NEW ISSUES—FULL BOOK-ENTRY **RATING: S&P: AA-**
See "RATING."

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, 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 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2019 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2019 Bonds. See "TAX MATTERS."

$22,510,000 City of Richmond, California Wastewater Revenue Bonds, Series 2019A

$66,075,000 City of Richmond, California Wastewater Revenue Refunding Bonds, Series 2019B

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

The City of Richmond, California (the "City") is issuing $22,510,000 principal amount of Wastewater Revenue Bonds, Series 2019A (the "Series 2019A Bonds"), $66,075,000 principal amount of Wastewater Revenue Refunding Bonds, Series 2019B (the "Series 2019B Bonds" and together with the Series 2019A Bonds, the "Series 2019 Bonds") to: (i) finance improvements as described herein (the "Project") to the wastewater collection, treatment and disposal system of the City (collectively, the "Enterprise"); (ii) reimburse the Series 2008A Bonds Letter of Credit Bank (defined herein) for a draw on the Series 2008A Bonds Letter of Credit funding the redemption of the City's outstanding Variable Rate Wastewater Revenue Refunding Bonds, Series 2008A, (the "Series 2008A Bonds"); (iii) fund a termination payment with respect to the termination of the Series 2008A Bonds Swap Agreement (as defined herein) related to the Series 2008A Bonds; (iv) defease and refund a portion of the City's outstanding Wastewater Revenue Bonds Taxable Build America Bonds, Series 2010B (the "Taxable Series 2010B Bonds"); and (v) pay certain costs associated with the issuance of the Series 2019 Bonds, as more fully described herein. See "PLAN OF FINANCE."

The Series 2019 Bonds are issued pursuant to the City's Charter and Chapter 13.56 of Article 13 of the Richmond Municipal Code (the "Bond Law"), and the Wastewater Revenue Bond Indenture dated as of October 1, 2006, as previously amended and supplemented, including as amended and supplemented by a Seventh Supplemental Wastewater Revenue Bond Indenture dated, as of June 1, 2019 (the "Indenture"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The principal of the Series 2019 Bonds is payable upon their respective stated maturities on August 1 of each year, as set forth on the inside cover page. Interest on the Series 2019 Bonds will be payable semiannually on February 1 and August 1 of each year, commencing February 1, 2020 (each, an "Interest Payment Date"). Interest on the Series 2019 Bonds is payable on each Interest Payment Date to the Owners of the Series 2019 Bonds as of the close of business on the Record Date in respect of such Interest Payment Date. "Record Date" means, with respect to the Series 2019 Bonds, the fifteenth day of the month preceding an Interest Payment Date.

The Series 2019 Bonds are being issued in fully registered form and shall be initially registered in the name of "Cede & Co.," as nominee of The Depository Trust Company. The Series 2019 Bonds shall mature, subject to prior redemption as provided in the Indenture, upon the terms and conditions hereinafter set forth. The Series 2019 Bonds shall bear interest at the rate(s) determined in the Indenture; provided that any overdue principal shall bear interest at the rate borne by the Series 2019 Bonds on the date on which such principal became due and payable. Registered ownership of the Series 2019 Bonds, or any portion thereof, may not thereafter be transferred except as set forth in in the Indenture. Individual purchases of ownership interests in the Series 2019 Bonds will be made in book-entry form only in denominations of $5,000 or any integral multiple thereof. See "THE SERIES 2019 BONDS."

The Series 2019 Bonds are limited obligations of the City payable from Net Revenues, consisting primarily of Gross Revenues of the Enterprise (defined herein) after payment of Operating Expenses. The pledge of Net Revenues under the Indenture securing payment of the Series 2019 Bonds is on a parity with the pledge thereof securing (i) the City's Wastewater Revenue Bonds, Series 2017A (the "Series 2017A Bonds"), which are currently outstanding in the aggregate principal amount of $32,310,000, and (ii) the Series 2008A Bonds, which are currently outstanding in the aggregate principal amount of $32,855,000, and the Taxable Series 2010B Bonds, which are currently outstanding in the aggregate principal amount of $38,865,000. All of the outstanding Series 2008A Bonds and a portion of the outstanding Taxable Series 2010B Bonds will be refunded from proceeds of the Series 2019 Bonds. See "PLAN OF FINANCE–Refunding." **No debt service reserve fund will be established under the Indenture for the Series 2019 Bonds.** See "SECURITY AND SOURCES OF PAYMENT OF THE BONDS–Outstanding Parity Debt and Reserve Funds for Other Series of Bonds." The City may issue additional Parity Debt secured by a pledge of Net Revenues on a parity basis with the Series 2019 Bonds.

The Series 2019 Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2019 Bonds. Purchasers will not receive certificates representing their interests in the Series 2019 Bonds. Payments of principal of and interest on the Series 2019 Bonds will be made by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Series 2019 Bonds. See APPENDIX F–"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Series 2019 Bonds are subject to optional and mandatory redemption prior to their respective stated maturity dates. See "THE SERIES 2019 BONDS–Redemption Provisions for the Series 2019A Bonds" and "–Redemption Provisions for the Series 2019B Bonds."

THE SERIES 2019 BONDS ARE REVENUE OBLIGATIONS OF THE CITY AND ARE PAYABLE AS TO BOTH PRINCIPAL AND INTEREST, AND ANY PREMIUM UPON REDEMPTION THEREOF, EXCLUSIVELY FROM NET REVENUES AND CERTAIN OTHER FUNDS PLEDGED UNDER THE INDENTURE. THE SERIES 2019 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY. THE SERIES 2019 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE CITY, THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE CITY, THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE, EXCEPT TO THE EXTENT OF CERTAIN AMOUNTS HELD UNDER THE INDENTURE PLEDGED THEREFOR, SOLELY FROM NET REVENUES. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR THE INTEREST ON THE SERIES 2019 BONDS. THE ISSUANCE OF THE SERIES 2019 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT.

This cover page contains certain information for general reference only and is not intended to be a summary of the terms of this offering. An investment in the Series 2019 Bonds involves risk. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision, see "CERTAIN RISKS TO BONDOWNERS," as well as other factors discussed throughout this Official Statement.

The Series 2019 Bonds will be offered when, as and if issued by the City and received by the Underwriters, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City. Certain matters will be passed upon for the City by the City Attorney of the City of Richmond and by Schiff Hardin LLP, as Disclosure Counsel to the City. Certain matters will be passed upon for the Underwriters by Jones Hall, A Professional Law Corporation, San Francisco, California. The Series 2019 Bonds, in book-entry form only, will be available for delivery through facilities of The Depository Trust Company in New York, New York on or about June 26, 2019.

BARCLAYS RAYMOND JAMES

Date of the Official Statement: June 13, 2019.

MATURITY SCHEDULE

$22,510,000
City of Richmond, California
Wastewater Revenue Bonds, Series 2019A

$2,330,000 Serial Series 2019A Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP No.†
2038	$1,180,000	5.000%	2.390%	123.289[C]	764507CZ0
2039	1,150,000	5.000	2.430	122.886[C]	764507DA4

$5,020,000 5.000% Term Bond Due August 1, 2044–Yield: 2.600%–Price: 121.190[C]–CUSIP No.†: 764507DB2
$15,160,000 4.000% Term Bond Due August 1, 2049–Yield: 3.030%–Price: 108.381[C]–CUSIP No.†: 764507DC0

$66,075,000
City of Richmond, California
Wastewater Revenue Refunding Bonds, Series 2019B

$61,440,000 Serial Series 2019B Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP No.†
2021	$1,115,000	5.000%	1.200%	107.845	764507DD8
2022	1,170,000	5.000	1.210	111.485	764507DE6
2023	2,815,000	5.000	1.220	115.060	764507DF3
2024	2,930,000	5.000	1.240	118.515	764507DG1
2025	3,050,000	5.000	1.320	121.489	764507DH9
2026	3,175,000	5.000	1.370	124.469	764507DJ5
2027	3,315,000	5.000	1.470	126.853	764507DK2
2028	3,455,000	5.000	1.560	129.068	764507DL0
2029	3,605,000	5.000	1.650	131.038	764507DM8
2030	3,750,000	5.000	1.770	129.743 [C]	764507DN6
2031	3,905,000	5.000	1.890	128.464 [C]	764507DP1
2032	4,070,000	5.000	2.000	127.303 [C]	764507DQ9
2033	4,245,000	5.000	2.090	126.364 [C]	764507DR7
2034	4,420,000	5.000	2.170	125.535 [C]	764507DS5
2035	4,585,000	4.000	2.510	113.215 [C]	764507DT3
2036	4,735,000	4.000	2.600	112.360 [C]	764507DU0
2037	4,885,000	4.000	2.650	111.889 [C]	764507DV8
2038	2,215,000	4.000	2.700	111.420 [C]	764507DW6

$4,635,000 3.000% Term Bond Due August 1, 2040–Yield: 3.160%–Price: 97.548–CUSIP No.†: 764507DX4

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† Copyright © 2019 CUSIP Global Services. CUSIP is a registered trademark of the American Bankers Association. CUSIP data are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Global Market Intelligence, and are provided for convenience of reference only. The CUSIP numbers listed above are being provided solely for the convenience of bondholders and none of the City or the Underwriters makes any representation with respect to such numbers or undertake any responsibility for its accuracy. The CUSIP numbers are subject to being changed after the issuance of the Series 2019 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2019 Bonds

C Priced to optional redemption date of August 1, 2029, at par.

