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Summary:
**California Communities TRAN
Program
Richmond; Note**

Primary Credit Analyst:

Le T Quach, New York (1) 212-438-5544; le_quach@standardandpoors.com

Secondary Credit Analyst:

Paul Dyson, San Francisco (1) 415-371-5079; paul_dyson@standardandpoors.com

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Credit Profile

US\$17.8 mil Note Participations (Richmond) ser 2009A-8 due 06/30/2010

Short Term Rating

SP-1+

New

Rationale

Standard & Poor's Rating Services has assigned its 'SP-1+' short-term rating to California Communities TRAN Program's series 2009A-8 tax and revenue anticipation notes (TRANs), issued on behalf of the city of Richmond.

The rating reflects our view of:

- The city's strong underlying general credit characteristics ('A+' issuer credit rating);
- Structural provisions that include early set-asides of pledged revenues;
- Strong pro forma debt service coverage of 1.7x at note maturity; and
- Access to additional liquidity sources totaling \$43 million that can be transferred internally for TRAN repayment.

The notes are secured by unrestricted taxes, income, revenue, cash receipts, and other general fund monies received by the city for the general fund attributable to fiscal 2010. The city plans to use note proceeds to fund seasonal cash deficits during fiscal 2010, and the notes will mature on June 30, 2010.

Richmond's fiscal 2010 cash projections are based on its revised October budget and assume that the city will fully offset the state's borrowing of \$3.6 million in fiscal 2010 property tax collections through a pooled property tax securitization program in January 2010. As such, the cash flow projections do not reflect any net change in property tax receipts, except for a decrease related to the city's lower assessed value. Cash projections for fiscal 2010 indicate a 15% decrease in overall receipts, primarily due to a spike in utility user taxes for fiscal 2009 related to some settlement proceeds. In addition, disbursements are projected to fall by 14% compared with fiscal 2009 mainly due to the reduction of a neighborhood safety program that was tied to specific revenues, which the city will not be receiving in fiscal 2010. Salary and benefit disbursements also decreased by 4% due to the elimination of certain vacant and frozen positions.

Projected coverage of note debt service at maturity is, in our view, a strong 1.7x on fiscal year-end June 30, 2010. We understand that the city also has access to about \$43 million in alternate liquidity sources that are readily available for TRAN repayment. Including these funds, projected coverage at maturity is boosted to what we consider a very strong 4.1x. The city pledges to set aside 30% of note principal and interest by Dec. 31, 2009, 20% by Feb. 26, 2010, 25% by April 20, 2010, and the remaining 25% of principal plus interest by May 28, 2010. Projected coverage at these set-aside dates is, in our view, strong at 3.5x, 4.0x, 3.6x and 3.3x, respectively.

We believe the city has maintained a strong financial position despite a general fund drawdown in fiscal 2008. The city finished fiscal 2008 with a \$15.5 million general fund deficit after transfers due to one-time spending related to

the relocation of its police department as well as higher-than-projected police overtime costs, and some ongoing costs related to restoring its safety, cultural, and recreational programs. Its fiscal 2008 unreserved general fund balance equaled \$19.4 million, or what we consider a strong 15% of general fund expenditures. Based on unaudited results for fiscal 2009, the city will finish with a \$2.1 million general fund surplus and \$24 million unreserved balance, equal to, in our view, a very strong 19% of budgeted expenditures.

We understand note proceeds will be invested in the city's investment portfolio, which are consistent with our criteria guidelines. As of Sept. 30, 2009, the city's investments had a market value of \$88 million. Of the \$88 million, 35% consists of very liquid investments (Local Agency Investment Fund, money markets, and sweep accounts) and 65% of federal agency issues with a somewhat longer maturity (about 674 days to maturity).

Richmond (population, 103,156) is located on the northeastern shore of the San Francisco Bay in Contra Costa County, about 16 miles northeast of downtown San Francisco. The city is an important oil refining, industrial and commercial, transportation, shipping, and government center and has a multiterminal shipping port on San Francisco Bay. City residents benefit from Richmond's proximity to job centers in Oakland, San Francisco, and throughout the Bay Area. In addition, local employment opportunities include the port and related transportation industries and Chevron's oil refinery, research, and chemical business. We consider income indicators to be adequate to good, with median household and per capita effective buying income at 106% and 89% of the U.S. averages, respectively.

Related Research

- USPF Criteria: "Short-Term Debt," June 15, 2007
- USPF Criteria: "Investment Guidelines," June 25, 2007

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