminal Lease Revenue Bonds. The 1995 A Bonds were called in November 2007 and the 2001 A Bonds were called in February 2011.





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

The Series 2009 Bonds in the principal amount of $87,121,545 have been recorded as governmental activities debt, and $1,238,455 has been recorded as business-type activities as discussed in Note 8B below.

The Bonds bear interest rates that range from 3.50% to 5.875%. Principal payments are due annually on August 1 through 2038 and semi-annual interest payments are due August 1 and February 1 commencing on February 1, 2010.

In connection with the issuance of the 2007 Lease Revenue Bonds, the Authority entered into a swap agreement for $101,420,000, the entire amount of the Bonds. On November 10, 2009, in connection with the issuance of the Series 2009 Bonds, the Authority terminated the original swap agreement and entered into an amended swap agreement effective December 1, 2009 for $85,360,000. The amended agreement requires the Authority to make and receive payments based on variable interest rates. The Authority will make payments based on a variable interest rate equal to 100% of SIFMA plus a fixed percentage of 0.56% and the Authority will receive variable rate interest payments equal to 68% of 1-month LIBOR from the swap counterparty. Floating rate payments are due semi-annually on August 1 and February 1 commencing on February 1, 2010.

The annual debt service requirements are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | | $5,326,918 | $5,326,918 |
| 2015 | | 5,326,789 | 5,326,789 |
| 2016 | $1,686,545 | 5,285,287 | 6,971,832 |
| 2017 | 1,880,000 | 5,202,453 | 7,082,453 |
| 2018 | 1,970,000 | 5,103,664 | 7,073,664 |
| 2019-2023 | 11,610,000 | 23,733,954 | 35,343,954 |
| 2024-2028 | 15,550,000 | 19,674,968 | 35,224,968 |
| 2029-2033 | 22,550,000 | 13,837,415 | 36,387,415 |
| 2034-2038 | 31,875,000 | 5,226,372 | 37,101,372 |
| **Total** | $87,121,545 | $88,717,820 | $175,839,365 |

***Interest Rate Swap Agreements***

The City entered into interest swap agreements in connection with the 2009 Lease Revenue Refunding Bonds. The transaction allows the City to create a synthetic fixed rate or a synthetic variable rate on the Bonds, protecting it against increases and decreases in short-term interest rates. The various risks associated with the swap agreements are disclosed below. For the swap agreements pertaining to the 2005B-1 and 2005B-2 Taxable Pension Funding Bonds, these disclosures are included below, but the swap agreements do not become effective until August 1, 2013 and August 1, 2023, respectively.

*Terms.* The terms, including the counterparty credit ratings of the outstanding swaps, as of June 30, 2013, are included below. The swap agreements contain scheduled reductions to the outstanding notional amount on an annual basis.

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**Pay-Fixed, Receive-Variable Swap Agreements**

For the following Pay-Fixed, Receive-Variable swap agreements, the City owes interest calculated at a fixed rate to the counterparty of the swaps. In return, the counterparty owes the City interest based on a variable rate that *approximates* the rate required by the Bonds. Debt principal is not exchanged; it is only the basis on which the swap receipts and payments are calculated.

| Notional Amount | Effective Date | Counterparty | Long-Term Credit Rating (S&P/Moody's/Fitch) | Fixed Rate Paid | Variable Rate Received | Fair Value at June 30, 2013 | Termination Date |
|---|---|---|---|---|---|---|---|
| ***2005B-1 Taxable Pension Funding Bonds*** | | | | | | | |
| $75,230,476 | 8/1/2013 | JPMorgan Chase Co. | A/A2/A+ | 5.712% | 100% of USD-3 Month LIBOR | ($15,561,252) | 8/1/2023 |
| ***2005B-2 Taxable Pension Funding Bonds*** | | | | | | | |
| $127,990,254 | 8/1/2023 | JPMorgan Chase Co. | A/A2/A+ | 5.730% | 100% of USD-3 Month LIBOR | ($8,126,391) | 8/1/2034 |

**Pay Variable, Receive Variable Swap Agreement**

The City entered into a Pay-Variable, Receive-Variable swap agreement related to the 2009 Lease Revenue Refunding Bonds under which the City owes interest calculated at a variable rate to the counterparty of the swap and in return, the counterparty owes the City interest based on a variable rate. Debt principal is not exchanged; it or the outstanding notional amount, depending on the terms of the swap, are the basis on which the swap receipts and payments are calculated.

| Outstanding Notional Amount | Effective Date | Counterparty | Long-Term Credit Rating (S&P/Moody's/Fitch) | Variable Rate Paid | Variable Rate Received | Fair Value at June 30, 2013 | Termination Date |
|---|---|---|---|---|---|---|---|
| ***2009 Lease Revenue Refunding Bonds*** | | | | | | | |
| $83,925,000 | 12/1/2009 | Royal Bank of Canada | AA-/Aa3/AA | 100% of SIFMA Municipal Swap Index | 68% of USD-1 Month LIBOR | ($11,939,816) | 8/1/2037 |

*Fair value.* Fair value of the swaps take into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swaps, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swap.



CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

As of June 30, 2013, the fair value for the each of the outstanding swaps was in favor of the respective counterparties. The fair value represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. The City has accounted for the change in fair value of each of the hedges as noted below:

| | Changes in Fair Value | | Fair value at June 30, 2013 | |
|---|---|---|---|---|
| | Classification | Amount | Classification | Amount |
| ***Governmental Activities*** | | | | |
| **Pay-Fixed, Receive-Variable** | | | | |
| ***2005B-1 Taxable Pension Funding Bonds*** | Investment revenue | $2,026,808 | Investment | ($15,561,252) |
| ***2005B-2 Taxable Pension Funding Bonds*** | Investment revenue | 8,347,229 | Investment | (8,126,391) |
| **Pay-Variable, Receive-Variable** | | | | |
| ***2009 Lease Revenue Refunding Bonds*** | Investment revenue | 1,120,937 | Investment | (11,939,816) |
| ***Totals*** | | $11,494,974 | | ($35,627,459) |

*Credit risk.* The fair values of the swaps represent the City's credit exposure to the counterparties. As of June 30, 2013, the City was not exposed to credit risk on the outstanding swaps because the swaps had negative fair values. However, if *interest* rates change and the fair value of the swaps were to become positive, the City would be exposed to credit risk.

*Interest rate risk.* The City will be exposed to interest rate risk for the Pay-Fixed, Receive-Variable swaps only if the counterparty to the swaps defaults or if the swaps are terminated. The Pay-Variable, Receive-Variable swaps increase the City's exposure to variable interest rates. As the SIFMA Municipal Swap Index Rate increases or the LIBOR decreases, the City's net payment on the swap increases.

*Basis risk.* Basis risk is the risk that the interest rate paid by the City on the underlying variable rate bonds to the *bondholders* temporarily differs from the variable swap rate received from the counterparty. The City bears basis risk on the Pay-Fixed, Receive-Variable swaps. The swaps have basis risk since the City receives a percentage of the LIBOR Index to offset the actual variable bond rate the City pays on the underlying Bonds. The City is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

A portion of this basis risk is tax risk. The City is exposed to tax risk when the relationship between the taxable LIBOR based swap and tax-exempt variable rate bond changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt variable rate bonds converge the City is exposed to this basis risk.

*Termination risk.* The City may terminate if the other party fails to perform under the terms of the contract. The City will be exposed to variable rates if the counterparties to the swap contracts default or if the swap contracts are terminated. A termination of the swap contracts may also result in the City's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swaps have a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

*Swap payments and associated debt.* Using rates as of June 30, 2013, debt service requirements of the City's outstanding fixed rate 2009 Lease Revenue Refunding Bonds and net swap payments, assuming current interest rates remain the same for their term, are as follows. The 2005B-1 and 2005B-2 Bonds are not included in the tables, because the swaps are not effective until August 1, 2013 and August 1, 2034, respectively. As rates vary, net swap payments will vary. The payments below for the 2009 Bonds are included in the Debt Service Requirements above:

| For the Years | Fixed-Rate Bonds | | Interest Rate | |
|---|---|---|---|---|
| Ending June 30, | Principal | Interest | Swap, Net | Total |
| 2014 | $550,000 | $4,961,038 | $407,614 | $5,918,652 |
| 2015 | 575,000 | 4,938,538 | 404,815 | 5,918,353 |
| 2016 | 1,800,000 | 4,891,038 | 396,518 | 7,087,556 |
| 2017 | 1,880,000 | 4,815,088 | 387,365 | 7,082,453 |
| 2018 | 1,970,000 | 4,725,888 | 377,776 | 7,073,664 |
| 2019-2023 | 11,610,000 | 22,008,415 | 1,725,539 | 35,343,954 |
| 2024-2028 | 15,550,000 | 18,283,876 | 1,391,092 | 35,224,968 |
| 2029-2033 | 22,550,000 | 12,904,672 | 932,743 | 36,387,415 |
| 2034-2038 | 31,875,000 | 4,915,172 | 311,200 | 37,101,372 |
| **Total** | $88,360,000 | $82,443,725 | $6,334,662 | $177,138,387 |

**Loans Payable**

Loans payable at June 30, 2013 consisted of the following:

| | |
|---|---|
| CalTrans Home Loans | $610,322 |
| California Energy Commission Loan | 621,558 |
| | $1,231,880 |

**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, and low and moderate income persons. Interest on the loan is computed annually based upon the average rate of return by the Pooled Money Investment Board for the past five years. Payment of principal and interest for 16 of the homes is made in quarterly payments over a 40 year period. Payment of principal and interest for 27 of the homes is deferred at least for the period that each home was committed by CalTrans to be used as affordable housing, which varies from seven to ten years. When the payments mature for the 27 homes, the City has the option to either make the full payment of principal and interest to CalTrans or execute a promissory note to pay the balance in quarterly payments over thirty to thirty-three years.





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

**California Energy Commission Loan – Original Amount $621,558**

On April 22, 2013, the City entered into a loan agreement with the California Energy Commission in the amount of $621,558. The purpose of the loan is to provide funding for the replacement of street lighting with new LED lights. The loan bears a 3% interest rate and is due in semi-annual payments on December and June through December 2025.

The annual debt service requirements on the capital lease are as follows:

| For the Years | | | |
|---|---|---|---|
| Ending June 30, | Principal | Interest | Total |
| 2014 | $35,283 | $25,381 | $60,664 |
| 2015 | 43,398 | 17,266 | 60,664 |
| 2016 | 44,668 | 15,997 | 60,665 |
| 2017 | 46,061 | 14,605 | 60,666 |
| 2018 | 47,453 | 13,213 | 60,666 |
| 2019-2023 | 259,638 | 43,691 | 303,329 |
| 2024-2026 | 145,057 | 6,605 | 151,662 |
| **Total** | $621,558 | $136,758 | $758,316 |

**Capital Leases**

Capital leases payable at June 30, 2013 consisted of the following:

| | |
|---|---|
| Municipal Finance Corporation - Viron | $42,173 |
| Qualified Energy Conservation Lease | 947,769 |
| JPFA Recovery Zone Economic Development Lease | 1,141,453 |
| Holman Capital Corporation Lease #1 | 1,725,910 |
| Holman Capital Corporation Lease #2 | 2,007,064 |
| Holman Capital Corporation Lease #3 | 405,125 |
| Holman Capital Corporation Lease #4 | 2,000,000 |
| **Total** | $8,269,494 |

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

**Municipal Finance Corporation (CNB) Viron Mechanical Retrofit & 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. The lease is payable in monthly installments of $15,532 interest for the first nine months, then $42,334 including principal and interest through July 2013.

The annual debt service requirements on this capital lease are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $42,173 | $161 | $42,334 |

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

On July 2, 2008 the City entered into three 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. The leases bear interest rates that range from 2.21% to 4.35%. Principal and interest payments on the leases are due semi-annually on each June 26 and December 26 commencing on December 26, 2008 through 2018. In fiscal year 2012, two of the capital leases, with a total original lease amount of $4,322,828, were refinanced with Holman Capital Corporation as discussed in the Holman Capital Corporation Lease #2 below. As of June 30, 2013, the remaining lease was fully repaid.

**Qualified Energy Conservation Lease – Original Amount $1,052,526**

On December 22, 2010 the City entered into a capital lease with Bank of America in the amount of $1,052,526 to finance the purchase and installation of energy conservation equipment at various City-owned buildings. The City received an allocation of the national Qualified Energy Conservation Bond which includes a direct subsidy from the United States Treasury for the interest payable on the bonds under the Hiring Incentives to Restore Employment Act (HIRE Act). The subsidy will be payable on or about the date that the City makes its debt service payments and is equal to 59.79% of the interest payable on the lease. The subsidy received in fiscal year 2013 was $38,583. The lease includes an equipment acquisition deadline of June 22, 2012. The lease bears interest at a rate of 6.79% and principal and interest payments are due semi-annually each June 15 and December 15 commencing on December 15, 2011 through 2026.





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirements on the capital lease are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $61,641 | $63,314 | $124,955 |
| 2015 | 63,335 | 59,100 | 122,435 |
| 2016 | 65,076 | 54,770 | 119,846 |
| 2017 | 66,865 | 50,322 | 117,187 |
| 2018 | 68,703 | 45,751 | 114,454 |
| 2019-2023 | 372,898 | 155,666 | 528,564 |
| 2024-2026 | 249,251 | 29,952 | 279,203 |
| **Total** | $947,769 | $458,875 | $1,406,644 |

**Richmond Joint Powers Financing Authority Recovery Zone Economic Development Lease – Original Amount $1,316,000**

On December 22, 2010 the Authority entered into a capital lease with Bank of America in the amount of $1,316,000 to finance the improvements to three of the City's fire stations and a senior center. The City agreed to lease the three fire stations to the Authority in exchange for lease payments in the amount of the debt. The Authority received the lease proceeds under an allocation of the National Recovery Zone Economic Development Bonds under the American Recovery and Reinvestment Act of 2009, which includes a direct subsidy from the United States Treasury for the interest payable on the Bonds. The lease subsidy will be payable on or about the date that the Authority makes its debt service payments and is equal to 45% of the interest payable on the lease upon filing of a request by the Authority. The total subsidy received in fiscal year 2013 was $33,458. The lease bears interest at a rate of 6.50% and principal and interest payments on the lease are due semi-annually each June 15 and December 15, commencing on June 15, 2011, through 2026.

The annual debt service requirements on the capital lease are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $73,882 | $73,005 | $146,887 |
| 2015 | 76,547 | 68,159 | 144,706 |
| 2016 | 79,308 | 63,139 | 142,447 |
| 2017 | 82,169 | 57,938 | 140,107 |
| 2018 | 85,133 | 52,549 | 137,682 |
| 2019-2023 | 474,000 | 174,862 | 648,862 |
| 2024-2026 | 270,414 | 26,677 | 297,091 |
| **Total** | $1,141,453 | $516,329 | $1,657,782 |

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**Holman Capital Corporation Lease #1– Police and Fire Radios – Original Amount $2,711,743**

On November 30, 2011, the City entered into a capital lease agreement with Holman Capital Corporation to finance police and fire department radios. The lease bears an interest rate of 2.47%. Principal and interest payments on the lease are due semi-annually on each May 31 and November 30 commencing on November 30, 2011 through 2015.

The annual debt service requirement on the capital lease is as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $677,681 | $38,471 | $716,152 |
| 2015 | 694,522 | 21,629 | 716,151 |
| 2016 | 353,707 | 4,368 | 358,075 |
| **Total** | $1,725,910 | $64,468 | $1,790,378 |

**Holman Capital Corporation Lease #2 – Equipment – Original Amount $2,854,454**

On June 1, 2012, the City entered into a capital lease agreement with Holman Capital Corporation to refinance two SunTrust leases for the acquisition of street sweeping vehicles and trucks, fire vehicles and related equipment and various other vehicles. The lease bears interest rates that range from 2.21% to 3.06%. Principal and interest payments on the lease are due semi-annually on each June 26 and December 26 commencing on June 26, 2012 through 2017.

The annual debt service requirement on the capital lease is as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $557,480 | $53,639 | $611,119 |
| 2015 | 572,645 | 38,473 | 611,118 |
| 2016 | 342,808 | 24,232 | 367,040 |
| 2017 | 353,377 | 13,661 | 367,038 |
| 2018 | 180,754 | 2,766 | 183,520 |
| **Total** | $2,007,064 | $132,771 | $2,139,835 |





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**Holman Capital Corporation Lease #3 – Mall Directional Signs - Original Amount $502,500**

On June 1, 2012, the City entered into a capital lease agreement with Holman Capital Corporation to finance the purchase of mall directional signs. The lease bears an interest rate of 3.35%. Principal and interest payments on the lease are due semi-annually on each June 26 and December 26 commencing on June 26, 2012 through 2019.

The annual debt service requirement on the capital lease is as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $62,040 | $13,056 | $75,096 |
| 2015 | 64,135 | 10,961 | 75,096 |
| 2016 | 66,302 | 8,794 | 75,096 |
| 2017 | 68,541 | 6,555 | 75,096 |
| 2018 | 70,857 | 4,239 | 75,096 |
| 2019 | 73,250 | 1,846 | 75,096 |
| **Total** | $405,125 | $45,451 | $450,576 |

**Holman Capital Corporation Lease #4 – West Contra Costa Family Justice Center - Original Amount $2,000,000**

On November 1, 2012 the City entered into a lease agreement with Holman Capital Corporation in the amount of $2,000,000 to finance improvements to the City's West Contra Costa Family Justice Center. The lease bears an interest rate of 3.17%. Principal and interest payments on the lease are due semi-annually on each July 14 and January 14 commencing on July 14, 2013 through January 14, 2023.

The annual debt service requirement on the capital lease is as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $163,409 | $72,754 | $236,163 |
| 2015 | 179,350 | 56,810 | 236,160 |
| 2016 | 185,081 | 51,079 | 236,160 |
| 2017 | 190,994 | 45,166 | 236,160 |
| 2018 | 197,097 | 39,063 | 236,160 |
| 2019-2023 | 1,084,069 | 96,732 | 1,180,801 |
| **Total** | $2,000,000 | $361,604 | $2,361,604 |

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

***B. Business-Type Activities***

The following is a summary of long-term debt of business-type activities during the fiscal year ended June 30, 2013:

| | Balance July 01, 2012 (A) | Deletions | Balance June 30, 2013 | Due Within One Year | Due in More than One Year |
|---|---|---|---|---|---|
| Bonds payable | $139,425,102 | ($1,494,322) | $137,930,780 | $4,010,000 | $133,920,780 |
| Loans and leases payable | 3,516,009 | (508,637) | 3,007,372 | 71,483 | 2,935,889 |
| **Total** | $142,941,111 | ($2,002,959) | $140,938,152 | $4,081,483 | $136,856,669 |

(A) With the implementation of GASB Statement No. 65, the deferred amount on refunding is now reported as a deferred outflow of resources, therefore the beginning balance has been increased in the amount of $6,925,916 with the reclassification of the balance.

Bonds payable at June 30, 2013 consisted of the following:

| | |
|---|---|
| Wastewater Revenue Bonds Series 2006A | $13,308,977 |
| Wastewater Refunding Revenue Bonds 2008A | 32,789,159 |
| 2009 Lease Revenue Bonds - Port Portion | 1,206,061 |
| 2009A Point Potrero Lease Revenue Bonds | 26,613,571 |
| 2009B Point Potrero Lease Revenue Bonds | 20,014,555 |
| Wastewater Revenue Bonds Series 2010A | 3,234,689 |
| Wastewater Revenue Bonds Series 2010B | 40,763,768 |
| **Total** | $137,930,780 |

**Wastewater Revenue Refunding Bonds Series 2006A and 2006B – Original Issue $48,830,000**

On October 17, 2006 the City issued $16,570,000 of Wastewater Revenue Bonds, Series 2006A and $32,260,000 of Wastewater Revenue Bonds, Series 2006B to refund the remaining $38,516,264 principal amount of the Wastewater Revenue Bonds, Series 1999 and to fund certain capital costs of the City's Wastewater Enterprise. Net proceeds were used to purchase U.S. government securities placed in an irrevocable trust to provide all the future debt service payments for the 1999 Wastewater Bonds. The outstanding defeased bonds were called during the fiscal year ended June 30, 2010. During the fiscal year ended June 30, 2009, the City issued $33,015,000 of Wastewater Revenue Refunding Bonds, Series 2008A to refund the 2006B Bonds.





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

At June 30, 2013, the Bonds consisted of the following:

| | |
|---|---|
| Bonds outstanding: | $12,865,000 |
| Unamortized premium | 443,977 |
| **Net** | $13,308,977 |

Principal and interest payments are due semi-annually on February 1 and August 1 of each year through August 2022 for the Series 2006A bonds. The annual debt service requirements on the 2006A Bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $1,040,000 | $544,875 | $1,584,875 |
| 2015 | 1,090,000 | 491,625 | 1,581,625 |
| 2016 | 1,145,000 | 435,750 | 1,580,750 |
| 2017 | 1,205,000 | 377,000 | 1,582,000 |
| 2018 | 1,265,000 | 321,575 | 1,586,575 |
| 2019-2023 | 7,120,000 | 784,388 | 7,904,388 |
| **Total** | $12,865,000 | $2,955,213 | $15,820,213 |

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

On October 17, 2008 the City issued Series 2008A Wastewater Revenue Refunding Bonds in the amount of $33,015,000. The proceeds from the Bonds were used to refund the City's 2006B Wastewater Revenue Bonds. The 2008A Bonds were issued as variable rate Bonds. The rate fluctuates according to the market conditions, but is capped at 12%. Along with the issuance, the City entered into an irrevocable, direct-pay letter of credit issued by Union Bank of California in order to remarket the bonds at lower interest rates. The Union Bank letter of credit is valid through October 21, 2016. The City originally entered into a 31-year interest rate swap agreement for the entire amount of the 2006B Bonds, and the City continued this interest rate swap agreement after the redemption of the 2006B Bonds, and the 2008A Bonds are associated with the interest rate swap agreement, but the notional amount of the swap is based on the 2006B Bonds. The combination of the variable rate bonds and a floating rate swap creates a synthetic fixed-rate debt for the City. The synthetic fixed rate for the Bonds was 3.634% at June 30, 2013.

At June 30, 2013, the Bonds consisted of the following:

| | |
|---|---|
| Bonds outstanding | $32,970,000 |
| Unamortized discount | (180,841) |
| **Net** | $32,789,159 |

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

The annual debt service requirements on the Bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $15,000 | $1,444,407 | $1,459,407 |
| 2015 | 20,000 | 1,444,309 | 1,464,309 |
| 2016 | 20,000 | 1,444,128 | 1,464,128 |
| 2017 | 20,000 | 1,444,645 | 1,464,645 |
| 2018 | 20,000 | 1,443,722 | 1,463,722 |
| 2019-2023 | 105,000 | 7,216,768 | 7,321,768 |
| 2024-2028 | 8,870,000 | 6,163,673 | 15,033,673 |
| 2029-2033 | 10,770,000 | 3,984,908 | 14,754,908 |
| 2034-2038 | 13,090,000 | 1,336,088 | 14,426,088 |
| 2039 | 40,000 | 298 | 40,298 |
| **Total** | $32,970,000 | $25,922,946 | $58,892,946 |

**Richmond Joint Powers Financing Authority 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 in the amount of $89,795,000 as discussed in Note 8A above. The proceeds from the Bonds were used to refund all of the Authority's outstanding principal amount of its 2007 Lease Revenue Bonds. A portion of the proceeds from the 2007 Bonds were used to refund the remaining $3,865,000 principal amount of the 1996 Port Terminal Lease Revenue Bonds. The 1996 Bonds were called in March 2008.

The Series 2009 Bonds in the principal amount $87,121,545 have been recorded as governmental activities debt, and $2,673,455 has been recorded as business-type activities in the Port of Richmond Enterprise Fund.

The Bonds bear interest rates that range from 3.50% to 5.875%. Principal payments are due annually on August 1 through 2016 and semi-annual interest payments are due August 1 and February 1 commencing on February 1, 2010.

In connection with the issuance of the 2007 Lease Revenue Bonds, the Authority entered into a swap agreement for $101,420,000, the entire amount of the Bonds. On November 10, 2009, in connection with the issuance of the Series 2009 Bonds, the Authority terminated the original swap agreement and entered into an amended swap agreement effective December 1, 2009 for a notional amount of $85,360,000. The amended agreement requires the Authority to make and receive payments based on variable interest rates. The Authority will make payments based on a variable interest rate equal to 100% of SIFMA plus a fixed percentage of 0.56% and the Authority will receive variable rate interest payments equal to 68% of 1-month LIBOR from the swap counterparty. Floating rate payments will be made semi-annually on August 1 and February 1 commencing on February 1, 2010. Information regarding the interest rate swap agreement is discussed in Note 8A above.





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

At June 30, 2013, the Bonds consisted of the following:

| | |
|---|---|
| Bonds outstanding: | $1,238,455 |
| Unamortized discount | (32,394) |
| **Net** | $1,206,061 |

The annual debt service requirements are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $550,000 | $41,734 | $591,734 |
| 2015 | 575,000 | 16,564 | 591,564 |
| 2016 | 113,455 | 2,269 | 115,724 |
| **Total** | $1,238,455 | $60,567 | $1,299,022 |

***Interest Rate Swap Agreements***

On November 19, 2009, the City terminated the swap agreement associated with the 2006B Wastewater Revenue Refunding Bonds discussed above by using the proceeds from a swap agreement that is based on the $32,260,000 notional amount of the 2006B Bonds. In connection with the new swap agreement, the City received an up-front payment in the amount of $4,431,618 that was used to make the termination payment on the prior swap agreement. The fixed rate payments to the counterparty will be due semi-annually on August 1 and February 1, commencing February 1, 2010. The variable payments from the counterparty will be due on a monthly basis on the last business day of each month commencing December 31, 2009. The transaction allows the City to create a synthetic fixed rate on the 2008 A Bonds, protecting it against increases in short-term interest rates. The terms, fair value and credit risk of the swap agreement are disclosed below.

The City also entered into swap agreements associated with the 2009 Lease Revenue Refunding Bonds, for which the terms and risks are disclosed in Note 8A above. Only disclosure related to the fair value of the 2009 Lease Revenue Refunding Bonds is included below.

*Terms.* The terms, including the counterparty credit rating of the outstanding 2006B Bonds swap, as of June 30, 2013, are included below. The swap agreement contains scheduled reductions to the outstanding notional amount on an annual basis.

| Outstanding Notional Amount | Effective Date | Counterparty | Long-Term Credit Rating (S&P/Moody's/Fitch) | Fixed Rate Paid | Variable Rate Received | Fair Value at June 30, 2013 | Termination Date |
|---|---|---|---|---|---|---|---|
| $32,260,000 | 11/23/2009 | Royal Bank of Canada | AA-/Aa3/AA | 3.897% | 63.42% of USD-1 Month LIBOR plus 22 basis points | ($7,900,513) | 8/1/2037 |

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

Based on the swap agreement, the City owes interest calculated at a fixed rate to the counterparty of the swap. In return, the counterparty owes the City interest based on the variable rate that *approximates* the rate required by the Bonds. Debt principal is not exchanged; the outstanding notional amount of the swap is the basis on which the swap receipts and payments are calculated.

*Fair value.* Fair value of the swaps take into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swap.

As of June 30, 2013, the fair value for the each of the outstanding swaps were in favor of the respective counterparties. The fair value represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. The City has accounted for the change in fair value of each of the hedges as noted below:

| | Changes in Fair Value | | Fair value at June 30, 2013 | |
|---|---|---|---|---|
| | Classification | Amount | Classification | Amount |
| ***Business-Type Activities*** | | | | |
| **Pay-Fixed, Receive-Variable** | | | | |
| ***2006B Wastewater Bonds*** | Investment revenue | $3,828,229 | Investment | ($7,900,513) |
| **Pay-Variable, Receive-Variable** | | | | |
| ***2009 Lease Revenue Refunding Bonds*** | Investment revenue | 94,296 | Investment | (169,531) |
| ***Totals*** | | $3,922,525 | | ($8,070,044) |

*Credit risk.* As of June 30, 2013, the City was not exposed to credit risk on the outstanding swaps because the swaps had a negative fair value. However, if interest rates increase and the fair value of the swaps were to become positive, the City would be exposed to credit risk. The City will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

*Basis risk.* Basis risk is the risk that the interest rate paid by the City on the underlying variable rate bonds to the *bondholders* temporarily differs from the variable swap rate received from the counterparty. The City bears basis risk on the swap. The swap has basis risk since the City receives a percentage of the LIBOR Index to offset the actual variable bond rate the City pays on the underlying Bonds. The City is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

A portion of this basis risk is tax risk. The City is exposed to tax risk when the relationship between the taxable LIBOR based swap and tax-exempt variable rate bond changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt variable rate bonds converge the City is exposed to this basis risk.





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

*Termination risk.* The City may terminate if the other party fails to perform under the terms of the contract. The City will be exposed to variable rates if the counterparty to the swap contract defaults or if the swap contract is terminated. A termination of the swap contract may also result in the City's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

*Rollover Risk.* Rollover risk is the risk that the swap associated with a debt issue matures or may be terminated prior to the maturity of the associated debt. When the swap terminates or a termination option is exercised by the counterparty, the City will be re-exposed to the risks being hedged by the swap. The swap based on the 2006 B Wastewater Bonds, associated with the 2008 A Wastewater Revenue Bonds, exposes the City to rollover risk because the swap terminates on August 1, 2037 while the 2008 A Wastewater Revenue Bonds mature on August 1, 2038.

*Swap payments and associated debt.* Using rates as of June 30, 2013, debt service requirements of the City's outstanding variable-rate Bonds and net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates vary, variable-rate bond *interest payments* and net swap payments will vary. These payments below are included in the Debt Service Requirements above:

| For the Years | Variable-Rate Bonds | | Interest Rate | |
|---|---|---|---|---|
| Ending June 30, | Principal | Interest | Swap, Net | Total |
| 2014 | $15,000 | $297,734 | $1,146,673 | $1,459,407 |
| 2015 | 20,000 | 297,636 | 1,146,673 | 1,464,309 |
| 2016 | 20,000 | 297,455 | 1,146,673 | 1,464,128 |
| 2017 | 20,000 | 297,972 | 1,146,673 | 1,464,645 |
| 2018 | 20,000 | 297,049 | 1,146,673 | 1,463,722 |
| 2019-2023 | 105,000 | 1,483,403 | 5,733,365 | 7,321,768 |
| 2024-2028 | 8,870,000 | 1,312,411 | 4,851,262 | 15,033,673 |
| 2029-2033 | 10,770,000 | 876,003 | 3,108,905 | 14,754,908 |
| 2034-2038 | 13,090,000 | 344,909 | 991,179 | 14,426,088 |
| 2039 | 40,000 | 298 | | 40,298 |
| **Total** | $32,970,000 | $5,504,870 | $20,418,076 | $58,892,946 |

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

On July 13, 2009, the Authority issued Series 2009A and Series 2009B Point Potrero Lease Revenue Bonds in the amounts of $26,830,000 and $20,820,000, respectively. The proceeds from the Bonds 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. The facility began operations in April 2010. The Bonds bear interest rates that range from 6.25% to 8.50%. Principal payments are due annually on July 1 and semi-annual interest payments are due July 1 and January 1 commencing on January 1, 2010 through 2025 for the Series 2009A and through 2020 for the Series 2009B Bonds.

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

At June 30, 2013 the Series 2009 A Bonds consisted of:

| | |
|---|---|
| Bonds outstanding | $26,830,000 |
| Unamortized discount | (216,429) |
| **Net** | $26,613,571 |

The annual debt service requirements on the 2009A Bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | | $1,676,875 | $1,676,875 |
| 2015 | | 1,676,875 | 1,676,875 |
| 2016 | | 1,676,875 | 1,676,875 |
| 2017 | | 1,676,875 | 1,676,875 |
| 2018 | | 1,676,875 | 1,676,875 |
| 2019-2023 | $12,460,000 | 7,247,500 | 19,707,500 |
| 2024-2025 | 14,370,000 | 1,054,375 | 15,424,375 |
| **Total** | $26,830,000 | $16,686,250 | $43,516,250 |

At June 30, 2013 the Series 2009B Bonds consisted of:

| | |
|---|---|
| Bonds outstanding | $20,280,000 |
| Unamortized discount | (265,445) |
| **Net** | $20,014,555 |

The annual debt service requirements on the 2009B Bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $2,405,000 | $1,529,708 | $3,934,708 |
| 2015 | 2,450,000 | 1,374,325 | 3,824,325 |
| 2016 | 2,610,000 | 1,185,156 | 3,795,156 |
| 2017 | 2,830,000 | 956,838 | 3,786,838 |
| 2018 | 3,065,000 | $709,419 | 3,774,419 |
| 2019-2020 | 6,920,000 | 592,450 | 7,512,450 |
| **Total** | $20,280,000 | $6,347,896 | $26,627,896 |





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**Richmond Wastewater Revenue Bonds, Series 2010A and Richmond Wastewater Revenue Bonds Taxable Build America Bonds, Series 2010B– Original Issues $3,110,000 and $41,125,000**

On October 7, 2010 the City issued Series 2010A Wastewater Revenue Bonds in the amount of $3,110,000. The proceeds from the Bonds were used to finance improvements to the City's wastewater collection, treatment and disposal system. Principal payments are due annually on August 1. Interest rates on the Bonds range from 3 to 4 percent and payments are due semiannually on August 1 and February 1 beginning February 1, 2011. The Bonds mature on August 1, 2016. At June 30, 2013 the Series 2010A Bonds consisted of:

| | |
|---|---|
| Bonds outstanding | $3,110,000 |
| Unamortized premium | 124,689 |
| **Net** | $3,234,689 |

The annual debt service requirements on the 2010A Bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | | $109,175 | $109,175 |
| 2015 | $1,005,000 | 94,100 | 1,099,100 |
| 2016 | 1,035,000 | 60,913 | 1,095,913 |
| 2017 | 1,070,000 | 21,400 | 1,091,400 |
| **Total** | $3,110,000 | $285,588 | $3,395,588 |

On October 7, 2010 the City also issued Series 2010B Wastewater Revenue Bonds Taxable Build America Bonds in the amount of $41,125,000. 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 percent of the interest payable on the Bonds. The subsidy will be payable on or about the date that the City makes its debt service payments and the total subsidy received in fiscal year 2013 was $862,241. Principal payments on the Bonds will be made annually on August 1. The Bonds bear interest of rates that range from 3.757 to 6.461 percent and payments are due semiannually on August 1 and February 1 beginning February 1, 2011. The Bonds mature on August 1, 2040.

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

At June 30, 2013 the Series 2010B Bonds consisted of:

| | |
|---|---|
| Bonds outstanding | $41,125,000 |
| Unamortized discount | (361,232) |
| **Net** | $40,763,768 |

The annual debt service requirements on the 2010B Bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | | $2,463,546 | $2,463,546 |
| 2015 | | 2,463,546 | 2,463,546 |
| 2016 | | 2,463,546 | 2,463,546 |
| 2017 | | 2,463,546 | 2,463,546 |
| 2018 | $1,115,000 | 2,442,601 | 3,557,601 |
| 2019-2023 | 6,060,000 | 11,434,544 | 17,494,544 |
| 2024-2028 | 7,145,000 | 9,686,273 | 16,831,273 |
| 2029-2033 | 8,670,000 | 7,284,135 | 15,954,135 |
| 2034-2038 | 10,630,000 | 4,198,034 | 14,828,034 |
| 2039-2041 | 7,505,000 | 740,593 | 8,245,593 |
| **Total** | $41,125,000 | $45,640,364 | $86,765,364 |

**Pledge of Wastewater Revenues**

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay the 2006A, 2008A, 2010A and 2010B Bonds through 2041. The Municipal Sewer Enterprise Fund's total principal and interest remaining to be paid on the bonds is $164,874,111. The Municipal Sewer Enterprise Fund's principal and interest paid for the current year and total customer net revenues were $5,700,879 and $8,392,806, respectively.

**Loans and Leases Payable**

Loans and leases payable at June 30, 2013, consisted of the following:

| | |
|---|---|
| California Department of Boating and Waterways | $3,007,372 |





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**State Revolving Fund Loan Contract**

In 1992 the State of California Water Resources Control Board loaned the City $6,737,658 at 3% interest for the improvement of the Richmond Wastewater Treatment Facility. The loan was fully repaid during the year ended June 30, 2013.

**California Department of Boating and Waterways**

The City 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. The loans bear interest at rates ranging from 4.5% to 7.9% and are due in annual installments through August 2042. The total amount outstanding at June 30, 2013 was $3,007,372.

The annual debt service requirements on these loans are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $71,483 | $135,332 | $206,815 |
| 2015 | 74,700 | 132,115 | 206,815 |
| 2016 | 78,062 | 128,754 | 206,816 |
| 2017 | 81,574 | 125,241 | 206,815 |
| 2018 | 85,246 | 121,570 | 206,816 |
| 2019-2023 | 487,337 | 546,738 | 1,034,075 |
| 2024-2028 | 607,310 | 426,765 | 1,034,075 |
| 2029-2033 | 714,786 | 277,257 | 992,043 |
| 2034-2038 | 568,109 | 126,959 | 695,068 |
| 2039-2043 | 238,765 | 17,545 | 256,310 |
| **Total** | $3,007,372 | $2,038,276 | $5,045,648 |

***C. Business-Type Activities – RHA Properties***

The following is a summary of RHA Properties long-term debt activities during the fiscal year ended June 30, 2013:

| | Balance July 01, 2012 (A) | Additions | Deletions | Balance June 30, 2013 | Due Within One Year | Due in More than One Year |
|---|---|---|---|---|---|---|
| Bonds payable | $31,585,000 | | ($750,000) | $30,835,000 | $840,000 | $29,995,000 |
| Loans payable | | $9,823,982 | | 9,823,982 | 9,823,982 | |
| **Total** | $31,585,000 | $9,823,982 | ($750,000) | $40,658,982 | $10,663,982 | $29,995,000 |

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

Bonds payable at June 30, 2013 consisted of the following:

***Business Type Activities - RHA Properties - Bonds Payable***

| | |
|---|---|
| RHA Properties Affordable Housing Agency Bonds Series 2003 A | $19,525,000 |
| JPFA Subordinate Multifamily Housing Revenue Bonds Series 2007 | 11,310,000 |
| | $30,835,000 |

(A) With the implementation of GASB Statement No. 65, the deferred amount on refunding is now reported as a deferred outflow/inflow of resources, therefore the beginning balance has been increased in the amount of $679,401 with the reclassification of the balance.

**RHA Properties Affordable Housing Agency Bonds 2003 Series A**

The Affordable Housing Agency, a financial intermediary, issued Variable Rate Demand Multifamily Housing Revenue Bonds (Westridge at Hilltop Apartments), 2003 Series A (Senior Bonds), in the initial aggregate principal amount of $23,000,000, and Subordinate Multifamily Housing Revenue Bonds, 2003 Series A-S (Subordinated Bonds), in the initial aggregate principal amount of $12,540,000 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. In substance, RHA Properties is repaying these Bonds and they have therefore been included in these financial statements.

The ***Senior Bonds*** were issued August 1, 2003, mature on September 15, 2033 and bear a variable rate of interest (0.07% at June 30, 2013) with interest payments due monthly commencing September 15, 2003.

Interest rates on the Senior Bonds are reset periodically, using the “put” mechanism described below. The Senior Bonds are periodically subject to repurchase at par, referred to as a "put". Once a put occurs, a remarketing agent resells the Senior Bonds at par by setting new interest rates and repurchase dates. RHA Properties has obtained an irrevocable transferable credit enhancement instrument which expires September 20, 2033 in the amount of $23,000,000 to be used in the event the remarketing agent is unable to resell any Senior Bonds and to ensure RHA Properties will not be required to repurchase the Senior Bonds before they mature. RHA Properties paid the agent an annual fee equal 0.10% of the average aggregate principal amount of Bonds outstanding for the immediately preceding 12 month period.





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

The ***Subordinate Bonds*** were issued August 1, 2003, mature December 15, 2033 and are subordinates in payment and security to the Senior Bonds. The Subordinate Bonds bear interest at 6.375% per year, payable semi-annually commencing December 15, 2003. The Bonds were refunded as described below.

**JPFA Subordinate Multifamily Housing Revenue Bonds, Series 2007**

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). The 2007 Series Subordinate Bonds bear interest from 3.850% to 5% per annum, payable semi-annually commencing June 15, 2007. Net proceeds were used to purchase U.S. government securities for the 2003 Series A-S Bonds. Those securities were deposited in irrevocable trust with an escrow agent to provide for all future debt service payments. The Series 2003 A-S Bonds were called on December 15, 2008.

The annual debt service requirements for both of the bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $840,000 | $891,190 | $1,731,190 |
| 2015 | 855,000 | 867,805 | 1,722,805 |
| 2016 | 965,000 | 843,655 | 1,808,655 |
| 2017 | 985,000 | 816,990 | 1,801,990 |
| 2018 | 1,005,000 | 788,830 | 1,793,830 |
| 2019-2023 | 6,205,000 | 3,454,813 | 9,659,813 |
| 2024-2028 | 8,155,000 | 2,416,375 | 10,571,375 |
| 2029-2033 | 10,970,000 | 1,053,600 | 12,023,600 |
| 2034 | 855,000 | 10,750 | 865,750 |
| **Total** | $30,835,000 | $11,144,008 | $41,979,008 |

RHA Properties has pledged future revenues to repay the Bonds through 2034. Annual principal and interest payments on the bonds are expected to require less than 17 percent of revenues. The RHA properties total principal and interest remaining to be paid on the bonds is $41,979,008. The RHA properties principal and interest paid for the current fiscal year and total rental revenues were $1,545,818 and $4,106,464, respectively.

***Loans Payable***

In fiscal years 2007 through 2013, 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, as discussed in Note 4B, and RHA Properties assumed a portion of that advance during fiscal year 2013, which is now reported as a loan payable.

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)**

On May 1, 2013, a Memorandum of Understanding (MOU) was reached between the Housing Authority and RHA Properties, which states that the RHA Properties shall provide resources derived from the sale proceeds of the Westridge at Hilltop Apartments to pay a financial sanction imposed by the Office of the Inspector General (OIG) in an amount no less than $2,257,799 to the Housing Authority and to retire the outstanding debt owed to the General Fund by the Housing Authority in an amount no less than $6,600,000. On May 24, 2013 RHA Properties entered into a Purchase and Sale Agreement with buyers. The disposition is expected to take place within fiscal year 2013-2014.

As of June 30, 2013, the Housing Authority had invested $1,000,000 in start-up contributions and had advanced $966,183 to RHA properties, which was used for debt service and operating expenses. The Housing Authority expects the entire amount to be repaid from the proceeds upon disposition of the Westridge at Hilltop Apartments by RHA Properties.

The total balance of loans payable from RHA Properties to the City as of June 30, 2013 is $9,823,982.

***D. Special Assessment Debt Without City Commitment***

Special assessment districts have been established in various parts of the City to provide improvements to properties located in those districts. Properties in these districts are assessed for the cost of improvements; these assessments are payable solely by property owners over the term of the debt issued to finance these improvements. The City is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties in these special assessment districts, nor is it obligated to advance City funds to repay these debts in the event of default by any of these districts. At June 30, 2013, the balances of these Districts' outstanding debt were as follows:

| | |
|---|---|
| Harbor Navigation Improvement District | $725,000 |
| Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2006A (including Series 2006AT) | 8,420,000 |
| Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2006B | 1,685,000 |
| Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2011A | 4,945,000 |

***E. Conduit Debt***

The City has assisted private-sector entities by sponsoring their issuance of debt for purposes the City deems to be in the public interest. These debt issues are secured solely by the property financed by the debt. The City is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties secured by these debts, nor is it obligated to advance City funds to repay these debts in the event of default by any of these issuers. At June 30, 2013, the balances of these issuers' outstanding debt were as follows:

| | |
|---|---|
| YMCA of the East Bay, 1996 Revenue Bonds | $1,980,000 |





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 9 - UNAVAILABLE REVENUE AND UNEARNED REVENUE**

At June 30, 2013, the following unavailable revenues were recorded in the Fund Financial Statements because the funds were not available to finance expenditures of the current period:

| | Loans Receivable | Grants Receivable | Total |
|---|---|---|---|
| General Fund | $631,730 | | $631,730 |
| Cost Recovery Special Revenue Fund | | $459,734 | 459,734 |
| Community Development and Loan Programs Special Revenue Fund | 13,203,066 | | 13,203,066 |
| Non-Major Governmental Funds | 1,794,245 | 524,314 | 2,318,559 |
| **Total** | $15,629,041 | $984,048 | $16,613,089 |

At June 30, 2013, the following unearned revenues were recorded in the City-wide financial statements on the Statement of Net Position:

| | CAD Fees Enhancement | Prepaid Rent | Developer Fees | Total |
|---|---|---|---|---|
| General Fund | | $3,892,153 | | $3,892,153 |
| Cost Recovery Special Revenue Fund | | | $2,750,000 | 2,750,000 |
| Non-Major Governmental Funds | | 3,424,871 | | 3,424,871 |
| Internal Service Funds | $1,250,188 | | | 1,250,188 |
| **Total** | $1,250,188 | $7,317,024 | $2,750,000 | $11,317,212 |

**NOTE 10 - FUND BALANCES AND NET POSITION**

***A. Use of Restricted/Unrestricted Net Position***

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

***B. Net Position***

In the City-wide financial statements, Net Position is classified as follows:

**Net Investment in Capital Assets** – This amount consists of capital assets net of accumulated depreciation plus deferred outflows of resources associated with the refunding of related capital debt, reduced by outstanding debt that was used for the acquisition, construction, or improvement of these capital assets.

**NOTE 10 - FUND BALANCES AND NET POSITION (Continued)**

**Restricted Net Position** – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments. In addition net position restricted for pension benefits are restricted as a result of enabling legislation.

**Unrestricted Net Position** – This amount is all net position that do not meet the definition of "net investment in capital assets" or "restricted net position."

### *C. Fund Balances*

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The City's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

*Nonspendable* represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, interfund advances and notes receivable are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

*Restricted* fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

*Committed* fund balances have constraints imposed by formal action of the City Council which may be altered only by the same formal action of the City Council. The highest level of formal action of the City Council is an Ordinance. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

*Assigned* fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee, the Finance Director, and may be changed at the discretion of the City Council or its designee. This category includes encumbrances; nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

*Unassigned* fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.



CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 10 - FUND BALANCES AND NET POSITION (Continued)**

Detailed classifications of the City's Fund Balances, as of June 30, 2013, are below:

| | | Special Revenue | | | |
|---|---|---|---|---|---|
| Fund Balance Classifications | General Fund | Cost Recovery | Community Development and Loan Programs | Other Governmental Funds | Total |
| **Nonspendable:** | | | | | |
| Items not in spendable form: | | | | | |
| Prepaids, supplies and other assets | $667,803 | | | | $667,803 |
| Loans receivable | 6,916,625 | | | | 6,916,625 |
| Advance to other funds | 18,782,401 | | | | 18,782,401 |
| **Total Nonspendable Fund** | 26,366,829 | | | | 26,366,829 |
| **Restricted for:** | | | | | |
| Street Improvement Projects | | | | $3,099,193 | 3,099,193 |
| Employment and Training | | | | 1,739,381 | 1,739,381 |
| Public Safety | | | | 1,074,623 | 1,074,623 |
| Lighting and Landscaping | | | | 1,001,326 | 1,001,326 |
| Pension Obligations | | | | 2,154,383 | 2,154,383 |
| Housing and Community | | | $18,684,945 | 35,819 | 18,720,764 |
| Debt Service | | | | 7,101,641 | 7,101,641 |
| Other Capital Projects | | | | 3,098,998 | 3,098,998 |
| **Total Restricted Fund Balances** | | | 18,684,945 | 19,305,364 | 37,990,309 |
| **Assigned to:** | | | | | |
| Other Capital Projects | | | | 1,734,260 | 1,734,260 |
| Other Contracts | 219,646 | | | | 219,646 |
| **Total Assigned Fund Balances** | 219,646 | | | 1,734,260 | 1,953,906 |
| **Unassigned:** | | | | | |
| General Fund | 10,238,862 | | | | 10,238,862 |
| Other Governmental Fund Deficit Residuals | | ($8,369,312) | | (5,987,800) | (14,357,112) |
| **Total Unassigned Fund Balances** | 10,238,862 | (8,369,312) | | (5,987,800) | (4,118,250) |
| **Total Fund Balances (Deficits)** | $36,825,337 | ($8,369,312) | $18,684,945 | $15,051,824 | $62,192,794 |

**NOTE 10 - FUND BALANCES AND NET POSITION (Continued)**

***D. Contingency Reserve Policy***

In Fiscal Year 2004-05, the City Council established a $10 million general fund contingency reserve policy. Although the policy called for the contingency reserve to be fully funded over a period of five fiscal years, the City fully funded the contingency reserve, in part by depositing $8 million from one-time revenue sources, ahead of schedule during Fiscal Year 2005-06. In April 2007, the City Council adopted an update to the policy, providing for a minimum cash reserve of 7 - 15% of the next year's budgeted General Fund expenditures. The reserve can be temporarily reduced to 7% in times of emergency, but must be restored thereafter. This is the minimum needed to maintain the City's creditworthiness and to adequately provide for economic and legislative uncertainties, cash flow needs and contingencies. City Council approval is required before any cash can be withdrawn from the reserve fund. At the time of City Council approval of any use of reserves, a Stabilization Policy laying out the plans for restoration of reserves must be simultaneously put in place with the Council's approval. The Council shall have the discretion to use the reserve for one time emergencies only and not to be used for ongoing expenses. As the City experiences net revenue gains in future years, the cash balance must grow back to 15% of total expenditures, following the stabilization policy, in order to allow the City to build up its capacity to handle future short term economic downturns or emergencies without cutting services. The City's current $10 million contingency reserve equals approximately 6.9% of budgeted general fund expenditures for Fiscal Year 2013-14. The City plans to reach the 15% target reserve level by retaining investment earnings, calculated on the principal balance of the reserve each fiscal year, in the reserve account until the target is reached, when funding is available. The balance of the contingency reserve was $10 million at June 30, 2013, which is a component of unassigned fund balance of the General Fund.

***E. Deficit Fund Balances and Accumulated Deficits***

At June 30, 2013, the following funds had deficit fund balance or deficit net position, which will be eliminated by future revenues:

| | |
|---|---|
| Major Funds: | |
| Cost Recovery Special Revenue Fund | $8,369,312 |
| Non Major Funds: | |
| Paratransit Operations Special Revenue Fund | 386,834 |
| Developer Impact Fees Special Revenue Fund | 2,048,158 |
| Civic Center Debt Service Fund | 3,539,751 |
| General Debt Service Fund | 13,057 |
| Internal Service Funds: | |
| Insurance Reserves | 4,594,173 |
| Private-Purpose Trust Fund: | |
| Successor Agency to the Richmond Community Redevelopment Agency | 70,944,678 |





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 10 - FUND BALANCES AND NET POSITION (Continued)**

***F. Restatement of Beginning Net Position and Loan Receivable from RHA Properties***

The Richmond Housing Authority Enterprise Fund's beginning net position has been restated as of July 1, 2012 to recognize an unrecorded advance to RHA Properties in prior years. The restatement caused an increase in beginning net position and an increase the loan receivable from RHA Properties in the amount of $197,567.

**NOTE 11 - CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

***A. Plan Description and Provisions***

The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee 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. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

***B. Funding Policy***

The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under the Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2013, are summarized as follows:

| | Safety | | Miscellaneous | |
|---|---|---|---|---|
| Hire date | Prior to January 1, 2013 | On or after January 1, 2013 | Prior to January 1, 2013 | On or after January 1, 2013 |
| Benefit vesting schedule | 5 years service | 5 years service | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life | monthly for life | monthly for life |
| Minimum retirement age | 50 | 50-57 | 50 | 52-67 |
| Benefits, as a % of annual salary for each credited service year | 2.4%-3.0% | 2.0%-2.7% | 1.426%-3.0% | 1.0%-2.5% |
| Required employee contribution rates | 9% | 12.25% | 7% - 8% | 6.75% |
| Required employer contribution rates | 25.309% | 25.309% | 15.809% | 15.809% |

Total employer contributions based on the actuarially determined rates amounted to $14,263,300 for the year ended June 30, 2013.

**NOTE 11 - CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Continued)**

**Annual Pension Cost and Net Pension Asset**

For 2012-2013, the City's annual pension cost of $17,125,910 for PERS was equal to the City's required and actual contributions and amortization of the prepaid pension contributions discussed below. The required contribution was determined by PERS using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.30% to 14.20% for miscellaneous employees and from 3.30% to 14.20% for safety employees depending on age, service, and type of employment, and (c) 3.00% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization periods at June 30, 2011, were 24 and 26 years, respectively, for the miscellaneous and the safety employees plans for prior and current service unfunded liability.

The City uses the actuarially determined percentages of payroll to calculate and pay contributions to PERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by PERS, for the last three fiscal years for each Plan were:

***Safety Plan:***

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Prepaid Pension Asset |
|---|---|---|---|
| 6/30/2011 | $7,790,452 | 81% | $57,837,475 |
| 6/30/2012 | 9,719,966 | 84% | 56,270,063 |
| 6/30/2013 | 10,196,681 | 84% | 54,597,352 |

***Miscellaneous Plan:***

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Prepaid Pension Asset |
|---|---|---|---|
| 6/30/2011 | $5,457,775 | 80% | $41,143,221 |
| 6/30/2012 | 6,510,572 | 83% | 40,028,228 |
| 6/30/2013 | 6,929,229 | 83% | 38,838,329 |





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 11 - CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Continued)**

The City prepaid its pension contributions with proceeds from the 2005 Pension Obligation Bonds (See Note 8). These prepaid contributions are reflected in the accompanying financial statements as Net Pension Asset which amounted to $93,435,681 at June 30, 2013. During fiscal 2013, the amortization of the prepayment increased the actuarially required contributions by $2,862,610 to arrive at Annual Pension Costs of $17,125,910 as shown below for each Plan:

| | Safety | Miscellaneous | Total |
|---|---|---|---|
| Annual required contribution | $8,523,970 | $5,739,330 | $14,263,300 |
| Interest on net pension obligation | (4,220,255) | (3,002,117) | (7,222,372) |
| Adjustment to annual required contribution | 5,892,966 | 4,192,016 | 10,084,982 |
| Annual pension cost | 10,196,681 | 6,929,229 | 17,125,910 |
| Contributions made | (8,523,970) | (5,739,330) | (14,263,300) |
| (Decrease) increase in net pension obligations | 1,672,711 | 1,189,899 | 2,862,610 |
| Net pension obligation (asset) June 30, 2012 | (56,270,063) | (40,028,228) | (96,298,291) |
| **Net pension obligation (asset) June 30, 2013** | ($54,597,352) | ($38,838,329) | ($93,435,681) |

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the three most recent actuarial studies is presented below:

***Safety Plan:***

| Valuation Date | Actuarial Accrued Liability | Actuarial Value of Assets | Unfunded (Overfunded) Liability | Funded Ratio | Annual Covered Payroll | Unfunded (Overfunded) as % of Payroll |
|---|---|---|---|---|---|---|
| 06/30/09 | $407,109,238 | $383,907,898 | $23,201,340 | 94.3% | $28,768,994 | 80.6% |
| 06/30/10 | 426,451,800 | 394,665,167 | 31,786,633 | 92.5% | 31,790,222 | 100.0% |
| 06/30/11 | 448,110,149 | 408,691,352 | 39,418,797 | 91.2% | 33,493,651 | 117.7% |

***Miscellaneous Plan:***

| Valuation Date | Actuarial Accrued Liability | Actuarial Value of Assets | Unfunded (Overfunded) Liability | Funded Ratio | Annual Covered Payroll | Unfunded (Overfunded) as % of Payroll |
|---|---|---|---|---|---|---|
| 06/30/09 | $332,776,287 | $317,157,663 | $15,618,624 | 95.3% | $40,864,019 | 38.2% |
| 06/30/10 | 349,303,732 | 325,817,821 | 23,485,911 | 93.3% | 38,394,989 | 61.2% |
| 06/30/11 | 370,148,146 | 334,966,109 | 35,182,037 | 90.5% | 38,501,672 | 91.4% |

## NOTE 12 – OTHER CITY PENSION PLANS

### *A. Plan Descriptions and Funding Policies*

The City maintains three, single-employer pension plans, which are funded entirely by City contributions. These are the General Pension Plan, Police and Firemen's Pension Plan, and Garfield Pension Plan (collectively, the "Plans"). The General Pension Plan, a defined benefit pension plan, covering 22 former City employees not covered by PERS, all of whom have retired. The Police and Firemen's Pension Plan, a defined benefit pension plan covers 65 police and fire personnel employed prior to October 1964. The Garfield Pension Plan is a defined benefit pension plan established for a retired police chief. The Plans provide retirement, disability, and death benefits based on the employee's years of service, age, and final compensation. Benefit provisions for the Plans are established by City ordinance. No separate financial statements are issued for the Plans.

The City established the Secured Pension Override Special Revenue Fund to which proceeds of a special incremental property tax levy voted by the citizens of the City of Richmond are credited for the payment of benefits under the City's pension plans. The incremental property tax revenue received for the year ended June 30, 2013 was $10,267,824, and the City used the funds to pay a portion of the CalPERS contributions of $3,146,427 as discussed in Note 4C, and the General Pension Plan and the Police and Firemen's Pension Plan contributions of $660,992 and $5,021,339, respectively.

**General Pension Plan** – Retirement and other benefits are paid from the assets of the Plan and from related investment earnings. The City is required under its charter to contribute the remaining amounts necessary to fund the Plan using the entry age-normal actuarial method as specified by ordinance.

**Police and Firemen's Pension Plan** – Funding for the Plan is provided from the Secured Pension Override Special Revenue Fund. Employees were vested after five years of service. Members of the Plan are allowed normal retirement benefits after 25 or more continuous years of service. The City is required under its charter to contribute the remaining amounts necessary to fund the Plan using the entry age-normal actuarial method as specified by ordinance.

**Garfield Pension Plan** – Retirement and other benefits are paid from the assets of the Plan and from related investment earnings. Plan provisions have been established and may be amended upon agreement between the City and Mr. Garfield.

### *B. Pension Plan Assets*

At June 30, 2013 the pension plans' reported assets available for benefits of $21,112,381. The composition of these assets at June 30, 2013 is shown below. For actuarial purposes, the value of the Plans' assets was determined to be fair value.

| | |
|---|---|
| City of Richmond Investment Pool | $3,637,753 |
| Local Agency Investment Fund | 191,383 |
| Wellington Trust Company Fund | 17,282,999 |
| Interest receivable | 246 |
| Assets available for benefits at June 30, 2013 | $21,112,381 |





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

## NOTE 12 – OTHER CITY PENSION PLANS (Continued)

**Interest, Credit and Concentration Risk**

*Interest rate risk* is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City invests in equities which may be drawn down as needed, subject to terms of the underlying trust agreement. The investments held in the Pension Trust Funds all mature less than one year.

*Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2013 the City's investments in the Pension Trust Funds were not rated.

*Concentration risk* states that significant investments in the securities of any individual issuers, other than U. S. Treasury securities or mutual funds, are required to be disclosed when they exceeds five percent of the total pension investments. Such investments were as follows at June 30, 2013:

| Issuer | Type of Investment | Amount |
|---|---|---|
| CIF II Core Bond Series 1 Equity | Equity Fund | $7,808,308 |
| CIF Research Equity | Equity Fund | 3,109,258 |
| CIF Opportunistic Investment Allocation Equity | Equity Fund | 3,399,752 |
| CIF International Research Equity | Equity Fund | 1,110,888 |
| CIF Global Contrarian Equity | Equity Fund | 1,022,669 |
| CIF Small Cap Quant Equity | Equity Fund | 832,124 |

### *C. Actuarially Determined Required Contributions*

**General Pension Plan** – As of July 1, 2013 the date of the most recent actuarial valuation available, the actuarial present value of pension benefits under the Plan was $4,219,909 and the assets of the Plan at fair value were $1,033,168 resulting in an unfunded actuarial liability of $3,186,741. In computing the actuarial valuation, Plan assets were assumed to yield an investment return rate of 3.75%, inflation rate of 3.25%, projected salary increases of 5.0% and benefit payments were assumed to increase 5.0% annually. Assumptions for retirement age, disability, withdrawal, and salary increases were not meaningful as all of the participants had retired. The required contribution was determined by using the entry age normal actuarial cost method.

**Police and Firemen's Pension Plan** –Pension benefits for the 2012/2013 fiscal year were $3,518,429. The actuarial present value of future pension liabilities under the Plan at July 1, 2013 the date of the most recent actuarial valuation, was approximately $25,094,272, representing principally prior service costs. Assets of the Plan were $19,834,552 resulting in an unfunded actuarial liability of $5,259,720. Actuarial assumptions included an assumed investment rate of return of 6.75%. Mortality rates were based on the mortality tables currently used by California PERS. These PERS mortality tables were further adjusted to reflect anticipated future mortality improvement. Benefit payments were assumed to increase 3% - 4.25% annually, inflation rate of 3.25% and salary increases of 3% - 4.25%. Assumptions for retirement age, disability, withdrawal, and salary increases have an insignificant effect on the valuation as substantially all of the participants had retired. The required contribution was determined by using the entry age normal actuarial cost method.

**NOTE 12 – OTHER CITY PENSION PLANS (Continued)**

**Garfield Pension Plan** – As of July 1, 2013, the date of the most recent actuarial valuation available, the actuarial present value of pension benefits under the Plan was $863,415 and the assets of the Plan at fair value were $244,660 resulting in an unfunded actuarial liability of $618,755. In computing the actuarial valuation, Plan assets were assumed to yield an investment return rate of 3.75%, inflation rate of 3.25%, projected salary increase of 3.5% and benefit payments were assumed to increase 3.5% annually. Assumptions for retirement age, disability, withdrawal, and salary increases were not meaningful as the only participant had retired. The required contribution was determined by using the entry age normal actuarial cost method.

Six-year historical trend information relative to contributions is presented below:

| | General Pension Plan | | | Police and Firemen's Pension Plan | | |
|---|---|---|---|---|---|---|
| Fiscal Year | Annual Required Contribution | Amount Contributed | Percent Contributed | Annual Required Contribution | Amount Contributed | Percent Contributed |
| 2007/08 | $307,948 | $307,948 | 100% | $2,199,459 | $5,000,000 | 227% |
| 2008/09 | 307,948 | 307,948 | 100% | 2,199,459 | 4,800,000 | 218% |
| 2009/10 | 486,092 | 486,092 | 100% | 2,477,902 | 4,600,000 | 186% |
| 2010/11 | 486,092 | 486,092 | 100% | 2,257,912 | 0 | 0% |
| 2011/12 | 455,662 | 148,186 | 33% | 1,596,771 | 0 | 0% |
| 2012/13 | 502,278 | 660,992 | 132% | 1,813,721 | 5,021,339 | 277% |

| | Garfield Pension Plan | | |
|---|---|---|---|
| Fiscal Year | Annual Required Contribution | Amount Contributed | Percent Contributed |
| 2007/08 | $72,484 | $72,484 | 100% |
| 2008/09 | 72,484 | 72,484 | 100% |
| 2009/10 | 76,692 | 76,692 | 100% |
| 2010/11 | 76,692 | 76,692 | 100% |
| 2011/12 | 78,731 | 0 | 0% |
| 2012/13 | 92,092 | 77,000 | 84% |

The Entry Age Normal Cost Method was used for the actuarial valuation of the plans.





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 12 – OTHER CITY PENSION PLANS (Continued)**

***D. Significant Accounting Policies***

City contributions for all plans are recognized when due and the City has made a formal commitment to provide contributions. Benefit payments and refunds are recognized when due and payable in accordance with the terms of the Plan. Administrative costs for all plans, except the investment management fees of the Police and Fireman's Pension Plan, are paid by the City's General Fund. The investment management fees are financed through investment earnings. Assets are valued at fair value based on available market information obtained from independent sources.

***E. Net Pension Obligation (Asset)***

The net pension liability (asset) was determined in accordance with the provisions of GASB Statement No. 27 and represents contributions in excess of actuarially required contributions (net pension asset), or actuarially required contributions in excess of actual contributions (net pension obligation or liability). At June 30, 2013, the Police and Firemen's Pension Plan and the General Pension Plan had net pension assets of $5,535,658 and $1,036,057, respectively. At June 30, 2013, the Garfield Pension Plan had a net pension liability of $196,534. The net pension assets and the net pension liability have been recorded in the City-wide financial statements as Net Pension Asset and Net Pension Obligation.

The net pension liability (asset) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization periods at June 30, 2013, were ten, eight, and four years for the Police and Fireman's Plan, the General Pension Plan, and the Garfield Pension Plan, respectively for prior and current service unfunded liability.

The Plans' annual pension cost and net pension obligation for Fiscal 2012-2013 were as follows:

| | Police and Firemen's | General Pension Plan | Garfield Pension Plan |
|---|---|---|---|
| Annual required contribution | $1,813,721 | $502,278 | $92,092 |
| Interest on net pension obligation | (151,150) | (44,192) | 9,328 |
| Adjustment to annual required contribution | 342,274 | 126,690 | (38,143) |
| Annual pension cost | 2,004,845 | 584,776 | 63,277 |
| Contributions made | (5,021,339) | (660,992) | (77,000) |
| (Decrease) increase in net pension obligations | (3,016,494) | (76,216) | (13,723) |
| Net pension obligation (asset) June 30, 2012 | (2,519,164) | (959,841) | 210,257 |
| **Net pension obligation (asset) June 30, 2013** | ($5,535,658) | ($1,036,057) | $196,534 |

**NOTE 12 – OTHER CITY PENSION PLANS (Continued)**

The Plans' annual pension cost, percentage contributed, and net pension obligation (asset) for the last three fiscal years were as follows:

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation (Asset) |
|---|---|---|---|
| **Police and Fireman's Plan** | | | |
| June 30, 2011 | $2,678,105 | 0% | ($4,410,527) |
| June 30, 2012 | 1,891,363 | 0% | (2,519,164) |
| June 30, 2013 | 2,004,845 | 250% | (5,535,658) |
| **General Pension Plan** | | | |
| June 30, 2011 | $611,982 | 79% | ($1,430,880) |
| June 30, 2012 | 619,225 | 24% | (959,841) |
| June 30, 2013 | 584,776 | 113% | (1,036,057) |
| **Garfield Pension Plan** | | | |
| June 30, 2011 | $62,011 | 124% | $143,382 |
| June 30, 2012 | 66,875 | 0% | 210,257 |
| June 30, 2013 | 63,277 | 122% | 196,534 |





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 12 – OTHER CITY PENSION PLANS (Continued)**

***F. Funding Progress***

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the actuarial studies is presented below:

***Police and Firemen's Plan:***

| Valuation Date | Actuarial Accrued Liability | Actuarial Value of Assets | Unfunded Liability | Funded Ratio | Annual Covered Payroll | Unfunded (Overfunded) as % of Payroll |
|---|---|---|---|---|---|---|
| July 1, 2008 | N/A ( C ) | $22,117,407 | N/A ( C ) | N/A ( C ) | (A) | N/A |
| July 1, 2009 | $40,786,586 | 18,850,504 | $21,936,082 | 46% | (A) | N/A |
| July 1, 2010 | N/A ( C ) | 21,347,731 | N/A ( C ) | N/A ( C ) | (A) | N/A |
| July 1, 2011 | 33,488,006 | 20,894,469 | 12,593,537 | 62% | (A) | N/A |
| July 1, 2012 | N/A ( C ) | 16,595,503 | N/A ( C ) | N/A ( C ) | (A) | N/A |
| July 1, 2013 | 25,094,272 | 19,834,552 | 5,259,720 | 79% | (A) | N/A |

***General Pension Plan:***

| Valuation Date | Actuarial Accrued Liability | Actuarial Value of Assets | Unfunded Liability | Funded Ratio | Annual Covered Payroll | Unfunded (Overfunded) as % of Payroll |
|---|---|---|---|---|---|---|
| July 1, 2008 | N/A ( C ) | $2,114,326 | N/A ( C ) | N/A ( C ) | (B) | N/A |
| July 1, 2009 | $5,916,052 | 1,770,210 | $4,145,842 | 30% | (B) | N/A |
| July 1, 2010 | N/A ( C ) | 1,540,161 | N/A ( C ) | N/A ( C ) | (B) | N/A |
| July 1, 2011 | 4,699,140 | 1,387,026 | 3,312,114 | 30% | (B) | N/A |
| July 1, 2012 | N/A ( C ) | 954,490 | N/A ( C ) | N/A ( C ) | (B) | N/A |
| July 1, 2013 | 4,219,909 | 1,033,168 | 3,186,741 | 24% | (B) | N/A |

***Garfield Plan:***

| Valuation Date | Actuarial Accrued Liability | Actuarial Value of Assets | Unfunded Liability | Funded Ratio | Annual Covered Payroll | Unfunded (Overfunded) as % of Payroll |
|---|---|---|---|---|---|---|
| July 1, 2008 | N/A ( C ) | $334,456 | N/A ( C ) | N/A ( C ) | (B) | N/A |
| July 1, 2009 | $893,734 | 336,274 | $557,460 | 38% | (B) | N/A |
| July 1, 2010 | N/A ( C ) | 336,461 | N/A ( C ) | N/A ( C ) | (B) | N/A |
| July 1, 2011 | 853,422 | 334,121 | 519,301 | 39% | (B) | N/A |
| July 1, 2012 | N/A ( C ) | 252,266 | N/A ( C ) | N/A ( C ) | (B) | N/A |
| July 1, 2013 | 863,415 | 244,660 | 618,755 | 28% | (B) | N/A |

(A) Shown at zero, because only one participant had not retired and was assumed to retire on valuation date.
(B) All participants were retired as of valuation date.
(C) Actuarial valuations were not completed.

**NOTE 12 – OTHER CITY PENSION PLANS (Continued)**

***G. Plan Financial Statements***

The Statement of Net Position for the Plans at June 30, 2013 follows:

| | General Pension | Police and Fireman's Pension | Garfield Pension |
|---|---|---|---|
| ASSETS | | | |
| Pension plan cash and investments: | | | |
| City of Richmond Investment Pool | $1,033,099 | $2,551,376 | $53,278 |
| Local Agency Investment Fund | | | 191,383 |
| Mutual Fund Investments | | 17,282,999 | |
| Interest receivable | 69 | 177 | |
| Total Assets | 1,033,168 | 19,834,552 | 244,661 |
| NET POSITION | | | |
| Held in trust for employees' pension benefits | $1,033,168 | $19,834,552 | $244,661 |

The Statement of Changes in Plan Net Position for the year ended June 30, 2013 follows:

| | General Pension | Police and Fireman's Pension | Garfield Pension |
|---|---|---|---|
| ADDITIONS | | | |
| Net investment income: | | | |
| Net increase (decrease) in the fair value of investments | $875 | $1,435,825 | |
| Interest income | 4,566 | 402,770 | $825 |
| Investment management fees | | (102,456) | |
| Contribution from the City | 660,992 | 5,021,339 | 77,000 |
| Total Additions | 666,433 | 6,757,478 | 77,825 |
| DEDUCTIONS | | | |
| Pension benefits | 587,755 | 3,518,429 | 85,430 |
| Total Deductions | 587,755 | 3,518,429 | 85,430 |
| Net Increase (Decrease) | 78,678 | 3,239,049 | (7,605) |
| NET POSITION | | | |
| Beginning of year | 954,490 | 16,595,503 | 252,266 |
| End of year | $1,033,168 | $19,834,552 | $244,661 |





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS**

***A. Plan Provisions***

In order to qualify for postemployment medical and dental benefits an employee must retire from the City and maintain enrollment in one of the City's eligible health plans. The City pays a portion of the CalPERS premiums for retirees and their dependents that vary by employment classification. In addition, the following eligibility rules and contribution requirements apply for future retirees, followed by current retirees:

**Plan Provisions for Future Retirees**

| Classification | Eligibility (Age/Service) | Monthly Premium Paid by City Before/After Medicare Eligibility |
|---|---|---|
| SEIU Local 1021 | Service Retirement: 50/20, 51/18, 52/16, 53/14, 54/12, 55/10<br>Disability Retirement: any age/10 | Retiree only or surviving spouse: $435<br>Retiree +1 or more: $567 |
| IFPTE, Miscellaneous Executive Management, City Council | Service Retirement: Same as SEIU<br>Disability Retirement: 50/20, 51/18, 52/16, 53/14, 54/12, 55/10 | Retiree only or surviving spouse: $435<br>Retiree +1 or more: $567 |
| Fire Local 188, Fire Management, and Fire Executive Management | 35/15 | Percentage of premium for retiree/dependents/surviving spouse up to 2nd highest premium plan. Percentage is 90%, increased to 100% after 27 years of service |
| Richmond Police Officer Association (RPOA) | 10 years of service | Percentage of premium for retiree/dependents/surviving spouse but no more than $827 per month, including dental and vision. Percentage is 50%, increased to 90% after 15 years of service, and 100% after 25 years of service |
| Police Widows | Death in line of duty | Full premium |
| Police Management and Police Executive Management | 50/20, 51/18, 52/16, 53/14, 54/12, 55/10 | Percentage of premium for retiree/dependents/surviving spouse up to Kaiser (1) (Pre Medicare) and 2nd highest premium plan (post Medicare). Percentage is 65%, increased to 75% after 20 years of service, and 100% after 25 years of service |

(1) Effective for retirements on January 1, 2007 or later. Prior to that time, reimbursement is based on the 2nd highest premium plan.

**NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

| Plan Provisions for Current Retirees | | |
|---|---|---|
| **Classification** | **Subgroup** | **Monthly Premium Reimbursement Before/After Medicare Eligibility** |
| SEIU Local 1021 | Retired July 1, 2007 or later | Retiree only or surviving spouse: $435<br>Retiree +1 or more: $567 |
| | Retired prior to July 1, 2007 | Retiree only or surviving spouse: $244/$202<br>Retiree +1 or more: $364/$304 |
| IFPTE, Miscellaneous Executive Management | Retired July 1, 2007 or later | Retiree only or surviving spouse: $435<br>Retiree +1 or more: $567 |
| | Retired November 5, 1999 to June 30, 2007 | Retiree only or surviving spouse: $244/$202<br>Retiree +1 or more: $364/$304 |
| | Retired before November 5, 1999 | Retiree only or surviving spouse: $144/$102<br>Retiree +1 or more: $264/$204 |
| Fire Local 188 and Fire Management | | Percentage of premium for retiree/dependents/surviving spouse up to 2nd highest premium plan. Percentage is 90%, increased to 100% after 27 years of service |
| Richmond Police Officer Association (RPOA) | Retire on or after 7/1/2008 | Reimbursement capped at $827 |
| | Retired between 7/1/2004 and 6/30/2008 | Same as future retirees<br>Reimbursement capped at $614 |
| | Retired between 7/1/1997 and 6/30/2004 | Same as future retirees<br>Reimbursement capped at $550 |
| | Retired between 7/1/1994 and 6/30/1997 | Percentage of premium for retiree/dependents/surviving spouse including dental and vision. Percentage is 65%, increased to 75% after 20 years of service, and 100% after 27 years of service<br>Reimbursement allowed towards dental and vision |
| | Retired before 7/1/1994 | Percentage of premium for retiree/dependents/surviving spouse including dental and vision. Percentage is 65%, increased to 75% after 20 years of service, and 100% after 27 years of service<br>Reimbursement capped at $210 for single coverage and $300 for 2-party coverage<br>Reimbursement allowed towards dental and vision |
| Police Management and Police Executive Management | Retired on or after 7/1/2008 | Same as future retirees |
| | Retired between 1/1/1995 and 6/30/2008 | Percentage of premium for retiree/dependents/surviving spouse. Percentage is 65%, increased to 75% after 20 years of service, and 100% after 27 years of service.<br>Retired after 1/1/2007 - Reimbursement capped at Kaiser premium for pre-Medicare and 2nd highest premium plan for post-Medicare for coverage selected<br>Retired before 1/1/2007 - Reimbursement capped at 2nd highest premium plan for coverage selected<br>Reimbursement allowed towards non-PERS plans<br>Waived retirees allowed to opt back into PERS plan |
| | Retired before 1/1/1995 | Single: $120/$85<br>2-Party: $220/$170 |





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

***B. Funding Policy and Actuarial Assumptions***

In fiscal year 2010, the City hired an actuary to prepare a study to determine the unfunded liability of these benefits for both active employees and retirees. The study indicated that as of July 1, 2009, the unfunded actuarial liability was estimated to be $76,070,000. The study indicated that as of July 1, 2009, the actuarial accrued liability was estimated to be $82,883,000. During the year ended June 30, 2008, the City joined the Public Agencies Post-Retirement Health Care Plan, an agent multiple employer trust administered by Public Agency Retirement Services (PARS). The balance in the City's PARS trust account as of June 30, 2013 was $985,633. PARS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from Public Agency Retirement Services, 4350 Von Karman Avenue, Suite 100, Newport Beach, CA, 92660.

The City's policy is to partially prefund these benefits by accumulating assets with PARS discussed above along with making pay-as-you-go payments pursuant to Resolution No. 52-06 of June 27, 2006. The fiscal year 2013 annual required contribution (ARC) was determined as part of a July 1, 2011 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.25% investment rate of return, (b) 3.25% projected annual salary increase (c) inflation rate of 3%, and (d) health care cost trend rates of 5.00-8.9% for medical and 4.25% for dental. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year amortization period on a closed basis.

***C. Funding Progress and Funded Status***

Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2013, the City contributed $3,181,867 to the Plan for pay-as-you-go premiums and an additional $849,022 was contributed to the Plan, which in total represented 5.7% of the $70,287,449 of covered payroll. As a result, the City has recorded the Net OPEB Obligation, representing the difference between the ARC and actual contributions, as presented below:

## NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

| | |
|---|---|
| Annual required contribution | $9,229,000 |
| Interest on net OPEB obligation | 654,000 |
| Adjustment to annual required contribution | (1,297,000) |
| Annual OPEB cost | 8,586,000 |
| Contributions made: | |
| Pay as you go (premiums paid) | (3,181,867) |
| Paid to Trust | (849,022) |
| Change in net OPEB obligation | 4,555,111 |
| Net OPEB obligation June 30, 2012 | 16,914,067 |
| **Net OPEB obligation June 30, 2013** | $21,469,178 |

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated July 1, 2011, amounted to $94,486,000.

The Plan's annual required contributions and actual contributions for the last three fiscal years are set forth below:

| Fiscal Year | Annual OPEB Cost | Actual Contribution | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation (Asset) |
|---|---|---|---|---|
| 6/30/2011 | $7,287,000 | $2,850,560 | 39% | $4,128,740 |
| 6/30/2012 | 8,051,000 | 2,975,933 | 37% | 16,914,067 |
| 6/30/2013 | 8,586,000 | 4,030,889 | 47% | 21,469,178 |

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the actuarial studies is presented below:

| Actuarial Valuation Date | Actuarial Value of Assets (A) | Entry Age Actuarial Accrued Liability (B) | Overfunded (Underfunded) Actuarial Accrued Liability (A - B) | Funded Ratio (A/B) | Covered Payroll (C ) | Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A - B)/C] |
|---|---|---|---|---|---|---|
| 7/1/2007 | $0 | $47,046,989 | ($47,046,989) | 0% | $44,201,238 | -106% |
| 7/1/2009 | 6,813,000 | 82,883,000 | (76,070,000) | 8% | 69,788,000 | -109% |
| 7/1/2011 | 1,804,000 | 94,486,000 | (92,682,000) | 2% | 72,327,000 | -128% |





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

## NOTE 14 – DEFERRED COMPENSATION PLAN

City employees may defer a portion of their compensation under a City sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under this plan are not the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

## NOTE 15 - RISK MANAGEMENT

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets; general liability; errors and omissions; injuries to employees; natural disasters; and inverse condemnation. The City began self-insuring its workers' compensation in 1976. In July 2009 the City joined the California Joint Powers Risk Management Authority (CJPRMA) for general liability and employment practices coverage. In April 2009 the City joined the California State Association of Counties Excess Insurance Authority (CSAC EIA) for worker's compensation insurance. The City has chosen to establish a risk financing internal service fund where assets are accumulated for claim settlements and expenses associated with the above risks of loss up to certain limits.

Excess coverage for the risk categories excluding inverse condemnation is provided by policies with various commercial insurance carriers. Self-insurance and insurance company limits are as follows:

| Type of Coverage | Self-Insurance / Deductible | Coverage Limit | Insurance Carrier |
|---|---|---|---|
| Difference in Conditions | 10% pre-1970, 5% post-1970 of total insured value of each building; minimum $100,000 | $50,000,000 inclusive of deductible | Various |
| Crime/Employee Dishonesty | $10,000 per claim | $1,000,000 inclusive of deductible | National Union Fire Insurance Company of Pittsburgh, PA |
| Property | $10,000 per claim | $1,000,000,000 inclusive of deductible | Lexington |
| Boiler and Machinery | $5,000 per claim | $100,000,000 inclusive of deductible | Lexington |
| Port Liability | $25,000 per claim | $50,000,000 inclusive of deductible | Various |
| Special Events Program | N/A | $1,000,000 per occurrence; $2,000,000 aggregate | Evanston Insurance |
| Excess Workers' Compensation | $750,000 per claim | Statutory excess of $50,000,000 | Various |
| Student Volunteer | N/A | $50,000 per accident | Ace American |

**NOTE 15 - RISK MANAGEMENT (Continued)**

**CJPRMA**

The CJPRMA provides coverage against the following types of loss risks under the terms of a joint powers agreement with the City as follows:

| Type of Coverage (Deductible) | Coverage Limits |
|---|---|
| Liability ($500,000) | $40,000,000 |
| Employment Practices ($500,000) | 8,000,000 |

Once the self-insured retention is exhausted on each claim, CJPRMA becomes responsible for payment of future expenses related to the claim. The City paid contributions of $716,013 for the year ended June 30, 2013. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Audited financial statements for the CJPRMA are available from CJPRMA, 3201 Doolan Road, Suite 285, Livermore, CA 94551.

**CSAC-EIA**

CSAC-EIA is a public entity risk pool of cities and counties within California. The CSAC-EIA provides workers' compensation coverage up to the statutory limit and the City retains a self insured retention of $750,000. Loss contingency reserves established by the CSAC-EIA are funded by contributions from member agencies. The City pays an annual contribution to the CSAC-EIA, which includes its pro-rata share of excess insurance premiums, charges for pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the risk pool. The City paid contributions of $247,355 for the year ended June 30, 2013. CSAC-EIA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained. CSAC-EIA is currently fully funded. No provision has been made on these financial statements for liabilities related to possible additional assessments.

Audited financial statements for CSAC-EIA are available from CSAC-EIA, 75 Iron Point Circle, Suite 200, Folsom, CA 95630.

**Housing Authority Insurance Group**

The Housing Authority is exposed to various risks of loss related to torts: theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disaster. The Authority joined together with other entities and participates in the Housing Authority Insurance Group, a public entity risk pool currently operating as a common risk management and insurance program for its member entities. The purpose of the Housing Authority Insurance Group is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group, thereby reducing its cost. The Authority pays annual premiums to Housing Authority Insurance Group for its property damage insurance as follows:





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 15 - RISK MANAGEMENT (Continued)**

| Property | Building and Personal Property Premium | Annual Premium | Deductible |
|---|---|---|---|
| Westridge Hilltop | $36,312 | $38,682 | $25,000 |
| Triangle Court | 12,508 | 12,676 | 25,000 |
| Nevin Plaza (#1) | 3,270 | 3,308 | 25,000 |
| Friendship Manor | 5,189 | 5,290 | 25,000 |
| Hacienda | 11,382 | 11,507 | 25,000 |
| Nystrom Village | 11,300 | 11,470 | 25,000 |
| Administration Office | 419 | 419 | 25,000 |

To satisfy loan requirements for the Westridge Hilltop property, general liability insurance coverage has been purchased for this location. The policy renews on March 1st of each year. The premium for the year ended June 30, 2013 policy was $13,362 for coverage limits of $5 million per occurrence and in the aggregate. All of the Housing Authority properties are included for general liability coverage under the CJPRMA program.

**Liability for Self Insured Claims**

The City records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers' compensation claims. The estimated liability for workers' compensation claims and general liability claims is based on case reserves and include amounts for claims incurred but not reported (IBNR), and is recorded in the Insurance Reserves Internal Service Fund. At June 30, 2013, the estimated claims payable of $22,263,463, consisting of reserves for both reported and IBNR losses, as well as allocated loss adjustment expenses, have been recorded in the Insurance Reserves internal service fund. The claims payable are reported at their present value using expected future investment yield assumptions of 3% and a 55% confidence level. The City changed the confidence level used from 80% at June 30, 2012 to 55% at June 30, 2013. The undiscounted claims totaled $25,108,608 at June 30, 2013. Changes in the claims liabilities for the years ended June 30, 2013 and 2012 were as follows:

| | 2013 | 2012 |
|---|---|---|
| Claims liabilities, beginning of year | $20,503,677 | $18,136,167 |
| Current year claims | 6,029,787 | 5,265,565 |
| Change in prior year claims | 9,114,560 | 7,376,091 |
| Claim payments | (8,191,845) | (3,469,423) |
| Legal, administrative and other expenses | (5,192,716) | (6,804,723) |
| **Claims liabilities, end of year** | $22,263,463 | $20,503,677 |
| **Claims liabilities, due in one year** | $6,005,150 | $5,782,919 |

For the years ended June 30, 2013, 2012 and 2011 the amount of settlements did not exceed insurance coverage.

## NOTE 16 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City's non-major enterprise funds include the following segments:

- Richmond Marina Fund – Marina operations and maintenance, including berth rentals and use of marina facilities.
- Storm Sewer Fund – Storm sewer management and urban runoff control.
- Cable TV Fund – Administration and enforcement of the franchise agreements with two cable television systems, management of a municipal cable channel, departmental video services, media and public information, and telecommunications planning.

Fiscal 2013 condensed financial information for the Richmond Marina Enterprise Fund is as follows:

**Condensed Statement of Net Assets**

| | |
|---|---|
| Assets: | |
| Current assets | $2,954,665 |
| Capital assets | 1,863,914 |
| Total assets | 4,818,579 |
| Liabilities: | |
| Current liabilities | 204,397 |
| Long-term liabilities | 2,935,889 |
| Total liabilities | 3,140,286 |
| Net position: | |
| Net investment in capital assets | (1,143,458) |
| Unrestricted | 2,821,751 |
| Total net position | $1,678,293 |

**Condensed Statement of Revenues, Expenses and Changes in Net Position**

| | |
|---|---|
| Operating revenues: | |
| Lease income | $466,921 |
| Operating expenses: | |
| General and administrative | (46,133) |
| Depreciation | (85,197) |
| Operating income | 335,591 |
| Nonoperating revenues (expenses): | |
| Interest income | 22,241 |
| Interest expense | (135,588) |
| Transfers | |
| Transfers (out) | (100,000) |
| Change in net position | 122,244 |
| Beginning net position | 1,556,049 |
| Ending net position | $1,678,293 |

**Condensed Statement of Cash Flows**

| | |
|---|---|
| Net cash provided (used) by: | |
| Operating activities | $412,349 |
| Noncapital financing activities | (100,000) |
| Capital and related financing activities | (206,816) |
| Investing activities | 22,489 |
| Net increase | 128,022 |
| Beginning cash and investments | 2,773,145 |
| Ending cash and investments | $2,901,167 |





## NOTE 17 - COMMITMENTS AND CONTINGENCIES

### *A. Lease and Construction Commitment*

The Police Department occupies leased premises owned by DiCon Fiberoptics, Inc. The City currently has a three year lease which expired on December 31, 2009, with an option to renew for five (5) one year periods until December 31, 2014. The lease calls for minimum monthly lease payments of $94,800.

The City's future commitments under construction and other projects totaled approximately $155.8 million at June 30, 2013 for various projects.

### *B. Litigation*

The City is involved in various claims and litigation resulting from its normal operations. The ultimate outcome of these matters is not presently determinable. In City management's opinion these matters will not have significant adverse effect of the City's financial position, with one potential exception noted below:

In March 2012, a developer and an associated entity filed a complaint in federal court against the United States of America, two individuals, and the City contending breach of contract related to a Land Disposition Agreement (LDA) between the developer and the City for the development of City-owned property for a specific use. The developer and associated entity seek damages of $30 million as well as lost profits of over $750 million. The City disputes the allegations and contends that the LDA did not commit the developer or the City to develop the property for the specific use and that the developer's right to move forward with the development was subject to various federal approvals. The City had filed a separate lawsuit in state court against the developer seeking declaratory relief that the City did not breach the LDA, but that lawsuit was stayed by the state court judge pending resolution of the federal action. The City may be negatively impacted should the court rule in favor of the developer and associated entity, however any such impact cannot be determined at this time.

### *C. Grant Programs*

The City participates in several federal and State grant programs. These programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, except as noted under HOME Program – Disallowed Costs and Housing Authority-Disallowed Costs below.

### *D. HOME Program – Disallowed Costs*

During fiscal year 2013, the City underwent two separate monitoring visits by the Department of Housing and Urban Development (HUD) of the City's HOME investment partnership (HOME) and Community Development Block Grant (CDBG) activities. In its reports, HUD listed thirteen findings covering various activities performed over a six year period applicable to the programs and disallowed costs approximating $2.8 million. Staff believes the calculation of disallowed costs is overstated by at least $693 thousand. Staff prepared responses to the findings, including assembling and providing additional documentation to HUD as well as performing numerous corrective actions and meeting to negotiate settlements with HUD. The negotiations are still in process as of March 2014, and the final amount of disallowed costs cannot be determined at this time.

**NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)**

***E. Housing Authority – Easter Hill Project***

The Housing Authority participates in a number of federally assisted grant programs, principal of which are the Section 8 Housing Assistance and Hope VI Revitalization Grans. It is possible that at some future date, it may be determined that the Housing Authority is not in compliance with applicable grant requirements. Than amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Authority does not expect such disallowed amounts, if any, to materially affect the financial statements.

In June 2000, the Richmond Housing Authority received a $35 million grant (HOPE VI Grant) from the U.S. Department of Housing and Urban Development ("HUD") for the revitalization of the former Easter Hill Public Housing project. The original Easter Hill site, owned by the Richmond Housing Authority, included 300 units on 21 acres in the Cortez/Stege neighborhood of Richmond.

The California Tax Credit Committee, City of Richmond, Bank of America, Silicon Valley, Federal Home Loan Bank, California Housing Finance Agency, the Richmond Housing Authority along with the $35 million dollar HUD grant financed this $120 million revitalization effort. Physical costs are estimated to be approximately $108 million and life services, relocation, acquisition, administrative and other costs are estimated to be approximately $12 million. The physical development includes approximately 320 rental and homeownership units to replace the 300 rental units originally at the site and 273 remaining units at the time of grant approval. Amenities at the revitalized site include a pool and a 5,000 square feet community room with facilities for an after school program, computer center, gymnasium and conference room.

In addition, pursuant of the same agreement, the Authority is entitled to receive reimbursement for certain costs it has incurred in development of these projects. Upon completion of the project, the Authority recorded $14,276,909, representing reimbursement from the developer which had been recorded in the accompanying financial statements as due from developer. The balance outstanding as of June 30, 2013 is $11,971,431.

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

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

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





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)**

***F. Housing Authority – Disallowed Costs***

During fiscal 2009-10, the Office of Inspector General (OIG) from the Department of Housing and Urban Development (HUD) conducted an extensive audit of the Authority's procurement activities. In its report, the OIG listed twenty four findings covering procurement activities performed over a ten year period, applicable to three programs and disallowed costs approximating $2.5 million. Staff and a consultant prepared responses to the findings, including assembling and providing additional documentation to HUD as well as performing numerous corrective actions and meeting to negotiate a settlement with HUD.

During fiscal year 2010-2011 HUD waived $605,866 of disallowed costs and requested additional data and completion of certain corrective actions to reach an ultimate resolution.

During fiscal year 2012, the OIG issued a final report requiring the Housing Authority to use non-federal resources to pay $165,905 to the U.S. Treasury and $2,257,799 to its own Public Housing/Section 8 Programs. The $165,905 of OIG Sanction has been fully paid off as of June 30, 2013. The repayment term for the Public Housing/Section 8 Programs is 56 equal quarterly payments which are to commence July 1, 2013.

***G. Assumption of Housing Authority Debts by RHA Properties***

On May 1, 2013, a Memorandum of Understanding (MOU) was reached between the Housing Authority and RHA Properties, which states that the RHA Properties shall provide resources derived from the sale proceeds of the Westridge at Hilltop Apartments to pay the financial sanction imposed by OIG in an amount no less than $2,257,799, and to retire outstanding debt owed to the City by the Housing Authority in an amount no less than $6,600,000 upon disposition of the Westridge at Hilltop Apartments by RHA Properties. On May 24, 2013 RHA Properties entered into a Purchase and Sale Agreement with the buyers. The disposition is expected to take place within fiscal year 2013-2014.