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized by the City or the Underwriters to give any information or to make any representations other than those 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.

No Unlawful, Sales, Solicitations, or Offers. 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 Series 2019 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Series 2019 Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Series 2019 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact.

Effective Date. This Official Statement speaks only as of its date. The information and expressions of opinions herein are subject to change without notice, and neither 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 City of the Enterprise since the date hereof. This Official Statement, including any supplement or amendment, is intended to be deposited with the Electronic Municipal Market Access site maintained by the Municipal Securities Rulemaking Board.

Preparation of this Official Statement. All descriptions and summaries of documents and statutes set forth do not purport to be comprehensive or definitive, and reference is made to each document and statute for complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each such document and statute. Certain capitalized terms used but not defined in this Official Statement are defined in Appendix C–"Summary of Certain Provisions of the Indenture–Definitions."

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

Stabilization of and Changes to Offering Prices. In connection with this offering, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the Series 2019 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 Underwriters may offer and sell the Series 2019 Bonds to certain dealers and others at prices lower than the initial public offering prices or at yields higher than the initial public offering yields set forth on the inside cover page hereof and said initial offering prices or yields may be changed from time to time by the Underwriters.

The issuance and sale of the Series 2019 Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, and the Indenture has not been qualified under the Trust Indenture Act of 1939, 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.

Website Information Not Incorporated by Reference. The City maintains a website. Unless specifically indicated otherwise, the information presented on that website 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 Series 2019 Bonds.

Use of Estimates and Projections. 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 City 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.

This Official Statement contains information concerning the ratings assigned to the City and to the Royal Bank of Canada, as the Series 2008A Bonds Swap Provider (as described herein). Such ratings reflect only the view of the agency giving such rating and are provided for convenience of reference only. Such rating information has been obtained from sources believed to be reliable but has not been confirmed or re-verified by such rating agencies. Neither the City nor the Underwriters take any responsibility for the accuracy of such rating, gives any assurance that such rating will apply for any given period of time, or that such rating will not be revised downward or withdrawn if, in the judgment of the agency providing such rating, circumstances so warrant.

CITY OF RICHMOND, CALIFORNIA

CITY COUNCIL
Tom Butt, *Mayor*
Ben Choi, *Vice Mayor*
Nathaniel Bates, *Councilmember*
Eduardo Martinez, *Councilmember*
Demnlus Johnson, *Councilmember*
Jael Myrick, *Councilmember*
Melvin Willis, *Councilmember*

CITY ADMINISTRATION
Carlos Martinez, *City Manager*
Belinda Warner, *City Finance Director*
Ryan Smith, *Director of Water Resource Recovery*
Bruce Reed Goodmiller, *City Attorney*

PROFESSIONAL SERVICES

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

Schiff Hardin LLP
San Francisco, California
Disclosure Counsel

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California
Trustee

Public Resources Advisory Group
Oakland, California
Municipal Advisor

The Majors Group
Norristown, Pennsylvania
Swap Advisor

Robert Thomas CPA, LLC
Minneapolis, Minnesota
Verification Agent

Raymond James & Associates, Inc.
Memphis, Tennessee
Bidding Agent

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Wastewater Revenue Bonds,	**Wastewater Revenue Refunding Bonds,**
Series 2019A	**Series 2019B**

INTRODUCTION

This Introduction is only a brief description of and partial guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page through the appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the Series 2019 Bonds to potential investors is made only by means of the entire Official Statement.

General; Authorization

The purpose of this Official Statement, which includes the cover page through the appendices, is to set forth certain information concerning the City of Richmond, California (the "City") and its wastewater collection, treatment and disposal systems (collectively, the "Enterprise"), in connection with the sale by the City of $22,510,000 principal amount of Wastewater Revenue Bonds, Series 2019A (the "Series 2019A Bonds") and $66,075,000 principal amount of Wastewater Revenue Refunding Bonds, Series 2019B (the "Series 2019B Bonds" and together with the Series 2019A Bonds, the "Series 2019 Bonds").

The Series 2019 Bonds are being issued pursuant to Chapter 13.56 of Article 13 of the Richmond Municipal Code (the "Bond Law") and the Wastewater Revenue Bond Indenture dated as of October 1, 2006, as previously amended and supplemented, including as amended and supplemented by a Seventh Supplemental Wastewater Revenue Bond Indenture dated, as of June 1, 2019 (the "Indenture"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

The Series 2019 Bonds are being issued in fully registered form and shall be initially registered in the name of "Cede & Co.," as nominee of The Depository Trust Company. The Series 2019 Bonds shall mature, subject to prior redemption as provided in the Indenture, upon the terms and conditions hereinafter set forth. The Series 2019 Bonds shall bear interest at the rate(s) determined in the Indenture; provided that any overdue principal shall bear interest at the rate borne by the Series 2019 Bonds on the date on which such principal became due and payable. Each Series 2019 Bond may be assigned by the Trustee a distinctive number or letter and number, and a record of the same shall be maintained by the Trustee. Registered ownership of the Series 2019 Bonds, or any portion thereof, may not thereafter be transferred except as set forth in in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Purpose

The Series 2019 Bonds are being issued to: (i) finance improvements as described herein (the "Project") to the "Enterprise; (ii) reimburse the Series 2008A Bonds Letter of Credit Bank (defined herein) for a draw on the Series 2008A Bonds Letter of Credit funding the redemption of the City's outstanding Variable Rate Wastewater Revenue Refunding Bonds, Series 2008A, (the "Series 2008A Bonds"); (iii) fund a termination payment (the "Termination Payment") with respect to the Series 2008A Bonds Swap Agreement related to the Series 2008A Bonds; as described below; (iv) defease and refund a portion of the City's outstanding Wastewater Revenue Bonds Taxable Build America Bonds, Series 2010B (the "Taxable Series 2010B Bonds"); and (v) pay certain costs associated with the issuance of the Series 2019 Bonds, as more fully described herein. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

The City

The City is located 16 miles northeast of the City and County of San Francisco, on the western shore of Contra Costa County along the San Francisco Bay and occupies 33.7 square miles of land area. The population of the City, as of January 1, 2019, was estimated by the California Department of Finance to be approximately 110,436. The City was incorporated in 1905 and adopted its charter in 1909. For additional information regarding the City see APPENDIX A–"CERTAIN ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION REGARDING THE CITY OF RICHMOND."

Outstanding Parity Obligations

The pledge of Net Revenues under the Indenture securing payment of the Series 2019 Bonds is on a parity with a pledge of Net Revenues securing other obligations, including the Bonds (as defined below) and other indebtedness constituting Parity Debt under the Indenture (collectively, the "Parity Obligations"). As of June 1, 2019, the Bonds consist of $32,855,000 outstanding principal amount of Series 2008A Bonds; $38,865,000 outstanding principal amount of Taxable Series 2010B Bonds; and $32,310,000 outstanding principal amount of City of Richmond Wastewater Revenue Bonds, Series 2017A (the "Series 2017A Bonds"). All of the Series 2008A Bonds and a portion of the Series 2010B Bonds Outstanding as of June 1, 2019 will be refunded by the Series 2019 Bonds. See "PLAN OF FINANCE." The Series 2019 Bonds, the unrefunded Taxable Series 2010B Bonds, the Series 2017A Bonds, and any additional bonds that may be issued under the Indenture are collectively referred to as the "Bonds." The Series 2008A Bonds are supported by an irrevocable, transferable direct-pay letter of credit (the "Series 2008A Bonds Letter of Credit") issued by Barclays Bank PLC (the "Series 2008A Bonds Letter of Credit Bank"), pursuant to and subject to the terms of a Reimbursement Agreement, dated as of July 12, 2017, (the "Series 2008A Bonds Reimbursement Agreement") between the City and the Series 2008A Bonds Letter of Credit Bank. The City's obligation to reimburse the Series 2008A Bonds Letter of Credit Bank for drawings under the letter of credit pursuant to the Series 2008A Bonds Letter of Credit Reimbursement Agreement is Parity Debt secured by a pledge of Net Revenues on a parity with the Series 2019 Bonds.