***H. RHA Properties – Going Concern***

On May 24, 2013, RHA Properties entered into a Purchase and Sale Agreement (PSA) with Menlo Capital Group, LLC (the Buyer) for the disposition of Westridge at Hilltop Apartments for a price of $40 million. The disposition of Westridge at Hilltop Apartments, its primary asset will cause to liquidate RHA Properties and discontinue the business operation, which raises substantial doubt about RHA Properties' ability to continue as a going concern. Management currently has no further plans for the entity after the property is sold.

NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)

***I. Point Molate – Pollution Remediation***

In September 2008, the City entered into an Early Transfer Cooperative Agreement (ETCA) with the United States Department of the Navy the (Navy) to facilitate the transfer of 41 acres of property that was formerly the Naval Fuel Depot Point Molate (Point Molate). The ETCA identifies certain known pollution issues with the property, and the Navy is the responsible party. However, under the provisions of the ETCA, the Navy advanced $28 million to the City representing the estimated cost of cleanup, and the City committed to manage the project. Any pollution found that was not caused by the Navy's use of the land is to be paid by the City, however, as of June 30, 2013, no additional pollution has been identified.

The City also entered into an agreement in September 2008 with a Developer to sell approximately 134 acres of land located the Point Molate along with the 41 acres of which the Navy is to transfer to the City. The Developer is to complete the cleanup on behalf of the City in accordance with the requirements of the ETCA. The City committed to pass-through the funds received from the Navy to the Developer.

In April 2010, the City and Developer entered into an agreement to establish a fiscal agent escrow account to maintain the funds held for the remediation of Point Molate. The funds advanced by the Navy are to be held in escrow with a fiscal agent and the agent is responsible for disbursing funds to the Developer as costs are incurred. The terms of the agreement are effective until a certificate of completion is issued for the remediation of the property.

Under the terms of the agreements with the Navy and the Developer, the City does not retain responsibility for the cleanup of the known pollution. The City is merely acting as a pass-thru of the grant funds from the Navy to the Developer and the activities for the project are reported in the Pt. Molate Private-Purpose Trust Fund.

***J. Other – Major Property Taxpayer***

In fiscal year 2007, a major property taxpayer filed an appeal with Contra Costa County challenging the assessed valuation of their property, and in June 2010 the Contra Costa Assessment Appeals Board ruled that the County Assessor over-valued the property from fiscal years 2005 to 2007, and awarded the property taxpayer a refund of $17.8 million. The County made the payment to the property taxpayer by withholding the payment in two installments from fiscal year 2011 and fiscal year 2012 property tax payments. The County allocated the settlement to cities and special districts throughout the County, and the City's share of the settlement was a total of $2.3 million which was paid in two installments in fiscal years 2011 and 2012.

The property taxpayer filed an additional appeal with the California Superior Court to challenge the ruling of the Contra Costa Assessment Appeals Board and has also filed an appeal for the assessed valuations for fiscal years 2008 through 2010, and filed an additional application to appeal the assessed valuations for fiscal years 2011 and 2012.





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)

In October 2013, the City and the property taxpayer entered into a settlement agreement that was favorable to the City and the taxpayer withdrew or waived its additional tax relief/tax refunds sought, so that no further refund or loss of tax revenue from these proceedings is expected, with one exception. As part of the settlement, the taxable value of the taxpayer's property was reduced approximately $600,000,000. Although such a reduction would normally generate a refund of tax, as part of the settlement agreement, the taxpayer agreed to waive any such refund resulting from the 2012 reduction in taxable value.

In June 2011, a lawsuit was filed by a majority of cities in the County as well as by several special districts challenging the allocation of the refund to be repaid to the property taxpayer. On January 19, 2013, a ruling was made in favor of the City finding that the apportionment and allocation of refunds by and among the public entities involved were properly determined. However, the cities filed an appeal on March 22, 2013 and any such impact cannot be determined at this time.

In fiscal year 2009, a major business license taxpayer filed a complaint challenging the legality of Measure T, a voter initiative that took effect on January 1, 2009. Measure T amended the City's business license tax calculation for manufacturers. Although the City believed Measure T to be lawful, the court ruled on December 17, 2009 that the tax was unconstitutional. The court ruled in favor of the business license taxpayer awarding a refund of the $20.5 million Measure T taxes paid. The City filed an appeal, however in May 2010 the taxpayer and the City entered into a settlement agreement in order to achieve certainty in the tax revenue that the City will receive from the taxpayer over the next 15 years. The agreement provides for annual payments ranging from $4 million to $13 million starting July 1, 2011, with payments totaling $114 million. In addition, the agreement incorporated the prior settlement of a dispute over fiscal year 2006, 2007 and 2008 utility users taxes totaling $28 million that are to be paid in four installments beginning in fiscal year 2009. Payments totaling $28,000,000 were received under the settlement agreements in fiscal years 2010, 2011, 2012 and 2013.

***K. Police Communications Systems***

The City administers a program to provide records management and dispatch services to participating local agencies. The participating agencies, which include the City, are responsible for maintenance and system enhancements. The City is required to account for the enhancement in a separate account which is shown in the Police Telecommunications Internal Service Fund as unearned revenue as of June 30, 2013.

***L. Via Verde Sinkhole Project***

A sizable sinkhole in the City collapsed in April 2010. Restoration is complete, and the total expenditures were $12,378,916. The City received State grants for 75% of reimbursable costs, totaling $8,978,849. The City is obligated to meet all regulatory permit conditions moving forward and may incur additional un-reimbursable costs in doing so.

**NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)**

***M. Encumbrances***

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end. Encumbrances outstanding as of June 30, 2013 were as listed below:

| | Amount |
|---|---|
| General Fund | $219,646 |
| Cost Recovery Special Revenue Fund | 1,331,928 |
| Community Development and Loan Programs Special Revenue Fund | 180,986 |
| Non-Major Governmental Funds | 2,225,499 |
| | $3,958,059 |

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**

***A. Redevelopment Dissolution***

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

The suspension provisions prohibit all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

ABx1 26 and AB1484 created three regulatory authorities, the Successor Agency Oversight Board, State Controller and Department of Finance (DOF), to review former Agency's asset transfers, obligation payments and wind down activities. ABx1 26 specifically directs the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the Redevelopment Agency or, on or after February 1, 2012, to the Successor Agency. The State Controller's Office completed its asset transfer review in November 2013 and the State ordered the return of certain assets to the Successor Agency to the Redevelopment Agency. The City complied with certain aspects of the State's order during fiscal year 2013 by returning applicable capital assets to the Successor Agency as discussed in Note 18C below and the Oversight Board retroactively approved other prior transfers to the City and the State has indicated that no further action is necessary. The State also ordered the return of assets previously transferred to the City as Housing Successor totaling $16,460,848, because the transfer of the housing assets had not been approved by the Oversight Board. The Oversight Board adopted a Resolution on February 25, 2014 retroactively approving the transfer of the loans to the Housing Successor.





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

Effective January 31, 2012, the Redevelopment Agency was dissolved. Certain assets of the Redevelopment Agency Low and Moderate Income Housing Fund were distributed to a Housing Successor; and the remaining Redevelopment Agency assets and liabilities were distributed to a Successor Agency.

Under the provisions of AB 1484, the City can elect to become the Housing Successor and retain the housing assets. The City elected to become the Housing Successor and on February 1, 2012, certain housing assets were transferred to the City's Low and Moderate Income Housing Fund which is included in the Community Development and Loan Programs Special Revenue Fund. The activities of the Housing Successor are reported in the Low and Moderate Income Housing Asset Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The City also elected to become the Successor Agency and on February 1, 2012 the Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established in April 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including one member of City Council and one former Redevelopment Agency employee appointed by the Mayor.

The activities of the Successor Agency are reported in the Successor Agency to the Richmond Community Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

Cash and investments of the Successor Agency as of June 30, 2013 are discussed in Note 3 above. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2013.

***B. Loans Receivable***

The Successor Agency assumed non-housing loans receivable of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency engaged in programs designed to encourage economic development. Under these programs, grants or loans were provided under favorable terms to developers who agreed to expend these funds in accordance with the Agency's terms.

**Harbour Capital Projects Loan**

The loan was based on two promissory notes resulting from the sale of the Ford building of $3,400,000 and the sale of the North Shore properties of $2,040,359. During fiscal year 2008, the developer repaid $1 million of the loan balance by a cash payment of $310,345 and the dedication of parking lot improvements with a value of $689,655. During fiscal year 2009, the developer paid $2.4 million of the loan by a cash payment. As of June 30, 2012, this loan was offset with an allowance for doubtful accounts, because the developer had defaulted on the outstanding balance of the loan. During fiscal year 2013 the Successor Agency accepted the return of the underlying property via a deed in lieu of foreclosure on the property, and the loan was written off.

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

**Ford Assembly Building Loan**

Under a loan agreement dated November 22, 2004 between the Redevelopment Agency and Ford Point LLC, the Redevelopment Agency agreed to loan $3,000,000 to fund improvements to the Ford Assembly Building, collateralized by a Deed of Trust. The Redevelopment Agency funded the loan in fiscal 2006 with proceeds from the Section 108 HUD loan discussed in Note 8. The loan's principal is due in August 2025. Interest is payable starting August 2006 at a variable rate based on the 90-day LIBOR rate plus 70 basis points; adjusted quarterly. The interest rate converts to a fixed rate in accordance with the terms of the agreement after the Section 108 loan is sold by HUD. The developer repaid $143,000 of the loan in fiscal year 2010, $147,000 in fiscal year 2011, $150,000 in fiscal years 2012 and 2013, and the balance of the loan was $2,406,000 as of June 30, 2013.

***C. Capital Assets***

The Successor Agency assumed the non-housing capital assets of the Redevelopment Agency as of February 1, 2012. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Successor Agency's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets.

Depreciation is provided using the straight line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Successor Agency has assigned the useful lives and capitalization thresholds listed below to capital assets.

| | |
|---|---|
| Improvements other than buildings | 20 years |
| Buildings and building improvements | 50 years |
| Vehicles | 3 – 10 years |
| Infrastructure | 25 - 50 years |
| Machinery and equipment | 3 – 20 years |





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

Capital assets recorded at June 30 comprise:

| | Balance at June 30, 2012 | Additions | Transfer From the City | Balance at June 30, 2013 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land and land improvements | $15,412,803 | $2,190,359 | | $17,603,162 |
| Construction in Progress | | | $5,328,244 | 5,328,244 |
| Total capital assets not being depreciated | 15,412,803 | 2,190,359 | 5,328,244 | 22,931,406 |
| Capital assets being depreciated: | | | | |
| Machinery and equipment | 120,448 | | | 120,448 |
| Less accumulated depreciation for: | | | | |
| Machinery and equipment | (74,946) | (12,369) | | (87,315) |
| Capital assets being depreciated, net | 45,502 | (12,369) | | 33,133 |
| Capital assets, net | $15,458,305 | $2,177,990 | $5,328,244 | $22,964,539 |

During fiscal year 2013, the State Department of Finance denied the prior year transfer of certain projects in progress from the former Redevelopment Agency to the City and required the transfer of those projects totaling $5,328,244 to the Successor Agency, which has been reported as a transfer above and as an Extraordinary Item in the Fiduciary Statement of Changes in Net Position.

***D. Long-term Obligations***

The following is a summary of long-term debt transactions during the fiscal year ended June 30, 2013:

| | Balance July 01, 2012 | (A) Additions | Deletions | Balance June 30, 2013 | Due Within One Year | Due in More than One Year |
|---|---|---|---|---|---|---|
| Bonds payable | $63,204,838 | $1,117,357 | ($3,405,000) | $60,917,195 | $3,535,000 | $57,382,195 |
| Loans payable | 57,555,000 | | (3,160,000) | 54,395,000 | 3,310,000 | 51,085,000 |
| Notes payable | 19,282,114 | 30,000 | (324,000) | 18,988,114 | 638,781 | 18,349,333 |
| **Total** | $140,041,952 | $1,147,357 | ($6,889,000) | $134,300,309 | $7,483,781 | $126,816,528 |

(A) Includes bond accretion for capital appreciation bonds totaling $1,117,357 and interest on loans payable of $30,000.

**Bonds Payable**

Bonds payable at June 30, 2013 consisted of the following:

| | Net |
|---|---|
| Harbour Tax Allocation Refunding Bonds - 1998 Series A | $19,794,758 |
| Subordinate Tax Allocation Bonds - 2007 Series B | 10,377,437 |
| Subordinate Tax Allocation Refunding Bonds - 2010 Series A | 30,745,000 |
| **Total** | $60,917,195 |

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

**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 certain loans from the City to the Agency, which were used by the City to finance certain publicly owned capital projects, 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 mature annually through 2023, in amounts ranging from $50,000 to $1,130,000. Interest rates vary from 3.5% to a maximum of 5.2% and are payable semiannually on January 1 and July 1. The bonds are secured by a pledge of tax revenues derived from taxable property within the Harbour Project Area.

At June 30, 2013, the Bonds consisted of the following:

| | Value | Accretion/ Amortization | Unamortized Premium (Discount) | Net |
|---|---|---|---|---|
| Current interest bonds | $9,860,000 | | | $9,860,000 |
| Capital appreciation bonds | 12,650,000 | $488,051 | ($3,203,293) | 9,934,758 |
| **Total** | $22,510,000 | $488,051 | ($3,203,293) | $19,794,758 |

The annual debt service requirements on the bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $1,830,000 | $484,863 | $2,314,863 |
| 2015 | 1,870,000 | 446,363 | 2,316,363 |
| 2016 | 1,910,000 | 405,663 | 2,315,663 |
| 2017 | 1,950,000 | 362,763 | 2,312,763 |
| 2018 | 1,995,000 | 317,525 | 2,312,525 |
| 2019-2023 | 10,675,000 | 878,883 | 11,553,883 |
| 2024 | 2,280,000 | 26,838 | 2,306,838 |
| **Total** | $22,510,000 | $2,922,898 | $25,432,898 |

**Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds Series 2007 A and Series B - Original Issue Series A $65,400,000, Series B $9,772,622**

On July 12, 2007 the Redevelopment Agency issued Series 2007 A Subordinate Tax Allocation Bonds in the amount of $65,400,000. The proceeds from the Bonds were used to pay the amount of $22,000,000 to the City to assist with the financing of the Civic Center Project, and to fund other Redevelopment Agency projects.





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

The 2007 A Subordinate Tax Allocation Bonds were issued as variable auction rate bonds with interest calculated every thirty-five days, however, the Agency entered into a 29-year interest rate swap agreement for the entire amount of its 2007 A Subordinate Tax Allocation Bonds. In fiscal year 2010 the Agency experienced a significant decline in tax increment revenue. In order to bring debt service in line with current revenues and maintain compliance with the required 1.4:1 tax increment to debt service coverage ratio, the Agency suspended a number of projects originally funded by the 2007 A Bonds and applied approximately $36 million of the unspent 2007 A proceeds and other available funds along with the proceeds from the issuance of the Subordinate Tax Allocation Refunding Bonds, Series 2010 A to refund the outstanding balance of the 2007 A Bonds. As part of the issuance of the 2010 A Bonds, the interest rate swap agreement associated with the 2007 A Bonds was amended and restated as discussed with the Series 2010 A Bonds below.

On July 12, 2007 the Redevelopment Agency issued Series 2007 B Housing Set-Aside Subordinate Tax Allocation Capital Appreciation Bonds in the amount of $9,772,622 at interest rates ranging from 5.57% to 6.40%. The proceeds from the 2007 B Bonds will be used to finance certain low and moderate income housing activities of the Redevelopment Agency. The 2007 B Bonds mature annually through 2037, in amounts ranging from $465,000 to $2,020,000. The 2007 B Bonds are secured by a pledge of subordinated housing and non-housing tax revenues.

At June 30, 2013, the 2007 B Bonds consisted of the following:

| | Maturity Value | Accretion/ Amortization | Unamortized Premium (Discount) | Net |
|---|---|---|---|---|
| Capital appreciation bonds | $21,580,000 | $629,306 | ($11,831,869) | $10,377,437 |

The annual debt service requirements on the 2007B Bonds are as follows:

| For the Years Ending June 30, | Principal |
|---|---|
| 2014 | $725,000 |
| 2015 | 0 |
| 2016 | 0 |
| 2017 | 0 |
| 2018 | 935,000 |
| 2019-2023 | 5,560,000 |
| 2024-2028 | 6,855,000 |
| 2029-2033 | 4,165,000 |
| 2034-2037 | 3,340,000 |
| **Total** | $21,580,000 |

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

**2010 Subordinate Tax Allocation Refunding Bonds Series A – Original Issue $33,740,000**

The 2010 A Bonds were issued on March 31, 2010 by the Agency. The proceeds of the 2010 A Bonds were used to refund all of the outstanding Series 2007 A Subordinate Tax Allocation Bonds. Interest rates range from 3.00% to 6.125% and are payable semiannually on March 1 and September 1. The 2010 A Bonds mature annually through 2037 and are secured by a pledge of certain tax increment revenues derived from taxable property within the Merged Project Area.

In connection with the issuance of the Series 2007 A Subordinate Tax Allocation Bonds, the Agency entered into a swap agreement for $65,400,000, the entire amount of the 2007 A Bonds. With the issuance of the 2010 A Bonds, the Agency amended and restated the swap agreement. The amended agreement requires the Agency to make and receive payments based on variable interest rates. The Agency will make payments based on a variable interest rate equal to 100% of SIFMA plus a fixed percentage of 0.83% and the Agency will receive variable rate interest payments equal to 68% of 1-month LIBOR from the swap counterparty.

The annual debt service requirements on the bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $980,000 | $2,088,677 | $3,068,677 |
| 2015 | 1,030,000 | 2,042,920 | 3,072,920 |
| 2016 | 1,095,000 | 1,991,974 | 3,086,974 |
| 2017 | 1,165,000 | 1,932,252 | 3,097,252 |
| 2018 | 1,240,000 | 1,863,031 | 3,103,031 |
| 2019-2023 | 5,310,000 | 8,145,988 | 13,455,988 |
| 2024-2028 | 13,180,000 | 5,502,361 | 18,682,361 |
| 2029-2033 | 3,140,000 | 2,111,418 | 5,251,418 |
| 2034-2037 | 3,605,000 | 579,842 | 4,184,842 |
| **Total** | $30,745,000 | $26,258,463 | $57,003,463 |

**Interest Rate Swap Agreement**

The Agency entered into an interest swap agreement in connection with the 2010A Subordinate Tax Allocation Refunding Bonds. The transaction allows the Agency to create a synthetic variable rate on the Bonds. The terms, fair value and credit risk of the swap agreement are disclosed below.



CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

*Terms.* The terms, including the counterparty credit rating of the outstanding swap, as of June 30, 2013, are included below. The swap agreement contains scheduled reductions to the outstanding notional amount.

| Outstanding Notional Amount | Effective Date | Counterparty | Long-Term Credit Rating (S&P/Moody's/Fitch) | Variable Rate Paid | Variable Rate Received | Fair Value at June 30, 2013 | Termination Date |
|---|---|---|---|---|---|---|---|
| $57,725,000 | 7/12/2007 | Royal Bank of Canada | AA-/Aa3/AA | SIFMA Municipal Swap Index | 68% of USD-1 Month LIBOR | ($7,619,232) | 9/1/2036 |

Based on the swap agreement, the Agency owes interest calculated at a variable rate to the counterparty of the swap, and in return, the counterparty owes the Agency interest based on a variable rate. Debt principal is not exchanged; the outstanding notional amount of the swap is the basis on which the swap receipts and payments are calculated.

*Fair value.* Fair value of the swap takes into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swap. As of June 30, 2013, the fair value of the swap was in favor of the counterparty.

The fair value represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. The Agency has accounted for the change in fair value of the hedge as noted below:

| | Changes in Fair Value | | Fair value at June 30, 2013 | |
|---|---|---|---|---|
| | Classification | Amount | Classification | Amount |
| **Pay-Variable, Receive-Variable** | | | | |
| ***2010A Subordinate Tax Allocation Refunding Bonds*** | Investment revenue | $970,346 | Investment | ($7,619,232) |

*Credit risk.* As of June 30, 2013, the Agency was not exposed to credit risk on the outstanding swap because the swap had a negative fair value. However, if *interest* rates increase and the fair value of the swap were to become positive, the Agency would be exposed to credit risk. The Agency will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

*Interest rate risk.* The swap increases the Agency's exposure to variable interest rates. As the SIFMA Municipal Swap Index Rate increases or the LIBOR decreases, the Agency's net payment on the swap increases.

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

*Basis risk.* Basis risk is the risk that the interest rate paid by the Agency on the underlying fixed rate bonds to the *bondholders* temporarily differs from the variable swap rate received from the counterparty. The Agency bears basis risk on the swap. The swap has basis risk since the Agency receives a percentage of the LIBOR Index to offset the fixed bond rate the Agency pays on the underlying Bonds. The Agency is exposed to basis risk should the floating rate that it receives on a swap be less than the fixed rate the Agency pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

A portion of this basis risk is tax risk. The Agency is exposed to tax risk when the relationship between the taxable LIBOR based swap and tax-exempt fixed rate bond changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt fixed rate bonds converge the Agency is exposed to this basis risk.

*Termination risk.* The Agency may terminate if the other party fails to perform under the terms of the contract. The Agency will be exposed to variable rates if the counterparty to the swap contract defaults or if the swap contract is terminated. A termination of the swap contract may also result in the Agency's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swap has a negative fair value, the Agency would be liable to the counterparty for a payment equal to the swap's fair value.

*Swap payments and associated debt.* Using rates as of June 30, 2013, debt service requirements of the Agency's outstanding fixed rate Bonds and net swap payments assuming current interest rates remain the same for their term, are as follows. As rates vary, fixed rate bond *interest* payments and net swap payments will vary. These payments below are included in the Debt Service Requirements above:

| For the Years | Fixed-Rate Bonds | | Interest Rate | |
|---|---|---|---|---|
| Ending June 30, | Principal | Interest | Swap, Net | Total |
| 2014 | $980,000 | $1,662,299 | $426,378 | $3,068,677 |
| 2015 | 1,030,000 | 1,630,861 | 412,059 | 3,072,920 |
| 2016 | 1,095,000 | 1,594,961 | 397,013 | 3,086,974 |
| 2017 | 1,165,000 | 1,551,043 | 381,209 | 3,097,252 |
| 2018 | 1,240,000 | 1,498,386 | 364,645 | 3,103,031 |
| 2019-2023 | 5,310,000 | 6,606,520 | 1,539,468 | 13,455,988 |
| 2024-2028 | 13,180,000 | 4,475,120 | 1,027,241 | 18,682,361 |
| 2029-2033 | 3,140,000 | 1,617,301 | 494,117 | 5,251,418 |
| 2034-2037 | 3,605,000 | 464,121 | 115,721 | 4,184,842 |
| **Total** | $30,745,000 | $21,100,612 | $5,157,851 | $57,003,463 |





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

**Loans Payable**

The Richmond Joint Powers Financing Authority (Authority) has issued the Bonds listed below to assist in financing the Agency's operations. The Authority has retained reserve amounts required under the respective Bond indentures and loaned the net proceeds of these Bond issues to the Agency. The Authority is responsible for paying principal and interest on the Bonds; the Agency is responsible for making payments to the Authority in the amounts shown below.

The outstanding balances of loans payable to the Authority at June 30, 2013 came from the Bond issues listed below:

| | |
|---|---|
| JPFA Tax Allocation Revenue Bonds - 2000 Series A & B | $14,995,000 |
| JPFA Tax Allocation Revenue Bonds - 2003 Series A & B | 24,365,000 |
| JPFA Tax Allocation Revenue Bonds - 2004 Series A & B | 15,035,000 |
| **Total** | $54,395,000 |

**Loan from the Authority dated November 1, 2000**

In 2000, the Authority issued the 2000 Housing Set-Aside Tax Allocation Bonds Series A and Series B in the original amount of $31,515,000. The net proceeds of the bond issue were loaned to the Agency to provide funding for certain capital improvements of the Agency. Under the terms of the loan agreement between the Agency and the Authority dated November 1, 2000, repayment of the loan is being made from certain tax increment revenues derived from taxable property within the Pre-2004 Limit Area and the Post-2004 Limit Area.

The annual debt service on this loan as of June 30, 2013 is as follows:

| For the Years | | | |
|---|---|---|---|
| Ending June 30, | Principal | Interest | Total |
| 2014 | $2,085,000 | $797,965 | $2,882,965 |
| 2015 | 2,200,000 | 683,060 | 2,883,060 |
| 2016 | 2,315,000 | 559,880 | 2,874,880 |
| 2017 | 2,445,000 | 423,848 | 2,868,848 |
| 2018 | 2,590,000 | 274,770 | 2,864,770 |
| 2019-2023 | 3,095,000 | 212,261 | 3,307,261 |
| 2024-2028 | 175,000 | 52,113 | 227,113 |
| 2029-2030 | 90,000 | 5,275 | 95,275 |
| **Total** | $14,995,000 | $3,009,172 | $18,004,172 |

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

**Loan from the Authority dated August 1, 2003**

In 2003, the Authority issued 2003 Tax Allocation Revenue Bonds Series A and Series B in the original amount of $28,580,000. The net proceeds of the bond issue were loaned to the Agency to provide funding for certain capital improvements and to repay the City of Richmond $18,000,000 in partial payment of prior obligations. Under the terms of the loan agreement between the Agency and the Authority dated August 1, 2003, repayment of the loan is being made from certain tax increment revenues derived from taxable property within the Post-2004 Limit Area pledged by the Agency for the purpose of loan repayment.

The annual debt service on this loan as of June 30, 2013 is as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $955,000 | $1,319,253 | $2,274,253 |
| 2015 | 1,000,000 | 1,271,345 | 2,271,345 |
| 2016 | 1,050,000 | 1,219,321 | 2,269,321 |
| 2017 | 1,100,000 | 1,164,010 | 2,264,010 |
| 2018 | 1,160,000 | 1,105,816 | 2,265,816 |
| 2019-2023 | 8,780,000 | 4,261,356 | 13,041,356 |
| 2024-2026 | 10,320,000 | 985,286 | 11,305,286 |
| **Total** | $24,365,000 | $11,326,387 | $35,691,387 |

**Loan from the Authority dated October 1, 2004**

In 2004, the Authority issued the 2004 Tax Allocation Revenue Bonds Series A and Series B in the original amounts of $15,000,000 and $2,000,000, respectively. The net proceeds of the bond issue were loaned to the Agency to provide funding for certain capital improvements, low/moderate income housing and to repay the City of Richmond $6,367,031 in prior obligations. Under the terms of the loan agreement between the Agency and the Authority dated August 1, 2003, repayment of the loan is being made from certain subordinate housing and non-housing tax increment revenues derived from the taxable property within the Merged Project Area pledged by the Agency for the purpose of loan repayment.





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

The annual debt service requirements for these loans as of June 30, 2013 are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $270,000 | $776,801 | $1,046,801 |
| 2015 | 280,000 | 764,586 | 1,044,586 |
| 2016 | 295,000 | 751,649 | 1,046,649 |
| 2017 | 305,000 | 737,664 | 1,042,664 |
| 2018 | 320,000 | 722,711 | 1,042,711 |
| 2019-2023 | 5,690,000 | 2,788,368 | 8,478,368 |
| 2024-2027 | 7,875,000 | 1,220,808 | 9,095,808 |
| **Total** | $15,035,000 | $7,762,587 | $22,797,587 |

**Pledge of Redevelopment Tax Increment Revenues**

The six Tax Allocation Bond issues discussed above consist of senior and parity obligations secured by future tax increment revenues. The pledge of all future tax increment revenues (housing and non-housing revenue) ends upon repayment of $180,509,507 remaining debt service on the Bonds and loans which is scheduled to occur in 2037.

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. In addition, under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations.

| | Tax Revenue Pledged | Outstanding Obligation | For the Year Ended June 30, 2013 Debt Service | Taxes | Coverage |
|---|---|---|---|---|---|
| ***Senior Non-Housing Obligations:*** | | | | | |
| 1998 Harbour Tax Allocation Refunding Bonds | Harbour Project Area | $25,432,898 | $2,318,513 | (A) | |
| ***Senior Non-Housing Obligations:*** | | | | | |
| 2000 A JPFA Tax Allocation Revenue Bonds | All project areas except Harbour and Pilot | 14,435,411 | $2,315,210 | (A) | |
| ***Senior Non-Housing Obligations:*** | | | | | |
| 2003 A & B JPFA Tax Allocation Revenue Bonds | All project areas except Pilot | 35,691,387 | $2,278,127 | | |
| ***Subordinate Non-Housing Obligations:*** | | | | | |
| 2004 A JPFA Tax Allocation Revenue Bonds (Two-thirds) | All project areas except Pilot | 13,911,694 | 606,707 | | |
| 2010 A Subordinate Tax Allocation Refunding Bonds | All project areas except Pilot | 57,003,463 | 3,109,706 | | |
| Subtotal | | 106,606,544 | $5,994,540 | (A) | |
| ***Senior Housing Obligations:*** | | | | | |
| 2000 B JPFA Tax Allocation Revenue Bonds | Low and Moderate Income Housing Setaside Revenues | 3,568,761 | $574,983 | | |
| ***Subordinate Housing Obligations:*** | | | | | |
| 2004 B & One-third of 2004 A JPFA Tax Allocation Revenue Bonds | Low and Moderate Income Housing Setaside Revenues | 8,885,893 | 441,579 | | |
| 2007 B Subordinate Tax Allocation Bonds | Low and Moderate Income Housing Setaside Revenues | 21,580,000 | 675,000 | | |
| Subtotal | | 34,034,654 | $1,691,562 | (A) | |
| Total Outstanding Obligations | | $180,509,507 | $12,319,825 | $16,320,481 | 132% |

(A) The Successor Agency receives property taxes without segregation by project area and without distinction between housing and non-housing revenues, as discussed above.





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

**Notes Payable**

| | |
|---|---|
| CHFA Help Loans | $1,210,000 |
| HUD Section 108 Loans | 5,576,000 |
| SERAF Loan | 12,202,114 |
| **Total** | $18,988,114 |

**CHFA Help Loans – Original Amounts $1,000,000**

The Agency entered a loan agreement with California Housing Finance Agency in 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. The loan is due 10 years from the date of the loan. The loan bears a simple 3% per annum interest rate, and all payments of principal and interest are deferred for a ten-year period. During fiscal year 2013 the interest accrued to principal totaled $30,000.

**HUD Section 108 – Original Amount $3,000,000**

In fiscal 2004, 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. Interest is payable quarterly and the interest rate is fixed at 2.58% or, in specific conditions, adjusted to the latest LIBOR Rate. The principal payments are due annually from 2009 through 2026 as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $158,000 | $112,308 | $270,308 |
| 2015 | 162,000 | 105,794 | 267,794 |
| 2016 | 166,000 | 98,846 | 264,846 |
| 2017 | 171,000 | 91,422 | 262,422 |
| 2018 | 175,000 | 83,602 | 258,602 |
| 2019-2023 | 946,000 | 286,039 | 1,232,039 |
| 2024-2026 | 628,000 | 50,239 | 678,239 |
| **Total** | $2,406,000 | $828,250 | $3,234,250 |

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

**HUD Section 108 – Original Amount $3,500,000**

In fiscal 2006, the City received a Section 108 loan from the Department of Housing and Urban Development to finance costs related to the North Richmond-Iron Triangle project. The loan proceeds were given to the Agency for the project, therefore the Agency is responsible for the repayment of the loan. Interest is payable quarterly and the interest rate is fixed at 2.58% or, in specific conditions, adjusted to the latest LIBOR Rate. The principal payments are due annually from 2012 through 2026 as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $180,000 | $168,098 | $348,098 |
| 2015 | 190,000 | 158,737 | 348,737 |
| 2016 | 200,000 | 148,830 | 348,830 |
| 2017 | 210,000 | 138,374 | 348,374 |
| 2018 | 220,000 | 127,179 | 347,179 |
| 2019-2023 | 1,250,000 | 441,535 | 1,691,535 |
| 2024-2026 | 920,000 | 82,364 | 1,002,364 |
| **Total** | $3,170,000 | $1,265,117 | $4,435,117 |

**SERAF Loan**

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by the redevelopment agencies, be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2010 and 2011. The Agency did not have the resources to make these payments and instead was able to enter into a structured payment plan agreement with the State Department of Finance that allows the payments to the County to be made over a ten year period. The loan bears interest at a rate of 2%. Payments of principal and interest are due on an annual basis, commencing May 10, 2014.

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $300,781 | $244,042 | $544,823 |
| 2015 | 306,797 | 238,027 | 544,824 |
| 2016 | 312,933 | 231,891 | 544,824 |
| 2017 | 319,191 | 225,632 | 544,823 |
| 2018 | 325,575 | 219,248 | 544,823 |
| 2019-2021 | 10,636,837 | 418,832 | 11,055,669 |
| **Total** | $12,202,114 | $1,577,672 | $13,779,786 |





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

**Debt Without Agency or City Commitment**

A special assessment district has been established in an area of the Agency to provide improvements to properties located in that district. Properties in the district are assessed for the cost of improvements; these assessments are payable solely by property owners over the term of the debt issued to finance these improvements. The Agency is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties in these special assessment districts, nor is it obligated to advance Agency funds to repay these debts in the event of default.

One District, Marina Westshore Community Facilities District No. 1998-1, had issued Community Facilities District No. 1998-1 Special Tax Bonds which had a remaining balance outstanding of $3,290,000 at June 30, 2013.

**Conduit Debt**

The Agency has assisted private-sector entities by sponsoring their issuance of debt for purposes the Agency deems to be in the public interest. These debt issues are secured solely by the property financed by the debt. The Agency is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties secured by these debts, nor is it obligated to advance Agency funds to repay these debts in the event of default by any of these issuers. At June 30, 2013, the balance of these issuers' outstanding debts was as follows:

| | |
|---|---|
| Bridge Housing Acquisitions, Inc. | $10,860,000 |
| Baycliff Apartment Project, 2004 Revenue Bonds | 29,690,000 |
| Crescent Park Apartment Project, 2007 Series A & Series A-T Revenue Bonds | 29,715,600 |

***E. Commitments and Contingencies***

**State Approval of Enforceable Obligations**

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

**Miraflores – Pollution Remediation**

The City, through the Redevelopment Agency, intended to undertake a known pollution remediation project at the proposed Miraflores Housing Development site. The Successor Agency assumed the administration of the project as of February 1, 2012.

The Agency plans to clean up the 14 acre former flower nursery site located at South 45th Street and Wall Avenue, to provide for future residential and open space land uses. The property is currently owned by the Redevelopment Agency. The Agency has completed a Remedial Action Plan and the cost of the preferred alternative remediation is estimated to be $3,200,000. As of June 30, 2012, the estimate increased to $9,000,000 with a liability of $2,565,285.

During fiscal year ended June 30, 2013, the Agency increased the remediation estimate to $9,157,047. The Agency spent $878,871 in pollution remediation costs, leaving a pollution liability of $1,843,460 as of June 30, 2013. The Successor Agency has recorded this amount as an accrued liability in the Statement of Fiduciary Net Position, however this obligation is an estimate and is subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

**Unpaid Pass – Through Obligation**

The Successor Agency has identified an obligation to allocate an increased share of its tax increment revenues to other taxing agencies within Contra Costa County pursuant to Sections 33607.5 and 33607.7 of the Community Redevelopment Law (CRL). In 1999, the former Redevelopment Agency adopted ordinances to extend the debt horizon on its various project areas as authorized in Assembly Bill 1342, which triggered the additional pass-through requirement for the portion of Project 8-A that was added in 1980. Later in 1999, the Agency amended the various Redevelopment Plans to merge all of the project areas together and also extended the date to incur debt in Project 11-A, Harbour from January 1, 2004 to January 1, 2014. Project 1-B Pilot was amended in 2004 pursuant to Senate Bill 211 to delete the last date to incur debt. These former Redevelopment Agency actions created a requirement to increase tax increment pass-through distributions to other taxing agencies at certain times pursuant to the CRL. The additional pass-through obligation was not implemented for the above Projects. The Successor Agency has now accumulated a retroactive pass-through obligation that spans back over several fiscal years.

Since the dissolution of the former Redevelopment Agency in 2012, under the State Dissolution Act, California counties have been charged with the implementation of Successor Agency pass-through obligations. Contra Costa County has advised the Agency that it plans to schedule a catch-up pass-through deduction as the time of its June 2014 Required Obligation Payment Schedule (ROPS) 2014-15a tax distribution. The June 2014 catch-up deduction is expected to resolve pass-through obligations for the three fiscal years that will have accrued from the date of dissolution (the fiscal years ending June 30, 2012, 2013 and 2014). The other taxing agencies may also claim that additional pass-through payments are owed for fiscal years prior to the dissolution of the former Redevelopment Agency. Under the policy of the State Department of Finance, any claimed underpayments of pass-through obligations dating prior to dissolution must be listed on a future ROPS and approved by the State Department of Finance as an eligible use of future tax distributions.





CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)**

The Agency and the County are discussing the calculation of these cumulative pass-through obligations. The Agency does not have a final calculation of these obligations at this time. However, it has estimated its obligation for the years since dissolution at approximately $600,000 per year. Accordingly, a liability of $1.2 million has been recorded in the accompanying financial statements in the Agency's Redevelopment Property Tax Trust Fund as of June 30, 2013 to cover the 2011-12 and 2012-13 fiscal years from dissolution through the date of the accompanying financial statements. This obligation has been reported as a reduction of tax revenue additions to the trust fund.

The Agency and the County have not concluded the additional pass-through obligation due for the fiscal years prior to the dissolution of the former Redevelopment Agency. These additional obligations covered three project areas (11A - Harbor original; 1A – Hensley Addition; and 1B – Pilot) and had staggered effective dates. Because the amount is not available, no liability has been recorded in the accompanying financial statements for this contingent liability. The Agency anticipates further discussion with the County and affected taxing agencies on amounts owed prior before it submits payment obligations on an upcoming ROPS for approval by the State Department of Finance.

**1998 A Harbour Tax Allocation Refunding Bonds – Reserve Fund**

In connection with a proposed issuance of refunding bonds, in spring 2013, the Agency discovered that the balance in the Reserve Account was $1,070,522, which amount was not equal to the Reserve Requirement, and there existed a shortfall in the Reserve Account in an amount equal to $1,115,756 as of June 30, 2013.

After investigation, it was determined that the trustee had wired funds from the Reserve Account to the former Redevelopment Agency as "excess" Reserve Account deposits following the maturity of the outstanding 1991 Bonds on July 1, 2009. While the Indenture permits the transfer of excess amounts on deposit in the Reserve Account upon written request, no such written request was given by the former Redevelopment Agency. The amounts mistakenly released on August 18, 2009 by the trustee to the former Redevelopment Agency from the Reserve Account were expended on redevelopment activities.

In order to replenish the Reserve Account, and as permitted under the Dissolution Act, the Successor Agency has included the reserve account shortfall amount in the Required Obligation Payment Schedule submitted to the Department of Finance for the period January 1 through June 30, 2014, but the Department of Finance initially declined the request. Maintaining the Reserve Account in the amount of the Reserve Requirement is an enforceable obligation of the former Redevelopment Agency under the Indenture. After a meet and confer with the DOF, the request was approved in December 2013, but the replenishment of the deficit is not expected to be completed until January 2014.

## NOTE 19 – SUBSEQUENT EVENTS

***A. Street Light Capital Lease - $4,641,936***

On July 31, 2013, the City entered into a lease agreement with Bank of America in the amount of $4,641,936 to finance the purchase of street lights and the associated upgrade costs. The lease bears an interest rate of 2.55%. Principal and interest payments on the lease are due semi-annually on each October 30 and April 30 commencing on April 30, 2014 through October 20, 2026.

***B. 2013-2014 Tax and Revenue Anticipation Notes***

On December 2, 2013 the City issued 2013-2014 Tax and Revenue Anticipation Notes in the amount of $12,100,000. The proceeds from the Note will be used to provide funds to meet the City's anticipated cash flow needs for its fiscal year ending June 30, 2014. The note bears an interest rate of .380%. Principal and accrued interest on the Note is payable when the Note matures on July 31, 2014.

***C. RHA Properties – Purchase and Sale Agreement***

On February 10, 2014, Addendum #1 to Purchase and Sale Agreement was reached to extend the closure date of escrow to on or before March 11, 2014. As of February 25, 2014, the Buyer had deposited a non-refundable $1,000,000 into the escrow account. Subsequent to the execution of the Addendum, Fannie Mae required the senior bond to be paid off on March 15, 2014. On February 28, 2014 RHA Properties provided a notice to Fannie Mae of its intention to prepay on March 15, 2014 the entire outstanding principal amount of the 2003 Series A Bonds from the proceeds of the disposition. On March 11, 2014 RHA Properties rescinded the prior notice and issued a new notice of redemption for April 15, 2014.





CITY OF RICHMOND
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Property tax | $28,752,737 | $33,040,822 | $32,489,548 | ($551,274) |
| Sales tax | 28,621,650 | 29,720,759 | 29,865,548 | 144,789 |
| Utility user fees | 50,179,282 | 49,220,624 | 48,398,349 | (822,275) |
| Other taxes | 6,062,170 | 7,012,170 | 6,247,352 | (764,818) |
| Licenses, permits and fees | 2,769,300 | 2,769,300 | 2,463,771 | (305,529) |
| Fines, forfeitures and penalties | 306,000 | 308,000 | 328,917 | 20,917 |
| Use of money and property | 302,500 | 302,500 | 199,190 | (103,310) |
| Intergovernmental | 2,321,444 | 2,842,821 | 2,191,751 | (651,070) |
| Charges for services | 2,948,833 | 2,973,609 | 2,834,425 | (139,184) |
| Rent | 615,398 | 615,398 | 681,141 | 65,743 |
| Other | 1,193,678 | 1,275,157 | 1,398,043 | 122,886 |
| Total Revenues | 124,072,992 | 130,081,160 | 127,098,035 | (2,983,125) |
| EXPENDITURES: | | | | |
| Current | | | | |
| General government | 18,948,473 | 19,958,201 | 20,055,388 | (97,187) |
| Public safety | 78,426,013 | 76,332,714 | 76,959,857 | (627,143) |
| Public works | 18,332,659 | 19,346,272 | 18,544,209 | 802,063 |
| Cultural and recreational | 10,044,408 | 10,309,745 | 9,626,590 | 683,155 |
| Capital outlay | 77,000 | 2,821,854 | 141,047 | 2,680,807 |
| Debt Service: | | | | |
| Principal | 1,262,842 | 1,262,842 | 1,311,615 | (48,773) |
| Interest and fiscal charges | 235,029 | 235,029 | 450,954 | (215,925) |
| Total Expenditures | 127,326,424 | 130,266,657 | 127,089,660 | 3,176,997 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (3,253,432) | (185,497) | 8,375 | 193,872 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bond premium | 109,701 | 109,701 | 106,740 | (2,961) |
| Proceeds from sale of property | 100,000 | 100,000 | 53,618 | (46,382) |
| Transfers in | 9,036,820 | 10,500,660 | 9,028,336 | (1,472,324) |
| Transfers (out) | (8,862,768) | (11,254,759) | (10,475,204) | 779,555 |
| Total other financing sources (uses) | 383,753 | (544,398) | (1,286,510) | (742,112) |
| NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM | (2,869,679) | (729,895) | (1,278,135) | (548,240) |
| SPECIAL ITEM: | | | | |
| Interfund advance restructuring | | | 745,119 | 745,119 |
| Total Special Item | | | 745,119 | 745,119 |
| NET CHANGE IN FUND BALANCE | (2,869,679) | (729,895) | (533,016) | 196,879 |
| Fund balance, July 1 | 37,358,353 | 37,358,353 | 37,358,353 | |
| Fund balance, June 30 | $34,488,674 | $36,628,458 | $36,825,337 | $196,879 |

CITY OF RICHMOND
COST RECOVERY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Licenses, permits and fees | $5,401,972 | $4,556,972 | $9,234,735 | $4,677,763 |
| Fines, forfeitures and penalties | 150,000 | 150,000 | 266,306 | 116,306 |
| Use of money and property | (41,000) | (41,000) | 12,681 | 53,681 |
| Intergovernmental | 6,389,658 | 6,927,658 | 5,838,880 | (1,088,778) |
| Charges for services | 1,853,954 | 2,328,954 | 2,186,955 | (141,999) |
| Other | 1,000 | 1,000 | 587,694 | 586,694 |
| Total Revenues | 13,755,584 | 13,923,584 | 18,127,251 | 4,203,667 |
| EXPENDITURES: | | | | |
| Current | | | | |
| General government | 5,317,745 | 5,732,720 | 11,029,357 | (5,296,637) |
| Public safety | 4,409,329 | 4,278,255 | 4,439,677 | (161,422) |
| Public works | 4,678,995 | 4,529,112 | 2,911,588 | 1,617,524 |
| Capital outlay | 4,534,511 | 9,441,056 | 6,815,368 | 2,625,688 |
| Total Expenditures | 18,940,580 | 23,981,143 | 25,195,990 | (1,214,847) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (5,184,996) | (10,057,559) | (7,068,739) | 2,988,820 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 4,772,777 | 4,772,777 | 4,923,475 | 150,698 |
| Transfers (out) | (62,779) | (62,779) | (62,779) | |
| Total other financing sources (uses) | 4,709,998 | 4,709,998 | 4,860,696 | 150,698 |
| NET CHANGE IN FUND BALANCE | (474,998) | (5,347,561) | (2,208,043) | 3,139,518 |
| Fund balance (deficit), July 1 | (6,161,269) | (6,161,269) | (6,161,269) | |
| Fund balance (deficit), June 30 | ($6,636,267) | ($11,508,830) | ($8,369,312) | $3,139,518 |





CITY OF RICHMOND
COMMUNITY DEVELOPMENT AND LOAN PROGRAMS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | | |
| REVENUES | | | | |
| Use of money and property | | | $200,787 | $200,787 |
| Intergovernmental | $3,021,065 | $5,561,046 | 1,241,462 | (4,319,584) |
| Other | | 215,000 | 305,415 | 90,415 |
| Total Revenues | 3,021,065 | 5,776,046 | 1,747,664 | (4,028,382) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community development | 509,397 | 1,144,056 | 45,330 | 1,098,726 |
| Housing and redevelopment | 4,836,040 | 2,513,734 | 2,620,546 | (106,812) |
| Capital outlay | 2,407,000 | 2,155,000 | | 2,155,000 |
| Total Expenditures | 7,752,437 | 5,812,790 | 2,665,876 | 3,146,914 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (4,731,372) | (36,744) | (918,212) | (881,468) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | | 444,241 | 446,933 | 2,692 |
| Transfers (out) | | | (7,176) | (7,176) |
| Total other financing sources (uses) | | 444,241 | 439,757 | (4,484) |
| NET CHANGE IN FUND BALANCE | (4,731,372) | 407,497 | (478,455) | (885,952) |
| Fund balance, July 1 | 19,163,400 | 19,163,400 | 19,163,400 | |
| Fund balance, June 30 | $14,432,028 | $19,570,897 | $18,684,945 | ($885,952) |

## NOTES TO BUDGETARY COMPARISON SCHEDULES

### Budgets and Budgetary Accounting

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

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

An operating budget is adopted each fiscal year on a basis consistent with Generally Accepted Accounting Principles (GAAP) for the General Fund, certain Special Revenue Funds (State Gas Tax, General Purpose, Paratransit Operations, Public Safety, Cost Recovery, Lighting and Landscaping Districts, Developer Impact Fees, Community Development and Loan Programs, and Richmond Neighborhood Stabilization Corporation) and certain debt service funds (2005 Pension Obligation Bonds, General Debt Service and Civic Center Debt Service). Public hearings are conducted on the proposed budgets to review all appropriations and sources of financing. Capital projects funds are budgeted by the Mayor and City Council over the term of the individual projects. Since capital projects are not budgeted on an annual basis, they are not included in the budgetary data.