Following the redemption of the Series 2008A Bonds, the Series 2008A Bonds Letter of Credit will be terminated. See "PLAN OF FINANCE–Refunding." See also "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Outstanding Parity Obligations and Reserve Funds for Other Series of Bonds."

The City is a party to a fixed payer swap agreement (the "Series 2008A Bonds Swap Agreement") with the Royal Bank of Canada (the "Series 2008A Bonds Swap Provider") related to the Series 2008A Bonds. The regularly scheduled fixed rate swap payments under the Series 2008A Bonds Swap Agreement are secured by Net Revenues under the Indenture on a parity with the Series 2019 Bonds as Parity Debt. Any extraordinary termination payments payable to the Series 2008A Bonds Swap Provider are subordinate to the payment of principal of and interest on the Series 2019 Bonds. The City expects to redeem all of the Series 2008A Bonds from proceeds of a draw on the Series 2008A Bonds Letter of Credit and reimburse the Series 2008A Bonds Letter of Credit Bank for such draw from a portion of the proceeds of the Series 2019 Bonds, in which event the Series 2008A Bonds Swap Agreement will be terminated in whole. See "PLAN OF FINANCE–Refunding." See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Outstanding Parity Obligations and Reserve Funds for Other Series of Bonds–*Series 2008A Bonds Swap Agreement*."

Security and Sources of Payment for the Bonds

Pledge of Net Revenues of the Enterprise. The Series 2019 Bonds are limited obligations of the City payable from Net Revenues of the Enterprise, consisting of Gross Revenues remaining after payment of Operating Expenses (as such terms are defined under the caption "SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS–Pledge of Net Revenues Under the Indenture") and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the City or any of its income or receipts, except the Net Revenues on a parity with the pledge thereof securing the Series 2008A Bonds, the Taxable Series 2010B Bonds, the City's obligation to reimburse the Series 2008A Bonds Letter of Credit Bank for drawings on the Series 2008A Bonds Letter of Credit, regularly scheduled fixed rate swap payments under the Series 2008A Bonds Swap Agreement, and the Series 2017A Bonds. See "PLAN OF FINANCE–Refunding," and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

THE SERIES 2019 BONDS ARE REVENUE OBLIGATIONS OF THE CITY AND ARE PAYABLE AS TO BOTH PRINCIPAL AND INTEREST, AND ANY PREMIUM UPON REDEMPTION THEREOF, EXCLUSIVELY FROM NET REVENUES AND CERTAIN OTHER FUNDS PLEDGED UNDER THE INDENTURE. THE SERIES 2019 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY. THE SERIES 2019 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE CITY, THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE CITY, THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE, EXCEPT TO THE EXTENT OF CERTAIN AMOUNTS HELD UNDER THE INDENTURE PLEDGED THEREFOR, SOLELY FROM NET REVENUES. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR THE INTEREST ON THE SERIES 2019 BONDS. THE ISSUANCE OF THE SERIES 2019 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT.

No Reserve Fund. A debt service reserve fund will not be established under the Indenture for the Series 2019 Bonds, nor will the Series 2019 Bonds be secured by amounts on deposit in any other reserve accounts for any other Bonds, including the Parity Reserve Fund, or the Series 2010 Reserve Fund.

Additional Bonds

Upon the satisfaction of certain conditions, the Indenture authorizes the City to issue additional series of bonds ("Additional Bonds") and Parity Debt payable on a parity with the Bonds, provided that, among other requirements set forth in the Indenture, the Debt Service Coverage Ratio, as calculated under the Indenture, will not be less than, or was and will be at least equal to, 1.25:1.0, and, notwithstanding the above, the Indenture also authorizes the issuance of Additional Bonds to refund any outstanding Bonds or Parity Debt, provided, that, among other requirements set forth in the Indenture, the Maximum Annual Debt Service with respect to any such refunding Bonds will not exceed 1.10 times the Maximum Annual Debt Service, as calculated under the Indenture, with respect to the Bonds or Parity Debt being refunded. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Additional Bonds and Parity Debt."

Rate Covenant

The City covenants under the Indenture that it will at all times, while any bonds (including the Series 2019 Bonds) remain outstanding, fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise which are sufficient to yield Net Revenues in each Fiscal Year so that the ratio of Net Revenues to annual Debt Service during the Bond Year which commences in such Fiscal Year is not less than 1.25:1.0. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Rate Covenant." However, the City's ability to increase such rates, fees and charges is subject to the limitations imposed by Proposition 218. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS–Proposition 218" and "–Effect of Proposition 218 and of Possible General

Limitations on Enforcement Remedies." The City has approved rate increases through Fiscal Year 2019-20. See "FINANCIAL MATTERS RELATING TO THE ENTERPRISE–Rates, Fees and Charges."

Continuing Disclosure

The City has covenanted to provide certain financial information and operating data relating to the Series 2019 Bonds by not later than March 26 following the end of the City's Fiscal Year (which currently is June 30) commencing with the report for Fiscal Year 2018-19 (the "Annual Report"), and to provide notices of the occurrence of certain specified events. The Annual Report and notices of specified events will be filed by means of the Electronic Municipal Market Access (EMMA) site maintained by the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is contained within APPENDIX E–"FORM OF CONTINUING DISCLOSURE AGREEMENT."

Summaries Not Definitive

The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary or reference is qualified in its entirety by reference to each such document, statute, report or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein indicates that such word is defined in the Indenture and, as used herein, has the meaning given to it in the Indenture. Unless otherwise indicated, all financial and statistical information herein has been provided by the City.

All references to and summaries of the Indenture, the Series 2019 Bonds and the Bond Law referred to herein are qualified in their entirety by reference to the full text of such document, copies of which are available for inspection at the office of the Director of Finance of the City at 450 Civic Center Plaza, Richmond, California, and will be available from the Trustee upon request and payment of duplication costs. Forward looking statements in this Official Statement are subject to risks and uncertainties. Actual results may vary from forecasts or projections contained herein because events and circumstances do not occur as expected, and such variances may be material.

PLAN OF FINANCE

The net proceeds from the sale of the Series 2019 Bonds will be used to: (i) finance improvements to the Enterprise; (ii) reimburse the Series 2008A Bonds Letter of Credit Bank for a draw on the Series 2008A Bonds Letter of Credit funding the redemption of the City's outstanding Series 2008A Bonds; (iii) fund a termination payment with respect to the termination of the Series 2008A Bonds Swap Agreement (as defined herein) related to the Series 2008A Bonds; (iv) defease and refund a portion of the City's outstanding Taxable Series 2010B Bonds; and (v) pay certain costs associated with the issuance of the Series 2019 Bonds. The application of proceeds of the Series 2019 Bonds is described under "ESTIMATED SOURCES AND USES."

Capital Improvements

A portion of the proceeds of the Series 2019 Bonds will be applied primarily to pay, or reimburse, the costs of certain improvements to the Enterprise (the "Project") which comprise a portion of the City's Capital Improvement Plan. See "THE WASTEWATER ENTERPRISE–Capital Improvement Plan."

The City has identified a number of projects to renovate, rehabilitate and improve the sewer collection facilities of the Enterprise and comply with regulatory requirements as well as obligations of the City under the 2018 Settlement Agreement, which is described in "THE WASTEWATER ENTERPRISE–

Regulatory Matters–Prior Noncompliance–Baykeepers Lawsuit." These projects are identified in the 2019-20 through 2023-24 Capital Improvement Program. See "THE WASTEWATER ENTERPRISE–Capital Improvement Plan."

The City estimates that the total cost of these improvements over approximately five years will be approximately $175.4 million, with funding from net proceeds from the issuance of the Series 2019 Bonds in the approximate amount of $25.1 million, and additional funding anticipated to be derived from a combination of pay-as-you-go sources, a California Clean Water State Revolving Fund loan in the approximate amount of $36 million (the "State Loan"), the proceeds of which are expected to be received during the second quarter of Fiscal Year 2019-20, and the issuance of Additional Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Additional Bonds and Parity Debt" and "THE WASTEWATER ENTERPRISE–Capital Improvement Program."

Construction. Pursuant to a Management Agreement, Veolia Water North America Operating Services, LLC will be responsible for management of the Project. See "THE WASTEWATER ENTERPRISE–Management of the Enterprise by Veolia–Summary of the Management Agreement." The City expects to award contracts to the contractors submitting the lowest responsive bids.

Environmental and Other Approvals. Projects undertaken by the City, including the Project financed with the proceeds of the Series 2019 Bonds, are generally subject to the California Environmental Quality Act, as amended (Division 13 of the California Public Resources Code) ("CEQA"). Under CEQA, a public agency is required, following preparation of an initial assessment, to determine whether an environmental impact report (an "EIR"), a negative declaration or a mitigated negative declaration is required for a project. If there is substantial evidence that significant environmental effects may occur, an EIR is required to be prepared.

The City has obtained all necessary CEQA approvals for the Project. Any other approvals are ministerial and expected in due course.

Refunding of the Refunded Series 2008A Bonds

General. A portion of the proceeds of the Series 2019 Bonds will be applied to reimburse the Series 2008A Bonds Letter of Credit Bank for a draw on the Series 2008A Bonds Letter of Credit, the proceeds of which will be used to refund all of the Series 2008A Bonds described below (the "Refunded Series 2008A Bonds"). The Refunded Series 2008A Bonds have been called for redemption on June 26, 2019, the date of delivery of the Series 2019 Bonds.

Table 1A
Refunded Series 2008A Bonds

$32,855,000
City of Richmond, California
Variable Rate Wastewater Revenue Refunding Bonds, Series 2008A
Redemption Date: June 26, 2019

Maturity Date (August 1)	Amount	CUSIP No.[1] (764507)
2037[2]	$32,260,000	CN7
2038[2]	595,000	CP2

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(2) Term Bond.

Effect of Redemption of the Refunded Series 2008A Bonds on Ancillary Agreements. The Refunded Series 2008A Bonds bear interest at variable interest rates. The Refunded Series 2008A Bonds are additionally secured by the Series 2008A Bonds Letter of Credit. The City entered into the Series 2008A Bonds Swap Agreement under which the City makes fixed payments and receives variable payments. Upon the redemption of the Refunded Series 2008A Bond, the Series 2008A Bonds Letter of Credit and the Series 2008A Bonds Swap Agreement will both be terminated.

Refunding of the Refunded Taxable Series 2010B Bonds

A portion of the proceeds of the Series 2019 Bonds will be deposited with The Bank of New York Mellon Trust Company, N.A. (the "Taxable 2010B Bonds Escrow Agent") pursuant to the terms and conditions of an Escrow Agreement, made and entered into as of June 1, 2019 (the "Taxable 2010B Bonds Escrow Agreement"), by and between the City and the Taxable 2010B Bonds Escrow Agent. The amounts transferred to the Taxable 2010B Bonds Escrow Agent will be deposited into a refunding escrow (the "Refunding Escrow") and applied to (i) pay when due the principal amount of and interest on the Taxable Series 2010B Bonds described below (the "Refunded Taxable Series 2010B Bonds"), and (ii) redeem the Refunded Taxable Series 2010B Bonds at a redemption price equal to 100% of the principal amount, plus accrued interest to the August 1, 2020 redemption date (collectively, the "Refunded Taxable Series 2010B Bonds Redemption Price").

Table 1B
Refunded Taxable Series 2010B Bonds

$36,480,000
City of Richmond, California
Wastewater Revenue Bonds Taxable Build America Bonds, Series 2010B
Redemption Date: August 1, 2020

Maturity Date (August 1)	Amount	Interest Rate	CUSIP No.[1] (764507)
2025[2]	$6,665,000	5.394%	CK3
2030[2]	8,005,000	6.211	CL1
2040[2]	21,810,000	6.461	CM9

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(2) Term Bond.

The sufficiency of the deposits in the Refunding Escrow to pay the Refunded Taxable Series 2010B Bonds on their respective scheduled redemption date have been verified by Robert Thomas CPA, LLC, Minneapolis, Minnesota (the "Verification Agent"). See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Series 2019 Bonds and other amounts held under the Indenture are as follows:

	Series 2019A Bonds	Series 2019B Bonds	Total
Sources:			
Principal Amount of Series 2019 Bonds	$22,510,000.00	$66,075,000.00	$88,585,000.00
Amounts transferred from Trustee(1)	–	1,796,863.66	1,796,863.66
Plus Original Issue Premium	2,872,296.80	13,131,123.05	16,003,419.85
TOTAL ESTIMATED SOURCES	$25,382,296.80	$81,002,986.71	$106,385,283.51
Uses:			
Deposit to the Project Fund(2)	$25,100,000.00	–	$25,100,000.00
Redemption of the Refunded Series 2008A Bonds(3)	–	$32,882,040.11	32,882,040.11
Deposit in Refunding Escrow(3)	–	39,052,497.29	39,052,497.29
Transfer to Termination Fund(4)	–	8,523,000.00	8,523,000.00
Costs of Issuance(5)	159,259.67	313,536.35	472,796.02
Underwriters' Discount	123,037.13	231,912.96	354,950.09
TOTAL ESTIMATED USES	$25,382,296.80	$81,002,986.71	$106,385,283.51

(1) Represents amounts held in funds and accounts under the supplemental indentures with respect to the Refunded Series 2008A Bonds and Refunded Taxable Series 2010B Bonds.
(2) See "PLAN OF FINANCE–Capital Improvements."
(3) See "PLAN OF FINANCE–Refunding of the Refunded Series 2008A Bonds" and "–Refunding of the Refunded Taxable Series 2010B Bonds."
(4) To pay the Termination Payment to the Series 2008A Bonds Swap Provider.
(5) Includes legal, financing and consulting fees, rating agency fees, fees related to printing costs, the Verification Agent, the Swap Advisor, the Bidding Agent, and other miscellaneous expenses related to the issuance of the Series 2019 Bonds and the transactions described in "PLAN OF FINANCE."

THE SERIES 2019 BONDS

General

The Series 2019 Bonds are being issued in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Series 2019 Bonds. Individual purchases of ownership interests in the Series 2019 Bonds will be made in book-entry form only in denominations of $5,000 or any integral multiple thereof.

The Series 2019 Bonds will be dated the date of their initial delivery and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. Interest on the Series 2019 Bonds is payable semiannually on February 1 and August 1 in each year, commencing February 1, 2020 (each, an "Interest Payment Date"), calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on the Series 2019 Bonds is payable on each Interest Payment Date to the Owners of the Series 2019 Bonds as of the close of business on the Record Date in respect of such Interest Payment Date. "Record Date" means, with respect to the Series 2019 Bonds, the fifteenth day of the month preceding an Interest Payment Date. Principal of and redemption premium, if any, and interest on the Series 2019 Bonds are payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2019 Bonds. See APPENDIX F–"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Redemption Procedures for the Series 2019 Bonds

Selection of Series 2019 Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Series 2019 Bonds, the City shall select the Series 2019 Bonds to be redeemed, from all Series 2019 Bonds not previously called for redemption, in authorized denominations, by lot in any manner which the City in its sole discretion shall deem appropriate. The City shall promptly notify the Trustee in writing of the Series 2019 Bonds so selected for redemption. On or prior to any redemption pursuant to the Indenture, the City shall provide the Trustee with a revised sinking fund schedule.

Notice of Redemption of Series 2019 Bonds. The City shall notify the Trustee at least 45 days prior to the redemption date for Series 2019 Bonds. Notice of redemption of any Series 2019 Bonds shall be mailed by the Trustee, not less than 20 nor more than 30 days prior to the redemption date, (i) to the respective Owners of any Series 2019 Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee by first-class mail, (ii) to the Securities Depositories by facsimile and by first-class mail, (iii) to the Information Services by first-class mail, and (iv) to the Rating Agency. Notice of redemption shall be given in the form and in accordance with the terms of the Indenture.