Expenditures are controlled at the fund level for all budgeted departments within the City. This is the level at which expenditures may not legally exceed appropriations. Budgeted amounts for the Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual include budget amendments approved by City Council.







**NON-MAJOR GOVERNMENTAL FUNDS**

### SPECIAL REVENUE FUNDS

**State Gas Tax Fund** accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code. State gas taxes are restricted to uses for street construction activities including location of underground utilities, geotechnical work relating to identification of soil and groundwater contamination, materials sampling and testing.

**General Purpose Fund** accounts for other restricted monies that are to be used for the specific purposes for which the funds were set up.

**Paratransit Operations Fund** accounts for monies used to provide subsidized, accessible transportation to the seniors and disabled residents of the City of Richmond and the adjacent unincorporated areas of West Contra Costa County.

**Employment & Training Fund** is a fund set up to plan, administer and operate job training programs for the adult and youth residents of Richmond.

**Public Safety Fund** records the receipt and use of grant monies under the Local Law Enforcements Block Grant Program, Office of Traffic Safety Grants, OES Grants, FEMA Grants and various other grants.

**Lighting and Landscaping Districts Fund** was set up to account for maintenance services in the nature of landscaping, lighting, cleaning provided to the Hilltop parking lot area, the Marina Way Development area, and the Marina Bay area.

**Developer Impact** Fees to account for monies received from fees levied by the City on new commercial and residential projects. These funds will be used to mitigate the additional public safety and infrastructure costs resulting from these development projects.

**Secured Pension Override Fund** – The Secured Pension Override Fund records the receipt of Pension Tax override collected through property taxes for payment of pension contributions.

**Richmond Neighborhood Stabilization Corporation Fund** - The Richmond Neighborhood Stabilization Corporation Special Revenue Fund accounts for the activities of the Corporation.

**NON-MAJOR GOVERNMENTAL FUNDS (Continued)**

**DEBT SERVICE FUNDS**

**2005 Pension Obligation Bonds Debt Service Fund** receives transfers from the General Fund and the Pension Tax Override Fund, and pays the debt service on the 2005 Pension Obligation Bonds.

**Civic Center Debt Service Fund** accounts for principal and interest payments on the Civic Center project Lease Revenue Bonds.

**General Debt Service Fund** accounts for monies received in connection with the 1995A and the 1999 Series A Pension Obligation Bonds and the related payments on such debt. The 1995 Series A bonds were to refinance the cost of capital improvements, and the 1999 Series A bonds were issued to find a portion of the unfunded accrued actuarial liability in the Pension Fund.

**CAPITAL PROJECTS FUNDS**

**General Capital Improvement Fund** accounts for monies designated for capital improvement projects.

**Measure C/J Fund** was set up when the voters of Contra Costa County approved Measure C providing for the creation of the Contra Costa County Transportation Authority. The half-cent transportation sales tax was renewed under Measure J, effective April 1, 2009. The Authority collects one-half of one percent sales and use tax. Twenty percent of this tax is allocated to the City of Richmond to be used for the improvement of local transportation, including streets and roads in accordance with Measure C and Measure J compliance.

**Harbor Navigation Fund** records the expenses relating to the construction of certain public improvements relating to the Port of Richmond consisting of dredging and deepening of the Richmond Harbor.

**Civic Center Project Fund** accounts for activities of the Civic Center project.





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CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2013

| | SPECIAL REVENUE FUNDS | | | | SPECIAL REVENUE FUNDS | | | | | DEBT SERVICE FUNDS | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | State Gas Tax | General Purpose | Paratransit Operations | Employment and Training | Public Safety | Lighting and Landscaping Districts | Developer Impact Fees | Secured Pension Override | Richmond Neighborhood Stabilization Corporation | 2005 Pension Obligation Bonds | Civic Center Debt Service | General Debt Service |
| ASSETS | | | | | | | | | | | | |
| Cash and investments | $2,047,051 | $548,764 | $525 | $1,004,483 | $1,059,771 | $1,117,125 | | $2,154,202 | | $46,696 | | |
| Restricted cash and investments | | | | | | | | | $500,061 | 7,054,942 | $13 | |
| Receivables: | | | | | | | | | | | | |
| Accounts, net | 205,696 | 91,809 | 1,543 | 143,607 | 2,000 | | | | 4,851 | | | |
| Interest | 151 | 75 | | | 68 | 76 | $112 | $181 | | 3 | | |
| Grants | | 902,644 | 29,652 | 790,975 | 37,764 | | | | | | | |
| Loans | | | | | | | | | 1,794,245 | | | |
| Total Assets | $2,252,898 | $1,543,292 | $31,720 | $1,939,065 | $1,099,603 | $1,117,201 | $112 | $2,154,383 | $2,299,157 | $7,101,641 | $13 | |
| LIABILITIES | | | | | | | | | | | | |
| Accounts payable and accrued liabilities | $38,584 | $187,888 | $6,209 | $44,417 | $24,980 | $115,875 | $61,689 | | $20,622 | | | |
| Due to other funds | | | 412,345 | | | | 1,986,581 | | 448,471 | | $114,893 | $13,057 |
| Unearned revenue | | | | | | | | | | | 3,424,871 | |
| Total Liabilities | 38,584 | 187,888 | 418,554 | 44,417 | 24,980 | 115,875 | 2,048,270 | | 469,093 | | 3,539,764 | 13,057 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | | | | | |
| Unavailable revenue | | 369,047 | | 155,267 | | | | | 1,794,245 | | | |
| FUND BALANCE | | | | | | | | | | | | |
| Restricted | 2,214,314 | 40,396 | | 1,739,381 | 1,074,623 | 1,001,326 | | $2,154,383 | 35,819 | $7,101,641 | | |
| Assigned | | 945,961 | | | | | | | | | | |
| Unassigned | | | (386,834) | | | | (2,048,158) | | | | (3,539,751) | (13,057) |
| Total Fund Balances (Deficits) | 2,214,314 | 986,357 | (386,834) | 1,739,381 | 1,074,623 | 1,001,326 | (2,048,158) | 2,154,383 | 35,819 | 7,101,641 | (3,539,751) | (13,057) |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | $2,252,898 | $1,543,292 | $31,720 | $1,939,065 | $1,099,603 | $1,117,201 | $112 | $2,154,383 | $2,299,157 | $7,101,641 | $13 | |

(Continued)

CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2013

| | CAPITAL PROJECTS FUNDS | | | | |
|---|---|---|---|---|---|
| | General Capital Improvement | Measure C / J | Harbor Navigation | Civic Center Project | Total Nonmajor Governmental Funds |
| ASSETS | | | | | |
| Cash and investments | $704,408 | | $430,223 | $115,312 | $9,228,560 |
| Restricted cash and investments | 2,631,516 | | 343,476 | 2 | 10,530,010 |
| Receivables: | | | | | |
| Accounts, net | 5,000 | | | | 454,506 |
| Interest | 121 | | 27 | 8 | 822 |
| Grants | | $1,205,894 | | | 2,966,929 |
| Loans | | | | | 1,794,245 |
| Total Assets | $3,341,045 | $1,205,894 | $773,726 | $115,322 | $24,975,072 |
| LIABILITIES | | | | | |
| Accounts payable and accrued liabilities | $351,480 | $48,960 | | $31,712 | $932,416 |
| Due to other funds | | 272,055 | | | 3,247,402 |
| Unearned revenue | | | | | 3,424,871 |
| Total Liabilities | 351,480 | 321,015 | | 31,712 | 7,604,689 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue | | | | | 2,318,559 |
| FUND BALANCE | | | | | |
| Restricted | 2,631,516 | 884,879 | $343,476 | 83,610 | 19,305,364 |
| Assigned | 358,049 | | 430,250 | | 1,734,260 |
| Unassigned | | | | | (5,987,800) |
| Total Fund Balances (Deficits) | 2,989,565 | 884,879 | 773,726 | 83,610 | 15,051,824 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | $3,341,045 | $1,205,894 | $773,726 | $115,322 | $24,975,072 |

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CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

| | SPECIAL REVENUE FUNDS | | | | | | | | | DEBT SERVICE FUNDS | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | State Gas Tax | General Purpose | Paratransit Operations | Employment and Training | Public Safety | Lighting and Landscaping Districts | Developer Impact Fees | Secured Pension Override | Richmond Neighborhood Stabilization Corporation | 2005 Pension Obligation Bonds | Civic Center Debt Service | General Debt Service |
| REVENUES | | | | | | | | | | | | |
| Property taxes | | | | | | $1,310,594 | | $10,267,824 | | $4,450,362 | | |
| Licenses, permits and fees | | $18,750 | | $113,140 | | | $30 | | | | | |
| Fines, forfeitures and penalties | | 22,286 | | | | | | | | | | |
| Use of money and property | $24,546 | 9,426 | | | $6,713 | 7,461 | 17,566 | 20,079 | | 727 | $1,721 | $21,730 |
| Intergovernmental | 2,393,651 | 1,688,959 | $640,961 | 3,767,742 | 115,035 | | | | $504,913 | | | |
| Charges for services | | | 44,336 | 121,696 | | | | | | | 4,162,639 | |
| Pension stabilization revenue | | | | | | | | | | 2,549,922 | | |
| Other | | 5,230 | 677 | 188,217 | 133,859 | | | | | | | |
| Total Revenues | 2,418,197 | 1,744,651 | 685,974 | 4,190,795 | 255,607 | 1,318,055 | 17,596 | 10,287,903 | 504,913 | 7,001,011 | 4,164,360 | 21,730 |
| EXPENDITURES | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | |
| General government | | 218,388 | | | | | | 660,992 | | | | |
| Public safety | | 957,304 | | | 194,018 | | 1,344 | 5,021,339 | | | | |
| Public works | 1,796,697 | 3,550 | | | | 1,599,674 | | | | | | |
| Community development | | | | 4,653,051 | | | | | | | | |
| Cultural and recreational | | 324,363 | 1,124,051 | | | | 85,483 | | | | | |
| Housing and redevelopment | | | | | | | | | 469,094 | | | |
| Capital outlay | 2,383,869 | 795,691 | | | | 148,968 | 790,066 | | | | | |
| Debt Service: | | | | | | | | | | | | |
| Principal | | | | | | 60,014 | | | | 5,555,000 | | 1,765,000 |
| Interest and fiscal charges | | | | | | 15,082 | | | | 409,987 | 5,402,139 | 1,161,514 |
| Total Expenditures | 4,180,566 | 2,299,296 | 1,124,051 | 4,653,051 | 194,018 | 1,823,738 | 876,893 | 5,682,331 | 469,094 | 5,964,987 | 5,402,139 | 2,926,514 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (1,762,369) | (554,645) | (438,077) | (462,256) | 61,589 | (505,683) | (859,297) | 4,605,572 | 35,819 | 1,036,024 | (1,237,779) | (2,904,784) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | | |
| Issuance of debt | | | | | | | | | | | | |
| Transfers in | 278,862 | 34,674 | 435,189 | 738,460 | | 497,000 | 213,814 | | | | 1,699,019 | 2,444,523 |
| Transfers (out) | (41,146) | (40,246) | | | | | (19,048) | (5,590,950) | | (2,601,079) | | (278,862) |
| Total Other Financing Sources (Uses) | 237,716 | (5,572) | 435,189 | 738,460 | | 497,000 | 194,766 | (5,590,950) | | (2,601,079) | 1,699,019 | 2,165,661 |
| NET CHANGE IN FUND BALANCES | (1,524,653) | (560,217) | (2,888) | 276,204 | 61,589 | (8,683) | (664,531) | (985,378) | 35,819 | (1,565,055) | 461,240 | (739,123) |
| BEGINNING FUND BALANCES (DEFICITS) | 3,738,967 | 1,546,574 | (383,946) | 1,463,177 | 1,013,034 | 1,010,009 | (1,383,627) | 3,139,761 | | 8,666,696 | (4,000,991) | 726,066 |
| ENDING FUND BALANCES (DEFICITS) | $2,214,314 | $986,357 | ($386,834) | $1,739,381 | $1,074,623 | $1,001,326 | ($2,048,158) | $2,154,383 | $35,819 | $7,101,641 | ($3,539,751) | ($13,057) |

(Continued)

CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

| | CAPITAL PROJECTS FUNDS | | | | |
|---|---|---|---|---|---|
| | General Capital Improvement | Measure C / J | Harbor Navigation | Civic Center Projects | Total Nonmajor Governmental Funds |
| REVENUES | | | | | |
| Property taxes | | | | | $16,028,780 |
| Licenses, permits and fees | | | | | 131,920 |
| Fines, forfeitures and penalties | | | | | 22,286 |
| Use of money and property | $25,423 | $4,550 | $4,245 | $1,091 | 145,278 |
| Intergovernmental | 406,674 | 1,205,894 | | | 10,723,829 |
| Charges for services | | | | | 4,328,671 |
| Pension stabilization revenue | | | | | 2,549,922 |
| Other | 83,998 | | | | 411,981 |
| Total Revenues | 516,095 | 1,210,444 | 4,245 | 1,091 | 34,342,667 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 429,198 | | 315,000 | 543,287 | 2,166,865 |
| Public safety | | | | | 6,174,005 |
| Public works | 694,001 | 463,988 | | 52,289 | 4,610,199 |
| Community development | 11,097 | | | | 4,664,148 |
| Cultural and recreational | 14,875 | | | | 1,548,772 |
| Housing and redevelopment | | | | | 469,094 |
| Capital outlay | 3,923,432 | 646,166 | | 59,879 | 8,748,071 |
| Debt Service: | | | | | |
| Principal | | | | | 7,380,014 |
| Interest and fiscal charges | 63,570 | | 1,676 | | 7,053,968 |
| Total Expenditures | 5,136,173 | 1,110,154 | 316,676 | 655,455 | 42,815,136 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (4,620,078) | 100,290 | (312,431) | (654,364) | (8,472,469) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Issuance of debt | 2,621,558 | | | | 2,621,558 |
| Transfers in | 404,746 | | | | 6,746,287 |
| Transfers (out) | (181,880) | (3,600) | | (364,500) | (9,121,311) |
| Total Other Financing Sources (Uses) | 2,844,424 | (3,600) | | (364,500) | 246,534 |
| NET CHANGE IN FUND BALANCES | (1,775,654) | 96,690 | (312,431) | (1,018,864) | (8,225,935) |
| BEGINNING FUND BALANCES (DEFICITS) | 4,765,219 | 788,189 | 1,086,157 | 1,102,474 | 23,277,759 |
| ENDING FUND BALANCES (DEFICITS) | $2,989,565 | $884,879 | $773,726 | $83,610 | $15,051,824 |

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CITY OF RICHMOND
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | STATE GAS TAX | | | GENERAL PURPOSE | | |
|---|---|---|---|---|---|---|
| | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | | | | |
| Property taxes | | | | | | |
| Licenses, permits and fees | | | | $530,000 | $18,750 | ($511,250) |
| Fines, forfeitures and penalties | | | | 20,000 | 22,286 | 2,286 |
| Use of money and property | $45,000 | $24,546 | ($20,454) | 3,500 | 9,426 | 5,926 |
| Intergovernmental | 2,502,399 | 2,393,651 | (108,748) | 3,212,793 | 1,688,959 | (1,523,834) |
| Charges for services | | | | | | |
| Pension stabilization revenue | | | | | | |
| Other | | | | 24,000 | 5,230 | (18,770) |
| Total Revenues | 2,547,399 | 2,418,197 | (129,202) | 3,790,293 | 1,744,651 | (2,045,642) |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | | | | 585,000 | 218,388 | 366,612 |
| Public safety | | | | 1,332,964 | 957,304 | 375,660 |
| Public works | 4,011,347 | 1,796,697 | 2,214,650 | 738,671 | 3,550 | 735,121 |
| Community development | | | | | | |
| Cultural and recreational | | | | 602,149 | 324,363 | 277,786 |
| Housing and redevelopment | | | | | | |
| Capital outlay | 2,383,869 | 2,383,869 | | 1,757,980 | 795,691 | 962,289 |
| Debt Service: | | | | | | |
| Principal | | | | | | |
| Interest and fiscal charges | | | | | | |
| Total Expenditures | 6,395,216 | 4,180,566 | 2,214,650 | 5,016,764 | 2,299,296 | 2,717,468 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (3,847,817) | (1,762,369) | 2,085,448 | (1,226,471) | (554,645) | 671,826 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | | 278,862 | 278,862 | 7,500 | 34,674 | 27,174 |
| Transfers (out) | | (41,146) | (41,146) | (340,646) | (40,246) | 300,400 |
| Total Other Financing Sources (Uses) | | 237,716 | 237,716 | (333,146) | (5,572) | 327,574 |
| NET CHANGE IN FUND BALANCES | ($3,847,817) | (1,524,653) | $2,323,164 | ($1,559,617) | (560,217) | $999,400 |
| BEGINNING FUND BALANCES (DEFICITS) | | 3,738,967 | | | 1,546,574 | |
| ENDING FUND BALANCES (DEFICITS) | | $2,214,314 | | | $986,357 | |

| | PARATRANSIT OPERATIONS | | | PUBLIC SAFETY | | | LIGHTING AND LANDSCAPING DISTRICTS | | |
|---|---|---|---|---|---|---|---|---|---|
| | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | | | | | | | |
| Property taxes | | | | | | | $1,310,637 | $1,310,594 | ($43) |
| Licenses, permits and fees | | | | | | | | | |
| Fines, forfeitures and penalties | | | | | | | | | |
| Use of money and property | | | | $3,600 | $6,713 | $3,113 | | 7,461 | 7,461 |
| Intergovernmental | $665,825 | $640,961 | ($24,864) | 499,062 | 115,035 | (384,027) | | | |
| Charges for services | 47,000 | 44,336 | (2,664) | | | | | | |
| Pension stabilization revenue | | | | | | | | | |
| Other | | 677 | 677 | 149,453 | 133,859 | (15,594) | | | |
| Total Revenues | 712,825 | 685,974 | (26,851) | 652,115 | 255,607 | (396,508) | 1,310,637 | 1,318,055 | 7,418 |
| EXPENDITURES | | | | | | | | | |
| Current: | | | | | | | | | |
| General government | | | | | | | | | |
| Public safety | | | | 854,832 | 194,018 | 660,814 | | | |
| Public works | | | | | | | 2,265,978 | 1,599,674 | 666,304 |
| Community development | | | | | | | | | |
| Cultural and recreational | 1,113,865 | 1,124,051 | (10,186) | | | | | | |
| Housing and redevelopment | | | | | | | | | |
| Capital outlay | | | | 15,000 | | 15,000 | | 148,968 | (148,968) |
| Debt Service: | | | | | | | | | |
| Principal | | | | | | | 75,278 | 60,014 | 15,264 |
| Interest and fiscal charges | | | | | | | 9,415 | 15,082 | (5,667) |
| Total Expenditures | 1,113,865 | 1,124,051 | (10,186) | 869,832 | 194,018 | 675,814 | 2,350,671 | 1,823,738 | 526,933 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (401,040) | (438,077) | (37,037) | (217,717) | 61,589 | 279,306 | (1,040,034) | (505,683) | 534,351 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | |
| Transfers in | 423,612 | 435,189 | 11,577 | | | | 497,000 | 497,000 | |
| Transfers (out) | | | | | | | | | |
| Total Other Financing Sources (Uses) | 423,612 | 435,189 | 11,577 | | | | 497,000 | 497,000 | |
| NET CHANGE IN FUND BALANCES | $22,572 | (2,888) | ($25,460) | ($217,717) | 61,589 | $279,306 | ($543,034) | (8,683) | $534,351 |
| BEGINNING FUND BALANCES (DEFICITS) | | (383,946) | | | 1,013,034 | | | 1,010,009 | |
| ENDING FUND BALANCES (DEFICITS) | | ($386,834) | | | $1,074,623 | | | $1,001,326 | |

(Continued)

CITY OF RICHMOND
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | DEVELOPER IMPACT FEES | | | RICHMOND NEIGHBORHOOD STABILIZATION CORPORATION | | | 2005 PENSION OBLIGATION BONDS | | | CIVIC CENTER DEBT SERVICE | | | GENERAL DEBT SERVICE | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | | | | | | | | | | | | | |
| Property taxes | | | | | | | $5,787,162 | $4,450,362 | ($1,336,800) | | | | | | |
| Licenses, permits and fees | $9,700 | $30 | ($9,670) | | | | | | | | | | | | |
| Fines, forfeitures and penalties | | | | | | | | | | | | | | | |
| Use of money and property | 37,670 | 17,566 | (20,104) | | | | 400,000 | 727 | (399,273) | | $1,721 | $1,721 | | $21,730 | $21,730 |
| Intergovernmental | | | | $1,581,355 | $504,913 | ($1,076,442) | | | | | | | | | |
| Charges for services | | | | | | | | | | $4,062,917 | 4,162,639 | 99,722 | | | |
| Pension stabilization revenue | | | | | | | 2,549,922 | 2,549,922 | | | | | | | |
| Other | | | | | | | | | | | | | | | |
| Total Revenues | 47,370 | 17,596 | (29,774) | 1,581,355 | 504,913 | (1,076,442) | 8,737,084 | 7,001,011 | (1,736,073) | 4,062,917 | 4,164,360 | 101,443 | | 21,730 | 21,730 |
| EXPENDITURES | | | | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | | | | |
| General government | | | | | | | | | | | | | | | |
| Public safety | 88,091 | 1,344 | 86,747 | | | | | | | | | | | | |
| Public works | 16,851 | | 16,851 | | | | | | | | | | | | |
| Community development | | | | | | | | | | | | | | | |
| Cultural and recreational | 202,197 | 85,483 | 116,714 | | | | | | | | | | | | |
| Housing and redevelopment | | | | 326,000 | 469,094 | (143,094) | | | | | | | | | |
| Capital outlay | 1,670,197 | 790,066 | 880,131 | | | | | | | | | | | | |
| Debt Service: | | | | | | | | | | | | | | | |
| Principal | | | | | | | 4,930,000 | 5,555,000 | (625,000) | | | | $1,740,000 | 1,765,000 | (25,000) |
| Interest and fiscal charges | | | | | | | 713,329 | 409,987 | 303,342 | 5,405,876 | 5,402,139 | 3,737 | 1,125,736 | 1,161,514 | (35,778) |
| Total Expenditures | 1,977,336 | 876,893 | 1,100,443 | 326,000 | 469,094 | (143,094) | 5,643,329 | 5,964,987 | (321,658) | 5,405,876 | 5,402,139 | 3,737 | 2,865,736 | 2,926,514 | (60,778) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (1,929,966) | (859,297) | 1,070,669 | 1,255,355 | 35,819 | (1,219,536) | 3,093,755 | 1,036,024 | (2,057,731) | (1,342,959) | (1,237,779) | 105,180 | (2,865,736) | (2,904,784) | (39,048) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | | | | | |
| Transfers in | | 213,814 | 213,814 | | | | | | | 1,699,019 | 1,699,019 | | 2,444,523 | 2,444,523 | |
| Transfers (out) | | (19,048) | (19,048) | | | | (2,601,079) | (2,601,079) | | | | | | (278,862) | (278,862) |
| Total Other Financing Sources (Uses) | | 194,766 | 194,766 | | | | (2,601,079) | (2,601,079) | | 1,699,019 | 1,699,019 | | 2,444,523 | 2,165,661 | (278,862) |
| NET CHANGE IN FUND BALANCES | ($1,929,966) | (664,531) | $1,265,435 | $1,255,355 | 35,819 | ($1,219,536) | $492,676 | (1,565,055) | ($2,057,731) | $356,060 | 461,240 | $105,180 | ($421,213) | (739,123) | ($317,910) |
| BEGINNING FUND BALANCES (DEFICITS) | | (1,383,627) | | | | | | 8,666,696 | | | (4,000,991) | | | 726,066 | |
| ENDING FUND BALANCES (DEFICITS) | | ($2,048,158) | | | $35,819 | | | $7,101,641 | | | ($3,539,751) | | | ($13,057) | |

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## NON-MAJOR ENTERPRISE FUNDS

**Richmond Marina Fund** records revenues collected from berth rentals and the use of the marina facilities. The fund also records expenses incurred for the operation of the facility and for the payment of the loan from the California Department of Boating and Waterways.

**Storm Sewer Fund** records the revenues from storm water fees and transfers from operations reserves. It also records the expenses of maintaining a clean storm sewer system so that the City is in compliance with the federally mandated Storm Water Pollution Prevention Program.

**Cable TV Fund** was set up for the administration and enforcement of the franchise agreements with two cable television systems, management of municipal cable channel, departmental video services, media and public information, and telecommunications planning. The fund records revenue received from franchise fees and indirect charges to other funds and administration expenses incurred in operating the system.

CITY OF RICHMOND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2013

| | Richmond Marina | Storm Sewer | Cable TV | Total |
|---|---|---|---|---|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and investments | $2,901,167 | | $307,058 | $3,208,225 |
| Receivables: | | | | |
| Accounts | 53,315 | $167,220 | 316,559 | 537,094 |
| Interest | 183 | | 21 | 204 |
| Total Current Assets | 2,954,665 | 167,220 | 623,638 | 3,745,523 |
| Noncurrent Assets | | | | |
| Capital assets: | | | | |
| Depreciable, net | 1,863,914 | 4,719,290 | 101,066 | 6,684,270 |
| Total Noncurrent Assets | 1,863,914 | 4,719,290 | 101,066 | 6,684,270 |
| Total Assets | 4,818,579 | 4,886,510 | 724,704 | 10,429,793 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts payable and accrued liabilities | 8,860 | 266,208 | 10,289 | 285,357 |
| Refundable deposits | | 1,200 | | 1,200 |
| Interest payable | 124,054 | | | 124,054 |
| Due to other funds | | 1,609,196 | | 1,609,196 |
| Compensated absences | | 14,354 | 31,439 | 45,793 |
| Current portion of long term debt | 71,483 | | | 71,483 |
| Total Current Liabilities | 204,397 | 1,890,958 | 41,728 | 2,137,083 |
| Noncurrent Liabilities | | | | |
| Advance from other funds | | 1,992,948 | | 1,992,948 |
| Long-term debt | 2,935,889 | | | 2,935,889 |
| Total Noncurrent Liabilities | 2,935,889 | 1,992,948 | | 4,928,837 |
| Total Liabilities | 3,140,286 | 3,883,906 | 41,728 | 7,065,920 |
| NET POSITION | | | | |
| Net investment in capital assets | (1,143,458) | 4,719,290 | 101,066 | 3,676,898 |
| Unrestricted | 2,821,751 | (3,716,686) | 581,910 | (313,025) |
| Total Net Position | $1,678,293 | $1,002,604 | $682,976 | $3,363,873 |



CITY OF RICHMOND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

| | Richmond Marina | Storm Sewer | Cable TV | Total |
|---|---|---|---|---|
| OPERATING REVENUES | | | | |
| Service charges | | $1,837,789 | $1,029,613 | $2,867,402 |
| Lease income | $466,921 | 4,212 | | 471,133 |
| Other | | | 290,939 | 290,939 |
| Total Operating Revenues | 466,921 | 1,842,001 | 1,320,552 | 3,629,474 |
| OPERATING EXPENSES | | | | |
| Salaries and benefits | | 290,558 | 607,761 | 898,319 |
| General and administrative | 46,133 | 1,504,102 | 354,166 | 1,904,401 |
| Depreciation | 85,197 | 947,390 | 28,637 | 1,061,224 |
| Other | | | 238 | 238 |
| Total Operating Expenses | 131,330 | 2,742,050 | 990,802 | 3,864,182 |
| Operating Income (Loss) | 335,591 | (900,049) | 329,750 | (234,708) |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest income | 22,241 | | 1,578 | 23,819 |
| Grants | | 72,353 | | 72,353 |
| Interest (expense) | (135,588) | (73,491) | | (209,079) |
| Total Nonoperating Revenues (Expenses) | (113,347) | (1,138) | 1,578 | (112,907) |
| Income (Loss) Before Transfers | 222,244 | (901,187) | 331,328 | (347,615) |
| Transfers (out) | (100,000) | | (147,055) | (247,055) |
| Net Transfers | (100,000) | | (147,055) | (247,055) |
| Change in Net Position | 122,244 | (901,187) | 184,273 | (594,670) |
| BEGINNING NET POSITION | 1,556,049 | 1,903,791 | 498,703 | 3,958,543 |
| ENDING NET POSITION | $1,678,293 | $1,002,604 | $682,976 | $3,363,873 |

CITY OF RICHMOND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

| | Richmond Marina | Storm Sewer | Cable TV | TOTAL |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | $465,933 | $1,840,714 | $1,221,779 | $3,528,426 |
| Payments to suppliers | (53,584) | (1,637,989) | (401,010) | (2,092,583) |
| Payments to employees | | (289,670) | (615,359) | (905,029) |
| Cash Flows from Operating Activities | 412,349 | (86,945) | 205,410 | 530,814 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Interfund receipts | | 88,085 | | 88,085 |
| Receipts from other governments | | 72,353 | | 72,353 |
| Transfers out | (100,000) | | (147,055) | (247,055) |
| Cash Flows from Noncapital Financing Activities | (100,000) | 160,438 | (147,055) | (86,617) |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES: | | | | |
| Repayment of long-term borrowing | (68,405) | | | (68,405) |
| Interest paid | (138,411) | (73,493) | | (211,904) |
| Cash flows from capital financing activities | (206,816) | (73,493) | | (280,309) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Interest received | 22,489 | | 1,603 | 24,092 |
| Cash Flows from Investing Activities | 22,489 | | 1,603 | 24,092 |
| Net Cash Flows | 128,022 | | 59,958 | 187,980 |
| Cash and investments at beginning of period | 2,773,145 | | 247,100 | 3,020,245 |
| Cash and investments at end of period | $2,901,167 | | $307,058 | $3,208,225 |
| Reconciliation of operating income (loss) to net cash flows from operating activities: | | | | |
| Operating income (loss) | $335,591 | ($900,049) | $329,750 | ($234,708) |
| Adjustments to reconcile operating income to net cash flows from operating activities: | | | | |
| Depreciation | 85,197 | 947,390 | 28,637 | 1,061,224 |
| Change in assets and liabilities: | | | | |
| Accounts receivable | (988) | (1,287) | (98,773) | (101,048) |
| Accounts payable and accrued liabilities and other accrued expenses | (7,451) | (133,887) | (46,606) | (187,944) |
| Compensated absences | | 888 | (7,598) | (6,710) |
| Cash Flows from Operating Activities | $412,349 | ($86,945) | $205,410 | $530,814 |

C-98





## INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by  of damages incurred.

**Equipment Services and Replacement Fund** is used to report activities related to maintenance and replacement of City vehicles.

**Police Telecommunications Fund** is used to report activities related to CAD dispatch, RMS records maintenance, and 800 MHz equipment expense.

CITY OF RICHMOND
INTERNAL SERVICES FUND
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2013

| | Insurance Reserves | Equipment Services and Replacement | Police Tele-communications | Total |
|---|---|---|---|---|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and investments | | $2,188,418 | $1,130,066 | $3,318,484 |
| Receivables: | | | | |
| Accounts | $14,271 | 12,233 | 277,048 | 303,552 |
| Interest | 1,169 | 165 | 58 | 1,392 |
| Loan | 1,150,000 | | | 1,150,000 |
| Prepaids and supplies | | | 27,719 | 27,719 |
| Due from other funds | 15,117,019 | | | 15,117,019 |
| Total Current Assets | 16,282,459 | 2,200,816 | 1,434,891 | 19,918,166 |
| Noncurrent Assets | | | | |
| Capital assets: | | | | |
| Depreciable, net | | 7,341,984 | 382,273 | 7,724,257 |
| Advances to other funds | 1,992,948 | | | 1,992,948 |
| Total Noncurrent Assets | 1,992,948 | 7,341,984 | 382,273 | 9,717,205 |
| Total Assets | 18,275,407 | 9,542,800 | 1,817,164 | 29,635,371 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts payable and accrued liabilities | 248,228 | 5,579 | 7,571 | 261,378 |
| Due to other funds | 316,751 | | | 316,751 |
| Interest payable | | 638 | | 638 |
| Accrued claims liabilities | 6,005,150 | | | 6,005,150 |
| Current portion of long-term debt | | 557,479 | | 557,479 |
| Total Current Liabilities | 6,570,129 | 563,696 | 7,571 | 7,141,396 |
| Noncurrent Liabilities | | | | |
| Compensated absences | 41,138 | | 213,890 | 255,028 |
| Unearned revenue | | | 1,250,188 | 1,250,188 |
| Accrued claims liabilities | 16,258,313 | | | 16,258,313 |
| Long-term debt | | 1,449,585 | | 1,449,585 |
| Total Noncurrent Liabilities | 16,299,451 | 1,449,585 | 1,464,078 | 19,213,114 |
| Total Liabilities | 22,869,580 | 2,013,281 | 1,471,649 | 26,354,510 |
| NET POSITION (DEFICIT) | | | | |
| Net investment in capital assets | | 5,334,920 | 382,273 | 5,717,193 |
| Unrestricted | (4,594,173) | 2,194,599 | (36,758) | (2,436,332) |
| Total Net Position (Deficit) | ($4,594,173) | $7,529,519 | $345,515 | $3,280,861 |



CITY OF RICHMOND
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FRO THE YEAR ENDED JUNE 30, 2013

| | Insurance Reserves | Equipment Services and Replacement | Police Tele-communications | Total |
|---|---|---|---|---|
| OPERATING REVENUES | | | | |
| Charges for services-internal | $9,907,261 | $2,071,244 | $3,241,282 | $15,219,787 |
| Charges for services-external | | | 1,388,818 | 1,388,818 |
| Total Operating Revenues | 9,907,261 | 2,071,244 | 4,630,100 | 16,608,605 |
| OPERATING EXPENSES | | | | |
| Salaries and benefits | 2,144,012 | 56 | 3,933,978 | 6,078,046 |
| General and administrative | 1,109,928 | 324,419 | 590,689 | 2,025,036 |
| Maintenance | | | 175,266 | 175,266 |
| Depreciation | | 1,689,846 | 110,760 | 1,800,606 |
| Claims losses | 16,230,052 | | | 16,230,052 |
| Other | 13,832 | | 29 | 13,861 |
| Total Operating Expenses | 19,497,824 | 2,014,321 | 4,810,722 | 26,322,867 |
| Operating Income (Loss) | (9,590,563) | 56,923 | (180,622) | (9,714,262) |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Gain (loss) from sale of property | | (20,642) | | (20,642) |
| Interest income | 249,880 | 18,557 | 37 | 268,474 |
| Interest expense | | (78,771) | | (78,771) |
| Total Nonoperating Revenues (Expenses) | 249,880 | (80,856) | 37 | 169,061 |
| Income Before Transfers | (9,340,683) | (23,933) | (180,585) | (9,545,201) |
| Transfers in | | 1,064,820 | | 1,064,820 |
| Transfers (out) | (3,127,259) | | (6,516) | (3,133,775) |
| Net Transfers | (3,127,259) | 1,064,820 | (6,516) | (2,068,955) |
| Change in Net Position | (12,467,942) | 1,040,887 | (187,101) | (11,614,156) |
| BEGINNING NET POSITION(DEFICIT) | 7,873,769 | 6,488,632 | 532,616 | 14,895,017 |
| ENDING NET POSITION (DEFICIT) | ($4,594,173) | $7,529,519 | $345,515 | $3,280,861 |

CITY OF RICHMOND
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

| | Insurance Reserves | Equipment Services and Replacement | Police Tele-communications | Total |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | $10,157,290 | $2,069,943 | $4,743,426 | $16,970,659 |
| Payments to employees | (2,161,344) | (56) | (3,891,092) | (6,052,492) |
| Payments to suppliers | (986,633) | (654,810) | (761,845) | (2,403,288) |
| Insurance premiums and claims paid | (14,470,266) | | | (14,470,266) |
| Cash Flows from Operating Activities | (7,460,953) | 1,415,077 | 90,489 | (5,955,387) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Interfund payments | (4,249,731) | | | (4,249,731) |
| Transfers in | | 1,064,820 | | 1,064,820 |
| Transfers (out) | (3,127,259) | | (6,516) | (3,133,775) |
| Cash Flows from Noncapital Financing Activities | (7,376,990) | 1,064,820 | (6,516) | (6,318,686) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition of capital assets | | (975,834) | | (975,834) |
| Proceeds from sale of capital assets | | 1,301 | | 1,301 |
| Principal payments on capital debt | | (907,273) | | (907,273) |
| Interest and fiscal charges paid | | (79,091) | | (79,091) |
| Cash Flows from Capital and Related Financing Activities | | (1,960,897) | | (1,960,897) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest | 252,804 | 18,670 | 117 | 271,591 |
| Cash Flows from Investing Activities | 252,804 | 18,670 | 117 | 271,591 |
| Net Cash Flows | (14,585,139) | 537,670 | 84,090 | (13,963,379) |
| Cash and investments at beginning of period | 14,585,139 | 1,650,748 | 1,045,976 | 17,281,863 |
| Cash and investments at end of period | | $2,188,418 | $1,130,066 | $3,318,484 |
| Reconciliation of operating income (loss) to net cash flows from operating activities: | | | | |
| Operating income (loss) | ($9,590,563) | $56,923 | ($180,622) | ($9,714,262) |
| Adjustments to reconcile operating income to net cash flows from operating activities: | | | | |
| Depreciation | | 1,689,846 | 110,760 | 1,800,606 |
| Change in assets and liabilities: | | | | |
| Receivables, net | 250,029 | (1,301) | 47,166 | 295,894 |
| Inventories | | | (1,770) | (1,770) |
| Accounts and other payables | 137,127 | (330,391) | 5,909 | (187,355) |
| Unearned revenue | | | 66,160 | 66,160 |
| Compensated absences | (17,332) | | 42,886 | 25,554 |
| Claims payable | 1,759,786 | | | 1,759,786 |
| Cash Flows from Operating Activities | ($7,460,953) | $1,415,077 | $90,489 | ($5,955,387) |
| Non cash transactions: | | | | |
| Retirement of capital assets | | $21,943 | | $21,943 |







## TRUST FUNDS

**TRUST FUNDS** are used to account for assets held by the City as a trustee agent for individuals, private organizations, and other governments. These funds include the following:

**PENSION TRUST FUNDS**

**General Pension Fund** records the activity of the General Pension Plan, a defined benefit pension plan that covers 28 former City employees not covered by PERS, all of whom have retired.

**Police and Fireman's Pension Fund** records the activity of the Police and Fireman's Pension Plan, a defined benefit pension plan that covers 75 police and fire personnel employed prior to October 1964.

**Garfield Pension Fund** records the activity of the Garfield Pension Plan, a defined contribution pension plan that was set up for a retired police chief.

**PRIVATE-PURPOSE TRUST FUNDS**

**Pt. Molate Fund** is used to account for assets held by the City as an agent for the U.S. Navy and a private developer for the cleanup of Point Molate.

**Successor Agency to the Richmond Community Redevelopment Agency Fund** accounts for the activities of the Successor Agency to the former Redevelopment Agency.

CITY OF RICHMOND
STATEMENT OF PENSION TRUST FUNDS NET POSITION
JUNE 30, 2013

| | General Pension | Police and Fireman's Pension | Garfield Pension | Total |
|---|---|---|---|---|
| ASSETS | | | | |
| Pension plan cash and investments: | | | | |
| City of Richmond investment pool | $1,033,099 | $2,551,376 | $53,278 | $3,637,753 |
| Local Agency Investment Fund | | | 191,383 | 191,383 |
| Mutual Fund Investments | | 17,282,999 | | 17,282,999 |
| Interest receivable | 69 | 177 | | 246 |
| Total Assets | 1,033,168 | 19,834,552 | 244,661 | 21,112,381 |
| NET POSITION | | | | |
| Held in trust for employees' pension benefits | $1,033,168 | $19,834,552 | $244,661 | $21,112,381 |

CITY OF RICHMOND
PENSION TRUST FUNDS
STATEMENT OF CHANGES IN PENSION TRUST FUNDS NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

| | General Pension | Police and Fireman's Pension | Garfield Pension | Total |
|---|---|---|---|---|
| ADDITIONS | | | | |
| Net investment income: | | | | |
| Net increase (decrease) in the fair value of investments | $875 | $1,435,825 | | $1,436,700 |
| Interest income | 4,566 | 402,770 | $825 | 408,161 |
| Investment management fees | | (102,456) | | (102,456) |
| Contribution from the City | 660,992 | 5,021,339 | 77,000 | 5,759,331 |
| Total Additions | 666,433 | 6,757,478 | 77,825 | 7,501,736 |
| DEDUCTIONS | | | | |
| Pension benefits | 587,755 | 3,518,429 | 85,430 | 4,191,614 |
| Total Deductions | 587,755 | 3,518,429 | 85,430 | 4,191,614 |
| Net Increase (Decrease) | 78,678 | 3,239,049 | (7,605) | 3,310,122 |
| NET POSITION | | | | |
| Beginning of year | 954,490 | 16,595,503 | 252,266 | 17,802,259 |
| End of year | $1,033,168 | $19,834,552 | $244,661 | $21,112,381 |

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CITY OF RICHMOND
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013

| | Pt. Molate | Successor Agency to the Richmond Community Redevelopment Agency | Total |
|---|---|---|---|
| ASSETS | | | |
| Cash and investments | | $11,014,698 | $11,014,698 |
| Restricted cash and investments | $19,729,256 | 32,315,397 | 52,044,653 |
| Accounts receivable | | 106,589 | 106,589 |
| Interest receivable | 3,180 | | 3,180 |
| Grants receivable | | 4,583,092 | 4,583,092 |
| Loans receivable | | 2,406,000 | 2,406,000 |
| Prepaids and other assets | | 7,317,024 | 7,317,024 |
| Capital assets: | | | |
| Nondepreciable | | 22,931,406 | 22,931,406 |
| Depreciable, net | | 33,133 | 33,133 |
| Total Assets | 19,732,436 | 80,707,339 | 100,439,775 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 127,083 | 7,874,427 | 8,001,510 |
| Interest payable | | 1,858,049 | 1,858,049 |
| Derivative instrument at fair value-liability | | 7,619,232 | 7,619,232 |
| Long-term debt: | | | |
| Due within one year | | 7,483,781 | 7,483,781 |
| Due in more than one year | | 126,816,528 | 126,816,528 |
| Total Liabilities | 127,083 | 151,652,017 | 151,779,100 |
| NET POSITION | | | |
| Held in trust for employees' pension benefits and other purposes | $19,605,353 | ($70,944,678) | ($51,339,325) |



CITY OF RICHMOND
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

| | Pt. Molate | Successor Agency to the Richmond Community Redevelopment Agency | Total |
|---|---|---|---|
| ADDITIONS | | | |
| Property taxes | | $16,320,481 | $16,320,481 |
| Investment income | $30,744 | 1,344,676 | 1,375,420 |
| Intergovernmental revenue | | 7,750,041 | 7,750,041 |
| Miscellaneous revenue | | 2,423,627 | 2,423,627 |
| Total Additions | 30,744 | 27,838,825 | 27,869,569 |
| DEDUCTIONS | | | |
| Community development | | 15,015,210 | 15,015,210 |
| Payments in accordance with trust agreements | 1,485,225 | | 1,485,225 |
| Depreciation | | 12,369 | 12,369 |
| Interest and fiscal charges | | 7,038,167 | 7,038,167 |
| Total Deductions | 1,485,225 | 22,065,746 | 23,550,971 |
| Change in net position before extraordinary item | (1,454,481) | 5,773,079 | 4,318,598 |
| EXTRAORDINARY ITEM | | | |
| Assets transferred to the Successor Agency | | 5,328,244 | 5,328,244 |
| Change in net position | (1,454,481) | 11,101,323 | 9,646,842 |
| NET POSITION (DEFICIT), BEGINNING OF YEAR | 21,059,834 | (82,046,001) | (60,986,167) |
| NET POSITION (DEFICIT), END OF YEAR | $19,605,353 | ($70,944,678) | ($51,339,325) |

CITY OF RICHMOND
SUBCOMBINING SCHEDULE OF NET POSITION OF THE
SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2013

| | Redevelopment Property Tax Trust Fund | Administration | Capital Projects | Low to Moderate Income Housing | Bond Funded Capital Projects | Bond Payments | Intra Fund Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | | |
| Cash and investments | $11,001,908 | $12,790 | | | | | | $11,014,698 |
| Restricted cash and investments | | | $3,022,946 | | $7,479,094 | $21,813,357 | | 32,315,397 |
| Accounts receivable | | 36 | 106,553 | | | | | 106,589 |
| Grants receivable | | | 2,947,000 | $1,636,092 | | | | 4,583,092 |
| Loans receivable | | | 2,406,000 | | | | | 2,406,000 |
| Due from other funds | 120,570 | | | 2,506,487 | | | ($2,627,057) | |
| Prepaids and other assets | | | 7,317,024 | | | | | 7,317,024 |
| Capital assets: | | | | | | | | |
| Nondepreciable | | | 22,931,406 | | | | | 22,931,406 |
| Depreciable, net | | | 33,133 | | | | | 33,133 |
| Total Assets | 11,122,478 | 12,826 | 38,764,062 | 4,142,579 | 7,479,094 | 21,813,357 | (2,627,057) | 80,707,339 |
| LIABILITIES | | | | | | | | |
| Accounts payable and accrued liabilities | 1,144,000 | 12,826 | 3,357,686 | 3,359,915 | | | | 7,874,427 |
| Due to other funds | | | 161,413 | | 2,465,644 | | (2,627,057) | |
| Interest payable | | | | | | 1,858,049 | | 1,858,049 |
| Derivative instrument at fair value-liability | | | | | | 7,619,232 | | 7,619,232 |
| Long-term debt: | | | | | | | | |
| Due within one year | | | | | | 7,483,781 | | 7,483,781 |
| Due in more than one year | | | | | | 126,816,528 | | 126,816,528 |
| Total Liabilities | 1,144,000 | 12,826 | 3,519,099 | 3,359,915 | 2,465,644 | 143,777,590 | (2,627,057) | 151,652,017 |
| NET POSITION (DEFICIT) | | | | | | | | |
| Held in trust for other governments | $9,978,478 | | $35,244,963 | $782,664 | $5,013,450 | ($121,964,233) | | ($70,944,678) |

CITY OF RICHMOND
SUBCOMBINING SCHEDULE OF CHANGES IN NET POSITION OF THE
SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2013

| | Redevelopment Property Tax Trust Fund | Administration | Capital Projects | Low to Moderate Income Housing | Bond Funded Capital Projects | Bond Payments | Intra Fund Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| ADDITIONS | | | | | | | | |
| Property taxes | $16,320,481 | | | | | | | $16,320,481 |
| Investment income | | $1,149 | $120,595 | | $983 | $1,221,949 | | 1,344,676 |
| Intergovernmental revenue | | 741,371 | 7,008,670 | | | | | 7,750,041 |
| Transfers from other funds | | 542,798 | 7,476,231 | | | 15,055,008 | ($23,074,037) | |
| Gain on sale of capital assets | | | | | | | | |
| Miscellaneous revenue | | | 2,423,627 | | | | | 2,423,627 |
| Total Additions | 16,320,481 | 1,285,318 | 17,029,123 | | 983 | 16,276,957 | (23,074,037) | 27,838,825 |
| DEDUCTIONS | | | | | | | | |
| Community development | | 1,285,318 | 12,213,437 | $1,516,455 | | | | 15,015,210 |
| Depreciation | | | 12,369 | | | | | 12,369 |
| Interest and fiscal charges | | | 539,370 | | 265 | 6,498,532 | | 7,038,167 |
| Transfers to other funds | 14,006,804 | | 3,165,978 | 1,843,460 | 4,047,234 | 10,561 | (23,074,037) | |
| Total Deductions | 14,006,804 | 1,285,318 | 15,931,154 | 3,359,915 | 4,047,499 | 6,509,093 | (23,074,037) | 22,065,746 |
| Change in net position before extraordinary item | 2,313,677 | | 1,097,969 | (3,359,915) | (4,046,516) | 9,767,864 | | 5,773,079 |
| EXTRAORDINARY ITEM | | | | | | | | |
| Assets transferred from the City | | | 5,328,244 | | | | | 5,328,244 |
| Change in net position | 2,313,677 | | 6,426,213 | (3,359,915) | (4,046,516) | 9,767,864 | | 11,101,323 |
| NET POSITION (DEFICIT), BEGINNING OF YEAR | 7,664,801 | | 28,818,750 | 4,142,579 | 9,059,966 | (131,732,097) | | (82,046,001) |
| NET POSITION (DEFICIT), END OF YEAR | $9,978,478 | | $35,244,963 | $782,664 | $5,013,450 | ($121,964,233) | | ($70,944,678) |

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## AGENCY FUNDS

**AGENCY FUNDS** account for assets held by the City as an agent for individuals, governmental entities, and non-public organizations. These funds include the following:

**Special Assessment Fund** accounts for the monies collected and disbursed for land-based debt, where the City is not obligated for the debt.