Any notice of optional redemption of the Series 2019 Bonds may be conditional and if any condition stated in the notice of redemption is not satisfied on or prior to the redemption date, said notice will be of no force and effect and the City will not redeem such Series 2019 Bonds. The Trustee will within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled.

Partial Redemption of Series 2019 Bonds. Upon surrender of any Series 2019 Bond redeemed in part only, the City shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the City, a new Series 2019 Bond of authorized denominations, and of the same maturity, equal in aggregate principal amount to the unredeemed portion of the Series 2019 Bond surrendered.

Effect of Redemption of the Series 2019 Bonds. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Series 2019 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Series 2019 Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice, together with interest accrued thereon to the date fixed for redemption, interest on the Series 2019 Bonds so called for redemption shall cease to accrue, said Series 2019 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said Series 2019 Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest.

Redemption Provisions for the Series 2019A Bonds

Optional Redemption. The Series 2019A Bonds shall be subject to redemption prior to their respective stated maturities, at the option of the City, from any source of available funds, as a whole or in part on any date (by such maturities as may be specified by the City and by lot within a maturity) on or after August 1, 2029, at a Redemption Price equal to 100% of the principal amount of Series 2019A Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Account Redemption. The Trustee shall establish and maintain within the Principal Fund a Sinking Account for the Series 2019A Bonds maturing on August 1, 2044. The Series 2019A Bonds maturing on August 1, 2044 shall be redeemed (or paid at maturity, as the case may be), at a Redemption Price equal to 100% of the principal amount of Series 2019A Bonds called for redemption, plus accrued interest thereon to the date fixed for redemption, without premium, by the application of mandatory Sinking Account installments in the amounts and upon the Sinking Account Payment Dates established in the Indenture for the Series 2019A Bonds maturing on August 1, 2044, as follows:

Series 2019A
2044 Term Bond Sinking Account

Mandatory Sinking Account Payment Date (August 1)	Mandatory Sinking Account Installments
2040	$1,150,000
2041	900,000
2042	940,000
2043	990,000
2044†	1,040,000

† Maturity.

The Trustee shall establish and maintain within the Principal Fund a Sinking Account for the Series 2019A Bonds maturing on August 1, 2049. The Series 2019A Bonds maturing on August 1, 2049 shall be redeemed (or paid at maturity, as the case may be), at a Redemption Price equal to 100% of the principal amount of Series 2019A Bonds called for redemption, plus accrued interest thereon to the date fixed for redemption, without premium, by the application of mandatory Sinking Account installments in the amounts and upon the Sinking Account Payment Dates established in the Indenture for the Series 2019A Bonds maturing on August 1, 2049, as follows:

Series 2019A
2049 Term Bond Sinking Account

Mandatory Sinking Account Payment Date (August 1)	Mandatory Sinking Account Installments
2045	$1,090,000
2046	1,135,000
2047	1,180,000
2048	5,760,000
2049†	5,995,000

† Maturity.

Redemption Provisions for the Series 2019B Bonds

Optional Redemption. The Series 2019B Bonds maturing on or before August 1, 2029 are not subject to redemption prior to their maturity dates. The Series 2019B Bonds maturing on or after August 1, 2030 shall be subject to redemption prior to their respective stated maturities, at the option of the City, from any source of available funds, as a whole or in part on any date (by such maturities as may be specified by the City and by lot within a maturity) on or after August 1, 2029, at a Redemption Price equal to 100% of the principal amount of Series 2019B Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Account Redemption. The Trustee shall establish and maintain within the Principal Fund a Sinking Account for the Series 2019B Bonds maturing on August 1, 2040. The Series 2019B Bonds maturing on August 1, 2040 shall be redeemed (or paid at maturity, as the case may be), at a Redemption Price equal to 100% of the principal amount of Series 2019B Bonds called for redemption, plus accrued interest thereon to the date fixed for redemption, without premium, by the application of mandatory Sinking Account installments in the amounts and upon the Sinking Account Payment Dates established in the Indenture for the Series 2019B Bonds maturing on August 1, 2040, as follows:

Series 2019B
2040 Term Bond Sinking Account

Mandatory Sinking Account Payment Date (August 1)	Mandatory Sinking Account Installments
2039	$2,285,000
2040†	2,350,000

† Maturity.

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DEBT SERVICE SCHEDULES

The following table sets forth the semi-annual debt service schedules for the Series 2019 Bonds.

	Series 2019A Bonds			Series 2019B Bonds			
Date	Principal	Interest	Total	Principal	Interest	Total	Total
2/1/2020	–	$581,634.72	$581,634.72	–	$1,819,646.53	$1,819,646.53	–
8/1/2020	–	486,950.00	486,950.00	–	1,523,425.00	1,523,425.00	$4,411,656.25
2/1/2021	–	486,950.00	486,950.00	–	1,523,425.00	1,523,425.00	–
8/1/2021	–	486,950.00	486,950.00	$1,115,000	1,523,425.00	2,638,425.00	5,135,750.00
2/1/2022	–	486,950.00	486,950.00	–	1,495,550.00	1,495,550.00	–
8/1/2022	–	486,950.00	486,950.00	1,170,000	1,495,550.00	2,665,550.00	5,135,000.00
2/1/2023	–	486,950.00	486,950.00	–	1,466,300.00	1,466,300.00	–
8/1/2023	–	486,950.00	486,950.00	2,815,000	1,466,300.00	4,281,300.00	6,721,500.00
2/1/2024	–	486,950.00	486,950.00	–	1,395,925.00	1,395,925.00	–
8/1/2024	–	486,950.00	486,950.00	2,930,000	1,395,925.00	4,325,925.00	6,695,750.00
2/1/2025	–	486,950.00	486,950.00	–	1,322,675.00	1,322,675.00	–
8/1/2025	–	486,950.00	486,950.00	3,050,000	1,322,675.00	4,372,675.00	6,669,250.00
2/1/2026	–	486,950.00	486,950.00	–	1,246,425.00	1,246,425.00	–
8/1/2026	–	486,950.00	486,950.00	3,175,000	1,246,425.00	4,421,425.00	6,641,750.00
2/1/2027	–	486,950.00	486,950.00	–	1,167,050.00	1,167,050.00	–
8/1/2027	–	486,950.00	486,950.00	3,315,000	1,167,050.00	4,482,050.00	6,623,000.00
2/1/2028	–	486,950.00	486,950.00	–	1,084,175.00	1,084,175.00	–
8/1/2028	–	486,950.00	486,950.00	3,455,000	1,084,175.00	4,539,175.00	6,597,250.00
2/1/2029	–	486,950.00	486,950.00	–	997,800.00	997,800.00	–
8/1/2029	–	486,950.00	486,950.00	3,605,000	997,800.00	4,602,800.00	6,574,500.00
2/1/2030	–	486,950.00	486,950.00	–	907,675.00	907,675.00	–
8/1/2030	–	486,950.00	486,950.00	3,750,000	907,675.00	4,657,675.00	6,539,250.00
2/1/2031	–	486,950.00	486,950.00	–	813,925.00	813,925.00	–
8/1/2031	–	486,950.00	486,950.00	3,905,000	813,925.00	4,718,925.00	6,506,750.00
2/1/2032	–	486,950.00	486,950.00	–	716,300.00	716,300.00	–
8/1/2032	–	486,950.00	486,950.00	4,070,000	716,300.00	4,786,300.00	6,476,500.00
2/1/2033	–	486,950.00	486,950.00	–	614,550.00	614,550.00	–
8/1/2033	–	486,950.00	486,950.00	4,245,000	614,550.00	4,859,550.00	6,448,000.00
2/1/2034	–	486,950.00	486,950.00	–	508,425.00	508,425.00	–
8/1/2034	–	486,950.00	486,950.00	4,420,000	508,425.00	4,928,425.00	6,410,750.00
2/1/2035	–	486,950.00	486,950.00	–	397,925.00	397,925.00	–
8/1/2035	–	486,950.00	486,950.00	4,585,000	397,925.00	4,982,925.00	6,354,750.00
2/1/2036	–	486,950.00	486,950.00	–	306,225.00	306,225.00	–
8/1/2036	–	486,950.00	486,950.00	4,735,000	306,225.00	5,041,225.00	6,321,350.00
2/1/2037	–	486,950.00	486,950.00	–	211,525.00	211,525.00	–
8/1/2037	–	486,950.00	486,950.00	4,885,000	211,525.00	5,096,525.00	6,281,950.00
2/1/2038	–	486,950.00	486,950.00	–	113,825.00	113,825.00	–
8/1/2038	$1,180,000	486,950.00	1,666,950.00	2,215,000	113,825.00	2,328,825.00	4,596,550.00
2/1/2039	–	457,450.00	457,450.00	–	69,525.00	69,525.00	–
8/1/2039	1,150,000	457,450.00	1,607,450.00	2,285,000	69,525.00	2,354,525.00	4,488,950.00
2/1/2040	–	428,700.00	428,700.00	–	35,250.00	35,250.00	–
8/1/2040	1,150,000	428,700.00	1,578,700.00	2,350,000	35,250.00	2,385,250.00	4,427,900.00
2/1/2041	–	399,950.00	399,950.00	–	–	–	–
8/1/2041	900,000	399,950.00	1,299,950.00	–	–	–	1,699,900.00
2/1/2042	–	377,450.00	377,450.00	–	–	–	–
8/1/2042	940,000	377,450.00	1,317,450.00	–	–	–	1,694,900.00
2/1/2043	–	353,950.00	353,950.00	–	–	–	–
8/1/2043	990,000	353,950.00	1,343,950.00	–	–	–	1,697,900.00
2/1/2044	–	329,200.00	329,200.00	–	–	–	–
8/1/2044	1,040,000	329,200.00	1,369,200.00	–	–	–	1,698,400.00
2/1/2045	–	303,200.00	303,200.00	–	–	–	–
8/1/2045	1,090,000	303,200.00	1,393,200.00	–	–	–	1,696,400.00
2/1/2046	–	281,400.00	281,400.00	–	–	–	–
8/1/2046	1,135,000	281,400.00	1,416,400.00	–	–	–	1,697,800.00
2/1/2047	–	258,700.00	258,700.00	–	–	–	–
8/1/2047	1,180,000	258,700.00	1,438,700.00	–	–	–	1,697,400.00
2/1/2048	–	235,100.00	235,100.00	–	–	–	–
8/1/2048	5,760,000	235,100.00	5,995,100.00	–	–	–	6,230,200.00
2/1/2049	–	119,900.00	119,900.00	–	–	–	–
8/1/2049	5,995,000	119,900.00	6,114,900.00	–	–	–	6,234,800.00
TOTAL	$22,510,000	$25,688,784.72	$48,198,784.72	$66,075,000	$36,132,021.53	$102,207,021.53	$150,405,806.25