**General Agency Fund** accounts for assets held by the City as an agent for individuals, private organizations, and other governments.

**Johnson Library Fund** accounts for nonexpendable trust funds to be used to provide funding for special library projects.

**Senior Center Fund** accounts for assets held by the City in an agent capacity for programs benefiting the senior citizens residing within the City.

**JPFA Reassessment Fund** receives secured tax payments (from assessment rolls), and makes payments on the JPFA Revenue Reassessment Bonds Series 2003-1.

**1999 Revenue Refunding Bonds Fund** receives payments of principal and interest on prior assessment bonds, and makes payments on the JPFA Revenue Refunding Bonds Series 1999-A.

**Payroll Benefits Fund** accounts for accumulation of monies relating to employee and employer payroll liabilities.

**2006 A&B Reassessment District Fund** receives payments of principal and interest on prior assessment bonds, and makes payments on the JPFA Reassessment Revenue Bonds Series A and B.

CITY OF RICHMOND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Balance June 30, 2012 | Additions | Reductions | Balance June 30, 2013 |
|---|---|---|---|---|
| **Special Assessment** | | | | |
| Cash and investments | $1,016,132 | $515,769 | $536,461 | $995,440 |
| Restricted cash and investments | 652,798 | 1,966 | | 654,764 |
| Accounts receivable | | 16,285 | | 16,285 |
| Interest receivable | 104 | 63 | 104 | 63 |
| Total Assets | $1,669,034 | $534,083 | $536,565 | $1,666,552 |
| Due to assessment district bondholders | $1,669,034 | $534,083 | $536,565 | $1,666,552 |
| **General Agency** | | | | |
| Cash and investments | $1,302,603 | $377 | $154,492 | $1,148,488 |
| Interest receivable | 198 | 72 | 198 | 72 |
| Total Assets | $1,302,801 | $449 | $154,690 | $1,148,560 |
| Accounts payable and accrued liabilities | $1,876 | $251 | $1,876 | $251 |
| Refundable Deposits | 1,300,925 | 198 | 152,814 | 1,148,309 |
| Total Liabilities | $1,302,801 | $449 | $154,690 | $1,148,560 |
| **Johnson Library** | | | | |
| Cash and investments | $10,071 | $82 | | $10,153 |
| Interest receivable | 2 | 1 | $2 | 1 |
| Total Assets | $10,073 | $83 | $2 | $10,154 |
| Refundable deposits | $10,073 | $83 | $2 | $10,154 |
| **Senior Center** | | | | |
| Cash and investments | $46,014 | $8,634 | $8,830 | $45,818 |
| Interest receivable | 7 | 3 | 7 | 3 |
| Total Assets | $46,021 | $8,637 | $8,837 | $45,821 |
| Accounts payable and accrued liabilities | $8,830 | $2,499 | $8,830 | $2,499 |
| Refundable Deposits | 37,191 | 6,138 | 7 | 43,322 |
| Total Liabilities | $46,021 | $8,637 | $8,837 | $45,821 |

(Continued)



CITY OF RICHMOND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Balance June 30, 2012 | Additions | Reductions | Balance June 30, 2013 |
|---|---|---|---|---|
| **JPFA Reassessment** | | | | |
| Cash and investments | $1,986,151 | $957,384 | $866,783 | $2,076,752 |
| Restricted cash and investments | 639,370 | | 17,911 | 621,459 |
| Interest receivable | 303 | 130 | 303 | 130 |
| Investment in reassessment bonds | 5,300,000 | | 355,000 | 4,945,000 |
| Total Assets | $7,925,824 | $957,514 | $1,239,997 | $7,643,341 |
| Due to assessment district bondholders | $7,925,824 | $957,514 | $1,239,997 | $7,643,341 |
| **Payroll Benefits** | | | | |
| Cash and investments | $1,048,670 | $210,752 | $221,281 | $1,038,141 |
| Accounts receivable | 210,752 | 204,456 | 210,752 | 204,456 |
| Total Assets | $1,259,422 | $415,208 | $432,033 | $1,242,597 |
| Accounts payable and accrued liabilities | $1,259,422 | $415,208 | $432,033 | $1,242,597 |
| **2006 A&B Reassessment District** | | | | |
| Cash and investments | $926,897 | $898,256 | $869,083 | $956,070 |
| Restricted cash and investments | 570,967 | | 153 | 570,814 |
| Interest receivable | 139 | 58 | 139 | 58 |
| Investment in reassessment bonds | 9,600,000 | | 267,500 | 9,332,500 |
| Total Assets | $11,098,003 | $898,314 | $1,136,875 | $10,859,442 |
| Due to assessment district bondholders | $11,098,003 | $898,314 | $1,136,875 | $10,859,442 |

(Continued)

CITY OF RICHMOND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Balance June 30, 2012 | Additions | Reductions | Balance June 30, 2013 |
|---|---|---|---|---|
| Total Agency Funds | | | | |
| Cash and investments | $6,336,538 | $2,591,254 | $2,656,930 | $6,270,862 |
| Restricted cash and investments | 1,863,135 | 1,966 | 18,064 | 1,847,037 |
| Investment in reassessment bonds | 14,900,000 | | 622,500 | 14,277,500 |
| Accounts receivable | 210,752 | 220,741 | 210,752 | 220,741 |
| Interest receivable | 753 | 327 | 753 | 327 |
| Total Assets | $23,311,178 | $2,814,288 | $3,508,999 | $22,616,467 |
| Accounts payable and accrued liabilities | $1,270,128 | $417,958 | $442,739 | $1,245,347 |
| Refundable Deposits | 1,348,189 | 6,419 | 152,823 | 1,201,785 |
| Due to assessment district bondholders | 20,692,861 | 2,389,911 | 2,913,437 | 20,169,335 |
| Total Liabilities | $23,311,178 | $2,814,288 | $3,508,999 | $22,616,467 |

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## STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

***Financial Trends***
These schedules contain trend information to help the reader understand how the City's financial performance and wellbeing have changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

***Revenue Capacity***
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Principal Property Tax Payers
4. Property Tax Levies and Collections

***Debt Capacity***
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Revenue Bond Coverage – 1999, 2006, 2008 & 2010B Wastewater Revenue Bonds
3. Revenue Bond Coverage – 1996, 1999, 2004 & 2007 and 2009 Port Terminal Lease Revenue Bonds, Note and Point Potrero Lease Revenue Bonds.
4. Bonded Debt Pledged Revenue Coverage –Tax Allocation Bonds
5. General Bonded Debt – Pension Obligation Bonds
6. Computation of Direct and Overlapping Debt
7. Computation of Legal Bonded Debt Margin

***Demographic and Economic Information***
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

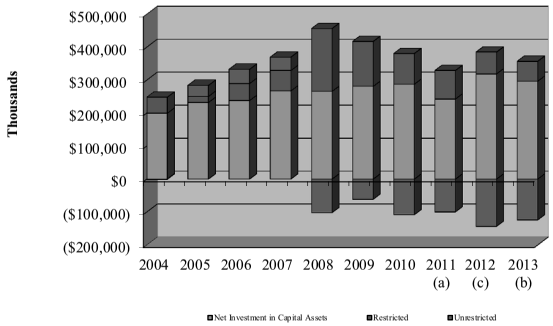
1. Demographic and Economic Statistics
2. Principal Employers

***Operating Information***
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

***Sources***
Unless otherwise noted, the information in these schedules is derived from the Annual Financial Reports for the relevant year.

**CITY OF RICHMOND**
**Net Position by Component**
**Last Ten Fiscal Years**
**(accrual basis of accounting)**




| | Fiscal Year Ended June 30 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 (a) | 2012 (c) | 2013 (b) |
| ***Governmental activities*** | | | | | | | | | | |
| Net investment in capital assets | $123,741,262 | $155,699,999 | $155,930,914 | $170,258,857 | $188,467,600 | $201,607,368 | $201,197,639 | $164,739,567 | $242,281,323 | $219,606,153 |
| Restricted | 45,358,192 | 16,193,394 | 49,291,795 | 60,271,169 | 188,950,882 | 135,801,179 | 72,114,985 | 78,105,002 | 57,989,820 | 51,268,906 |
| Unrestricted | 19,096,845 | 42,225,569 | 44,525,862 | 48,795,188 | (101,295,871) | (57,236,422) | (66,103,671) | (83,013,306) | (118,620,471) | (117,821,846) |
| Total governmental activities net position | $188,196,299 | $214,118,962 | $249,748,571 | $279,325,214 | $276,122,611 | $280,172,125 | $207,208,953 | $159,831,263 | $181,650,672 | $153,053,213 |
| ***Business-type activities*** | | | | | | | | | | |
| Net investment in capital assets | $75,917,317 | $76,670,956 | $82,419,674 | $97,164,301 | $77,558,806 | $79,540,643 | $86,432,590 | $78,162,970 | $76,731,871 | $76,966,448 |
| Restricted | 3,156,207 | 2,246,548 | 2,283,065 | 1,427,804 | 1,526,840 | 612,613 | 21,150,740 | 8,334,722 | 8,169,878 | 9,196,255 |
| Unrestricted | (19,724,085) | (8,865,682) | (1,351,641) | (8,084,756) | (519,625) | (3,963,417) | (42,004,396) | (16,389,951) | (24,759,367) | (6,282,570) |
| Total business-type activities net position | $59,349,439 | $70,051,822 | $83,351,098 | $90,507,349 | $78,566,021 | $76,189,839 | $65,578,934 | $70,107,741 | $60,142,382 | $79,880,133 |
| ***Primary government*** | | | | | | | | | | |
| Net investment in capital assets | $199,658,579 | $232,370,955 | $238,350,588 | $267,423,158 | $266,026,406 | $281,148,011 | $287,630,229 | $242,902,537 | $319,013,194 | $296,572,601 |
| Restricted | 48,514,399 | 18,439,942 | 51,574,860 | 61,698,973 | 190,477,722 | 136,413,792 | 93,265,725 | 86,439,724 | 66,159,698 | 60,465,161 |
| Unrestricted | (627,240) | 33,359,887 | 43,174,221 | 40,710,432 | (101,815,496) | (61,199,839) | (108,108,067) | (99,403,257) | (143,379,838) | (124,104,416) |
| Total primary government net position | $247,545,738 | $284,170,784 | $333,099,669 | $369,832,563 | $354,688,632 | $356,361,964 | $272,787,887 | $229,939,004 | $241,793,054 | $232,933,346 |

(a) Balance was restated in fiscal year 2012.
Years prior to 2011 have not been restated.
(b) The City implemented the provisions of GASB Statement 63 in fiscal year 2013,
which replaced the term "net assets" with the term "net position".
(c) Balance was restated in fiscal year 2013. Years prior to 2012 have not been restated.

**CITY OF RICHMOND**
**Changes in Net Position**
**Last Ten Fiscal Years**
**(Accrual Basis of Accounting)**

| | Fiscal Year Ended June 30 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 (b) |
| **Expenses** | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General Government | $33,157,403 | $11,798,558 | $20,757,394 | $24,107,042 | $26,826,443 | $18,745,594 | $19,044,449 | $17,127,696 | $32,549,754 | $35,272,517 |
| Public Safety | 55,122,382 | 46,320,116 | 64,704,505 | 69,145,528 | 80,140,357 | 91,432,506 | 95,147,888 | 101,613,767 | 100,403,365 | 97,136,602 |
| Public Works | 39,509,425 | 36,743,774 | 40,119,182 | 25,265,766 | 31,252,681 | 43,289,943 | 43,342,529 | 41,004,033 | 42,747,958 | 46,011,618 |
| Community Development | 5,771,490 | 4,487,223 | 6,400,700 | 5,446,357 | 5,046,846 | 4,316,710 | 7,698,693 | 7,685,733 | 5,845,968 | 4,909,158 |
| Cultural and Recreational | 11,426,024 | 7,120,024 | 10,516,483 | 15,637,748 | 19,624,717 | 16,618,663 | 14,952,438 | 14,647,978 | 14,583,687 | 12,129,962 |
| Housing and Redevelopment | 9,610,845 | 10,883,850 | 14,587,522 | 11,338,512 | 17,471,811 | 19,209,243 | 18,014,624 | 15,524,912 | 19,768,765 | 2,816,094 |
| Interest and Fiscal Charges | 14,665,716 | 10,163,111 | 13,970,272 | 16,041,384 | 24,242,109 | 22,961,838 | 20,251,260 | 23,108,139 | 19,633,486 | 15,411,831 |
| Total Governmental Activities Expenses | 169,263,285 | 127,516,656 | 171,056,058 | 166,982,337 | 204,604,964 | 216,574,497 | 228,451,881 | 220,712,258 | 235,532,983 | 213,687,782 |
| Business-Type Activities: | | | | | | | | | | |
| Richmond Housing Authority | 27,920,939 | 28,054,660 | 25,761,763 | 21,902,483 | 24,324,334 | 23,335,623 | 27,709,496 | 27,246,056 | 30,989,229 | 28,992,229 |
| Port of Richmond | 2,911,772 | 2,545,842 | 2,896,324 | 3,690,733 | 4,589,789 | 4,739,269 | 8,611,216 | 7,033,016 | 7,868,918 | 9,337,252 |
| Richmond Marina | 272,694 | 248,045 | 245,732 | 331,099 | 240,542 | 235,571 | 232,855 | 343,734 | 1,681,461 | 266,918 |
| Municipal Sewer | 10,047,198 | 9,020,928 | 9,599,570 | 12,236,185 | 15,084,727 | 14,290,536 | 13,611,098 | 14,193,822 | 14,655,752 | 16,964,175 |
| Storm Sewer | 2,461,223 | 2,142,358 | 2,953,974 | 3,590,975 | 4,685,796 | 4,466,645 | 2,527,838 | 2,670,397 | 2,744,775 | 2,815,541 |
| Cable TV | 699,809 | 646,770 | 702,849 | 798,758 | 853,646 | 898,370 | 991,506 | 961,059 | 1,037,142 | 990,802 |
| Convention Center | 291,078 | 269,595 | 274,542 | | | | | | | |
| Total Business-Type Activities Expenses | 44,604,713 | 42,928,198 | 42,434,754 | 42,550,233 | 49,778,834 | 47,966,014 | 53,684,009 | 52,448,084 | 58,977,277 | 59,366,917 |
| Total Primary Government Expenses | $213,867,998 | $170,444,854 | $213,490,812 | $209,532,570 | $254,383,798 | $264,540,511 | $282,135,890 | $273,160,342 | $294,510,260 | $273,054,699 |
| **Program Revenues** | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| General Government | $12,779,067 | $6,195,631 | $9,579,562 | $12,500,031 | $13,061,289 | $7,813,724 | $6,612,893 | $8,155,496 | $8,496,532 | $11,596,612 |
| Public Safety | 22,300 | 1,061,832 | 2,674,213 | 3,337,186 | 3,435,021 | 3,931,893 | 5,677,457 | 5,177,825 | 5,075,588 | 5,400,290 |
| Public Works | 5,133,200 | 6,829,231 | 2,017,908 | 1,641,139 | 952,330 | 1,669,681 | 1,656,353 | 3,741,601 | 2,596,312 | 3,090,211 |
| Community Development | 17 | 1,488,832 | 2,488,628 | 562,647 | 393,878 | 170,872 | 504,726 | 135,215 | 361,706 | 234,836 |
| Cultural and Recreational | 234,308 | 230,187 | 1,230,022 | 277,523 | 257,258 | 594,205 | 1,294,976 | 1,151,374 | 1,118,777 | 516,499 |
| Housing and Redevelopment | 26 | 54 | 3,145,276 | 320,165 | 1,037,112 | 7,000 | 222,459 | | | |
| Operating Grants and Contributions | 10,143,316 | 9,035,667 | 10,737,556 | 11,310,497 | 9,642,093 | 8,402,636 | 12,286,127 | 17,934,341 | 11,259,829 | 9,703,416 |
| Capital Grants and Contributions | 2,409,429 | 2,502,038 | 4,584,637 | 8,659,910 | 4,066,710 | 6,997,666 | 9,685,942 | 20,016,974 | 17,238,057 | 11,360,153 |
| Total Government Activities Program Revenues | 30,721,663 | 27,343,472 | 36,457,802 | 38,609,098 | 32,845,691 | 29,587,677 | 37,937,933 | 56,312,826 | 46,146,801 | 41,902,017 |
| Business-Type Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Richmond Housing Authority | 2,234,580 | 1,822,316 | 1,663,345 | 1,630,745 | 1,776,252 | 3,096,831 | 2,100,519 | 1,916,352 | 2,354,197 | 2,619,669 |
| Port of Richmond | 2,491,147 | 5,913,472 | 6,130,166 | 5,392,626 | 5,900,126 | 5,095,840 | 3,882,153 | 6,329,914 | 7,745,580 | 9,043,026 |
| Richmond Marina | 458,473 | 456,142 | 579,581 | 448,630 | 484,212 | 476,588 | 417,679 | 220,858 | 259,777 | 466,921 |
| Municipal Sewer | 10,008,499 | 9,099,788 | 11,009,699 | 12,410,236 | 13,864,120 | 14,432,849 | 15,991,488 | 17,342,276 | 17,565,632 | 17,733,454 |
| Storm Sewer | 1,478,790 | 1,546,345 | 1,545,977 | 1,655,799 | 1,637,151 | 1,579,698 | 1,593,792 | 1,697,475 | 1,800,536 | 1,842,001 |
| Cable TV | 911,227 | 840,773 | 944,693 | 930,168 | 974,924 | 1,084,389 | 1,157,502 | 1,099,919 | 1,022,100 | 1,320,552 |
| Convention Center | 202,246 | 273,008 | 326,715 | 37,659 | | | | | | |
| Operating Grants and Contributions | 9,498 | | | | | 18,683,329 | 21,549,967 | 23,332,167 | 22,742,102 | 22,323,336 |
| Capital Grants and Contributions | 33,845,368 | 32,707,460 | 33,223,130 | 23,780,008 | 24,675,667 | 50,027 | 2,429,709 | 2,685,479 | 3,775,002 | 10,087,538 |
| Total Business-Type Activities Program Revenue | 51,639,828 | 52,659,304 | 55,423,306 | 46,294,871 | 49,312,452 | 44,499,551 | 49,122,809 | 54,624,440 | 57,264,926 | 65,436,497 |
| Total Primary Government Program Revenues | $82,361,491 | $80,002,776 | $91,881,108 | $84,903,969 | $82,158,143 | $74,087,228 | $87,060,742 | $110,937,266 | $103,411,727 | $107,338,514 |
| **Net (Expense)/Revenue** | | | | | | | | | | |
| Governmental Activities | ($138,541,622) | ($100,173,184) | ($134,598,256) | ($128,373,239) | ($171,759,273) | ($186,986,820) | ($190,513,948) | ($164,399,432) | ($189,386,182) | ($171,785,765) |
| Business-Type Activities | 7,035,115 | 9,731,106 | 12,988,552 | 3,744,638 | (466,382) | (3,466,463) | (4,561,200) | 2,176,356 | (1,712,351) | 6,069,580 |
| Total Primary Government Net Expense | ($131,506,507) | ($90,442,078) | ($121,609,704) | ($124,628,601) | ($172,225,655) | ($190,453,283) | ($195,075,148) | ($162,223,076) | ($191,098,533) | ($165,716,185) |
| **General Revenues and Other Changes in Net Position** | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property Taxes: | | | | | | | | | | |
| Current Collections | $36,475,512 | $39,806,022 | $58,637,096 | $73,496,915 | $77,012,808 | $78,279,818 | $62,620,002 | $61,155,694 | $52,219,777 | $47,207,734 |
| Released from Pension Reserve Fund | | 8,342,849 | 17,115,525 | | | | | | | |
| Sales Tax | 12,352,198 | 20,273,363 | 25,402,253 | 28,217,895 | 29,005,711 | 27,922,698 | 25,000,182 | 23,025,923 | 27,788,339 | 29,865,548 |
| Utility user taxes | 29,322,850 | 29,721,091 | 30,199,388 | 27,007,410 | 29,553,243 | 48,953,004 | 50,298,719 | 45,007,806 | 45,984,315 | 48,398,349 |
| Document transfer taxes | | | | | | | | | 2,765,842 | 2,957,834 |
| Other Taxes | 9,421,142 | 13,847,030 | 14,690,034 | 12,042,215 | 8,802,995 | 7,959,683 | 6,092,050 | 3,361,146 | 3,784,986 | 3,289,518 |
| Use of Money and Property | 2,597,233 | 2,993,086 | 5,490,761 | 7,895,609 | 9,990,413 | 6,851,266 | (7,618,093) | 8,877,982 | (22,064,295) | 11,331,823 |
| Unrestricted Intergovernmental | 4,157,098 | 3,031,587 | 954,905 | 438,625 | 4,330,572 | 2,197,148 | 957,140 | 2,427,575 | 4,752,245 | 44,814 |
| Miscellaneous | 18,778,396 | 152,775 | 3,144,463 | 3,253,446 | 3,101,841 | 9,220,595 | 5,465,467 | 6,723,228 | 7,917,715 | 3,461,402 |
| Gain on Sales of Capital Assets | | 11,361,312 | 2,361,410 | 3,113,487 | 4,008,197 | 5,000,000 | | | | |
| Pension stabilization revenue | | | 4,175,381 | 4,240,135 | 4,256,500 | 5,292,746 | 2,728,314 | 2,728,314 | 2,544,175 | 2,549,922 |
| Developer revenue sharing | | | 3,254,620 | 591,051 | 201,270 | 51,767 | 138,454 | 101,739 | 55,958 | |
| Settlement reimbursement | | | 4,226,289 | | | | | | | |
| Transfers | 49,486 | 167,153 | 375,740 | (2,346,906) | (1,706,880) | (692,391) | 500,000 | (85,629) | 1,030,428 | (590,394) |
| Extraordinary items | | | | | | | | | | |
| Assets transferred to/liabilities assumed by Housing Successor/Successor Agency | | | | | | | | | 84,426,106 (a) | (5,328,244) |
| Total Government Activities | 113,153,915 | 129,696,268 | 170,227,865 | 157,949,882 | 168,556,670 | 191,036,334 | 146,182,235 | 153,323,778 | 211,205,591 | 143,188,306 |
| Business-Type Activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property Taxes | | 10,193 | 10,867 | 10,576 | 10,382 | | | | | |
| Use of Money and Property | 1,809,249 | 1,222,413 | 1,247,868 | 1,618,432 | 919,679 | 390,189 | (2,768,103) | 1,657,791 | (5,331,300) | 4,054,073 |
| Settlement | | | | | | | 1,922,260 | | | |
| Other | | 1,956,342 | | | 313,863 | 7,701 | 188,143 | 609,031 | | |
| Gain (Loss) on Sales of Capital Assets | | | | 41,000 | | | | | | |
| Special Item | | | | | (14,425,750) | | | | | |
| Transfers | (49,486) | (167,153) | (375,740) | 2,346,906 | 1,706,880 | 692,391 | (500,000) | 85,629 | (1,030,428) | 590,394 |
| Extraordinary item | | | | | | | | | | 9,023,704 |
| Total Business-Type Activities | 1,759,763 | 3,021,795 | 882,995 | 4,016,914 | (11,474,946) | 1,090,281 | (1,157,700) | 2,352,451 | (6,361,728) | 13,668,171 |
| Total Primary Government | $114,913,678 | $132,718,063 | $171,110,860 | $161,966,796 | $157,081,724 | $192,126,615 | $145,024,535 | $155,676,229 | $204,843,863 | $156,856,477 |
| **Change in Net Position** | | | | | | | | | | |
| Governmental Activities | ($25,387,707) | $29,523,084 | $35,629,609 | $29,576,643 | ($3,202,603) | $4,049,514 | ($44,331,713) | ($11,075,654) | $21,819,409 | ($28,597,459) |
| Business-Type Activities | 8,794,878 | 12,752,901 | 13,871,547 | 7,761,552 | (11,941,328) | (2,376,182) | (5,718,900) | 4,528,807 | (8,074,079) | 19,737,751 |
| Total Primary Government | ($16,592,829) | $42,275,985 | $49,501,156 | $37,338,195 | ($15,143,931) | $1,673,332 | ($50,050,613) | ($6,546,847) | $13,745,330 | ($8,859,708) |

(a) The Redevelopment Agency was dissolved effective January 31, 2012 and its net assets transferred to a Successor Agency.
(b) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

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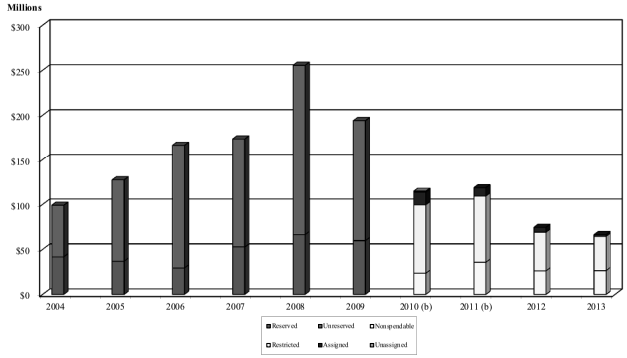
C-110

**CITY OF RICHMOND**
**Fund Balances of Governmental Funds**
**Last Ten Fiscal Years**
**(Modified Accrual Basis of Accounting)**




| | Fiscal Year Ended June 30, | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 (b) | 2011 (b) | 2012 | 2013 | |
| General Fund | | | | | | | | | | | |
| Reserved | $23,334,569 | $17,083,473 | $9,638,843 | $22,090,540 | $27,048,978 | $24,682,489 | | | | | |
| Unreserved | 12,440,443 | 26,510,417 | 38,590,926 | 32,341,360 | 19,387,650 | 20,855,189 | | | | | |
| Nonspendable | | | | | | | $23,360,596 | $28,021,103 | $25,944,325 | $26,366,829 | |
| Assigned | | | | | | | 1,009,480 | 380,999 | 377,181 | 219,646 | |
| Unassigned | | | | | | | 14,836,337 | 12,077,471 | 11,036,847 | 10,238,862 | |
| Total General Fund | $35,775,012 | $43,593,890 | $48,229,769 | $54,431,900 | $46,436,628 | $45,537,678 | $39,206,413 | $40,479,573 | $37,358,353 | $36,825,337 | (a) |
| All Other Governmental Funds | | | | | | | | | | | |
| Reserved | $18,402,465 | $19,734,505 | $19,716,191 | $30,517,337 | $39,341,789 | $34,982,192 | | | | | |
| Unreserved, reported in: | | | | | | | | | | | |
| Special revenue funds | 7,730,927 | 9,644,237 | 22,266,931 | 23,291,973 | 21,732,666 | 10,128,026 | | | | | |
| Debt service funds | (1,555,799) | 462,267 | 6,647,877 | 11,101,399 | 28,551,466 | 26,219,974 | | | | | |
| Capital project funds | 38,672,895 | 53,792,412 | 69,561,861 | 54,143,312 | 119,382,544 | 77,066,114 | | | | | |
| Nonspendable | | | | | | | $19,160 | $7,666,605 | $174,067 | | |
| Restricted | | | | | | | 76,120,393 | 73,538,765 | 42,888,150 | $37,990,309 | |
| Assigned | | | | | | | 12,925,706 | 8,925,705 | 5,147,506 | 1,734,260 | |
| Unassigned | | | | | | | (13,673,750) | (13,944,936) | (11,929,833) | (14,327,402) | |
| Total all other governmental funds | $63,250,488 | $83,633,421 | $118,192,860 | $119,054,021 | $209,008,465 | $148,396,306 | $75,391,509 | $76,186,139 | $36,279,890 | $25,397,167 | |

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

(b) The City implemented the provisions of GASB Statement 54 in fiscal year 2011, and years prior to 2010 have not been restated to conform with the new regulations.

**CITY OF RICHMOND**
**Changes in Fund Balance of Governmental Funds**
**Last Ten Fiscal Years**
**(Modified Accrual Basis of Accounting)**

| | Fiscal Year Ended June 30, 2012 | | | | | Fiscal Year Ended June 30, | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| **Revenues** | | | | | | | | | | |
| Property taxes | $36,475,512 | $48,148,871 | $76,431,421 | $73,983,141 | $77,764,608 | $79,047,050 | $63,858,143 | $57,113,666 | $51,964,005 | $48,518,328 |
| Sales taxes | 12,352,198 | 20,273,363 | 25,402,253 | 28,217,895 | 29,005,711 | 27,922,698 | 25,000,182 | 23,025,923 | 27,788,339 | 29,865,548 |
| Utility user fees | 29,322,850 | 29,721,091 | 30,199,388 | 27,007,410 | 29,553,243 | 48,953,004 | 40,298,719 | 50,007,806 | 50,984,315 | 48,398,349 |
| Other taxes | 9,421,142 | 13,847,030 | 14,690,034 | 12,042,215 | 8,342,809 | 7,959,683 | 6,092,050 | 7,824,181 | 6,550,828 | 6,247,352 |
| Licenses, permits and fees | 8,414,668 | 8,347,868 | 14,272,803 | 8,379,660 | 8,164,006 | 6,415,896 | 7,598,407 | 7,495,563 | 9,393,833 | 11,830,426 |
| Developer revenue sharing | | | 3,254,620 | 591,051 | 201,270 | 51,767 | 138,454 | 101,739 | 55,958 | |
| Fines, forfeitures and penalties | 435,057 | 522,015 | 396,257 | 312,723 | 312,706 | 359,870 | 481,264 | 474,889 | 536,510 | 617,509 |
| Use of money and property | 2,628,566 | 2,496,624 | 5,149,718 | 6,879,814 | 10,360,029 | 5,278,605 | 1,849,884 | 1,031,746 | 932,393 | 557,936 |
| Intergovernmental | 15,892,578 | 15,980,671 | 16,303,188 | 24,439,246 | 18,092,672 | 15,753,684 | 21,627,513 | 38,605,526 | 36,121,561 | 19,995,922 |
| Charges for services | 6,775,449 | 3,864,491 | 4,421,803 | 4,488,092 | 6,026,165 | 5,585,383 | 8,517,238 | 9,425,484 | 9,204,016 | 9,350,051 |
| Pension stabilization revenue | | | 4,175,381 | 4,240,135 | 4,256,500 | 5,292,746 | 2,728,314 | 2,728,314 | 2,544,175 | 2,549,922 |
| Settlement reimbursement | | | 4,226,289 | | | | | | | |
| Rent | 2,560,987 | 237,568 | 414,716 | 605,207 | 336,617 | 312,096 | 766,017 | 960,661 | 793,144 | 681,141 |
| Other | 23,152,932 | 3,191,685 | 3,496,107 | 3,009,820 | 3,407,481 | 11,685,170 | 4,766,408 | 6,686,908 | 7,142,854 | 2,703,133 |
| Total Revenues | 147,431,939 | 146,631,277 | 202,833,978 | 194,196,409 | 195,823,817 | 214,617,652 | 183,722,593 | 205,482,406 | 204,011,931 | 181,315,617 |
| **Expenditures** | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | | 12,871,884 | 18,986,723 | 22,646,791 | 26,022,760 | 19,044,304 | 14,412,971 | 15,053,928 | 30,303,614 | 33,251,610 |
| Public safety | | 52,859,724 | 64,006,470 | 72,869,340 | 86,716,916 | 93,507,626 | 95,989,053 | 94,269,101 | 87,286,248 | 87,573,539 |
| Public works | | 20,947,719 | 20,371,718 | 12,207,805 | 18,121,576 | 20,513,373 | 20,997,847 | 23,144,011 | 25,555,928 | 26,065,996 |
| Highway and streets | | | | | | | | | | |
| Health and sanitation | | | | | | | | | | |
| Community development | | 4,542,606 | 6,306,343 | 5,449,106 | 5,196,860 | 4,334,599 | 7,692,545 | 7,655,697 | 5,643,542 | 4,709,478 |
| Cultural and recreational | | 7,362,852 | 10,300,456 | 15,142,703 | 20,814,698 | 16,796,528 | 15,137,648 | 14,559,213 | 12,183,399 | 11,175,362 |
| Housing and redevelopment | | 11,971,460 | 20,778,294 | 11,345,178 | 22,828,774 | 22,049,876 | 12,098,783 | 11,767,304 | 6,267,418 | 3,089,640 |
| Salaries and wages | 86,240,536 | | | | | | | | | |
| General and administrative | 40,886,151 | | | | | | | | | |
| Maintenance | 2,182,381 | | | | | | | | | |
| Other | 601,026 | | | | | | | | | |
| SERAF | | | | | | | 10,118,826 | 2,083,288 | | |
| Capital outlay | 12,570,471 | 10,630,365 | 17,479,290 | 34,281,457 | 62,742,853 | 80,466,151 | 25,142,692 | 27,189,722 | 28,721,772 | 15,704,486 |
| Debt service: | | | | | | | | | | |
| Principal repayment | 7,989,730 | 7,639,995 | 6,515,045 | 9,079,459 | 6,300,998 | 9,684,582 | 171,714,191 (a) | 14,879,506 | 14,312,544 | 8,691,629 |
| Interest and fiscal charges | 12,102,434 | 9,206,783 | 11,257,775 | 10,129,575 | 15,612,543 | 14,038,265 | 21,418,597 | 14,559,340 | 11,393,091 | 7,504,922 |
| Total Expenditures | 162,572,729 | 138,033,388 | 176,002,114 | 193,151,414 | 264,357,978 | 280,435,304 | 394,723,153 | 225,161,110 | 221,667,556 | 197,766,662 |
| Excess (deficiency) of revenues over (under) expenditures | (15,140,790) | 8,597,889 | 26,831,864 | 1,044,995 | (68,534,161) | (65,817,652) | (211,000,560) | (19,678,704) | (17,655,625) | (16,451,045) |
| **Other Financing Sources (Uses)** | | | | | | | | | | |
| Transfers in | 66,659,138 | 27,587,164 | 53,092,947 | 33,071,479 | 184,513,795 | 79,414,731 | 49,963,245 | 62,507,821 | 38,456,022 | 21,145,031 |
| Transfers out | (69,609,652) | (34,410,933) | (54,131,970) | (31,800,296) | (185,857,975) | (80,148,188) | (43,560,606) | (55,482,457) | (33,437,663) | (19,666,470) |
| Sale of property | 578,907 | 9,071,591 | 3,167,685 | 4,747,114 | 4,287,517 | 5,040,000 | 23,300 | | 188,489 | 53,618 |
| Payment to refund bond escrow agent | | | | | (32,897,515) | | | | | |
| Issuance of long-term debt | 29,145,759 | 17,356,100 | 124,111,809 | | 172,962,622 | | 121,076,391 | 14,721,130 | 3,214,243 | 2,621,558 |
| Bond Premium | | | | | | | | | 109,701 | 106,740 |
| Payment to retirement plan | | | (113,877,017) | | | | | | | |
| Total other financing sources (uses) | 26,774,152 | 19,603,922 | 12,363,454 | 6,018,297 | 143,008,444 | 4,306,543 | 127,502,330 | 21,746,494 | 8,530,792 | 4,260,477 |
| **Special and Extraordinary Items** | | | | | | | | | | |
| Assets transferred to/liabilities assumed by Housing Successor/Successor Agency | | | | | | | | | (33,902,636) (b) | |
| Interfund advance restructuring | | | | | | | | | | 745,119 |
| Total Special and Extraordinary Items | | | | | | | | | (33,902,636) | 745,119 |
| Net Change in fund balances | $11,633,362 | $28,201,811 | $39,195,318 | $7,063,292 | $74,474,283 | ($61,511,109) | ($83,498,230) | $2,067,790 | ($43,027,469) | ($11,445,449) |
| Debt service as a percentage of noncapital expenditures | 13.4% | 13.2% | 11.2% | 11.9% | 10.7% | 11.1% | 51.9% | 14.5% | 12.3% | 8.7% |

NOTE:
(a) Debt service in 2010 includes the current refunding of the 2007 Tax Allocation Bonds of $64,275,000.
(b) The Redevelopment Agency was dissolved effective January 31, 2012 and its net assets transferred to a Successor Agency.

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C-112

**CITY OF RICHMOND**
**ASSESSED AND ESTIMATED ACTUAL**
**VALUE OF TAXABLE PROPERTY**
**LAST TEN FISCAL YEARS**
*(In Thousands)*

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| **ASSESSED VALUE** [1] | | | | | | | | | | |
| Land | $2,627,744 | $2,959,317 | $3,418,224 | $4,039,890 | $4,514,200 | $4,498,812 | $3,541,992 | $3,427,021 | $3,329,164 | $3,216,147 |
| Improvements | 5,738,751 | 6,621,854 | 7,266,076 | 7,862,708 | 8,395,671 | 8,995,536 | 8,071,718 | 6,721,515 | 7,413,276 | 9,268,934 |
| Total Real Property | 8,366,495 | 9,581,171 | 10,684,300 | 11,902,598 | 12,909,871 | 13,494,348 | 11,613,710 | 10,148,536 | 10,742,440 | 12,485,081 |
| Personal Property | 558,698 | 563,253 | 538,693 | 572,948 | 333,505 | 632,670 | 683,995 | 671,258 | 681,204 | 795,573 |
| **TOTAL** | $8,925,193 | $10,144,424 | $11,222,993 | $12,475,546 | $13,243,376 | $14,127,018 | $12,297,705 | $10,819,794 | $11,423,644 | $13,280,654 |
| **EXEMPTIONS**[2] | | | | | | | | | | |
| Homeowners'[a] | $116,687 | $115,580 | $117,722 | $111,746 | $113,417 | $113,296 | $111,793 | $110,280 | $107,571 | $104,144 |
| Other[b] | 243,788 | 267,660 | 317,429 | 332,611 | 338,751 | 364,531 | 432,140 | 473,917 | 495,344 | 519,976 |
| TOTAL | $360,475 | $383,240 | $435,151 | $444,357 | $452,168 | $477,827 | $543,933 | $584,197 | $602,915 | $624,120 |
| **ASSESSED VALUE** | | | | | | | | | | |
| (Net of Exemptions) | $8,564,718 | $9,761,184 | $10,787,842 | $12,031,189 | $12,791,208 | $13,649,191 | $11,753,772 | $10,235,597 | $10,820,729 | $12,656,534 |
| **Less: Redevelopment Tax Increments**[3] | 1,102,499 | 1,200,250 | 1,346,439 | 1,982,930 | 2,333,771 | 2,404,325 | 1,736,546 | 1,594,287 | 1,578,082 | 1,558,233 |
| **NET ASSESSED VALUE** | $7,462,219 | $8,560,934 | $9,441,403 | $10,048,259 | $10,457,437 | $11,244,866 | $10,017,226 | $8,641,310 | $9,242,647 | $11,098,301 |
| **NET INCREASE (DECREASE)** | $370,913 | $1,098,715 | $880,469 | $606,856 | $409,178 | $787,429 | ($1,227,640) | ($1,375,916) | $601,337 | $1,855,654 |
| **% OF INCREASE (DECREASE)** | 5.23% | 14.72% | 10.28% | 6.43% | 4.07% | 7.53% | -10.92% | -14% | 7% | 20% |
| **Total Direct Tax Rate**[4] | 0.24212% | 0.37246% | 0.38727% | 0.53811% | 0.42849% | 0.43216% | 0.40770% | 0.41395% | 0.40618% | 0.38653% |

[1] Assessed value (full cash value) of taxable property represents all property within the City. For the fiscal year 1981-82 and thereafter, the assessed value is 100% of the full cash value in accordance with State legislation. The maximum tax rate is 1% of the full cash value or $1/$100 of the assessed value, excluding the tax rate for debt service.

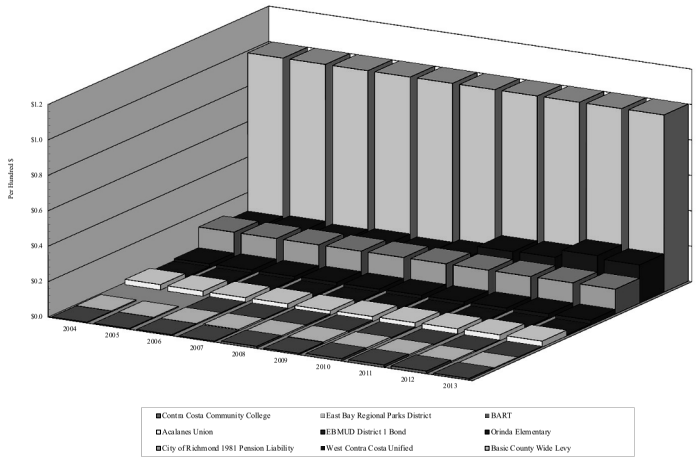
[2] Exemptions are summarized as follows:
(a) Homeowners' exemption arises from Article XIII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3)(k).
(b) Other exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).

[3] Tax increments are allocations made to the Redevelopment Agency under authority of California Constitution, Article XVI.

[4] California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area. The City of Richmond encompasses more than 92 tax rate areas. See Property Tax Rates statistics for additional information.

Source: County of Contra Costa, Office of the Auditor-Controller
HdL reports

**CITY OF RICHMOND**
**PROPERTY TAX RATES**
**ALL OVERLAPPING GOVERNMENTS**
**LAST TEN FISCAL YEARS**




| Fiscal Year | Basic County Wide Levy (1) | City of Richmond 1981 Pension Liability (2) | BART | East Bay Regional Parks District | Acalanes Union | East Bay MUD Dist. 1 Bond | Orinda Elementary | West Contra Costa Unified | Contra Costa Community College | Total Direct & Overlapping Tax Rates (3) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2004 | $1.00000 | $0.14000 | | $0.00570 | $0.03020 | $0.00790 | $0.02310 | $0.10640 | $0.00380 | $1.31710 |
| 2005 | 1.00000 | 0.14000 | | 0.00570 | 0.02900 | 0.00760 | 0.02470 | 0.11530 | 0.00420 | 1.32650 |
| 2006 | 1.00000 | 0.14000 | $0.00480 | 0.00570 | 0.02790 | 0.00720 | 0.02360 | 0.10410 | 0.00470 | 1.31800 |
| 2007 | 1.00000 | 0.14000 | 0.00500 | 0.00850 | 0.02920 | 0.00680 | 0.02590 | 0.11430 | 0.00430 | 1.33400 |
| 2008 | 1.00000 | 0.14000 | 0.00760 | 0.00800 | 0.02590 | 0.00650 | 0.02370 | 0.10350 | 0.01080 | 1.32600 |
| 2009 | 1.00000 | 0.14000 | 0.00900 | 0.01000 | 0.02890 | 0.00640 | 0.02470 | 0.12300 | 0.00660 | 1.34860 |
| 2010 | 1.00000 | 0.14000 | 0.00570 | 0.01080 | 0.02980 | 0.00650 | 0.02360 | 0.18280 | 0.01260 | 1.41180 |
| 2011 | 1.00000 | 0.14000 | 0.00310 | 0.00840 | 0.03110 | 0.00670 | 0.02440 | 0.18690 | 0.01330 | 1.41390 |
| 2012 | 1.00000 | 0.14000 | 0.00410 | 0.00710 | 0.03330 | 0.00670 | 0.02740 | 0.23220 | 0.01440 | 1.46520 |
| 2013 | 1.00000 | 0.14000 | 0.00430 | 0.00510 | 0.03330 | 0.00680 | 0.02730 | 0.21570 | 0.00870 | 1.44120 |

| Fiscal Year | City's Share of 1% Levy Per Prop 13 (4) | General Obligation Debt Rate | Redevelopment Rate (5) | Total Direct Rate (6) |
|---|---|---|---|---|
| 2004 | $0.00274 | $0.14000 | $1.14570 | $0.24212 |
| 2005 | 0.28784 | 0.14000 | 1.14570 | 0.37246 |
| 2006 | 0.28784 | 0.14000 | 1.14570 | 0.38727 |
| 2007 | 0.28784 | 0.14000 | 1.14850 | 0.53811 |
| 2008 | 0.28784 | 0.14000 | 1.14800 | 0.42849 |
| 2009 | 0.28784 | 0.14000 | 1.15000 | 0.43216 |
| 2010 | 0.28784 | 0.14000 | 1.15080 | 0.40770 |
| 2011 | 0.28784 | 0.14000 | 1.14840 | 0.41395 |
| 2012 | 0.28784 | 0.14000 | 1.14710 | 0.40618 |
| 2013 | 0.28784 | 0.14000 | 0.00000 | 0.38653 |

NOTES:

(1) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

(2) Voter approved debt.

(3) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

(4) City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest next taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.

(5) RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California state statute. RDA direct and overlapping rates are applied only to the incremental property values.

(6) Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

Source: County of Contra Costa, Office of the Auditor-Controller

## CITY OF RICHMOND
## Principal Property Tax Payers
## Current Year and Nine Years Ago
## (In Thousands)

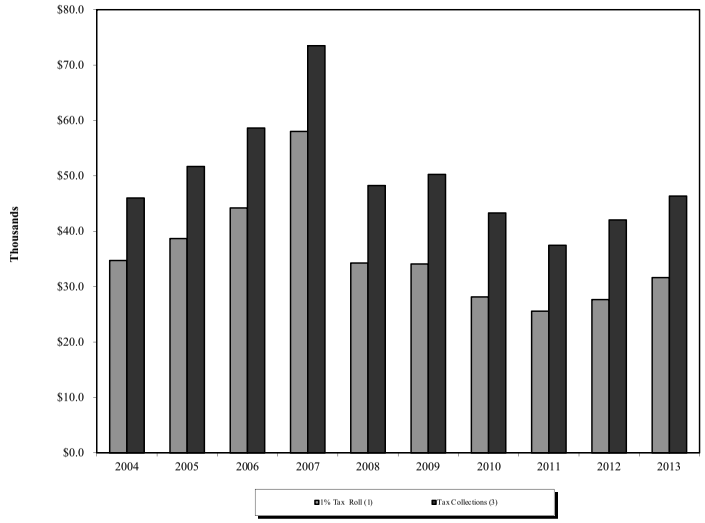
| | | 2012-13 | | | 2003-04 | | |
|---|---|---|---|---|---|---|---|
| Taxpayer | Type of Business | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value |
| Chevron USA | Industry | $5,194,308 | 1 | 41.04% | $2,137,138 | 1 | 24.95% |
| Guardian KW Hilltop LLC | Residential | 143,382 | 2 | 1.13% | | | |
| Kaiser Foundation Health Plan | Unsecured | 76,677 | 3 | 0.61% | | | |
| US Bank | Commercial | 75,184 | 4 | 0.59% | | | |
| Richmond Essex LP | Residential | 60,694 | 5 | 0.48% | 46,523 | 6 | 0.54% |
| Biorichland LLC | Industrial | 59,777 | 6 | 0.47% | | | |
| Cherokee Simeon Venture LLC | Commercial | 46,477 | 7 | 0.37% | 42,200 | 9 | 0.49% |
| Pacific Atlantic Terminals LLC | Industrial | 45,295 | 8 | 0.36% | | | |
| Auto Warehousing Company | Unsecured | 42,817 | 9 | 0.34% | | | |
| Foss Maritime Company | Unsecured | 42,314 | 10 | 0.33% | | | |
| Berlex Laboratories Inc | Industrial | | | | 140,032 | 2 | 1.63% |
| Dicon Fiberoptics | Industrial | | | | 73,283 | 3 | 0.86% |
| Richmond Associates LLC | Commercial | | | | 59,341 | 4 | 0.69% |
| Watch Holdings LLC | Residential | | | | 56,115 | 5 | 0.66% |
| Developers Diversified Reality | Commercial | | | | 46,488 | 7 | 0.54% |
| Security Capital Pacific Trust | Residential | | | | 44,809 | 8 | 0.52% |
| Kristra Investment Limited | Unsecured | | | | 35,149 | 10 | 0.41% |
| Subtotal | | $5,786,925 | | 45.72% | $2,681,078 | | 31.30% |

Total Net Assessed Valuation:
Fiscal Year 2012-2013 $12,656,534
Fiscal Year 2003-2004 $8,564,718

Source: Contra Costa County Assessor Fiscal Year Combined Tax Rolls.



## CITY OF RICHMOND
## PROPERTY TAX LEVIES AND COLLECTIONS
## LAST TEN FISCAL YEARS
## (In Thousands)

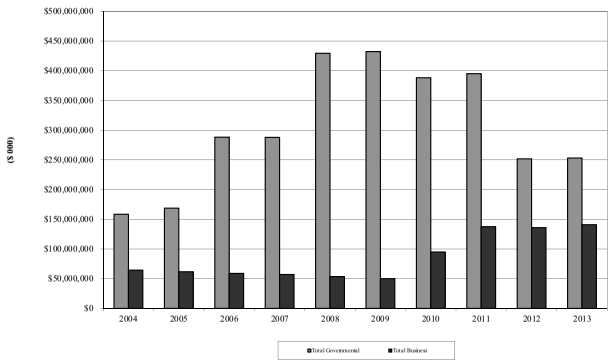



| Fiscal Year | 1% Tax Roll (1) | Voter Approve Debt Tax Rolls (2) | Total Tax Collections (3) | Percent of Total Tax Collections to Tax Levy |
|---|---|---|---|---|
| 2004 | $34,721 | $11,282 | $46,003 | 100% |
| 2005 | 38,687 | 13,009 | 51,696 | 100% |
| 2006 | 44,209 | 14,426 | 58,635 | 100% |
| 2007 | 58,024 | 15,473 | 73,497 | 100% |
| 2008 | 34,269 | 13,983 | 48,252 | 100% |
| 2009 | 34,096 | 16,172 | 50,268 | 100% |
| 2010 | 28,147 | 15,155 | 43,302 | 100% |
| 2011 | 25,573 | 11,900 | 37,473 | 100% |
| 2012 | 27,669 | 14,377 | 42,046 | 100% |
| 2013 | 31,638 | 14,718 | 46,356 | 100% |

Source: City of Richmond Records

NOTES:
**(1)** The maximum tax rate is 1% of the assessed value or $1/$100 of the assessed value, excluding the tax rate for debt.
**(2)** Voter approved tax roll for debt is in addition to the 1% rate shown in note **(1)**.
**(3)** During fiscal year 1995, the County began providing the City 100% of its tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.

**CITY OF RICHMOND**
**Ratio of Outstanding Debt by Type**
**Last Ten Fiscal Years**




| | Governmental Activities | | | | | |
|---|---|---|---|---|---|---|
| Fiscal Year | Tax Allocation Bonds | Pension Obligation Bonds | Revenue Bonds | Loans and Notes Payable | Capital Leases | Total |
| 2004 | $82,965,168 | $27,945,000 | $38,155,000 | $2,963,702 | $6,500,204 | $158,529,074 |
| 2005 | 98,578,513 | 26,225,000 | 36,715,000 | 3,204,394 | 4,045,158 | 168,768,065 |
| 2006 | 96,801,090 | 140,799,775 | 35,205,000 | 12,200,843 | 3,195,340 | 288,202,048 |
| 2007 | 95,079,118 | 143,575,313 | 33,630,000 | 10,518,963 | 5,111,871 | 287,915,265 |
| 2008 | 168,838,368 | 146,453,616 | 99,619,143 | 10,578,390 | 3,964,298 | 429,453,815 |
| 2009 | 165,200,399 | 150,493,392 | 97,750,000 | 10,544,185 | 8,300,966 | 432,288,942 |
| 2010 | 130,953,999 | 152,059,727 | 88,271,545 | 10,460,463 | 6,536,310 | 388,282,044 |
| 2011 | 125,899,530 | 153,589,314 | 87,906,545 | 20,723,084 | 7,022,284 | 395,140,757 |
| 2012 | (B) | 155,060,554 | 87,526,545 | 635,646 (B) | 8,523,072 | 251,745,817 |
| 2013 | (B) | 156,483,676 | 87,121,545 | 1,231,880 | 8,269,494 | 253,106,595 |

| | Business-Type Activities | | | | | | |
|---|---|---|---|---|---|---|---|
| Fiscal Year | Wastewater Revenue Bonds | Port Lease Revenue Bonds | Loans and Notes Payable | Total | Total Primary Government | Percentage of Personal Income (A) | Per Capita (A) |
| 2004 | $39,903,191 | $11,989,189 | $12,543,740 | $64,436,120 | $222,965,194 | 10.63% | $2,205 |
| 2005 | 39,218,632 | 10,650,351 | 11,877,513 | 61,746,496 | 230,514,561 | 10.48% | 2,268 |
| 2006 | 38,516,264 | 9,251,513 | 11,195,682 | 58,963,459 | 347,165,507 | 15.09% | 3,393 |
| 2007 | 41,857,327 | 7,782,675 | 7,419,009 | 57,059,011 | 344,974,276 | 14.20% | 3,376 |
| 2008 | 42,152,480 | 5,933,813 | 5,427,429 | 53,513,722 | 482,967,537 | 18.98% | 4,675 |
| 2009 | 41,934,902 | 3,203,312 | 4,971,846 | 50,110,060 | 482,399,002 | 18.70% | 4,643 |
| 2010 | 41,416,658 | 49,015,199 | 4,501,732 | 94,933,589 | 483,215,633 | 19.08% | 4,620 |
| 2011 | 84,893,408 | 48,683,747 | 4,016,617 | 137,593,772 | 532,734,529 | 21.12% | 5,043 |
| 2012 | 84,246,892 | 48,252,294 | 3,516,009 | 136,015,195 | 387,761,012 | 15.26% | 3,697 |
| 2013 | 90,096,593 (C) | 47,834,187 | 3,007,372 | 140,938,152 | 394,044,747 | 15.06% | 3,733 |

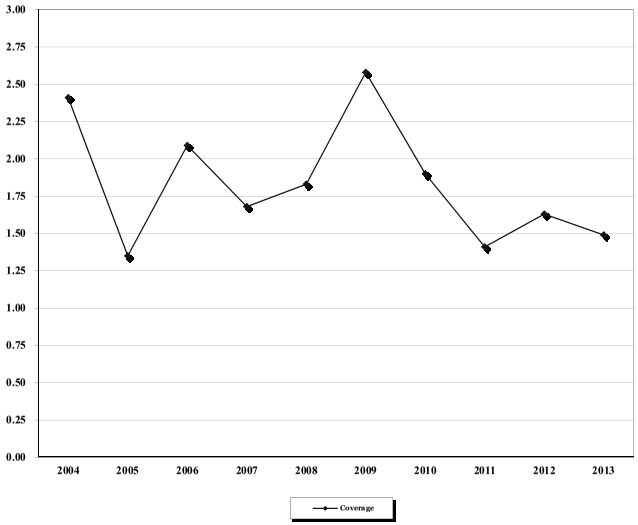
Notes: Debt amounts exclude any premiums, discounts, or other amortization amounts.
(A) See Demographic Statistics for personal income and population data.
(B) Due to the dissolution of the Redevelopment Agency, the Tax Allocation Bonds and the Loans and Notes Payable that were related to the Redevelopment Agency were transferred to the Successor Agency as of February 1, 2012 and are no longer governmental commitments.
(C) With the implementation of GASB Statement No. 65, the deferred amount on refunding previously reporoted as a component of the long-term debt balance is not reported as a deferred inflows of resources.

Sources: City of Richmond
State of California, Department of Finance (population)
U.S. Department of commerce, Bureau of the Census (income)





**CITY OF RICHMOND**
**REVENUE BOND COVERAGE**
**1999, 2006, 2008, 2010A AND 2010B WASTEWATER REVENUE BONDS**
**LAST TEN FISCAL YEARS**

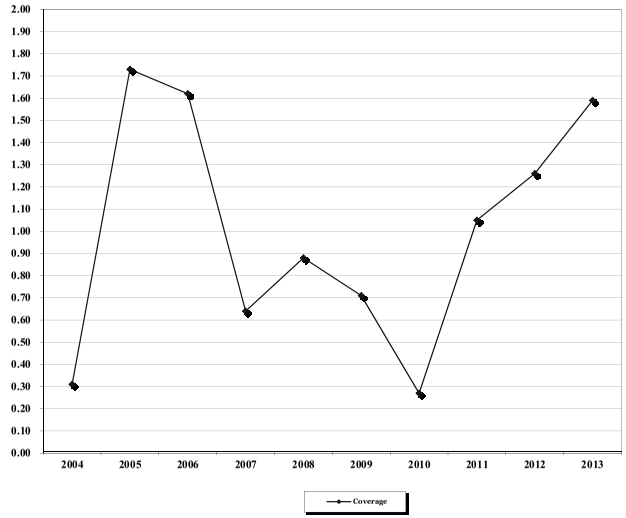



| | | | | Debt Service Requirements | | | |
|---|---|---|---|---|---|---|---|
| Fiscal Year | Gross Revenue (1) | Operating Expenses (2) | Net Revenue Available for Debt Service | Principal | Interest | Total | Coverage |
| 2004 | $11,825,418 | $7,715,459 | $4,109,959 | $150,000 | $1,552,811 | $1,702,811 | 2.41 |
| 2005 | 10,180,595 | 6,291,348 | 3,889,247 | 1,355,000 | 1,518,949 | 2,873,949 | 1.35 |
| 2006 | 11,922,340 | 5,918,001 | 6,004,339 | 1,415,000 | 1,455,916 | 2,870,916 | 2.09 |
| 2007 | 13,687,290 | 8,799,108 | 4,888,182 | 1,480,000 | 1,422,950 | 2,902,950 | 1.68 |
| 2008 | 14,421,345 | 9,991,039 | 4,430,306 | | 2,414,409 | 2,414,409 | 1.83 |
| 2009 | 14,498,712 | 8,287,431 | 6,211,281 | | 2,403,307 | 2,403,307 | 2.58 |
| 2010 | 16,075,782 | 10,362,653 | 5,713,129 | 865,000 | 2,146,974 | 3,011,974 | 1.90 |
| 2011 | 17,399,624 | 9,154,788 | 8,244,836 | 905,000 | 4,943,042 | 5,848,042 | 1.41 |
| 2012 | 17,697,208 | 8,956,411 | 8,740,797 | 975,000 | 4,399,406 | 5,374,406 | 1.63 |
| 2013 | 17,840,042 | 9,447,236 | 8,392,806 | 1,005,000 | 4,613,635 | 5,618,635 | 1.49 |

Notes: (1) Includes all Municipal Sewer Operating Revenues and Non-operating Interest Revenue excluding Derivative Investment Interest
(2) Includes all Municipal Sewer Operating Expenses less Depreciation

Source: City of Richmond Annual Financial Statements

## CITY OF RICHMOND
## REVENUE BOND COVERAGE
## 1996, 1999, 2004, 2007 AND 2009 PORT TERMINAL LEASE REVENUE BONDS, NOTE AND POINT POTRERO LEASE REVENUE BONDS
## LAST TEN FISCAL YEARS



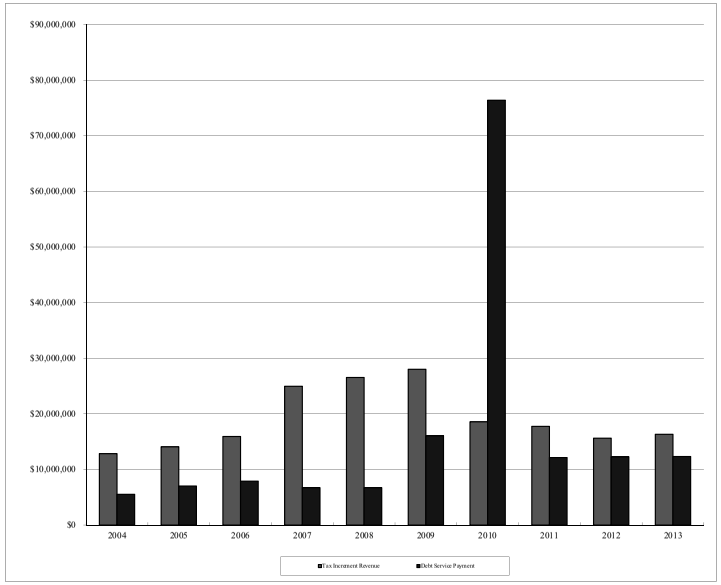

| Fiscal Year | Gross Revenue (1) | Operating Expenses (2) | Net Revenue Available for Debt Service | Debt Service Requirements | | | Coverage |
|---|---|---|---|---|---|---|---|
| | | | | Principal | Interest | Total | |
| 2004 | $2,491,147 | $1,879,276 | $611,871 | $1,290,000 | $686,057 | $1,976,057 | 0.31 |
| 2005 | 5,944,719 | 1,655,877 | 4,288,842 | 1,603,385 | 878,851 | 2,482,236 | 1.73 |
| 2006 | 6,237,708 | 2,209,972 | 4,027,736 | 1,672,140 | 808,267 | 2,480,407 | 1.62 |
| 2007 | 5,621,400 | 2,106,307 | 3,515,093 | 4,823,787 | 643,463 | 5,467,250 | 0.64 |
| 2008 | 6,061,660 | 3,024,733 | 3,036,927 | 3,094,865 | 362,194 | 3,457,059 | 0.88 |
| 2009 | 5,292,289 | 3,129,349 | 2,162,940 | 2,745,000 | 292,367 | 3,037,367 | 0.71 |
| 2010 | 4,334,422 | 3,007,455 | 1,326,967 | 3,270,000 | 1,671,265 | 4,941,265 | 0.27 |
| 2011 | 6,357,466 | 2,035,968 | 4,321,498 | 405,000 | 3,728,541 | 4,133,541 | 1.05 |
| 2012 | 7,822,496 | 2,931,799 | 4,890,697 | 505,000 | 3,381,546 | 3,886,546 | 1.26 |
| 2013 | 9,138,193 | 2,964,060 | 6,174,133 | 525,000 | 3,348,154 | 3,873,154 | 1.59 |

Notes: (1) Includes all Port of Richmond Operating Revenues and Non-operating Interest Revenue excluding Derivative Investment Interest
(2) Includes all Port of Richmond Operating Expenses less Depreciation

Source: City of Richmond Annual Financial Statements



## CITY OF RICHMOND
## BONDED DEBT PLEDGED REVENUE COVERAGE
## TAX ALLOCATION BONDS (1)
## LAST TEN FISCAL YEARS

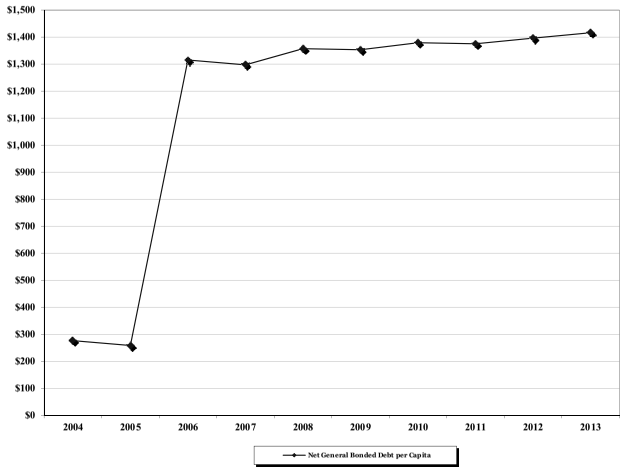



| Fiscal Year | Tax Revenue | Debt Service Requirements | | | Coverage |
|---|---|---|---|---|---|
| | | Principal | Interest | Total | |
| 2004 | $12,835,207 | $2,035,000 | $3,491,256 | $5,526,256 | 2.32 |
| 2005 | 14,065,091 | 2,610,000 | 4,404,180 | 7,014,180 | 2.01 |
| 2006 | 15,925,961 | 3,075,000 | 4,817,908 | 7,892,908 | 2.02 |
| 2007 | 24,953,805 | 2,250,000 | 4,463,106 | 6,713,106 | 3.72 |
| 2008 | 26,535,184 | 2,345,000 | 4,359,236 | 6,704,236 | 3.96 |
| 2009 | 28,012,195 | 6,450,000 | 9,589,715 | 16,039,715 | 1.75 |
| 2010 | 18,559,284 | 69,170,000 (2) | 7,220,349 | 76,390,349 | 0.24 |
| 2011 | 17,743,295 | 6,225,000 | 5,905,703 | 12,130,703 | 1.46 |
| 2012 | 15,619,530 (3) (4) | 6,285,000 | 5,972,529 | 12,257,529 | 1.27 |
| 2013 | 16,320,481 (4) | 6,565,000 | 5,754,825 | 12,319,825 | 1.32 |

Note: **(1)** Includes the 1991, 1998, 2000, 2003, 2004, 2007 and 2010 Bonds.
**(2)** Includes current refunding of the 2007 Bonds of $64,275,000
**(3)** The Redevelopment Agency was dissolved effective January 31, 2012, and its liabilities were assumed by a Successor Agency. Amounts reported here include tax revenue and debt service of both the former Redevelopment Agency and the Successor Agency.
**(4)** Beginning in fiscal year 2012, tax increment reported in this table is the amount calculated by the County Auditor-Controller. Under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations.

Source: City of Richmond Annual Financial Statements

## CITY OF RICHMOND
## GENERAL BONDED DEBT
## PENSION OBLIGATION BONDS (1)
## LAST TEN FISCAL YEARS




| Fiscal Year | Bonds Outstanding | Restricted Cash and Investments (2) | Net Bonds Outstanding | Net Assessed Value of Property | Ratio of General Bonded Debt to Net Assessed Value of Property | Net General Bonded Debt per Capita |
|---|---|---|---|---|---|---|
| 2004 | $27,945,000 | | $27,945,000 | $7,462,219,000 | 0.37% | $276 |
| 2005 | 26,225,000 | | 26,225,000 | 8,560,934,000 | 0.31% | 258 |
| 2006 | 140,799,775 | $6,288,686 | 134,511,089 | 9,441,403,000 | 1.42% | 1,315 |
| 2007 | 143,575,313 | 11,013,589 | 132,561,724 | 10,048,259,000 | 1.32% | 1,297 |
| 2008 | 146,453,616 | 6,291,336 | 140,162,280 | 10,457,437,000 | 1.34% | 1,357 |
| 2009 | 150,493,392 | 9,916,755 | 140,576,637 | 11,244,866,000 | 1.25% | 1,353 |
| 2010 | 152,059,727 | 7,841,951 | 144,217,776 | 10,017,226,000 | 1.44% | 1,379 |
| 2011 | 153,589,314 | 8,314,362 | 145,274,952 | 8,641,310,346 | 1.68% | 1,375 |
| 2012 | 155,060,554 | 8,617,952 | 146,442,602 | 9,242,647,000 | 1.58% | 1,396 |
| 2013 | 156,483,676 | 7,054,942 | 149,428,734 | 11,098,301,000 | 1.35% | 1,416 |

Note: **(1)** Includes the 1999 Bonds issued in fiscal year 2000, and the 2005 Bonds issued in fiscal year 2006.
**(2)** Restricted cash is being held with the City's fiscal agent, Union Bank, and is restricted for the payment of the bonds.

Source: City of Richmond Annual Financial Statements



## CITY OF RICHMOND
## COMPUTATION OF DIRECT AND OVERLAPPING DEBT
## JUNE 30, 2013

2012-2013 Assessed Valuation: $12,760,534,416

| OVERLAPPING TAX AND ASSESSMENT DEBT: | Total Debt June 30, 2013 | % Applicable (1) | City's Share of Debt June 30, 2013 |
|---|---|---|---|
| Bay Area Rapid Transit District | $410,690,000 | 2.539% | $10,427,419 |
| Contra Costa Community College District | 209,930,000 | 9.034% | 18,965,076 |
| West Contra Costa Unified School District | 795,770,136 | 53.995% | 429,676,085 |
| West Contra Costa Healthcare District Parcel Tax Obligations | 60,845,000 | 49.021% | 29,826,827 |
| East Bay Municipal Utility District, Special District No. 1 | 18,555,000 | 0.631% | 117,082 |
| East Bay Regional Park District | 135,565,000 | 3.923% | 5,318,215 |
| City of Richmond Community Facilities District No. 1998-1 | 3,290,000 | 100% | 3,290,000 |
| City of Richmond 1915 Act Bonds | 18,470,000 | 100% | 18,470,000 |
| TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT | | | $516,090,704 |
| DIRECT AND OVERLAPPING GENERAL FUND DEBT: | | | |
| Contra Costa County General Fund Obligations | $282,641,006 | 8.999% | $25,434,864 |
| Contra Costa County Pension Obligations | 310,110,000 | 8.999% | 27,906,799 |
| Alameda-Contra Costa Transit District Certificates of Participation | 31,380,000 | 7.458% | 2,340,320 |
| Contra Costa Community College District Certificates of Participation | 780,000 | 9.034% | 70,465 |
| West Contra Costa Unified School District Certificates of Participation | 7,915,000 | 53.995% | 4,273,704 |
| **City of Richmond General Fund Obligations** | **135,470,000** | **100%** | **135,470,000** |
| **City of Richmond Pension Obligations** | **106,345,133** | **100%** | **106,345,133** |
| TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT | | | 301,841,285 |
| Less: Contra Costa County general fund obligations supported by revenue funds | | | 9,448,297 |
| **City of Richmond obligations supported by port revenues** | | | **49,760,800** |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT | | | $242,632,188 |
| OVERLAPPING TAX INCREMENT DEBT (Successor Agency) | $106,962,002 | 100% | $106,962,002 |
| **TOTAL GROSS DIRECT DEBT** | | | **$241,815,133** |
| **TOTAL NET DIRECT DEBT** | | | **$192,054,333** |
| TOTAL GROSS OVERLAPPING DEBT | | | $683,078,858 |
| TOTAL NET OVERLAPPING DEBT | | | $673,630,561 |
| GROSS COMBINED TOTAL DEBT | | | $924,893,991 (2) |
| NET COMBINED TOTAL DEBT | | | $865,684,894 |

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

| | |
|---|---|
| Ratios to 2011-12 Assessed Valuation: | |
| Total Net Overlapping Tax and Assessment Debt | 4.04% |
| Ratios to Adjusted Assessed Valuation: | |
| **Gross Combined Direct Debt ($924,893,991)** | **2.37%** |
| **Net Combined Direct Debt ($865,684,894)** | **1.90%** |
| Combined Total Debt | 7.25% |
| Net Combined Total Debt | 6.78% |
| Ratios to Successor Agency Redevelopment Incremental Valuation ($1,558,233,442): | |
| Total Overlapping Tax Increment Debt | 6.86% |

Source: HdL Coren & Cone, Contra Costa County Assessor and Auditor

**CITY OF RICHMOND**
**COMPUTATION OF LEGAL BONDED DEBT MARGIN**
**JUNE 30, 2013**

ASSESSED VALUATION:

| | |
|---|---|
| Secured property assessed value, net of exempt real property | $12,656,534,000 |
| BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a) | $474,620,025 |
| AMOUNT OF DEBT SUBJECT TO LIMIT: | |
| Total Bonded Debt | $0 |
| Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit | 0 |
| Amount of debt subject to limit | 0 |
| LEGAL BONDED DEBT MARGIN | $474,620,025 |

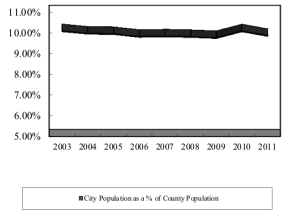
| Fiscal Year | Debt Limit | Total Net Debt Applicable to Limit | Legal Debt Margin | Total net debt applicable to the limit as a percentage of debt limit |
|---|---|---|---|---|
| 2004 | $321,176,925 | $0 | $321,176,925 | 0.00% |
| 2005 | 366,044,400 | 0 | 366,044,400 | 0.00% |
| 2006 | 404,544,075 | 0 | 404,544,075 | 0.00% |
| 2007 | 451,169,588 | 0 | 451,169,588 | 0.00% |
| 2008 | 479,670,300 | 0 | 479,670,300 | 0.00% |
| 2009 | 511,844,663 | 0 | 511,844,663 | 0.00% |
| 2010 | 440,766,450 | 0 | 440,766,450 | 0.00% |
| 2011 | 383,834,888 | 0 | 383,834,888 | 0.00% |
| 2012 | 405,777,338 | 0 | 405,777,338 | 0.00% |
| 2013 | 474,620,025 | 0 | 474,620,025 | 0.00% |

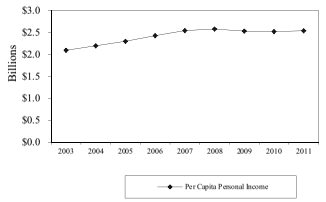
NOTE:

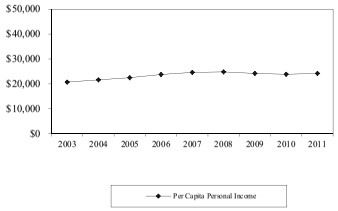
(a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

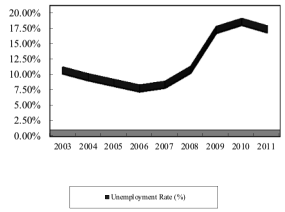


CITY OF RICHMOND
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS




| Calendar Year | City Population | Total Personal Income | Per Capita Personal Income | Unemployment Rate (%) | Contra Costa County Population | City Population % of County |
|---|---|---|---|---|---|---|
| 2003 | 101,137 | $2,096,562,000 | $20,730 | 10.1% | 1,003,900 | 10.07% |
| 2004 | 101,660 | 2,198,664,000 | 21,628 | 9.0% | 1,020,898 | 9.96% |
| 2005 | 102,307 | 2,301,226,000 | 22,493 | 8.1% | 1,029,377 | 9.94% |
| 2006 | 102,182 | 2,429,855,000 | 23,780 | 7.2% | 1,042,341 | 9.80% |
| 2007 | 103,306 | 2,544,898,000 | 24,635 | 7.8% | 1,051,674 | 9.82% |
| 2008 | 103,895 | 2,579,939,000 | 24,832 | 10.2% | 1,060,435 | 9.80% |
| 2009 | 104,602 | 2,532,776,000 | 24,213 | 16.6% | 1,073,055 | 9.75% |
| 2010 | 105,630 | 2,522,550,000 | 23,881 | 17.9% | 1,049,025 | 10.07% |
| 2011 | 104,887 | 2,540,888,000 | 24,225 | 16.7% | 1,065,117 | 9.85% |
| 2012 | 105,562 | 2,615,932,000 | 24,781 | 11.6% | 1,079,597 | 9.78% |

Source: HDL Coren & Cone

**CITY OF RICHMOND**
**Principal Employers**
**Current Year**

| Employer | 2012-13 Number of Employees | Rank | Percentage of Total City Employment |
|---|---|---|---|
| Chevron Refinery | 2,191 | 1 | 2.1% |
| West Contra Costa Unified School District | 1,580 | 2 | 1.5% |
| Social Security Administration | 1,259 | 3 | 1.2% |
| U.S. Postal Service | 1,047 | 4 | 1.0% |
| Contra Costa County | 844 | 5 | 0.8% |
| City of Richmond | 776 | 6 | 0.7% |
| The Permanente Medical Group | 694 | 7 | 0.7% |
| Kaiser Foundation Hospitals | 426 | 8 | 0.4% |
| Bio-Rad Laboratories | 473 | 9 | 0.5% |
| Michael Stead Auto Depot and Sales | 472 | 10 | 0.5% |
| Subtotal | 9,762 | | 9.3% |
| Total City Day Population | 104,887 | | |

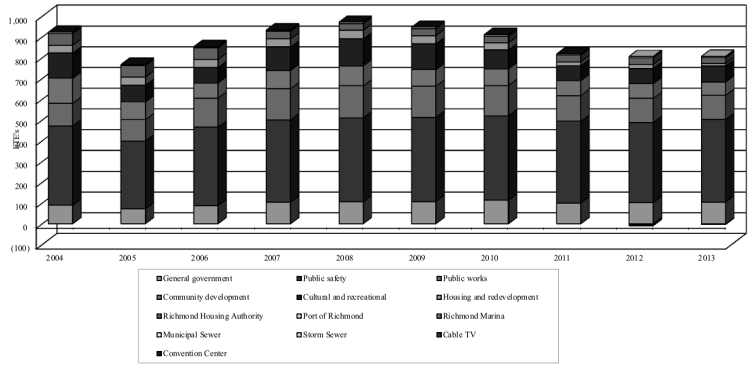
Source: City of Richmond Community Development Department

Notes: Data for fiscal year 2003/04 is not available





**CITY OF RICHMOND**
**Full-Time Equivalent City Government Employees by Function**
**Last Nine Fiscal Years**




| Function | Adopted for Fiscal Year Ended June 30, 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| General government | 89.0 | 71.5 | 87.2 | 104.0 | 105.5 | 107.2 | 113.2 | 100.2 | 101.7 | 104.5 |
| Public safety | 382.0 | 327.0 | 378.5 | 396.5 | 405.0 | 406.0 | 407.0 | 394.0 | 386.0 | 398.0 |
| Public works | 109.0 | 103.0 | 139.5 | 150.0 | 154.0 | 149.0 | 146.0 | 123.0 | 116.0 | 116.0 |
| Community development | 120.9 | 84.9 | 73.0 | 88.0 | 96.0 | 80.0 | 80.0 | 72.0 | 71.0 | 64.0 |
| Cultural and recreational | 121.6 | 80.8 | 74.4 | 113.2 | 130.4 | 124.4 | 91.2 | 72.2 | 73.8 | 76.8 |
| Housing and redevelopment | 38.2 | 39.2 | 39.0 | 39.0 | 41.0 | 40.0 | 34.0 | 19.0 | 19.6 | 12.0 |
| Richmond Housing Authority and RHA Properties | 56.0 | 56.0 | 56.0 | 36.5 | 33.0 | 33.0 | 33.0 | 32.0 | 32.0 | 29.0 |
| Port of Richmond | 6.1 | 5.1 | 5.0 | 6.0 | 6.0 | 7.0 | 7.0 | 6.0 | 6.0 | 6.0 |
| Richmond Marina | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) |
| Municipal Sewer | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) |
| Storm Sewer | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) | (1) |
| Cable TV | (1) | (1) | (1) | (1) | (1) | (1) | (3) | (3) | (3) | (3) |
| Convention Center | (1) | (1) | (1) | (2) | (2) | (2) | (3) | (3) | (3) | (3) |
| Total | 922.80 | 767.50 | 852.60 | 933.20 | 970.90 | 946.60 | 911.40 | 818.40 | 806.10 | 806.30 |

Source: City of Richmond Budget
Notes:
Data prior to fiscal year 2004 is not available
(1) These services are provided by outside contractors.
(2) Convention Center closed during renovation and staff moved under cultural and recreational.
(3) Staff that perform these functions are included under General Government and Cultural and Recreational.

**CITY OF RICHMOND**
**Operating Indicators by Function/Program**
**Last Nine Fiscal Years**

| Function/Program | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|
| Public safety: | | | | | | | | | |
| Fire: | | | | | | | | | |
| Fire calls for service | 10,068 | 10,068 | 11,006 | 10,677 | 9,861 | 11,723 | 12,237 | 12,770 | 12,868 |
| Primary fire inspections conducted | 5,502 | 5,502 | 9,795 | 5,581 | 6,201 | 5,752 | 5,055 | 1,071 | 2,716 |
| Number of firefighters | 78 | 93 | 99 | 99 | 98 | 109 | 83 | 85 | 93 |
| Number of firefighters and civilians per thousand population | 0.8 | 0.9 | 1.0 | 1.0 | 1.1 | 1.0 | 1.2 | 0.8 | 0.8 |
| Police: | | | | | | | | | |
| Number of police officers per thousand population | 1.6 | 1.7 | 1.7 | 1.7 | 1.7 | 1.9 | 1.7 | 1.8 | 1.8 |
| Number of sworn officers | 164 | 179 | 179 | 187 | 176 | 200 | 188 | 191 | 195 |
| Water | | | | | | | | | |
| Daily average consumption in gallons per family | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 |

**Source:** City of Richmond
**Note:** Data prior to 2005 is not available



**CITY OF RICHMOND**
**Capital Asset Statistics by Function/Program**
**Last Eight Fiscal Years**

| Function/Program | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|
| Public safety: | | | | | | | | |
| Fire stations | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Police stations | 6 | 6 | 6 | 6 | 6 | 4 | 4 | 4 |
| Library (#) of Locations | 1 | 1 | 3 * | 3 | 3 | 3 | 3 | 3 |
| (* two branch library sites were refurbished and opened in January 2008) | | | | | | | | |
| Public works | | | | | | | | |
| Miles of streets | 280 | 280 | 280 | 280 | 280 | 280 | 280 | 280 |
| Street lights | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 |
| Urban Forest (trees) | 39,900 | 40,200 | 40,200 | 40,200 | 40,757 | 41,293 | 41,562 | 26,000 (a) |
| Culture and recreation: | | | | | | | | |
| Community services: | | | | | | | | |
| City parks | 53 | 55 | 55 | 55 | 55 | 55 | 55 | 55 |
| City parks acreage | 280.0 | 336.6 | 336.6 | 336.6 | 336.6 | 336.6 | 336.6 | 336.6 |
| Open Space & Public Landscapes acreage | 562.0 | 510.0 | 510.0 | 510.0 | 510.0 | 510.0 | 510.0 | 510.0 |
| Lawn bowling | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Recreation centers | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Auditorium/Theater | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Gymnasiums | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Senior centers | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Headstart centers/day cares | 10 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Putting green | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Basketball courts | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 |
| Swimming pools | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 |
| Tennis courts | 17 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Baseball/softball diamonds | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 |
| Soccer/football fields | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 |
| Cricket fields | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Water | | | | | | | | |
| Fire hydrants | 3,153 | 3,153 | 3,153 | 3,153 | 3,153 | 3,153 | 3,153 | 3,153 |
| Wastewater | | | | | | | | |
| Miles of sanitary sewers | 230 | 230 | 230 | 230 | 230 | 230 | 230 | 230 |
| Miles of storm sewers | 310 | 310 | 310 | 310 | 310 | 310 | 310 | 310 |
| Land Area (square miles) | 33.7 | 33.7 | 33.7 | 33.7 | 33.7 | 33.7 | 33.7 | 33.7 |
| Miles of waterfront | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 |

**Source:** City of Richmond
**Note:** Data prior to 2006 is not available

(a) Trees managed by the City.
Data Prior to 2013 includes trees managed by other entities, such as East Bay Regional Park District, National Parks and Privately owned.

# APPENDIX D

## SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

*The following is a brief summary of certain provisions of the Trust Agreement not previously discussed in this Official Statement. Such summary is not intended to be definitive, and reference is made to the Trust Agreement in its entirety for the complete terms thereof. Capitalized terms used in this summary which are not otherwise defined in this Official Statement have the meanings ascribed to such terms in the Trust Agreement.*

## DEFINITIONS

"Additional Refunding Bonds" means Refunding Bonds issued on a parity with the Series 2014 Refunding Bonds subject to the provisions of the Trust Agreement under the captions "—Additional Refunding Bonds" and "—Conditions to Issuance of Additional Refunding Bonds."

"All-In Coverage" means in each year the monies deposited in all of the funds within RPTTF established pursuant to subdivision (c) of Section 34172 of the Law, less debt service payments for the Senior Obligations and the Refunding Bonds.

"Debt Service" means, for any calculation period, the sum of (1) the interest (including any compound interest) payable on all Outstanding Refunding Bonds in such period, assuming that all Outstanding Serial Refunding Bonds are retired as scheduled, (2) the principal amount of all Outstanding Serial Refunding Bonds maturing by their terms in such period (together with the redemption premiums, if any, thereon), and (3) the minimum amount of such Outstanding Term Refunding Bonds required to be paid or called and redeemed in such period.

"Average Annual Debt Service" means the average Debt Service per year.

"Maximum Annual Debt Service" means the largest Debt Service per year during the period from the date of such determination through the final maturity date of any Outstanding Refunding Bonds.

"Authority Bonds" means the 2000A Bonds, the 2000B Bonds, and the 2003A Bonds.

"Authorized Successor Agency Representative" means the City Manager acting as Chief Executive Officer of the Successor Agency, the Finance Director of the City acting as Treasurer of the Successor Agency, and any other officer of the Successor Agency duly authorized to act as an Authorized Successor Agency Representative for purposes of the Trust Agreement by the Successor Agency or written authorization of an officer of the Successor Agency.

"Bond Insurer" means Build America Mutual Assurance Company, or any successor thereto as issuer of the Policy and the Reserve Policy.

"Bond Register" means the registration books for the ownership of Refunding Bonds maintained by the Trustee pursuant to the provisions of the Trust Agreement under the caption "—Bond Registration Books."

"Business Day" means any day other than a Saturday or Sunday or day upon which the Trustee is authorized by law to remain closed.

"Certificate of the Successor Agency" means an instrument in writing signed by or on behalf of the Successor Agency by the City Manager acting as Chief Executive Officer of the Successor Agency, the Finance Director of the City acting as Treasurer of the Successor Agency, or by any other officer of the Successor Agency duly authorized by the governing board of the Successor Agency to sign documents on its behalf under the Trust Agreement.

"City" means the City of Richmond, a charter city and municipal corporation duly organized and existing pursuant to its Charter and the Constitution of the State.

"Consultant" means a consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm retained by the Successor Agency to perform acts, prepare certificates or otherwise carry out the duties provided for a Consultant in the Trust Agreement. Such consultant, consulting firm, engineer, architect, engineering firm or architectural firm shall be nationally recognized within its profession for works of the character required. Such accountants or accounting firm shall be Independent Certified Public Accountants licensed to practice in the State of California. Any financial consultant or firm of such consultants shall be an Independent Financial Consultant. Any consultant or firm of consultants recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies shall be an Independent Redevelopment Consultant.

"Code" means the Internal Revenue Code of 1986, as amended.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Successor Agency and related to the authorization, execution and delivery of the Trust Agreement, the Bond Purchase Agreement(s), the Continuing Disclosure Agreement and the sale of the Refunding Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the Refunding Bonds, fees of the Successor Agency and any other cost, charge or fee in connection with the original execution and delivery of the Refunding Bonds.

"Costs of Issuance Fund" means the fund by that name established pursuant to the provisions of the Trust Agreement under the caption "—Issuance of Refunding Bonds."

"Coverage Reserve Termination Dates" means the 2007 Series A Coverage Reserve Termination Date defined in the 2007 Series A First Supplemental Indenture and the 2007 Series B Coverage Reserve Termination Date defined in the 2007 Series B First Supplemental Indenture.

"Coverage Reserve Release Certificate" means the certificate required by the definition of Coverage Reserve Termination Date.

"Coverage Reserve Test" means the coverage test set forth in the definition of Coverage Reserve Termination Dates.

"Debt Service Reserve Account" means any Debt Service Reserve Account, and any account thereof, established pursuant to the provisions of the Trust Agreement under the caption "—Funds."

"Debt Service Reserve Fund Agreement" means the Debt Service Reserve Fund Agreement, dated April 11, 2014, by and between the Successor Agency and the Bond Insurer providing for the issuance of the Reserve Policy.

"Defeasance Securities" means, to the extent permitted by State law, the following obligations which may be used as permitted investments to defease Outstanding Refunding Bonds:

(1) Cash deposits (insured at all times by the Federal Deposit Insurance Corporation).

(2) U.S. Treasury Certificates, Notes and Refunding Bonds (including State and Local Government Series – "SLGs").

(3) Direct obligations of the Department of Treasury of the United States of America.

(4) The interest component of Resolution Funding Corporation (REFCORP) strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form.

(5) Pre-refunded municipal Refunding Bonds rated "AAA" by Standard & Poor's. If the issue is rated solely by Standard & Poor's, the pre-refunded Refunding Bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipal Refunding Bonds.

(6) Obligations of the following federal agencies so long as such obligations are backed by the full faith and credit of the United States of America.

a. U.S. Export-Import Bank (Eximbank): Direct obligations or fully guaranteed certificates of beneficial ownership

b. Farmers Home Administration (FmHA): Certificates of beneficial ownership

c. Federal Financing Bank

d. General Services Administration: Participation certificates

e. U.S. Maritime Administration: Guaranteed Title XI financing

f. U.S. Department of Housing and Urban Development; Project Notes; Local Authority Refunding Bonds; New Communities Debentures; U.S. Public Housing Notes and Refunding Bonds.

"Delivery Date" shall mean April 11, 2014.

"Depository" means any bank or trust company organized under the laws of any state of the United States (including the Trustee and its affiliates), or any national banking association which is willing and able to accept the office on reasonable and customary terms, authorized by law to act in accordance with the provisions of the Trust Agreement.

"EMMA" means Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board, currently located at http://emma.msrb.org.

"Fiscal Year" means the twelve-month period terminating on June 30 of each year, or any other annual accounting period thereafter selected and designated by the Successor Agency as its Fiscal Year in accordance with applicable law.

"Fund" means any fund created by the provisions of the Trust Agreement under the caption "—Funds."

"Holder" or "Owner" means any person who shall be the registered owner of any Outstanding Refunding Bond as set forth in the Bond Register.

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the Successor Agency, and who, or each of whom --

(1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the Successor Agency;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the Successor Agency; and

(3) is not connected with the Successor Agency as a member, officer or employee of the Successor Agency, but who may be regularly retained to audit the accounting records of and make reports thereon to the Successor Agency.

"Independent Financial Consultant" means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the Successor Agency and who, or each of whom:

(1) is in fact independent and not under the domination of the Successor Agency;

(2) does not have any substantial interest, direct or indirect, with the Successor Agency; and

(3) is not connected with the Successor Agency as a member, officer or employee of the Successor Agency, but who may be regularly retained to make annual or other reports to the Successor Agency.