The following table sets forth the scheduled annual debt service obligations for the Outstanding Bonds (following issuance of the Series 2019 Bonds) and the Series 2019 Bonds. See Table 10 under the caption "FINANCIAL MATTERS RELATING TO THE ENTERPRISE–Historical and Projected Revenues, Operating Expenses, and Debt Service Coverage."

Period				Series 2019 Bonds							
Ending	Outstanding Bonds[1][2]			Series 2019A Bonds[2]			Series 2019B Bonds[2]			Aggregate	Fiscal Year
August 1	Principal	Interest[3]	Total[3]	Principal	Interest	Total	Principal	Interest	Total	Debt Service	Total
2019	$2,430,000	$1,695,052	$4,125,052	–	$581,635	$581,635	–	$1,819,647	$1,819,647	$2,401,281	$6,526,333
2020	2,515,000	1,590,244	4,105,244	–	973,900	973,900	–	3,046,850	3,046,850	4,020,750	8,125,994
2021	1,365,000	1,502,225	2,867,225	–	973,900	973,900	$1,115,000	3,018,975	4,133,975	5,107,875	7,975,100
2022	1,430,000	1,432,350	2,862,350	–	973,900	973,900	1,170,000	2,961,850	4,131,850	5,105,750	7,968,100
2023	–	1,396,600	1,396,600	–	973,900	973,900	2,815,000	2,862,225	5,677,225	6,651,125	8,047,725
2024	–	1,396,600	1,396,600	–	973,900	973,900	2,930,000	2,718,600	5,648,600	6,622,500	8,019,100
2025	–	1,396,600	1,396,600	–	973,900	973,900	3,050,000	2,569,100	5,619,100	6,593,000	7,989,600
2026	–	1,396,600	1,396,600	–	973,900	973,900	3,175,000	2,413,475	5,588,475	6,562,375	7,958,975
2027	–	1,396,600	1,396,600	–	973,900	973,900	3,315,000	2,251,225	5,566,225	6,540,125	7,936,725
2028	–	1,396,600	1,396,600	–	973,900	973,900	3,455,000	2,081,975	5,536,975	6,510,875	7,907,475
2029	–	1,396,600	1,396,600	–	973,900	973,900	3,605,000	1,905,475	5,510,475	6,484,375	7,880,975
2030	–	1,396,600	1,396,600	–	973,900	973,900	3,750,000	1,721,600	5,471,600	6,445,500	7,842,100
2031	–	1,396,600	1,396,600	–	973,900	973,900	3,905,000	1,530,225	5,435,225	6,409,125	7,805,725
2032	–	1,396,600	1,396,600	–	973,900	973,900	4,070,000	1,330,850	5,400,850	6,374,750	7,771,350
2033	–	1,396,600	1,396,600	–	973,900	973,900	4,245,000	1,122,975	5,367,975	6,341,875	7,738,475
2034	–	1,396,600	1,396,600	–	973,900	973,900	4,420,000	906,350	5,326,350	6,300,250	7,696,850
2035	–	1,396,600	1,396,600	–	973,900	973,900	4,585,000	704,150	5,289,150	6,263,050	7,659,650
2036	–	1,396,600	1,396,600	–	973,900	973,900	4,735,000	517,750	5,252,750	6,226,650	7,623,250
2037	–	1,396,600	1,396,600	–	973,900	973,900	4,885,000	325,350	5,210,350	6,184,250	7,580,850
2038	205,000	1,391,475	1,596,475	$1,180,000	944,400	2,124,400	2,215,000	183,350	2,398,350	4,522,750	6,119,225
2039	315,000	1,378,475	1,693,475	1,150,000	886,150	2,036,150	2,285,000†	104,775	2,389,775	4,425,925	6,119,400
2040	390,000	1,360,850	1,750,850	1,150,000†	828,650	1,978,650	2,350,000††	35,250	2,385,250	4,363,900	6,114,750
2041	3,170,000	1,271,850	4,441,850	900,000†	777,400	1,677,400	–	–	–	1,677,400	6,119,250
2042	3,335,000	1,109,225	4,444,225	940,000†	731,400	1,671,400	–	–	–	1,671,400	6,115,625
2043	3,510,000	933,713	4,443,713	990,000†	683,150	1,673,150	–	–	–	1,673,150	6,116,863
2044	3,700,000	744,450	4,444,450	1,040,000††	632,400	1,672,400	–	–	–	1,672,400	6,116,850
2045	3,895,000	545,081	4,440,081	1,090,000†	584,600	1,674,600	–	–	–	1,674,600	6,114,681
2046	4,105,000	335,081	4,440,081	1,135,000†	540,100	1,675,100	–	–	–	1,675,100	6,115,181
2047	4,330,000	113,663	4,443,663	1,180,000†	493,800	1,673,800	–	–	–	1,673,800	6,117,463
2048	–	–	–	5,760,000†	355,000	6,115,000	–	–	–	6,115,000	6,115,000
2049	–	–	–	5,995,000††	119,900	6,114,900	–	–	–	6,114,900	6,114,900
TOTAL	$34,695,000	$36,352,733	$71,047,733	$22,510,000	$25,688,785	$48,198,785	$66,075,000	$36,132,022	$102,207,022	$150,405,806	$221,453,540

(1) Consists of the unrefunded Taxable Series 2010B Bonds and the Series 2017A Bonds. See "SECURITY AND SOURCES OF PAYMENT OF THE BONDS–Outstanding Parity Obligations and Reserve Funds for Other Series of Bonds." For projected debt service coverage for the Bonds. See "FINANCIAL MATTERS RELATING TO THE ENTERPRISE–Historical and Projected Revenues, Operating Expenses, and Debt Service Coverage–Table 10."

(2) The Refunded Series 2008A Bonds and the Refunded Taxable Series 2010B Bonds will be refunded from proceeds of the Series 2019 Bonds. See "PLAN OF FINANCE–Refunding of the Refunded Series 2008A Bonds" and "–Refunding of the Refunded Taxable Series 2010B Bonds."