"Independent Redevelopment Consultant" means a consultant or firm of such consultants generally recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies, appointed and paid by the Successor Agency, and who, or each of whom:

(1) is in fact independent and not under the domination of the Successor Agency;

(2) does not have any substantial interest, direct or indirect, with the Successor Agency; and

(3) is not connected with the Successor Agency as a member, officer or employee of the Successor Agency, but who may be regularly retained to make annual or other reports to the Successor Agency.

"Insured Obligations" mean the Refunding Bonds.

"Interest Payment Date" means a date on which interest is due on the Refunding Bonds, being March 1 and September 1 of each year to which reference is made, commencing on September 1, 2014.

"Investment" means any Permitted Investment and any other investment held under the Trust Agreement that does not constitute a Permitted Investment.

"Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Obligations and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as the Bond Insurer, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to the Bond Insurer shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

"Law" means the Community Redevelopment Law, being Division 24 (commencing with Section 33000) of the Health and Safety Code of the State.

"Master Subordinate Indenture" means the indenture, dated as of July 1, 2007, by and between the Agency and Union Bank of California, N.A., as trustee relating to the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas).

"2007 Series A First Supplemental Indenture" means the first supplemental indenture of trust, dated as of July 1, 2007, by and between the Agency and Union Bank of California, N.A., as trustee, relating to the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A.

"2010 Series A Third Supplemental Indenture" means the third supplemental indenture of trust, dated as of April 1, 2010, by and between the Agency and the Trustee, relating to the 2010 Bonds.

"Master Subordinate Indenture (Housing)" means the indenture, dated as of July 1, 2007, by and between the Agency and Union Bank of California, N.A., as trustee, relating to the Richmond Community Redevelopment Agency Housing Set-Aside Subordinate Tax Allocation Bonds (Merged Project Areas).

"2007 Series B First Supplemental Indenture" means the first supplemental indenture of trust, dated as of July 1, 2007, by and between the Agency and Union Bank of California, N.A., as trustee, relating to the Richmond Community Redevelopment Agency Housing Set-Aside Subordinate Tax Allocation Bonds (Merged Project Areas) (Taxable) 2007 Series B.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Successor Agency.

"Outstanding," when used as of any particular time with reference to Refunding Bonds, means (subject to the provisions of the Trust Agreement under the caption "—Disqualified Refunding Bonds") all Refunding Bonds except

(1) Refunding Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Refunding Bonds paid or deemed to have been paid within the meaning of the provisions of the Trust Agreement under the caption "—Discharge of Refunding Bonds"; and

(3) Refunding Bonds in lieu of or in substitution for which other Refunding Bonds shall have been executed, issued and delivered by the Successor Agency pursuant to the Trust Agreement.

"Permitted Investments" means to the extent permitted by State law, the following obligations:

(1) Cash deposits (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in the next paragraph).

(2) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(3) Bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following federal agencies so long as such obligations are backed by the full faith and credit of the United States of America.

a. U.S. Export-Import Bank (Eximbank): Direct obligations or fully guaranteed certificates of beneficial ownership

b. Farmers Home Administration (FmHA): Certificates of beneficial ownership

c. Federal Financing Bank

d. General Services Administration: Participation certificates

e. U.S. Maritime Administration: Guaranteed Title XI financing

f. U.S. Department of Housing and Urban Development; Project Notes; Local Authority Refunding Bonds; New Communities Debentures; U.S. Public Housing Notes and Refunding Bonds.

g. Government National Mortgage Association (GNMA)

h. Federal Housing Administration Debentures (FHA)

(4) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies which are not backed by the full faith and credit of the United States of America; provided that stripped securities are only permitted if they have been stripped by the agency itself:

a. Senior debt obligations rated not lower than the rating on obligations described in paragraph (3) above then maintained in the highest long-term rating category by at least two nationally recognized rating agencies issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).

b. Senior debt obligations of the Federal Home Loan Bank System.

c. Senior debt obligations of the Student Loan Marketing Association.

d. Obligations of the Resolution Funding Corporation (REFCORP).

e. Consolidated systemwide bonds and notes of the Farm Credit System.

(5) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee or such holding company provide investment advisory or other management services.

(6) Certificates of deposit secured at all times by collateral described in (2) and/or (3) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

(7) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

(8) Guaranteed Investment Contracts collateralized by:

a. U.S. Treasury Obligations;

b. U.S. Department of Housing and Urban Development public housing agency bonds;

c. Federal Housing Administration debentures;

d. Government National Mortgage Association (GNMA) guaranteed mortgage backed securities or participation certificates;

e. RefCorp debt obligations; or

f. SBA-guaranteed participation certificates and guaranteed pool certificates.

(9) Commercial paper which is rated at the time of purchase, "A-1" or better by S&P.

(10) Pre-refunded municipal obligations rated "AAA" by Standard & Poor's Corporation meeting the following requirements:

a. the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given *irrevocable* instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

b. the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

c. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest and premium, if any, due and to become due on the municipal obligations ("Verification");

d. the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

e. no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

f. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(11) California Asset Management Program (CAMP).

(12) Federal funds or bankers acceptances with a maximum term of one year of any bank, including the Trustee and its affiliates, which has an unsecured, uninsured and unguaranteed obligation rating of "A-1" or "A" or better by S&P.

(13) Funds invested in the Local Agency Investment Fund (as that term is defined in Section 16429.1 of the California Government Code, as such section may be amended or recodified from time to time) to the extent deposits and withdrawals may be made by the Trustee.

The value of the above investments, other than cash, shall be determined as follows:

"Value," which shall be determined as of the end of the month, means "fair market value," which may be determined using a computer pricing service including any service contained in the Trustee's accounting system, provided that the Trustee shall not be liable for any error made by any such service.

"Pledge Statute" means California Health & Safety Code section 34177.5(g).

"Policy" shall mean the Municipal Bond Insurance Policy issued by the Bond Insurer that guarantees the scheduled payment of principal of and interest on the Insured Obligations when due.

"Prior Bonds" means the 1998A Refunding Bonds, the 2000A Bonds, the 2000B Bonds, and the 2003A Bonds.

"Project Area" means, collectively, the following project areas established by the Agency, which have been merged by the Agency pursuant to the Law:

*Downtown 10A Project Area*, initially established May 23, 1966; as amended from time to time.

*Eastshore 1A Project Area*, initially established August 26, 1957; as amended from time to time.

*Galvin 3A Project Area*, initially established February 28, 1955, as amended from time to time.

*Harbor Gate 6A Project Area*, initially established November 8, 1954; as amended from time to time.

*Harbour 11A Project Area*, initially established June 9, 1975, as amended from time to time.

*Hensley 8A Project Area*, initially established May 29, 1960; as amended from time to time.

*Nevin 10B Project Area*, initially established September 18, 1972; as amended from time to time.

*North Richmond 12A Project Area*, initially established September 18, 1972, as amended from time to time.

*Potrero 1C Project Area,* initially established April 4, 1960, as amended from time to time.

"Rating Agency" means Standard & Poor's Ratings Services or, in the event that Standard & Poor's Ratings Services no longer maintains a rating on the Refunding Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Refunding Bonds, but, in each instance, only so long as Standard & Poor's Ratings Services or other nationally recognized rating agency then maintains a rating on the Refunding Bonds.

"Record Date" means, with respect to an Interest Payment Date, the fifteenth calendar day of the month immediately preceding such Interest Payment Date.

"Redevelopment Plan" means, collectively, the Redevelopment Plans for the Project Area or "Richmond Community Redevelopment Agency Merged Project Areas Plan" as defined in the Master Subordinate Indenture.

"Redemption Price" means, with respect to any redemption of a Refunding Bond prior to its maturity, the amount to be paid upon such redemption of the Refunding Bond as set forth in, or determined in accordance with, the Trust Agreement.

"Refunding Bonds" means the Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds, Series 2014A and Series 2014B authorized by and at any time Outstanding pursuant thereto and executed, issued and delivered in accordance with Article II and any Additional Refunding Bonds.

"Serial Refunding Bonds" means Refunding Bonds for which no sinking fund payments are provided.

"Series 2014A Refunding Bonds" means the Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds, Series 2014A (Tax-Exempt) issued pursuant to the Trust Agreement.

"Series 2014B Refunding Bonds" means the Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds, Series 2014B (Taxable) issued pursuant to the Trust Agreement.

"Term Refunding Bonds" means Refunding Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Refunding Bonds on or before their specified maturity dates.

"Representation Letter" means the blanket letter of representations dated July 16, 1996 to The Depository Trust Company, New York, New York.

"Reserve Account Requirement" means, as of any date of calculation, an amount equal to the least of (i) 10% of the initial offering price to the public of the Refunding Bonds as determined under the Code, or (ii) the greatest amount of Debt Service in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Refunding Bond is due, or (iii) 125% of the sum of the Debt Service for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the execution and delivery of any Refunding Bonds) and terminating with the

last Fiscal Year in which any Debt Service is due, divided by the number of such Fiscal Years, all as computed and determined by the Successor Agency and specified in writing to the Trustee.

"Reserve Financial Guaranty" means a policy of municipal bond insurance or surety bond issued by a financial guaranty insurer or a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit in one of the two the highest rating categories (without regard to qualifiers) by Standard & Poor's and, if rated by A.M. Best & Company, also in one of the two highest rating categories (without regard to qualifiers) by A.M. Best & Company.

"Reserve Policy" means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Bond Insurer for the Series 2014A Refunding Bonds in an amount of $1,289,750 or 50% of the proportionate share of the Series 2014A Reserve Account Requirement and for the Series 2014B Refunding Bonds in an amount of $82,750 or 50% of the proportionate share of the Series 2014B Reserve Account Requirement.

"ROPS" means the semiannual Recognized Obligation Payment Schedule filed by the Successor Agency pursuant to Section 34177 of the Law.

"RPTTF" means the Redevelopment Property Tax Trust Fund established by the County Auditor pursuant to Section 34182 of the Law.

"Security Documents" means the Trust Agreement.

"Senior Obligations" means the senior and subordinate bond and loan obligations outstanding after the issuance of the Refunding Bonds (but excluding the Refunding Bonds), including the Richmond Redevelopment Agency Harbour Redevelopment Project Tax Allocation Refunding Bonds, 1998 Series A (Non-Callable CABs), the Loan Agreement by and between the Agency and the Authority, dated as of August 1, 2003, relating to the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds Series 2003A (Tax-Exempt) and Series 2003B (Taxable), the Loan Agreement (Non-Housing) by and between the Agency and the Authority, dated as of October 1, 2004, relating to the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds Series 2004A (Taxable), the Loan Agreement (Housing) by and between the Agency and the Authority, dated as of October 1, 2004, relating to the Richmond Joint Powers Financing Authority Housing Set-Aside Tax Allocation Revenue Bonds Series 2004A (Taxable) and Series 2004B (Tax-Exempt), the Richmond Community Redevelopment Agency Housing Set Aside Subordinate Tax Allocation Bonds (Merged Project Areas), (Taxable) 2007 Series B, and the Richmond Community Redevelopment Agency Subordinate Tax Allocation Refunding Bonds (Merged Project Areas), 2010 Series A.

"Series 2014A Debt Service Reserve Account" means the Series 2014A Debt Service Reserve Account, and any account thereof, established pursuant to the provisions of the Trust Agreement under the caption "—Funds."

"Series 2014B Debt Service Reserve Account" means the Series 2014B Debt Service Reserve Account, and any account thereof, established pursuant to the provisions of the Trust Agreement under the caption "—Funds."

"Series 2014A Reserve Account Requirement" means an amount as defined in the Trust Agreement, as such amount may be reduced pursuant to the provisions of the Trust Agreement under the caption "—Special Fund."

"Series 2014B Reserve Account Requirement" means an amount as defined in the Trust Agreement, as such amount may be reduced pursuant to the provisions of the Trust Agreement under the caption "—Special Fund."

"Special Fund" means the Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds Special Fund established pursuant to the provisions of Trust Indenture under the caption "—Funds."

"State" means the State of California.

"Successor Agency" means the Successor Agency to the Richmond Community Redevelopment Agency, a public body, corporate and politic, duly organized and existing under and pursuant to the Law.

"Successor Agency Refunding Revenues" means, for any period of time, moneys deposited from time to time in the RPTTF established pursuant to subdivision (c) of Section 34172 of the Law, as provided in subdivision (a) of Section 34183 of the Law excluding (i) Senior Obligations payable during such period; and (ii) amounts, if any, payable to a taxing entity pursuant to Section 33607.5 and 33607.7 of the Law during such period.

If, and to the extent, that the provisions of Health & Safety Code Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then Successor Agency Refunding Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution.

"Supplemental Trust Agreement" means any trust agreement then in full force and effect which has been duly executed and delivered by the Successor Agency and the Trustee amendatory of the Trust Agreement or supplemental thereto; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

"Tax Certificate" means the Tax Certificate delivered by the Agency and the Successor Agency at the time of the issuance and delivery of the Series 2014A Refunding Bonds, as the same may be amended or supplemented in accordance with its terms.

"Tax-Exempt Bond" means Refunding Bonds the interest on which is excluded from the gross income of the holders thereof (other than any holder who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

"Tax Revenues" means the amounts deposited in the Redevelopment Property Tax Trust Fund under Section 34183(a) of the Law.

"Trust Agreement" means the Trust Agreement, dated as of April 1, 2014, between the Successor Agency and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions of the Trust Agreement.

"Trustee" means Union Bank, N.A., or any other association or corporation which may at any time be substituted in its place as provided in the provisions of the Trust Agreement under the caption "—Compliance with Trust Agreement."

"Written Request of the Successor Agency" means an instrument in writing signed by or on behalf of the Successor Agency by the City Manager acting as Chief Executive Officer of the Successor Agency, the Finance Director of the City acting as Treasurer of the Successor Agency, or by any other officer of the Successor Agency duly authorized by the governing board of the Successor Agency to sign documents on its behalf under the Trust Agreement.

"1998A Refunding Bonds" means the Richmond Community Redevelopment Agency Harbour Redevelopment Project Tax Allocation Refunding Bonds 1998 Series A.

"1998A Refunding Bonds Escrow Agreement" means the Escrow Agreement, dated as of April 1, 2014, by and between the Successor Agency and U.S. Bank National Association, as escrow agent.

"1998A Refunding Bonds Escrow Agent" means the escrow agent designated as such pursuant to the 1998A Refunding Bonds Escrow Agreement.

"2000A Bonds" means the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds Series 2000A (Tax-Exempt).

"2000B Bonds" means the Richmond Joint Powers Financing Authority Housing Set-Aside Tax Allocation Revenue Bonds Series 2000B (Taxable).

"Pre-2004 Loan Agreement" means the Loan Agreement, dated as of November 1, 2000, by and between the Agency and the Authority evidencing a loan from the Authority to the Agency.

"2003A Bonds" means the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds Series 2003A (Tax-Exempt).

"2003 Loan Agreement" means the Loan Agreement, dated as of August 1, 2003, by and between the Agency and the Authority evidencing a loan from the Authority to the Agency.

"2007 Coverage Accounts" means the 2007 Series A Coverage Reserve Subaccount established within the Reserve Account pursuant to the 2007 Series A First Supplemental Indenture and the 2007 Series B Coverage Reserve Subaccount established within the Reserve Account pursuant to the 2007 Series B First Supplemental Indenture.

"2007 Indentures" means the 2007 Series A First Supplemental Indenture and the 2007 Series B First Supplemental Indenture.

"2007" Trustee means Union Bank, N.A. (formerly known as Union Bank of California, N.A.), as trustee under the Master Subordinate Indenture and the Master Subordinate Indenture (Housing), each as amended and supplemented.

"2010 Bonds" means Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2010 Series A.

## THE TRUST AGREEMENT

### Authorization and Purpose of Refunding Bonds

The Successor Agency has reviewed all proceedings taken relative to the authorization of the Refunding Bonds and has found, as a result of such review, and finds and determines that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of the Refunding Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and that the Successor Agency is now duly authorized, pursuant to each and every requirement of the Act, to issue the Refunding Bonds in the form and manner provided in the Trust Agreement for the purpose of providing funds to refinance the Prior Bonds, and that the Refunding Bonds shall be entitled to the benefit, protection and security of the provisions of the Trust Agreement.

### Additional Refunding Bonds

Subject to the provisions of the Trust Agreement under the caption "—Conditions to Issuance of Additional Refunding Bonds," the Successor Agency may issue one or more Series of Additional Refunding Bonds, authenticated and delivered by the Successor Agency as permitted by the Law and subject to the limits set forth in Section 34177.5 of the Law. Each series of Additional Refunding Bonds shall be issued (i) on a parity basis for the refunding of bonds, debt or other obligations of the Successor Agency, or (ii) on a subordinate basis. Interest and principal on any series of Additional Refunding Bonds issued by the Successor Agency on a subordinate basis shall be payable on the same dates as the Refunding Bonds.

### Refunding Bonds Constitute Limited Obligations

The Refunding Bonds shall not constitute a charge against the general credit of the Successor Agency but shall constitute and evidence limited obligations of the Successor Agency payable as to principal, Redemption Price, if any, and interest solely from the Successor Agency Refunding Revenues and the other funds pledged therefor under the Trust Agreement. The Refunding Bonds are not secured by a legal or equitable pledge of, or lien or charge upon, any property of the Successor Agency or any of its income or receipts except the Successor Agency Refunding Revenues pledged therefor pursuant to the Trust Agreement which pledge is subject to the provisions of the Trust Agreement permitting the application of the Successor Agency Refunding Revenues for the purposes and on the terms and conditions set forth in the Trust Agreement. The Refunding Bonds are not a debt of the City of Richmond, the State of California or any of its political subdivisions, and neither said City, said State nor any of its political subdivisions is liable therefor, nor in any event shall the payment of the principal or Redemption Price of or interest on the Refunding Bonds constitute a debt, liability or obligation of any public agency (other than the limited obligation of the Successor Agency as provided in the Trust Agreement). The Refunding Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction, and neither the members of the Successor Agency nor any persons executing the Refunding Bonds are liable personally on the Refunding Bonds by reason of their issuance. No member, officer or employee of the Successor Agency shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Refunding Bonds or be subject to any personal liability or accountability by reason of the issuance of the Refunding Bonds or in respect of any undertakings by the Successor Agency under the Trust Agreement; but nothing therein contained shall relieve any member, officer or employee of the Successor Agency from the performance of any official duty provided by law. The face of each Bond shall contain a legend to the effect set forth in this section.

**Pledge of Successor Agency Refunding Revenues**

Pursuant to the Pledge Statute and subject to the provisions of the Trust Agreement permitting application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement, to secure the payment of all the Outstanding Refunding Bonds, and the interest payments becoming due, and to secure the performance and observance of all of the covenants, agreements and conditions contained in the Outstanding Refunding Bonds and the Trust Agreement, the Successor Agency irrevocably grants a lien on and a security interest in, and pledges, the Successor Agency Refunding Revenues and all money in the Special Fund and in the funds or accounts so specified and provided for in the Trust Agreement, whether held by the Successor Agency or the Trustee, to the Trustee for the benefit of the Owners of the Outstanding Refunding Bonds, but excluding all moneys in the Rebate Fund established pursuant to the Tax Certificate (including within such exclusion investment income retained in the Rebate Fund) and the Costs of Issuance Fund. This lien on and security interest in and pledge of the Successor Agency Refunding Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in the Trust Agreement shall constitute a first pledge of and charge and lien upon the Successor Agency Refunding Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in the Trust Agreement, shall immediately attach and be effective, binding, and enforceable against the Successor Agency, its successors, purchasers of any of the Successor Agency Refunding Bonds or such money in the Special Fund or in the funds or accounts so specified and provided for in the Trust Agreement, creditors, and all others asserting rights therein to the extent set forth in, and in accordance with, the Trust Agreement, irrespective of whether those parties have notice of the lien on, security interest in and pledge of the Successor Agency Refunding Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in the Trust Agreement and without the need for any physical delivery, recordation, filing or further act.

**Filing of ROPS and Receipt and Deposit of Successor Agency Refunding Revenues**

The Successor Agency shall timely file each ROPS pursuant to the Law. The ROPS for the six month fiscal period commencing January 1 of each year shall include, in addition to the other amounts required to be included thereon pursuant to the Law, the sum of (i) the difference, if any, between the amount of Debt Service payable on the Refunding Bonds on the next succeeding March 1 and September 1 and the amounts then on deposit in the Interest Account, Principal Account and Sinking Fund Account plus (ii) the amount, if any, required to be deposited in the Series 2014A Debt Service Reserve Account and the Series 2014B Debt Service Reserve Account pursuant to the provisions to the Trust Agreement under the caption "—Special Fund; Series 2014A Debt Service Reserve Account and Series 2014B Debt Service Reserve Account." The ROPS for the six month fiscal period commencing July 1 of each year shall include, in addition to the other amounts required to be included thereon pursuant to the Law, the sum of (i) the difference, if any, between the amount then on deposit in the Interest Account established pursuant to the Trust Agreement and the amount of interest and principal payable on the Refunding Bonds on September 1 of such fiscal period plus (ii) the amount, if any, required to be deposited in the Series 2014A Debt Service Reserve Account and the Series 2014B Debt Service Reserve Account pursuant to the provisions to the Trust Agreement under the caption "—Special Fund; Series 2014A Debt Service Reserve Account and Series 2014B Debt Service Reserve Account."

Promptly upon receipt thereof, the Successor Agency shall transfer to the Trustee for deposit in the Special Fund the Successor Agency Refunding Revenues; provided that the Successor Agency shall not be obligated to deposit in the Special Fund in any Fiscal Year an amount of Successor Agency Refunding Revenues which, together with other available amounts then in the Special Fund, exceeds the amounts required to be transferred to the Trustee for deposit in the Interest Account, the Principal Account, the Sinking Fund Account and the Series 2014A Debt Service Reserve Account and the Series 2014B Debt Service Reserve Account in such Fiscal Year pursuant to this section. Any Successor Agency Refunding Revenues received during any Fiscal Year following deposit in the Special Fund of an

amount equal to the aggregate amount required to be transferred to the Interest Account, the Principal Account, the Sinking Fund Account and the Series 2014A Debt Service Reserve Account and the Series 2014B Debt Service Reserve Account in such Fiscal Year pursuant to the to the provisions to the Trust Agreement under the caption "—Special Fund; Series 2014A Debt Service Reserve Account and Series 2014B Debt Service Reserve Account," shall be released from the pledge and lien thereunder and may be used for any lawful purposes of the Successor Agency.

The Successor Agency covenants and agrees that all Successor Agency Refunding Revenues deposited in the Special Fund will be accounted for through, and held in trust in the Special Fund, and the Successor Agency shall have no beneficial right or interest in any of such money, except only as provided in the Trust Agreement. All such Successor Agency Refunding Revenues shall nevertheless be disbursed, allocated and applied solely to the uses and purposes set forth in the Trust Agreement, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the Successor Agency.

**Special Fund**

Special Fund. (a) All moneys in the Special Fund shall be set aside by the Trustee when and as received in the following respective special accounts within the Special Fund. All moneys in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized by the provisions of the Trust Agreement regarding " —Special Fund."

(1) Interest Account. The Trustee shall set aside from the Special Fund and deposit in the Interest Account an amount of money which, together with any money contained therein equals the aggregate amount of the Debt Service constituting interest becoming due and payable on all Outstanding Refunding Bonds on the next succeeding Interest Payment Date.

All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Refunding Bonds as the same shall become due and payable.

(2) Principal Account. The Trustee shall set aside from the Special Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Refunding Bonds on the next succeeding Principal Payment Date. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Outstanding Refunding Bonds as they shall become due and payable.

(3) Sinking Fund Account. The Trustee shall set aside from the Special Fund and deposit in the Sinking Fund Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of sinking fund installments becoming due and payable with respect to all Outstanding Refunding Bonds which are Term Obligations on the next succeeding Principal Payment Date. All moneys in the Sinking Fund Account shall be used by the Trustee to redeem the Outstanding Refunding Bonds in accordance with the Trust Agreement. In the event that Refunding Bonds which are Term Obligations purchased or redeemed at the option of the Successor Agency are deposited with the Trustee for the credit of the Sinking Fund Account not less than forty-five (45) days prior to the due date for any Sinking Fund Installment for such Bonds, such deposit shall satisfy (to the extent of 100% of the principal amount of such Bonds) any obligation of the Successor Agency to make a payment with respect to such sinking fund installments. Any Refunding Bond so deposited with the Trustee shall be cancelled and shall no longer be deemed to be Outstanding for any purpose. Upon making the deposit with the Trustee of Refunding Bonds which are Term Obligations as provided in this paragraph, the Successor Agency may specify the dates and amounts of sinking fund installments for such Refunding Bonds as to

which the Successor Agency's obligations to make a payment with respect to sinking fund installments for such Refunding Bonds shall be satisfied.

(4) Series 2014A Debt Service Reserve Account and Series 2014B Debt Service Reserve Account. (i) The Trustee shall set aside from the Special Fund and deposit in the Series 2014A Debt Service Reserve Account an amount of money (or other authorized deposit of security, as provided in paragraph (vi) below) equal to the Series 2014A Reserve Account Requirement for the Series 2014A Refunding Bonds then Outstanding. The Series 2014A Debt Service Reserve Account shall be replenished in the following priority: (i) principal and interest on any Reserve Financial Guaranty shall be paid from first available Successor Agency Refunding Revenues on a pro rata basis; and (ii) after all such amounts are paid in full, amounts necessary to fund the Series 2014A Reserve Account Requirement to the required level, after taking into account the amounts available under any Reserve Financial Guaranty shall be deposited from next available Successor Agency Refunding Revenues. No deposit need be made in the Series 2014A Debt Service Reserve Account so long as there shall be on deposit therein an amount equal to the Series 2014A Reserve Account Requirement of the Series 2014A Refunding Bonds then Outstanding. If on any date on which the principal or Redemption Price of, or interest on, the Series 2014A Refunding Bonds is due, the amount in the applicable account in the Special Fund available for each such payment is less than the amount of the principal and Redemption Price of and interest on the Series 2014A Refunding Bonds due on such date, the Trustee shall apply amounts from the Series 2014A Debt Service Reserve Account to the extent necessary to make good the deficiency.

(ii) The Trustee shall set aside from the Special Fund and deposit in the Series 2014B Debt Service Reserve Account an amount of money (or other authorized deposit of security, as provided in paragraph (vi) below) equal to the Series 2014B Reserve Account Requirement for the Series 2014B Refunding Bonds then Outstanding. The Series 2014B Debt Service Reserve Account shall be replenished in the following priority: (i) principal and interest on any Reserve Financial Guaranty shall be paid from first available Successor Agency Refunding Revenues on a pro rata basis; and (ii) after all such amounts are paid in full, amounts necessary to fund the Series 2014B Reserve Account Requirement to the required level, after taking into account the amounts available under any Reserve Financial Guaranty shall be deposited from next available Successor Agency Refunding Revenues. No deposit need be made in the Series 2014B Reserve Debt Service Account so long as there shall be on deposit therein an amount equal to the Series 2014B Reserve Account Requirement of the Series 2014B Refunding Bonds then Outstanding. If on any date on which the principal or Redemption Price of, or interest on, the Series 2014B Refunding Bonds is due, the amount in the applicable account in the Special Fund available for each such payment is less than the amount of the principal and Redemption Price of and interest on the Series 2014B Refunding Bonds due on such date, the Trustee shall apply amounts from the Series 2014B Debt Service Reserve Account to the extent necessary to make good the deficiency.

(iii) Except as provided in paragraph (vi) below, if on the last Business Day of any month the amount on deposit in the Series 2014A Debt Service Reserve Account or the Series 2014B Debt Service Reserve Account shall exceed the respective Series 2014A Reserve Account Requirement or the Series 2014B Reserve Account Requirement, as applicable, such excess shall be applied to the reimbursement of each drawing on any Reserve Financial Guaranty deposited in or credited to such Funds and to the payment of interest or other amounts due with respect to such Reserve Financial Guaranty and any remaining moneys shall be deposited in the Interest Account.

(iv) Whenever the amount in the Series 2014A Debt Service Reserve Account or the Series 2014B Debt Service Reserve Account (excluding any Reserve Financial Guaranty), together with the amount in the Special Fund, is sufficient to pay in full all of the respective Outstanding Series 2014A Refunding Bonds or Series 2014B Refunding Bonds, as applicable, in accordance with their terms (including principal or Redemption Price and interest thereon), the funds on deposit in the respective

Series 2014A Debt Service Reserve Account or the Series 2014B Debt Service Reserve Account, as applicable, shall be transferred to the Special Fund.

(v) In the event of the refunding of one or more Series 2014A Refunding Bonds or Series 2014B Refunding Bonds (or portions thereof), the Trustee shall, upon the written direction of an Authorized Successor Agency Representative, withdraw from the respective Series 2014A Debt Service Reserve Account or Series 2014A Debt Service Reserve Account, as applicable, any or all of the amounts on deposit therein (excluding any Reserve Financial Guaranty) and deposit such amounts with itself as Trustee, or the escrow agent for the respective Series 2014A Refunding Bonds or Series 2014B Refunding Bonds to be refunded, to be held for the payment of the principal or Redemption Price, if any, of, and interest on, the respective Series 2014A Refunding Bonds or Series 2014B Refunding Bonds (or portions thereof) being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the respective Series 2014A Refunding Bonds or Series 2014B Refunding Bonds (or portions thereof) being refunded shall be deemed to have been paid pursuant to the provisions of the Trust Agreement regarding "—Discharge of Refunding Bonds," and (b) the amount remaining in the respective Series 2014A Debt Service Reserve Account or Series 2014B Debt Service Reserve Account after such withdrawal, taking into account any deposits to be made in the respective Series 2014A Debt Service Reserve Account or Series 2014B Debt Service Reserve Account in connection with such refunding, shall not be less than the respective Series 2014A Reserve Account Requirement or Series 2014B Reserve Account Requirement, as adjusted by any reduction in the Reserve Account Requirement calculated for 2014A Debt Service Reserve Account or Series 2014B Debt Service Reserve Account in connection with such refunding. The Reserve Policy shall automatically and irrevocably be reduced in the same proportion, as each reduction in the Series 2014A Reserve Account Requirement or the Series 2014B Reserve Account Requirement, and in the event of the refunding of a portion of one or more Series 2014A Refunding Bonds or Series 2014B Refunding Bonds, a pro-rata portion of the cash and investments in the Series 2014A Debt Service Reserve Account or the Series 2014B Debt Service Reserve Account, as applicable, may be withdrawn, so long as the Reserve Policy never equals more than 50% of the proportionate share of the Series 2014A Reserve Account Requirement or the Series 2014B Reserve Account Requirement, as applicable.

(vi) In lieu of the deposits and transfers to the Series 2014A Debt Service Reserve Account or the Series 2014B Debt Service Reserve Account required by the provisions of the Trust Agreement under the caption "—Special Fund; 2014A Debt Service Reserve Account and Series 2014B Debt Service Reserve Account," the Successor Agency may cause to be deposited in the Series 2014A Debt Service Reserve Account or the Series 2014B Debt Service Reserve Account a Reserve Financial Guaranty or Reserve Financial Guaranties in an amount equal to the difference between the respective Series 2014A Reserve Account Requirement or the Series 2014A Reserve Account Requirement and the sums, if any, then on deposit in the Series 2014A Debt Service Reserve Account or the Series 2014B Debt Service Reserve Account or being deposited in such Fund concurrently with such Reserve Financial Guaranty or Guaranties. Subject to the provision of the Trust Agreement under the caption ""—Reserve Fund," the Trustee shall draw upon or otherwise take such action as is necessary in accordance with the terms of any Reserve Financial Guaranty to receive payments with respect to any Reserve Financial Guaranty (including the giving of notice as required thereunder): (i) on any date on which moneys shall be required to be withdrawn from the Series 2014A Debt Service Reserve Account or the Series 2014B Debt Service Reserve Account and applied to the payment of principal or Redemption Price of, or interest on, the Series 2014A Refunding Bonds or the Series 2014B Refunding Bonds and such withdrawal cannot be met by amounts on deposit in the applicable accounts in the Series 2014A Debt Service Reserve Account or the Series 2014B Debt Service Reserve Account; (ii) on the first Business Day which is at least ten (10) days prior to the expiration date of any Reserve Financial Guaranty, in an amount equal to the deficiency which would exist in the Series 2014A Debt Service Reserve Account or the Series 2014B Debt Service Reserve Account if the Reserve Financial Guaranty expired, unless a substitute Reserve Financial

Guaranty with an expiration date not earlier than 180 days after the expiration date of the expiring Reserve Financial Guaranty is acquired prior to such date, or the Successor Agency deposits funds in the Series 2014A Debt Service Reserve Account or the Series 2014B Debt Service Reserve Account on or before such date, such that the amount in the Series 2014A Debt Service Reserve Account or the Series 2014B Debt Service Reserve Account on such date (without regard to such expiring Reserve Financial Guaranty) is at least equal to the Series 2014A Debt Service Reserve Account Requirement or the Series 2014B Debt Service Reserve Account Requirement, as applicable.

If, upon the deposit of a Reserve Financial Guaranty into the Series 2014A Debt Service Reserve Account or Series 2014B Debt Service Reserve Account pursuant to this paragraph (vi), there shall be any amount in the Series 2014A Debt Service Reserve Account or Series 2014B Debt Service Reserve Account in excess of the Series 2014A Reserve Account Requirement or the Series 2014B Reserve Account Requirement, as applicable, such excess amount may be applied to the cost of acquiring such Reserve Financial Guaranty and, to the extent not so applied, shall be transferred to the Interest Account or, with a Favorable Opinion of Bond Counsel, as directed by the Successor Agency.

If at any time obligations insured or issued by a Reserve Financial Guaranty Provider shall no longer maintain the required ratings set forth in the definition of "Reserve Financial Guaranty" in the "Definitions" section of the Trust Agreement, the Successor Agency shall provide or cause to be provided cash or a substitute Reserve Financial Guaranty meeting such requirements to the extent necessary to satisfy the Series 2014A Reserve Account Requirement or the Series 2014B Reserve Account Requirement, as applicable, with either cash, qualified Reserve Financial Guaranty or a combination thereof.

(vii) The prior written consent of the Bond Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Series 2014A Debt Service Reserve Account or the Series 2014B Debt Service Reserve Account, if any. Amounts on deposit in the Series 2014A Debt Service Reserve Account or the Series 2014B Debt Service Reserve Account shall be applied solely to the payment of debt service due on the Insured Obligations.

(viii) The Successor Agency may at its sole discretion at the time of issuance of any Additional Refunding Bonds or at any time thereafter by Supplemental Trust Agreement provide for the establishment of a Debt Service Reserve Account as additional security for Additional Refunding Bonds. Any Debt Service Reserve Account so established by the Successor Agency shall be available to secure Additional Refunding Bonds as the Successor Agency shall determine and shall specify in the Supplemental Trust Agreement establishing such Debt Service Reserve Account or, if the Supplemental Agreement establishes a pooled Reserve Account Requirement that is applicable to an initial series of Refunding Bonds together with any one or more subsequently issued eligible series of Additional Refunding Bonds with the same pooled Reserve Account Requirement, as shall be set forth in subsequent Supplemental Trust Agreements. Any Reserve Account Requirement established by the Successor Agency shall be held by the Trustee and shall comply with the requirements set forth by the provisions of the Trust Agreement regarding " —Special Fund."

(5) Surplus. After making the deposits required in paragraphs (1) through (4) above, in any Fiscal Year, the Trustee shall transfer any amount remaining on deposit in the Special Fund to the Successor Agency to be used for any lawful purpose of the Successor Agency.

(b) In the event that on any date upon which the Successor Agency is to make a payment from Successor Agency Refunding Revenues pursuant to the provisions of the Trust Agreement regarding "—Special Fund; Interest Account, Principal Account and/or Sinking Fund Account," and the amount of available Successor Agency Refunding Revenues is not sufficient to make such payment, then the Successor Agency shall apply the available Successor Agency Refunding Revenues to the payments

required by the provisions of the Trust Agreement regarding "—Special Fund; Interest Account, Principal Account and/or Sinking Fund Account" ratably (based on the respective amounts to be paid), without any discrimination or preferences.

(c) In the event that on any date upon which the Successor Agency is to make a payment or deposit from Successor Agency Refunding Revenues pursuant to the provisions of the Trust Agreement regarding "—Special Fund; Series 2014A Debt Service Reserve Account and Series 2014B Debt Service Reserve Account," and the amount of available Successor Agency Refunding Revenues is not sufficient to make such payment or deposit, then the Successor Agency, after making the payments required by the provisions of the Trust Agreement regarding "—Special Fund; Series 2014A Debt Service Reserve Account and Series 2014B Debt Service Reserve Account," shall apply the available Successor Agency Refunding Revenues to the payments required by the provisions of the Trust Agreement regarding "—Special Fund; Series 2014A Debt Service Reserve Account and Series 2014B Debt Service Reserve Account," ratably (based on the respective amounts to be paid), without any discrimination or preferences.

**Depositories**

The Trustee shall hold all moneys deposited with it pursuant to the Trust Agreement or may deposit such moneys with one or more Depositories in trust. All moneys deposited under the provisions of the Trust Agreement with the Trustee or any Depository shall be held in trust and applied only in accordance with the provisions of the Trust Agreement, and each of the Funds established by the Trust Agreement shall be a trust fund for the purposes thereof.

**Deposits**

(a) All moneys held under the Trust Agreement may be placed on demand or time deposit, if and as directed by the Successor Agency, provided that such deposits shall permit the moneys so held to be available for use at the time when reasonably expected to be needed. The Trustee shall not be liable for any loss or depreciation in value resulting from any investment made pursuant to the Trust Agreement. Any such deposit may be made in the commercial banking department of the Trustee or its affiliates which may honor checks and drafts on such deposit with the same force and effect as if it were not the Trustee. All moneys held by the Trustee, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Successor Agency and acceptable to such Fiduciary, on time deposit, provided that such moneys on deposit be available for use at the time when reasonably expected to be needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar condition or as required by law.

(b) All moneys held under the Trust Agreement by the Trustee shall be (1) either (A) continuously and fully insured by the Federal Deposit Insurance Corporation, or (B) continuously and fully secured by lodging with the Trustee or any Federal Reserve Bank, as custodian, as collateral security, such securities as are described in clauses (a) through (c), inclusive, of the definition of "Permitted Investments" contained in the Trust Agreement having a market value (exclusive of accrued interest) not less than the amount of such moneys, or (2) held in such other manner as may then be required by applicable Federal or State laws and regulations and applicable state laws and regulations of the state in which such Fiduciary is located, regarding security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Fiduciaries to give security under this subsection for the deposit of any moneys with them held in trust and set aside by them for the payment of the principal amount or Redemption Price of, or interest on, any Bonds or to give security for any moneys which shall be represented by obligations or certificates of deposit purchased as an investment of such moneys.

(c) All moneys deposited with a Fiduciary shall be credited to the particular Fund to which such moneys belong.

**Investment of Certain Funds**

Moneys held in the Special Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in Permitted Investments which mature not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Funds. Moneys held in the Series 2014A Debt Service Reserve Account and the Series 2014B Debt Service Reserve Account shall be invested and reinvested by the Trustee to the fullest extent practicable in securities described in clauses (1), (2), (3), (4), (5), (6) and (7) of the definition of "Permitted Investments" contained in the Trust Agreement which mature, or which may be drawn upon, not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Account, but, except for investments which permit the Trustee to make withdrawals without penalty, at any time upon not more than two Business Days notice, to provide moneys for payments to be made from such Account, not later than five years from the time of such investment. The Trustee shall make all such investments of moneys held by it and shall sell or otherwise liquidate any such investment and take all actions necessary to draw funds under any such investment, including the giving of necessary notices of the drawing of any moneys under any investment, in each case in accordance with directions of an Authorized Successor Agency Representative, which directions shall be consistent with the Trust Agreement and applicable law, and which directions shall be written. In the absence of any such written investment directions, the Trustee shall, unless otherwise provided in this section, invest such moneys in the money market funds described in clause (5) of the definition of "Permitted Investments."

Except as otherwise provided in a Supplemental Trust Agreement, interest or other income (net of that which (i) represents a return of accrued interest paid in connection with the purchase of any investment or (ii) is required to effect the amortization of any premium paid in connection with the purchase of any investment) earned on any moneys or investments in the Funds created under the Trust Agreement shall be paid into the Interest Account.

In making any investment in any Permitted Investments with moneys in any Fund established under the Trust Agreement, the Trustee may combine such moneys with moneys in any other Fund but solely for the purposes of making such investment in such Investments and provided that any amount so combined shall be separately accounted for. The Trustee may act as principal or agent in the acquisition or disposition of investments.

Nothing in the Trust Agreement shall prevent any Permitted Investments acquired as investments of moneys in any Fund from being issued or held in book-entry form on the books of the Department of the Treasury or the Federal Reserve System of the United States.

The Trustee shall furnish the Successor Agency periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the Successor Agency. Upon the Successor Agency's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request. The Successor Agency waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The Successor Agency further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

**Sale of Investments**

Obligations purchased as an investment of moneys in any Fund shall be deemed at all times to be a part of such Fund and any profit realized from the liquidation of such investment shall be credited to such Fund and any loss resulting from the liquidation of such investment shall be charged to the respective Fund.

Except as otherwise provided in the Trust Agreement, the Trustee may sell at the best price reasonably obtainable, or present for redemption, any obligation purchased as an investment whenever it shall be directed by the Successor Agency so to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by it. Any obligation purchased as an investment may be credited on a pro-rata basis to more than one Fund and need not be sold in order to provide for the transfer of amounts from one Fund to another, provided that such obligation is an appropriate Permitted Investment for the purposes of the Fund to which it is to be transferred. The Trustee shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment.

**Compliance with Trust Agreement**

The Successor Agency shall punctually pay the Refunding Bonds in strict conformity with the terms of the Trust Agreement and the Refunding Bonds, and shall faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Trust Agreement required to be observed and performed by it, and shall not fail to make any payment required by the Trust Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of any party to observe or perform any agreement, condition, covenant or term contained in any contract or agreement required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with any such contract or agreement or the insolvency, or deemed insolvency, or bankruptcy or liquidation of any party or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

**Against Encumbrances**

The Successor Agency will not mortgage or otherwise encumber, pledge or place any charge upon any of the Successor Agency Refunding Revenues, except as provided in the Trust Agreement, and will not issue any bond, note, or other evidence of indebtedness payable from or secured by the Successor Agency Refunding Revenues on a basis which is: (i) in any manner prior or superior to the lien on, pledge of and security interest in the Successor Agency Refunding Revenues securing the Outstanding Refunding Bonds pursuant to the Trust Agreement; or (ii) except for Additional Refunding Bonds with respect to the Successor Agency Refunding Revenues, in any manner on a parity with the lien on, pledge of and security interest in the Successor Agency Refunding Revenues securing the Outstanding Refunding Bonds pursuant to the Trust Agreement.

**Extension or Funding of Claims for Interest**

In order to prevent any claims for interest after maturity, the Successor Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any Refunding Bonds and will not, directly or indirectly, be a party to or approve any such arrangements by purchasing or funding said claims for interest or in any other manner. In case any such claim for

interest shall be extended or funded, whether or not with the consent of the Successor Agency, such claim for interest so extended or funded shall not be entitled, in case of default under the Trust Agreement, to the benefits of the Trust Agreement, except subject to the prior payment in full of the principal of all of the Refunding Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

**Payment of Claims**

The Successor Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Successor Agency or upon the Successor Agency Refunding Revenues or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Refunding Bonds; provided that nothing contained in the Trust Agreement shall require the Successor Agency to make any such payments so long as the Successor Agency in good faith shall contest the validity of any such claims.

**Books and Accounts; Financial Statements**

The Successor Agency will keep proper books of record and accounts, separate from all other records and accounts of the Successor Agency. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Trustee or of the Owners of not less than ten per cent (10%) of the aggregate principal amount of the Refunding Bonds then Outstanding or their respective representatives authorized in writing.

The Successor Agency will prepare and file with the Trustee, annually as soon as practicable, but in any event not later than the earlier of two hundred forty (240) days after the close of each Fiscal Year or within thirty (30) days of availability, so long as any Refunding Bonds are Outstanding, an audited financial statement relating to the Successor Agency Refunding Revenues and all other funds or accounts established pursuant to the Trust Agreement for the preceding Fiscal Year prepared by an Independent Certified Public Accountant, showing the balances in each such fund as of the beginning of such Fiscal Year and all deposits in and withdrawals from each such fund during such Fiscal Year and the balances in each such fund as of the end of such Fiscal Year, which audited financial statement shall include a statement as to the manner and extent to which the Successor Agency and the Trustee have complied with the provisions of the Trust Agreement as it relates to such funds. The Trustee, at the expense of the Successor Agency, will furnish a copy of such audited financial statement to any Owner upon written request. The Trustee shall provide such statements with regard to any funds held by the Trustee under the Trust Agreement to the Successor Agency as the Successor Agency may reasonably require to comply with the terms of this section. The Trustee shall have no duty to review any financial statements filed with it under the Trust Agreement.

**Protection of Security and Rights of Owners**

The Successor Agency will preserve and protect the security of the Refunding Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Refunding Bonds by the Successor Agency, such Refunding Bonds shall be incontestable by the Successor Agency.

**Payment of Taxes and Other Charges**

Subject to the provisions of the Trust Agreement under the caption "—Further Assurances," the Successor Agency will pay and discharge all taxes, service charges, assessments and other governmental charges that may thereafter be lawfully imposed upon the Successor Agency or any properties owned by the Successor Agency in the Project Area, or upon the revenues therefrom, when the same shall become

due; provided that nothing contained in the Trust Agreement shall require the Successor Agency to make any such payments so long as the Successor Agency in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges.

**Filing of ROPS and Successor Agency Refunding Revenues**

The Successor Agency shall timely file all ROPS as required by the Law and shall comply with all requirements of the Law to insure the allocation and payment to the Successor Agency of the Successor Agency Refunding Revenues.

**Further Assurances**

The Successor Agency shall adopt, make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Trust Agreement, and for the better assuring and confirming unto the Owners of the Refunding Bonds of the rights and benefits provided in the Trust Agreement.

**Tax Covenants**

The Successor Agency covenants it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the Tax-exempt status of interest on any Tax-Exempt Bond under Section 103 of the Code. Without limiting the generality of the foregoing, the Successor Agency shall comply with the requirements of the Tax Certificate, if any, delivered in connection with the issuance of each Series of Tax-Exempt Bonds.