(3) Interest on the Taxable Series 2010B Bonds is based on the actual interest without regard to the Subsidy Receipts. See "SECURITY AND SOURCES OF PAYMENT OF THE BONDS–Outstanding Parity Obligations and Reserve Funds for Other Series of Bonds."

† Sinking fund payment.

†† Maturity.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Pledge of Net Revenues Under the Indenture

The Bonds (including the Series 2019 Bonds) are revenue obligations of the City and are payable as to both principal, accreted value, and interest, and any premium upon redemption, exclusively from Net Revenues and from the other funds pledged under the Indenture. Net Revenues are pledged to secure the payment of the principal of, accreted value, redemption premium, if any, and interest on the Bonds and any Parity Debt in accordance with their terms, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Indenture pledges to secure the payment of the principal, accreted value and redemption premium, if any, and interest on the Bonds in accordance with their terms all amounts (including proceeds of the Bonds) held by the Trustee under the Indenture (except for amounts held in the Rebate Fund), subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. Said pledge constitutes a first lien on the Net Revenues and amounts in such funds and will be valid and binding from and after delivery by the Trustee of the Bonds or Parity Debt, without any physical delivery thereof or further act. See "–Additional Bonds and Parity Debt."

The Net Revenues are pledged to the payment of Bonds and Parity Debt without priority or distinction of one over the other and the Net Revenues constitute a trust fund for the security and payment of the Bonds and Parity Debt; but nevertheless out of Net Revenues, certain amounts may be applied for other purposes as provided in the Indenture.

Out of Net Revenues, there shall be applied as set forth in the Indenture all sums required for the payment of the principal of (including any premium thereon) and interest on the Bonds and all Parity Debt, together with any reserve fund requirements with respect thereto. All remaining Net Revenues, after making the foregoing allocation, shall be available to the City for all lawful purposes of the Enterprise. The pledge of Net Revenues made in the Indenture shall be irrevocable until all of the Bonds and all Parity Debt are no longer outstanding.

The term "Net Revenues" is defined under the Indenture to mean, with respect to any period, the amount of the Gross Revenues received during such period less the amount of Operating Expenses becoming payable during such period.

The term "Gross Revenues" is defined under the Indenture to mean all gross income and revenue received by the City from the ownership and operation of the Enterprise, including (i) all fees and charges received by the City for the services of the Enterprise, (ii) all other income and revenue howsoever derived by the City from the ownership and operation of the Enterprise or arising from the Enterprise, (iii) all sums deposited, or required by the Indenture to be deposited, in the Wastewater Fund established under the Indenture including the Subsidy Receipts (defined below), and (iv) amounts transferred to the Wastewater Fund from the Rate Stabilization Fund pursuant to the Indenture; but excluding (a) the proceeds of any ad valorem property taxes received by the City to pay debt service on any outstanding obligations of the City, and (b) any contributed capital (other than connection fees).

The term "Operating Expenses" is defined under the Indenture to mean, for the then current fiscal year, the reasonable and necessary costs of maintaining and operating the Enterprise, calculated on the basis of generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Enterprise in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, but excluding (a) depreciation, replacement and obsolescence charges or reserves therefor or other bookkeeping entries of a similar nature, and (b) Debt Service.

"Parity Debt" is defined under the Indenture to mean any indebtedness, installment sale obligation, lease obligation or other obligation of the City for borrowed money or certain designated payments under a Public Finance Contract designated as Parity Debt (a "Parity Public Finance Contract") having an equal lien and charge upon the Net Revenues, therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding).

THE SERIES 2019 BONDS ARE REVENUE OBLIGATIONS OF THE CITY AND ARE PAYABLE AS TO BOTH PRINCIPAL AND INTEREST, AND ANY PREMIUM UPON REDEMPTION THEREOF, EXCLUSIVELY FROM NET REVENUES AND CERTAIN OTHER FUNDS PLEDGED UNDER THE INDENTURE. THE SERIES 2019 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY. THE SERIES 2019 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE CITY, THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE CITY, THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE, EXCEPT TO THE EXTENT OF CERTAIN AMOUNTS HELD UNDER THE INDENTURE PLEDGED THEREFOR, SOLELY FROM NET REVENUES. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR THE INTEREST ON THE SERIES 2019 BONDS. THE ISSUANCE OF THE SERIES 2019 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT.

Outstanding Parity Obligations and Reserve Funds for Other Series of Bonds

Outstanding Bonds. The pledge of Net Revenues under the Indenture securing payment of the Series 2019 Bonds is on a parity with a pledge of Net Revenues securing the Parity Obligations. See also "*–Outstanding Parity Obligations.*" The obligation of the City to reimburse the Series 2008A Bonds Letter of Credit Bank for draws on its Series 2008A Bonds Letter of Credit is also secured by a pledge of Net Revenues on a parity with the Bonds as Parity Debt.

The Taxable Series 2010B Bonds were issued as "Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"), the interest on which is not excluded from gross income for federal income tax purposes but is exempt from State of California personal income taxes. The Recovery Act provided for a cash subsidy (the "Subsidy Receipts") from the United States Treasury equal to 35% of the interest payable on such Taxable Series 2010B Bonds. Subsidy Receipts constitute Gross Revenues, which are deposited into the Wastewater Fund for payment of principal of and interest on the Taxable Series 2010B Bonds. Beginning in 2013, the subsidy has been reduced in each year by varying sequestration percentages, ranging from a low of 6.2% in Federal Fiscal Year 2018-19 to a high of 8.7% in 2013. The City is obligated to make all payments of principal and interest on the Taxable Series 2010B Bonds from Net Revenues whether or not it receives the Subsidy Receipts. See "CERTAIN RISKS TO BONDHOLDERS–Risks Related to Subsidy Receipts for the Taxable Series 2010B Bonds."

Series 2008A Bonds Swap Agreement. In connection with the issuance of the City's Wastewater Revenue Bonds, Series 2006B (the "Series 2006B Bonds"), the City entered into an interest rate swap (the "Original Swap Agreement") with Bear Stearns Capital Markets, Inc. ("Bear Stearns"), which the City and JP Morgan, as successor to Bear Stearns, elected to maintain in effect with respect to the Series 2008A Bonds following the refunding of the Series 2006B Bonds with the proceeds of the Series 2008A Bonds.

On November 19, 2009, the City terminated the Original Swap Agreement and entered into the Series 2008A Bonds Swap Agreement with the Series 2008A Bonds Swap Provider.

Pursuant to the Series 2008A Bonds Swap Agreement, the Series 2008A Bonds Swap Provider pays the City an amount equal to 63.42% of USD-LIBOR-BBA plus 22 basis points, and the City pays the Series 2008A Bonds Swap Provider an amount equal to 3.897%, measured on a notional amount equal to the initial principal amount of the Series 2008A Bonds, which amount reduces simultaneously with the scheduled amortization of the Series 2008A Bonds. The obligations of the Series 2008A Bonds Swap Provider are not insured and there is no requirement for posting of collateral. The scheduled termination date for Series 2008A Bonds Swap Agreement is August 1, 2037, unless terminated earlier.

On July 12, 2017, the Series 2008A Bonds were remarketed and are supported by the Series 2008A Bonds Letter of Credit.

Following the issuance of the Series 2019 Bonds and the redemption of the Refunded Series 2008A Bonds, the Series 2008A Bonds Swap Agreement and the Series 2008A Bonds Letter of Credit will each be terminated.

Outstanding Parity Obligations. Following the issuance of the Series 2019 Bonds, the outstanding Parity Obligations payable from Net Revenues will consist of the following Bonds:

Bonds	Principal Amount	Final Maturity Date (August 1)
Taxable Series 2010B	$2,385,000	2020
Series 2017A Bonds	32,310,000	2047

See "PLAN OF FINANCE–Refunding of the Refunded Series 2008A Bonds" and "–Refunding of Refunded Taxable Series 2010B Bonds.

Reserve Funds for Other Series of Bonds. The Taxable Series 2010B Bonds are secured by the Series 2010 Reserve Fund, which is established as a Series Reserve Fund.

No Reserve Fund. The Series 2019 Bonds, the Series 2008A Bonds, and the Series 2017A Bonds are not secured by any reserve accounts, including without limitation, the Parity Reserve Fund or the Series 2010 Reserve Fund.