In the event that at any time the Successor Agency is of the opinion that, in order to comply with its obligations under subsection (a) of this section, it is necessary or helpful to restrict or limit the yield on the investment of any moneys in any of the funds held by the Trustee pursuant to the Trust Agreement, the Successor Agency shall so instruct the Trustee in writing, and cause the Trustee to take such action as may be necessary in accordance with such instructions.

(a) Notwithstanding any provisions of this section, if the Successor Agency shall provide to the Trustee an Opinion of Bond Counsel to the effect that any specified action required under this section or a Tax Certificate is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Tax-Exempt Bonds under Section 103 of the Code, the Successor Agency and the Trustee may conclusively rely on such opinion in complying with the requirements of this section and of the applicable Tax Certificate, and the covenants under the Trust Agreement shall be deemed to be modified to that extent.

(b) The covenants in this section shall survive payment in full or discharge of the Tax-Exempt Bonds.

**Petition for Final and Conclusive Determination**

Pursuant to Section 34177.5(i) of the Health and Safety Code of the State within ten (10) days of the Delivery Date, the Successor Agency shall petition the Department of Finance of the State to confirm that its determination that the Refunding Bonds approved in the ROPS constitute enforceable obligations is final and conclusive, and that it has finally and conclusively approved of subsequent payments made pursuant to the Refunding Bonds.

**2007 Coverage Accounts**

Notwithstanding the provisions of the 2007 Indentures, the Successor Agency covenants for the benefit of the holders of the Refunding Bonds that no earlier than July 15, 2020 the Successor Agency shall file the Coverage Reserve Release Certificate on such date thereafter as the Coverage Reserve Test is met and All-In Coverage is greater than or equal to 1.35x. On the Delivery Date, the Successor Agency shall deliver irrevocable instructions to the 2007 Trustee to apply any funds released from the 2007 Coverage Accounts to the optional redemption of the 2010 Bonds pursuant to the terms set forth in the 2010 Series A Third Supplemental Indenture.

**Continuing Disclosure**

The Successor Agency and the Trustee covenant and agree that they will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Trust Agreement, failure of the Successor Agency or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an event of default; provided, however, the Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Owners of at least 25% aggregate principal amount of Outstanding Refunding Bonds, shall) or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Successor Agency to comply with its obligations under this section and the Continuing Disclosure Agreement or to cause the Trustee to comply with its obligations under this section. For purposes of this section, "Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Refunding Bonds (including persons holding Refunding Bonds through nominees, depositories or other intermediaries).

**The Trustee – Resignation and Removal of Trustee**

The Successor Agency may at any time, unless there exists any event of default as defined in the provisions of the Trust Agreement regarding "—Events of Default," shall, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; and shall have the qualifications required the Trust Agreement.

The Trustee may at any time resign by giving written notice of such resignation to the Successor Agency and by mailing to the Holders notice of such resignation. Upon receiving such notice of resignation, the Successor Agency shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If, within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required the Trust Agreement.

The Bond Insurer shall receive prior written notice of any name change of the Trustee for the Insured Obligations or the resignation or removal of the Trustee. No removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to the Bond Insurer, shall be qualified and appointed.

**Amendment of the Trust Agreement**

(a) The Trust Agreement and the rights and obligations of the Successor Agency and of the Holders may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Holders of a majority in aggregate principal amount of the Refunding Bonds then Outstanding, exclusive of Refunding Bonds disqualified subject to the provisions of the Trust Agreement under the caption "—Disqualified Refunding Bonds," are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, on any Refunding Bond without the express written consent of the Holder of such Refunding Bond, or (3) reduce the percentage of Refunding Bonds required for the written consent to any such amendment, or (4) modify any rights or obligations of the Trustee or the Successor Agency without their prior written assent thereto, respectively.

(b) The Trust Agreement and the rights and obligations of the Successor Agency and of the Holders may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Holders, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel for any purpose that will not materially adversely affect the interests of the Holders, including (without limitation) for any one or more of the following purposes –

(i) to add to the agreements and covenants required by the Trust Agreement to be performed by the Successor Agency other agreements and covenants thereafter to be performed by the Successor Agency, or to surrender any right or power reserved by the Trust Agreement to or conferred therein on the Successor Agency;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising thereunder which the Successor Agency may deem desirable or necessary and not inconsistent therewith;

(iii) to provide for the issuance of subsequent series of Refunding Bonds; or

(iv) to add to the agreements and covenants required in the Trust Agreement, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939.

**Disqualified Refunding Bonds**

Refunding Bonds owned or held by or for the account of the Successor Agency shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Refunding Bonds as provided in the article of the Trust Agreement regarding Amendment of the Trust Agreement, and shall not be entitled to consent to or take any other action provided in such article.

**Endorsement or Replacement of Refunding Bonds After Amendment**

After the effective date of any action taken as provided in the Trust Agreement, the Successor Agency may determine that the Refunding Bonds may bear a notation by endorsement in form approved by the Successor Agency as to such action, and in that case upon demand of the Holder of any Outstanding Refunding Bonds and presentation of his Refunding Bond for such purpose at the office of the Trustee a suitable notation as to such action shall be made on such Refunding Bond. If the Successor Agency shall so determine, new Refunding Bonds so modified as, in the opinion of the Successor Agency, shall be necessary to conform to such action shall be prepared and executed, and in that case

upon demand of the Holder of any Outstanding Refunding Bond, a new Refunding Bond or Refunding Bonds shall be exchanged at the office of the Trustee without cost to each Holder for its Refunding Bond or Refunding Bonds then Outstanding upon surrender of such Outstanding Refunding Bonds.

**Amendment by Mutual Consent**

The provisions of the article of the Trust Agreement regarding Amendment of the Trust Agreement shall not prevent any Holder from accepting any amendment as to the particular Refunding Bonds held by him, provided that due notation thereof is made on such Refunding Bonds and such acceptance has no effect on the rights or obligations of the Bond Insurer.

**Consent of the Bond Insurer**

The Bond Insurer's prior written consent is required for all amendments and supplements to the Security Documents, with the exceptions noted below. The Successor Agency shall send copies of any such amendments or supplements to the Bond Insurer and the rating agencies which have assigned a rating to the Insured Obligations.

(a) Any amendments or supplements to the Security Documents shall require the prior written consent of the Bond Insurer with the exception of amendments or supplements:

(1) To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the transaction documents or in any supplement thereto, or

(2) To grant or confer upon the Holders any additional rights, remedies, powers authority or security that may lawfully be granted to or conferred upon the Holders, or

(3) To add to the conditions, limitations and restrictions on the issuance of Refunding Bonds under the provisions of the transaction documents other conditions, limitations and restrictions thereafter to be observed or

(4) To add to the covenants and agreements of the Successor Agency in the transaction documents other covenants and agreements thereafter to be observed by the Successor Agency or to surrender any right or power therein reserved to or conferred upon the Successor Agency.

(b) Any amendment, supplement, modification to, or waiver of, any of the Security Documents that requires the consent of holders of the Insured Obligations or adversely affects the rights or interests of Bond Insurer shall be subject to the prior written consent of Bond Insurer.

**Events of Default**

Each of the following shall constitute an Event of Default under the Trust Agreement:

(1) if default shall be made in the payment of the principal or Redemption Price of or sinking fund installment for, or interest on, any Outstanding Refunding Bond, when and as the same shall become due and payable, whether on an Interest Payment Date, at maturity, by call for redemption, or otherwise;

(2) if default shall be made by the Successor Agency in the performance or observance of any other of the covenants, agreements or conditions on its part in the Trust Agreement or in the Outstanding Refunding Bonds contained, and such default shall continue for a period of 120 days after written notice thereof to the Successor Agency by the Trustee or by the Owners of not less than 10% in

principal amount of the Refunding Bonds Outstanding to the Successor Agency and the Trustee; provided, however, if such default is such that it can be corrected by the Successor Agency but not within the applicable period specified above, it shall not constitute an Event of Default if corrective action is instituted by the Successor Agency within thirty (30) days of the Successor Agency's receipt of the notice of the default required by this paragraph and diligently pursued until the default is corrected; or

(3) the Successor Agency shall have declared Bankruptcy.

**Grace Period for Payment Defaults**

No grace period shall be permitted for payment defaults on the Insured Obligations. No grace period for a covenant default shall exceed 30 days without the prior written consent of the Bond Insurer.

**Accounting and Examination of Records After Default**

(a) The Successor Agency covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and accounts of the Successor Agency shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys.

(b) The Successor Agency covenants that if an Event of Default shall have happened and shall not have been remedied, the Successor Agency, upon demand of the Trustee, shall account, as if it were the trustee of an express trust, for all Successor Agency Refunding Revenues and other moneys, securities and funds pledged or held under the Trust Agreement for such period as shall be stated in such demand.

**Application of Successor Agency Refunding Revenues and Other Moneys After Default**

(a) Notwithstanding anything to the contrary contained in the Trust Agreement, including the article of the Trust Agreement regarding Established of Funds and Application Thereof, the Successor Agency covenants that if an Event of Default shall happen and shall not have been remedied, the Successor Agency, upon the demand of the Trustee, shall cause to be paid over to the Trustee by the first Business Day of each month, all Successor Agency Refunding Revenues with respect to the preceding month.

(b) During the continuance of an Event of Default, the Trustee shall apply all Successor Agency Refunding Revenues received by the Trustee pursuant to any right given or action taken under the provisions of the article of the Trust Agreement regarding Events of Default and Remedies of Holders, which are held by the Trustee pursuant and subject to the terms and conditions of the Trust Agreement, as follows and in the following order of priority:

First: To the payment of the principal and Redemption Price of and interest on the Outstanding Refunding Bonds; provided however, that in the event the amount of Successor Agency Refunding Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Successor Agency Refunding Revenues to the payment of the principal and redemption price of and interest on all Outstanding Refunding Bonds then due and payable ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Second: To the transfer to the Series 2014A Debt Service Reserve Account for the Series 2014A Refunding Bonds and the Series 2014B Debt Service Reserve Account for the Series 2014B Refunding Bonds, the amount, if any, necessary so that the amount on deposit in the Series 2014A Debt Service Reserve Account and the Series 2014B Debt Service Account shall equal the

respective Series 2014A Reserve Account Requirement and the Series 2014A Reserve Account Requirement.

(c) If and whenever all overdue installments of interest on all Outstanding Refunding Bonds, together with the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums payable for the account of the Successor Agency under the Trust Agreement, including the principal and Redemption Price of all Outstanding Refunding Bonds and unpaid interest on all Outstanding Refunding Bonds which shall then be payable, shall be paid for by the account of the Successor Agency, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Trust Agreement and the Outstanding Refunding Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over all unexpended Successor Agency Refunding Revenues in the hands of the Trustee (except Successor Agency Refunding Revenues deposited or pledged, or required by the terms of the Trust Agreement to be deposited or pledged, with the Trustee), and thereupon the Successor Agency and the Trustee shall be restored, respectively, to their former positions and rights under the Trust Agreement. No such payment by the Trustee nor such restoration of the Successor Agency and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Trust Agreement or impair any right consequent thereon.

(d) The Trustee may in its discretion establish special record dates for the determination of the Owners of Refunding Bonds for various purposes of the Trust Agreement, including without limitation, payment of defaulted interest and giving direction to the Trustee.

**Application of Amounts on Deposit in the Special Fund**

Unless the Bond Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the Special Fund shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of the Refunding Bonds.

**Right to Accelerate Upon Default**

Notwithstanding anything contrary in the Trust Agreement or in the Refunding Bonds, upon the occurrence of an Event of Default, the Trustee shall, at the direction of the Owners of a majority in principal amount of Outstanding Refunding Bonds (other than Bonds owned by or on behalf of the Successor Agency), by written notice to the Successor Agency, declare the principal of the Outstanding Refunding Bonds to be immediately due and payable, whereupon the principal of the Refunding Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable.

**Consent of the Bond Insurer for acceleration**

The Bond Insurer's prior written consent is required as a condition precedent to and in all instances of acceleration.

**Appointment of Receiver**

If an Event of Default shall happen and shall not have been remedied, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Refunding Bonds under the Trust Agreement, the Trustee shall be entitled to make application for the appointment of a receiver or custodian of the Successor Agency Refunding Revenues, pending such proceedings, with such power as the court making such appointment shall confer.

**Consent of Bond Insurer in the Event of Insolvency**

Any reorganization or liquidation plan with respect to the Successor Agency must be acceptable to the Bond Insurer in writing. In the event of any reorganization or liquidation of the Successor Agency, the Bond Insurer shall have the right to vote on behalf of all holders of the Insured Obligations absent a continuing failure by the Bond Insurer to make a payment under the Policy.

**Enforcement Proceedings**

(a) If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, upon the written request of the Owners of not less than a majority in principal amount of the Refunding Bonds at the time Outstanding shall proceed, to protect and enforce its rights and the rights of the Owners of the Outstanding Refunding Bonds by a suit or suits in equity or at law, whether for damages or the specific performance of any covenant contained in the Trust Agreement, to enforce the security interest in, pledge of and lien on the Successor Agency Refunding Revenues granted pursuant to the Trust Agreement, or in aid of the execution of any power granted in the Trust Agreement or any remedy granted under applicable provisions of the laws of the State, or for an accounting by the Successor Agency as if the Successor Agency were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Trust Agreement.

(b) All rights of action under the Trust Agreement may be prosecuted and enforced by the Trustee without the possession of any of the Refunding Bonds or the production thereof in the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust.

(c) Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Trust Agreement, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Trust Agreement and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

(d) Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Owners of a majority in principal amount of the Refunding Bonds then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Trust Agreement by any acts which may be unlawful or in violation of the Trust Agreement, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Owners of the Refunding Bonds.

(e) If the Trustee or any Owner or Owners of Outstanding Refunding Bonds have instituted any proceeding to enforce any right or remedy under the Trust Agreement and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Owner or Owners, then and in every such case the Successor Agency, the Trustee and the Owners shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions under the Trust Agreement, and thereafter all rights and remedies of the Trustee and the Owners shall continue as though no such proceeding had been instituted.

**Restriction on Owner's Action**

(a) Except as otherwise provided in paragraph (b) of this section no Owner of any Refunding Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Trust Agreement or the execution of any trust under the Trust Agreement or for any remedy under the Trust Agreement unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the article of the Trust Agreement regarding Events of Default and Remedies of Holders, and the Owners of at least 25% in principal amount of the Refunding Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Trust Agreement or by the applicable laws of the State or to institute such action, suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Refunding Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Trust Agreement, or to enforce any right under the Trust Agreement, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Trust Agreement shall be instituted, had and maintained in the manner provided in the Trust Agreement and for the ratable benefit of all Owners of the Outstanding Refunding Bonds.

(b) Nothing in the Trust Agreement or in the Refunding Bonds contained shall affect or impair the obligation of the Successor Agency, which is absolute and unconditional, to pay on the respective due dates thereof and at the places therein expressed, but solely from the Successor Agency Refunding Revenues and the other moneys pledged under the Trust Agreement, the principal amount, or Redemption Price if applicable, of the Refunding Bonds, and the interest thereon, to the respective Owners thereof, or affect or impair the right, which is also absolute and unconditional, of any Owner to institute suit for the enforcement of any such payment.

**Remedies Not Exclusive**

No remedy by the terms of the Trust Agreement conferred upon or reserved to the Trustee or the Owners of the Refunding Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or existing at law or in equity or by statute whether effective on or after the effective date of the Trust Agreement. The assertion or employment of any right or remedy, under the Trust Agreement or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

**Effect of Waiver and Other Circumstances**

(a) No delay or omission of the Trustee or any Owner of a Refunding Bond to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by the article of the Trust Agreement regarding Events of Default and Remedies of Holders to the Trustee or to the Owners of the Refunding Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Owners of the Refunding Bonds.

(b) The Owners of not less than sixty percent in principal amount of the Refunding Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the Refunding Bonds, waive any Event of Default and its consequences. No such waiver shall extend to any

subsequent or Event of Default or impair any right consequent thereon unless the provisions of this subsection (b) have been satisfied with respect to such subsequent Event of Default.

**Consent of Bond Insurer Upon Default**

Anything in the Security Documents to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Obligations or the Trustee for the benefit of the holders of the Insured Obligations under any Security Document. The Trustee may not waive any default or event of default without the Bond Insurer's written consent.

**Bond Insurer as Owner**

Upon the occurrence and continuance of a default or an event of default, the Bond Insurer shall be deemed to be the sole owner of the Insured Obligations for all purposes under the Security Documents, including, without limitations, for purposes of exercising remedies and approving amendments.

**Notice of Default**

The Trustee shall, within thirty (30) days after obtaining knowledge thereof, mail written notice of the occurrence of any Event of Default of which the Trustee has knowledge to each Owner of Bonds then Outstanding at such Owner's address, if any, appearing in the Bond Register.

**Discharge of Refunding Bonds**

(a) If the Successor Agency shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Refunding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated in the Trust Agreement and therein, then the Holders of such Refunding Bonds shall cease to be entitled to the pledge of and charge and lien upon the Successor Agency Refunding Revenues, as provided in the Trust Agreement, and all agreements, covenants and other obligations of the Successor Agency to the Holders of such Refunding Bonds under the Trust Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Successor Agency all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, the Trustee shall pay over or deliver to the Successor Agency all money or securities held by it pursuant thereto which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Refunding Bonds.

(b) Any Outstanding Refunding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (1) in case any of such Refunding Bonds are to be redeemed on any date prior to their maturity date, the Successor Agency shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the provisions of the Trust Agreement regarding "— Selection of Refunding Bonds for Redemption," (2) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) Defeasance Securities which are not subject to redemption prior to maturity (including any such Defeasance Securities issued or held in book-entry form on the books of the Successor Agency or the Treasury of the United States of America) or tax exempt obligations of a state or political subdivision thereof which have been defeased under irrevocable escrow instructions by the deposit of such money or Defeasance Securities and which are then rated in the highest rating category by the Rating Agency, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Independent Certified Public Accountant, to pay when due the interest

to become due on such Refunding Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Refunding Bonds, and (3) in the event such Refunding Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Successor Agency shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Holders of such Refunding Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Refunding Bonds are deemed to have been paid in accordance with this section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Refunding Bonds.

**Unclaimed Money**

Anything contained in the Trust Agreement to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Refunding Bonds or interest thereon which remains unclaimed for two (2) years after the date when such Refunding Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such Refunding Bonds have become due and payable, shall at the Written Request of the Successor Agency be repaid by the Trustee to the Successor Agency as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Holders shall not look to the Trustee for the payment of such Refunding Bonds.

**Defeasance and the Bond Insurer**

At least five (5) Business Days prior to any defeasance, the Successor Agency shall deliver to the Bond Insurer copies of an escrow agreement, opinions regarding the validity and enforceability of the escrow agreement, a verification report (a "Verification Report") of a nationally recognized independent financial analyst or firm of certified public accountants regarding sufficiency of the escrow and a defeasance legal opinion. Such opinions and Verification Report shall be addressed to the Bond Insurer and shall be in form and substance satisfactory to the Bond Insurer. In addition, the escrow agreement shall provide that:

(a) Any substitution of securities shall require the delivery of a Verification Report, an Opinion of Counsel that such substitution will not adversely affect the exclusion (if interest on the Insured Obligations is excludable) from gross income of the holders of the Insured Obligations of the interest on the Insured Obligations for federal income tax purposes and the prior written consent of Bond Insurer.

(b) The Successor Agency will not exercise any prior optional redemption of Insured Obligations secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to the Bond Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(c) The Successor Agency shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Bond Insurer.

**Bond Insurer Terms and Provisions**

Notice and Other Information to the Bond Insurer

The Successor Agency will provide the Bond Insurer with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Agreement and (ii) to the holders of Insured Obligations or the Trustee under the Security Documents.

Special Provisions for Insurer Default

If an Insurer Default shall occur and be continuing, then, notwithstanding anything to the contrary in the provisions of the Trust Agreement regarding "—Consent of the Bond Insurer," "Bond Insurer Consent in the Event of Insolvency," "Consent of Bond Insurer Upon Default," and "Bond Insurer as Owner," (1) if at any time prior to or following an Insurer Default, the Bond Insurer has made payment under the Policy, to the extent of such payment the Bond Insurer shall be treated like any other holder of the Insured Obligations for all purposes, including giving of consents, and (2) if the Bond Insurer has not made any payment under the Policy, the Bond Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the Bond Insurer makes a payment under the Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph (h), "Insurer Default" means: (A) the Bond Insurer has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) the Bond Insurer shall voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Bond Insurer (including without limitation under the New York Insurance Law).

Pledge and Assignment of Any Underlying Obligor Agreement

The Trust Agreement pledges and assigns any agreement with any underlying obligor that is a source of payment for the Insured Obligations and a default under any such agreement shall constitute an Event of Default under the Trust Agreement. In accordance with the foregoing, any such agreement is pledged and assigned to the Trustee for the benefit of the holders of the Insured Obligations.

The Bond Insurer As Third Party Beneficiary

The Bond Insurer is recognized as and shall be deemed to be a third party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.

Payment Procedure Under the Policy

In the event that principal and/or interest due on the Insured Obligations shall be paid by the Bond Insurer pursuant to the Policy, the Insured Obligations shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Successor Agency, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Successor Agency to the registered owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond

Insurer shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Insured Obligations.

In the event that on the second ($2^{nd}$) business day prior to any payment date on the Insured Obligations, the Trustee has not received sufficient moneys to pay all principal of and interest on the Insured Obligations due on such payment date, the Trustee shall immediately notify the Bond Insurer or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Bond Insurer or its designee.

In addition, if the Trustee has notice that any holder of the Insured Obligations has been required to disgorge payments of principal of or interest on the Insured Obligations pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Trustee shall notify the Bond Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the Bond Insurer.

The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Insured Obligations as follows:

(a) If there is a deficiency in amounts required to pay interest and/or principal on the Insured Obligations, the Trustee shall (i) execute and deliver to the Bond Insurer, in form satisfactory to the Bond Insurer, an instrument appointing the Bond Insurer as agent and attorney-in-fact for such holders of the Insured Obligations in any legal proceeding related to the payment and assignment to the Bond Insurer of the claims for interest on the Insured Obligations, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from the Bond Insurer with respect to the claims for interest so assigned, and (iii) disburse the same to such respective holders; and

(b) If there is a deficiency in amounts required to pay principal of the Insured Obligations, the Trustee shall (i) execute and deliver to the Bond Insurer, in form satisfactory to the Bond Insurer, an instrument appointing the Bond Insurer as agent and attorney in-fact for such holder of the Insured Obligations in any legal proceeding related to the payment of such principal and an assignment to the Bond Insurer of the Insured Obligations surrendered to the Bond Insurer, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefore from the Bond Insurer, and (iii) disburse the same to such holders.

The Trustee shall designate any portion of payment of principal on the Refunding Bonds paid by the Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Obligations registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Obligation to the Bond Insurer, registered in the name directed by the Bond Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured Obligation shall have no effect on the amount of principal or interest payable by the Successor Agency on any Insured Obligation or the subrogation or assignment rights of the Bond Insurer.

Payments with respect to claims for interest on and principal of Insured Obligations disbursed by the Trustee from proceeds of the Policy shall not be considered to discharge the obligation of the Successor Agency with respect to such Insured Obligations, and the Bond Insurer shall become the owner

of such unpaid Insured Obligations and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

Irrespective of whether any such assignment is executed and delivered, the Successor Agency and the Trustee agree for the benefit of the Bond Insurer that:

(a) They recognize that to the extent the Bond Insurer makes payments directly or indirectly (*e.g.*, by paying through the Trustee), on account of principal of or interest on the Insured Obligations, the Bond Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Successor Agency, with interest thereon, as provided and solely from the sources stated in the transaction documents and the Refunding Bonds; and

(b) They will accordingly pay to the Bond Insurer the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Refunding Bonds, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Insured Obligations to holders, and will otherwise treat the Bond Insurer as the owner of such rights to the amount of such principal and interest.

Additional Payments

The Successor Agency agrees unconditionally that it will pay or reimburse the Bond Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Bond Insurer may pay or incur, including, but not limited to, fees and expenses of the Bond Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Security Documents ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the Bond Insurer spent in connection with the actions described in the preceding sentence. The Successor Agency agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the Bond Insurer until the date the Bond Insurer is paid in full.

Notwithstanding anything in the Security Documents to the contrary, the Successor Agency agrees to pay to the Bond Insurer (i) a sum equal to the total of all amounts paid by the Bond Insurer under the Policy ("Bond Insurer Policy Payment"); and (ii) interest on such the Bond Insurer Policy Payments from the date paid by Bond Insurer until payment thereof in full by the Successor Agency, payable to Bond Insurer at the Late Payment Rate per annum (collectively, "Bond Insurer Reimbursement Amounts") compounded semi-annually. The Successor Agency covenants and agrees that the Bond Insurer Reimbursement Amounts are secured by a lien on and pledge of the Successor Agency Refunding Revenues and payable from such Successor Agency Refunding Revenues subordinate to debt service due on the Insured Obligations.

Exercise of Rights by the Bond Insurer

The rights granted to the Bond Insurer under the Security Documents to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Insured Obligations and such action does not evidence any position of the Bond Insurer, affirmative or

negative, as to whether the consent of the holders of the Insured Obligations or any other person is required in addition to the consent of the Bond Insurer.

The Bond Insurer shall be entitled to pay principal or interest on the Insured Obligations that shall become due for payment but shall be unpaid by reason of nonpayment by the Successor Agency (as such terms are defined in the Policy) and any amounts due on the Insured Obligations as a result of acceleration of the maturity thereof in accordance with the Trust Agreement, whether or not the Bond Insurer has received a claim upon the Policy.

Reserve Policy

(a) The Successor Agency shall repay any draws under the Municipal Bond Debt Service Reserve Insurance Policy (the "Reserve Policy") and pay all related reasonable expenses incurred by the Bond Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Bond Insurer at the Late Payment Rate.

(b) Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, the "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

(c) Amounts in respect of Policy Costs paid to the Bond Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Bond Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

(d) All cash and investments in the Series 2014A Debt Service Reserve Account established for the Series 2014A Refunding Bonds shall be transferred to the Series 2014A Debt Service Account for payment of the debt service on the Series 2014A Refunding Bonds before any drawing may be made on the Series 2014A Reserve Policy or any other Reserve Financial Guaranty in lieu of cash. All cash and investments in the Series 2014B Debt Service Reserve Account established for the Series 2014B Refunding Bonds shall be transferred to the Series 2014B Debt Service Account for payment of the debt service on the Series 2014B Refunding Bonds before any drawing may be made on the Series 2014B Reserve Policy or any other Reserve Financial Guaranty in lieu of cash.

(e) Payment of any Policy Cost shall be made prior to replenishment of any cash amounts. Draws on any Reserve Financial Guaranty (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Series 2014A Debt Service Reserve Account or the Series 2014B Debt Service Reserve Account. Payment of Policy Costs and reimbursement of amounts with respect to any other Reserve Financial Guaranty shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Series 2014A Debt Service Reserve Account or the Series 2014B Debt Service Reserve Account, as applicable. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(f) Draws under the Reserve Policy may only be used to make payments on the Refunding Bonds insured by the Bond Insurer.

(g) If the Successor Agency shall fail to pay any Policy Costs in accordance with the requirements of paragraph (a) above, the Bond Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Trust Agreement other than (i) acceleration of the maturity of the Refunding Bonds, or (ii) remedies which would adversely affect owners of the Refunding Bonds.

(h) The Trust Agreement shall not be discharged until all Policy Costs owing to the Bond Insurer shall have been paid in full. The Successor Agency's obligation to pay such amount shall expressly survive payment in full of the Refunding Bonds.

(i) The Trustee shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of paragraphs (a)-(e) above and provide notice to the Bond Insurer at least three (3) business days prior to each date upon which interest or principal is due on the Refunding Bonds.

(j) The Reserve Policy shall expire on the earlier of the date the Refunding Bonds are no longer outstanding and the final maturity date of the Refunding Bonds.

**Benefits of the Trust Agreement Limited to Parties**

Nothing contained in the Trust Agreement, expressed or implied, is intended to give to any person other than the Successor Agency, the Trustee and the Holders any right, remedy or claim under or by reason of the Trust Agreement. Any agreement or covenant required therein to be performed by or on behalf of the Successor Agency or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee and the Holders.

**Waiver of Personal Liability**

No member, officer or employee of the Successor Agency or the City shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Refunding Bonds by reason of their issuance, but nothing in the Trust Agreement shall relieve any such member, officer or employee from the performance of any official duty provided by the Act or any other applicable provisions of law or the Trust Agreement.

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## APPENDIX E

## FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") dated April 11, 2014 is executed and delivered by the Successor Agency to the Richmond Community Redevelopment Agency (the "Successor Agency"), Union Bank, N.A, as trustee (the "Trustee") and Willdan Financial Services, as dissemination agent (the "Dissemination Agent") in connection with the issuance by the Successor Agency of $25,795,000 aggregate principal amount of Richmond Community Redevelopment Agency Successor Agency Refunding Bonds, Series 2014A (Tax-Exempt); and $1,655,000 aggregate principal amount of Richmond Community Redevelopment Agency Successor Agency Refunding Bond, Series 2014B (Taxable) (together, the "Refunding Bonds"). The Refunding Bonds are being issued pursuant to a Trust Agreement dated as of April 1, 2014 (the "Trust Agreement") between the Successor Agency and the Trustee. The Successor Agency, the Trustee and the Dissemination Agent hereby covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. The Disclosure Agreement is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Refunding Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in the Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

*"Annual Report"* shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of the Disclosure Agreement.

*"Beneficial Owner"* shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*Disclosure Representative*" means the Director of Finance of the City or any designee, or such other officer of employee as the City may designate in writing to the Dissemination Agent from time to time.

*"Dissemination Agent"* means initially Willdan Financial Services, or any successor Dissemination Agent designated in writing by the City and which has filed a written acceptance of such designation with the City.

"*Fiscal Year*" shall mean with respect to the City, the period beginning on July 1 of each year and ending on the next succeeding June 30, or any 12-month or 52-week period thereafter selected by the City with notice of such selection of change in fiscal year to be provided as set forth herein.

"*Holders*" shall mean either the registered owners of the Refunding Bonds, or, if the Refunding Bonds are registered in the name of Depository Trust Company or another recognized depository, any applicable participant in its depository system.

*"MSRB"* shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"*Official Statement*" means the Official Statement dated March 27, 2014 relating to the Refunding Bonds.

"*Participating Underwriter"* means the original underwriter of the Refunding Bonds required to comply with the Rule in connection with the offering of the Refunding Bonds.

"*Repository*" means the Electronic Municipal Market Access site maintained by the MSRB at http://emma.msrb.org or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule.

"*Rule*" means paragraph (b) (5) of Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"*Significant Events*" means any of the events listed in Section 3(a) of this Disclosure Certificate.

SECTION 3. Provision of Annual Reports.

(a) The Successor Agency shall, not later than two hundred seventy (270) days after the end of the Successor Agency's Fiscal Year (which currently is June 30), commencing with the report for the 2013-14 Fiscal Year, provide to the Repository and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of the Disclosure Agreement. The Annual Report shall be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Successor Agency may be submitted separately from the balance of such Annual Report and later than the date required above for the filing of such Annual Report if they are not available by that date. If the Fiscal Year changes, the Successor Agency shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to the date specified in Section 3(a) for providing each Annual Report to the Repository, the Successor Agency shall provide such Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent); provided, however, that the Successor Agency may distribute the Annual Report to the MSRB itself after providing written notice to the Trustee and the Dissemination Agent. If by said date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Successor Agency of such failure to receive the Annual Report.

(c) The Dissemination Agent shall:

(i) determine each year, prior to the date for providing the Annual Report, the filing date for the Annual Report and send notice of such date to the City;

(ii) file the Annual Report with the Repository by the date required therefor by Section 3(a) and file any notice of a listed Event, if requested by the City, as soon as practicable following receipt from the City of such notice; and

(iii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to the Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the Successor Agency, for the Fiscal Year most recently ended, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the audited financial statements of the Successor Agency are not available by the time the Annual Reports are required to be filed pursuant to Section 3(a) of this Disclosure Agreement, the Annual Reports shall contain unaudited financial statements in a format similar to the financial statements contained in the final official statement relating to the Refunding Bonds, and the audited financial statements shall be filed in the same manner as the Annual Reports when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3(a), financial information and operating data with respect to the Successor Agency for preceding Fiscal Year, substantially similar to that provided in the tables and charts in the Official Statement, as follows:

(i) A maturity schedule for the outstanding Refunding Bonds, and a listing of Refunding Bonds redeemed prior to maturity during the prior Fiscal Year.

(ii) Balance in each of the following funds established pursuant to the Trust Agreement as of the close of the prior Fiscal Year:

(A) total deposits in the Special Fund for the prior fiscal year (with a statement of the debt service requirement discharged by the Special Fund in the prior Fiscal Year); and

(B) the Debt Service Reserve Accounts (with a statement of the current Reserve Account Requirement for each Series of Refunding Bonds and the name of the guaranteed investment contract provider, if any).

(iii) Information for the preceding Fiscal Year to update the following tables presented in the Official Statement:

(A) Table 5–Historical Taxable Values and Property Tax Revenues;

(B) Table 6–Ten Major Property Tax Assesses;

(C) Table 7A–Projection of Property Tax Revenue - 0% Growth for the most current Fiscal Year;

(D) Table 8–Projected Debt Service Coverage for the most current Fiscal Year;

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission; *provided,* that if the documents included by reference is a final official statement, it must be available from the MSRB; and *provided further*, that the Successor Agency shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this section, to the extent applicable, the Successor Agency shall provide notice of the occurrence of any of the following events with respect to the Refunding Bonds, not later than ten (10) business days after the occurrence of the event:

(i) Principal and interest payment delinquencies;

(ii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) Unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) Substitution of credit or liquidity providers, or their failure to perform;

(v) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) Tender offers;

(vii) Defeasances;

viii) Rating changes; or

(ix) Bankruptcy, insolvency, receivership or similar event of the obligated person. This event is considered to occur upon the happening of any of the following: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Refunding Bonds, if material, not later than ten (10) business days after the occurrence of the event:

(i) Unless described in Section 5(a)(v) above, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Refunding Bonds or other material events affecting the tax status of the Refunding Bonds;

(ii) Modifications to rights of the Bondholders;

(iii) Optional, unscheduled or contingent Bond calls;

(iv) Release, substitution, or sale of property securing repayment of the Refunding Bonds;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) Appointment of a successor or additional paying agent or the change of name of a paying agent.

(c) If the Successor Agency learns of the occurrence of an event listed in Section 5(a) above or determines that knowledge of the occurrence of an event listed in Section 5(b) above would be material under applicable federal securities laws, the Successor Agency shall within ten (10) business days of occurrence file or cause to be filed a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the occurrence of a Significant Event described in Section 5(a)(vii) and Section 5(b)(iii) above need not be given any earlier than the notice (if any) of the underlying event is given to Holders of affected Refunding Bonds pursuant to the Resolution.

(d) If the Dissemination Agent has been instructed by the Successor Agency to report the occurrence of a Significant Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Significant Events described in Section 5(a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Refunding Bonds pursuant to the Resolution.

(e) The Dissemination Agent may conclusively rely on an opinion of counsel that the Successor Agency's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The obligations of the Successor Agency under the Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Refunding Bonds. If such termination occurs prior to the final maturity of the Refunding Bonds, the Successor Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The Successor Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing sixty (60) days written notice to the Successor Agency. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Successor Agency pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Successor Agency shall be the Dissemination Agent.

The initial Dissemination Agent shall be Willdan Financial Services.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of the Disclosure Agreement, the Successor Agency may amend the Disclosure Agreement, and any provision of the Disclosure Agreement, may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Refunding Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Refunding Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Refunding Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Agreement, the Successor Agency shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information being presented by the Successor Agency. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in the Disclosure Agreement shall be deemed to prevent the Successor Agency from disseminating any other information, using the means of dissemination set forth in the Disclosure Agreement or any other means of communication, or including any other information in any notice of occurrence of a Significant Event, in addition to that which is required by the Disclosure Agreement. If the Successor Agency chooses to include any information in any notice of occurrence of a Significant Event in addition to that which is specifically required by the Disclosure Agreement, the Successor Agency shall have no obligation under the Disclosure Agreement to update such information or include it in any future notice of occurrence of a Significant Event.

SECTION 10. Default. In the event of a failure of the Successor Agency to comply with any provision of the Disclosure Agreement, the Underwriter or any Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Successor Agency to comply with its obligations under the Disclosure Agreement; provided, that the sole remedy under this Disclosure Agreement in the event of any failure of the Successor Agency to comply with the Disclosure Agreement shall be an action to compel performance hereunder.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Successor Agency agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Successor Agency under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Refunding Bonds.

| | |
|---|---|
| To the Successor Agency: | Successor Agency to the Richmond Community Redevelopment Agency<br>Richmond City Hall<br>450 Civic Center Plaza<br>Richmond, California 94804<br>Attention: Finance Director<br>Telephone: 510-620-6740<br>Fax: 510-620-6522 |
| If to the Trustee: | Union Bank, N.A.<br>350 California Street, 11th Floor<br>San Francisco, California 94104<br>Attention: Sonia Flores<br>Telephone: 415-273-2519<br>Fax: 415-273-2492 |
| If to the Dissemination Agent: | Willdan Financial Services<br>27368 Via Industria, Suite 110<br>Temecula, California 92590<br>Attention: Project Manager<br>Phone: 951-587-3500<br>Fax: 951-587-3510 |

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Successor Agency, the Dissemination Agent, the Participating Underwriter, the Owners and Beneficial Owners from time to time of the Refunding Bonds, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. The laws of the State of California shall govern this Disclosure Agreement, the interpretation thereof and any right or liability arising hereunder. Any action or proceeding to enforce or interpret any provision of this Disclosure Agreement shall be brought, commenced or prosecuted in any courts of the State located in Contra Costa County, California.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: April 11, 2014

SUCCESSOR AGENCY TO THE RICHMOND
COMMUNITY REDEVELOPMENT AGENCY

By:_____
Treasurer

WILLDAN FINANCIAL SERVICES,
as Dissemination Agent

By:_____
Authorized Representative

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

| | |
|---|---|
| Name of Issuer: | Successor Agency to the Richmond Community Redevelopment Agency |
| Name of Bond Issue: | Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds, Series 2014A (Tax-Exempt); *and*<br><br>Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds, Series 2014B (Taxable) |
| Date of Issuance: | April 11, 2014 |

NOTICE IS HEREBY GIVEN that the Successor Agency to the Richmond Community Redevelopment Agency (the "Successor Agency") has not provided an Annual Report with respect to the above-named Bonds as required by Section 6.13 of the Trust Agreement dated as of April 1, 2014 between the Successor Agency and Union Bank of California relating to the above-described Bonds. The Successor Agency anticipates that the Annual Report will be filed by _____.

Dated: _____

WILLDAN FINANCIAL SERVICES,
as Dissemination Agent

By:_____
Name:
Title:

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**APPENDIX F**

**FORM OF OPINION OF BOND COUNSEL**

[Closing Date]

Successor Agency to the Richmond Community Redevelopment Agency
Richmond, California

Successor Agency to the Richmond Community Redevelopment Agency
Refunding Bonds, Series 2014A (Tax-Exempt)

Successor Agency to the Richmond Community Redevelopment Agency
Refunding Bonds, Series 2014B (Taxable)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Successor Agency to the Richmond Community Redevelopment Agency (the "Successor Agency") in connection with the issuance of $25,795,000 aggregate principal amount of bonds designated "Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds, Series 2014A (Tax-Exempt)" (the "2014A Bonds") and $1,655,000 aggregate principal amount of bonds designated "Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds, Series 2014B (Taxable)" (the "2014B Bonds" and together with the 2014A Bonds, the "Bonds") issued pursuant to Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, Chapter 3 of Part 1.85 of Division 24 of the Health and Safety Code of the State of California, and a Trust Agreement (the "Trust Agreement"), dated as of April 1, 2014, by and between the Successor Agency and Union Bank, N.A., as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, the Resolutions of the Oversight Board of the Successor Agency, adopted April 11, 2013 and June 20, 2013, respectively, a letter from the California Department of Finance, dated July 19, 2013, the Tax Certificate of the Successor Agency, dated the date hereof (the "Tax Certificate"), opinions of counsel to the Successor Agency, the Trustee, and others, certificates of the Successor Agency, the Trustee, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Successor Agency. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to

in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement and the Tax Certificate including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2014A Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Trust Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against successor agencies to redevelopment agencies in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding limited obligations of the Successor Agency.

2. The Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Successor Agency. The Trust Agreement creates a valid pledge to secure the payment of the principal of and interest on the Bonds, of the Successor Agency Refunding Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Trust Agreement (except to the extent of amounts held in the Rebate Fund established pursuant to the Tax Certificate and the Costs of Issuance Fund), subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and upon the terms and conditions set forth in the Trust Agreement.

3. The Bonds are not a lien or charge upon the funds or property of the Successor Agency except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the City of Richmond or the State of California and said city and said state are not liable for the payment thereof.

4. Interest on the Series 2014A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Series 2014A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

Per

## APPENDIX G

## DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix G concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from DTC and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Refunding Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Refunding Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Refunding Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Refunding Bonds. The Refunding Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for the maturity and CUSIP number of the Refunding Bonds and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTTC is owned by users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Refunding Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Refunding Bonds on DTC's records. The ownership interest of each actual purchaser of each Refunding Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of

ownership interests in the Refunding Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Refunding Bonds, except in the event that use of the book-entry system for the Refunding Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Refunding Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Refunding Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Refunding Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Refunding Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Trust Agreement. For example, Beneficial Owners of the Refunding Bonds may wish to ascertain that the nominee holding the Refunding Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Refunding Bonds within a maturity are being redeemed. DTC's practice is to determine by lot the amount of the interest of each Direct Participant in each issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Refunding Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Refunding Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Refunding Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Refunding Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Refunding Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Refunding Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE REFUNDING BONDS, THE TRUSTEE WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO HOLDERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE REFUNDING BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

NONE OF THE AUTHORITY, THE TRUSTEE, OR THE UNDERWRITER HAS ANY RESPONSIBILITY OR LIABILITY FOR ANY ASPECT OF THE RECORDS RELATING TO OR PAYMENTS MADE ON ACCOUNT OF BENEFICIAL OWNERSHIP, OR FOR MAINTAINING, SUPERVISING OR REVIEWING ANY RECORDS RELATING TO BENEFICIAL OWNERSHIP OF INTERESTS IN THE REFUNDING BONDS.

NONE OF THE AUTHORITY, THE TRUSTEE, OR THE UNDERWRITER CAN GIVE AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE PAYMENTS TO DTC PARTICIPANTS OR THAT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS WITH RESPECT TO THE REFUNDING BONDS RECEIVED BY DTC OR ITS NOMINEES AS THE HOLDER THEREOF OR ANY REDEMPTION NOTICES OR OTHER NOTICES TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL SERVICE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

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# APPENDIX H

# SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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# MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $_____ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on] Effective Date: _____

Risk Premium: $_____
Member Surplus Contribution: $_____
Total Insurance Payment: $_____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

SPECIMEN

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

**Notices (Unless Otherwise Specified by BAM)**

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-235-5214 (attention: Claims)

SPECIMEN

**CALIFORNIA**

**ENDORSEMENT TO**

**MUNICIPAL BOND INSURANCE POLICY**

**NO.**

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

_____

Authorized Officer

SPECIMEN

**APPENDIX I**

**SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY**

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# MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $_____ in aggregate principal amount of [NAME OF TRANSACTION]

Effective Date:_____

Risk Premium: $_____
Member Surplus Contribution: $_____
Total Insurance Payment: $_____

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BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above under the Security Documents, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

BAM will make payment as provided in this Policy to the Trustee or Paying Agent on the later of (i) the Business Day on which such principal and interest becomes Due for Payment and (ii) the first Business Day following the Business Day on which BAM shall have received a completed Notice of Nonpayment in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of this paragraph, and BAM shall promptly so advise the Trustee or Paying Agent who may submit an amended Notice of Nonpayment.

Payment by BAM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of BAM under this Policy. Upon such payment, BAM shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Security Documents and Debt Service Reserve Agreement, if any.

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by and to the extent of any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (after taking into account the payment of interest and expenses) to BAM by or on behalf of the Issuer. Within three (3) Business Days of such reimbursement, BAM shall provide the

Trustee or the Paying Agent with Notice of Reinstatement, in the form of Exhibit A attached hereto, and such reinstatement shall be effective as of the date BAM gives such notice.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the end of the Term of this Policy or (b) Bonds that are not outstanding under the Security Documents. If the amount payable under this Policy is also payable under another BAM issued policy insuring the Bonds, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall BAM incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other BAM issued insurance policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Business Day**" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as hereinafter defined) are authorized or required by law or executive order to remain closed. ["**Debt Service Reserve Agreement**" means the Debt Service Reserve Fund Agreement, if any, dated as of the effective date hereof, in respect of this Policy, as the same may be amended or supplemented from time to time.] "**Due for Payment**" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "**Nonpayment**" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. **"Notice"** means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "**Owner**" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. **"Policy Limit"** means the dollar amount of the debt service reserve fund required to be maintained for the Bonds by the Security Documents from time to time (the "Reserve Account Requirement"), or the portion of the Reserve Account Requirement for the Bonds provided by this Policy as specified in the Security Documents or Debt Service Reserve Agreement, if any, but in no event shall the Policy Limit exceed $_____. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of or, if this Policy is only providing a portion of the Reserve Account Requirement, in the same proportion as, each reduction in the

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Reserve Account Requirement, as provided in the Security Documents or Debt Service Reserve Agreement. **"Security Documents"** means any resolution, ordinance, trust agreement, trust indenture, loan agreement and/or lease agreement and any additional or supplemental document executed in connection with the Bonds. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Bonds and (ii) the date on which the Bonds are no longer outstanding under the Security Documents.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy is being issued under and pursuant to and shall be construed under and governed by the laws of the State of New York, without regard to conflict of law provisions.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

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**Schedule**

**Notices (Unless Otherwise Specified by BAM)**

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

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**EXHIBIT A**

NOTICE OF REINSTATEMENT

[DATE]

[TRUSTEE][PAYING AGENT]
[INSERT ADDRESS]

Reference is made to the Municipal Bond Debt Service Reserve Insurance Policy, Policy No. _____ (the "Policy"), issued by Build America Mutual Assurance Company ("BAM"). The terms which are capitalized herein and not otherwise defined shall have the meanings specified in the Policy.

BAM hereby delivers notice that it is in receipt of payment from the [Issuer], or on its behalf, pursuant to the Security Documents or Debt Service Reserve Agreement, if any, and, as of the date hereof, the Policy Limit is $_____, subject to reduction as the Reserve Account Requirement for the Bonds is reduced in accordance with the terms set forth in the Security Documents.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Name:
Title:

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