Flow of Funds

In order to carry out and effectuate the obligation of the City contained in the Indenture to pay the Bonds, so long as any Bonds are Outstanding, the City covenants and agrees in the Indenture that all Gross Revenues, when and as received, will be received, deposited and held by the City in the Wastewater Fund and will be accounted for through and held in trust in the Wastewater Fund, and the City shall have no beneficial right or interest in any of such moneys except only as provided in the Indenture. The City covenants and agrees in the Indenture to maintain the Wastewater Fund at all times so long as any Bonds shall be Outstanding under the Indenture. All Gross Revenues and Net Revenues, whether held by the City or deposited with the Trustee, all as provided in the Indenture, shall nevertheless be disbursed, allocated, and applied solely to the uses and purposes set forth in the Indenture.

All amounts in the Wastewater Fund required to pay Operating Expenses of the Enterprise will be applied for such purpose from time to time by the City. So long as any Bonds are Outstanding, the City will transfer the remaining moneys in the Wastewater Fund to the Trustee as required for deposit into the following respective funds (each of which the Trustee will establish, maintain and hold in trust for the benefit of the Owners of the Bonds) in the following amounts, and in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Net Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided that on a parity with such deposits the Trustee may set aside or transfer amounts with respect to outstanding Parity Debt as provided in the proceedings for such Parity Debt (which will be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Debt):

Interest Fund. The City will transfer to the Trustee and the Trustee will set aside in the Interest Fund on or before the third Business Day prior to each interest payment date an amount equal to the interest becoming due and payable on the Outstanding Bonds (excluding interest for which there are moneys on deposit in the Interest Fund from the proceeds of any Series of Bonds or other source to pay such interest).

Principal Fund; Sinking Accounts. The City will transfer to the Trustee and the Trustee will set aside in the Principal Fund on or before the third Business Day prior to each principal or mandatory sinking fund payment date an amount equal to (i) the amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds, plus (ii) the mandatory sinking fund payments to be paid into the respective Sinking Accounts for the Term Bonds; provided that if the City certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from excess amounts on deposit in the Parity Reserve Fund or other bond reserve fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid. All of the aforesaid mandatory sinking fund payments will be made without priority of any payment into any one such Sinking Account over any other such payment.

Parity Reserve Fund and Reserve Funds for a Series of Bonds. Upon the occurrence of any deficiency in the Parity Reserve Fund established pursuant to the Indenture or such other Reserve Fund as shall secure a Series of Bonds issued under the Indenture as provided for in a Supplemental Indenture (a "Series Reserve Fund"), the City shall immediately transfer to the Trustee and the Trustee shall set aside in the Parity Reserve Fund, the Series Reserve Fund, or both Funds on a pro rata basis an amount equal to the aggregate amount of each unreplenished prior withdrawal from the Parity Reserve Fund or Series Reserve Fund until there is on deposit in the Parity Reserve Fund and the Series Reserve Funds amounts equal to the Reserve Fund Requirements as provided for in the Indenture, or, with respect to a Series Reserve Fund, as provided for in the Supplemental Indenture creating such Fund. Any amount transferred to the Trustee shall be applied first to pay or reinstate any draws on any Credit Facility issued to support the Parity Reserve Fund on a pro rata basis. The Series 2019 Bonds are not secured by the Parity Reserve Fund or a Series Reserve Fund.

Net Revenues in the Wastewater Fund after the foregoing transfers described above, will be used and applied by the City toward the payment of fees and other amounts owed to any Applicable Credit Providers relating to Credit Facilities (including Credit Facility issued to support the Parity Reserve Fund), the payment of fees and other amounts owed to the providers of any Public Finance Contract Insurance Policies and the purchase of Bonds as and when and at such prices as it may determine.

Net Revenues in the Wastewater Fund after the foregoing transfers described above, will be used and applied by the City toward the payment of termination payments due under any Parity Public Finance Contracts.

Any Net Revenues remaining in the Wastewater Fund after the foregoing transfers described above, except as otherwise provided in a Supplemental Indenture, will be held free and clear of the Indenture by the City and it may use and apply such Net Revenues for any lawful purpose of the Enterprise.

If, two business days prior to any principal payment date, interest payment date or mandatory sinking fund redemption date, the amounts on deposit in the Interest Fund and Principal Fund, including the Sinking Accounts therein, are insufficient to make such payments, the Trustee will immediately notify the City, by telephone or facsimile machine, of such deficiency and direct that the City transfer the amount of such deficiency to the Trustee on such payment date. The City has covenanted and agreed to transfer to the Trustee from any Net Revenues in its possession the amount of such deficiency on the principal, interest or mandatory redemption date referenced in such notice.

No Reserve Fund

No debt service reserve fund will be established under the Indenture for the Series 2019 Bonds.

Rate Covenant

The City has covenanted that it will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise during each Fiscal Year which (together with other funds accumulated from Gross Revenues and which are lawfully available to the City for payment of any of the following amounts during such Fiscal Year) are at least sufficient, after making allowances for contingencies and error in the estimates, and without regard to transfers from the Rate Stabilization Fund pursuant to the Indenture to pay the sum of the following amounts (i) all Operating Expenses estimated by the City to become due and payable in such Fiscal Year, (ii) the Debt Service on the Outstanding Bonds and any Parity Debt becoming due and payable during the Bond Year which commences in such Fiscal Year, (iii) all other payments required for compliance with the Indenture and the instruments pursuant to which any Parity Debt will have been issued; and (iv) all payments required to meet any other obligations of the City which are charges, liens, encumbrances upon or payable from the Gross Revenues or Net Revenues. In addition, the City has covenanted that it will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise during each Fiscal Year which are sufficient to yield Net Revenues (taking into account transfers from the Rate Stabilization Fund pursuant the Indenture, if any, applicable to such Fiscal Year) during such Fiscal Year equal to at least 1.25 times the amount determined pursuant to the preceding clause (ii) above. The City may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but shall not reduce such fees and charges below those then in effect unless the Gross Revenues from such reduced fees and charges will at all times be sufficient to meet the requirements described above. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS–PROPOSITION 218" and "–Effect of Proposition 218 and of Possible General Limitations on Enforcement Remedies."

Additional Bonds and Parity Debt

The City may at any time issue Additional Bonds or Parity Debt payable from Net Revenues and secured by the pledge made under the Indenture equally and ratably with the Bonds previously issued, provided that, among other requirements, the Debt Service Coverage Ratio, will not be less than, or was and will be at least equal to, 1.25:1.0, as demonstrated in a Certificate of the City delivered to the Trustee calculating such Debt Service Coverage Ratio in one of two ways as provided below:

(i) the Debt Service Coverage Ratio for the most recent Fiscal Year for which audited financial statements for the Enterprise are available (based on the Debt Service payable during the Bond Year which commenced in such Fiscal Year), calculated as of the date of sale of such additional Series of Bonds and including the Bonds and Parity Debt then Outstanding and such additional Series of Bonds, will not be less than 1.25:1.0; provided that in calculating the Debt Service Coverage Ratio:

(1) if rates, fees and charges fixed and prescribed for the Enterprise in effect on the date upon which such additional Series of Bonds will become Outstanding will be greater than those in effect during the most recent Fiscal Year for which audited financial statements are available, then the Net Revenues for said Fiscal Year may be augmented by 100% of the estimated increase in Net Revenues computed to accrue to the Enterprise in the first twelve months during which such rates, fees and charges will be in effect; and

(2) Net Revenues may be augmented by 100% of the projected increase in annual Net Revenues to be provided by additional facilities under construction (financed from any source) or to be acquired with the proceeds of the additional Series of Bonds then being issued;

or (ii) (1) the Debt Service Coverage Ratio for the most recent Fiscal Year for which audited financial statements are available (based on the Debt Service payable during the Bond Year which commenced in such Fiscal Year), including the Bonds and Parity Debt then Outstanding but not such additional Series of Bonds, was at least equal to 1.25:1.0; and (2) the Debt Service Coverage Ratio for each of the three full Fiscal Years (based on the Debt Service payable during the Bond Year which commenced in each such Fiscal Year) beginning with the first full Fiscal Year in which such additional Series of Bonds are issued (or, if later, the first full Fiscal Year in which less than 10% of the interest coming due on such additional Series of Bonds is to be paid from the proceeds of such additional Series of Bonds) is projected (based on approved rates, fees and charges) to be at least equal to 1.25:1.0. See APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE–Issuance of Bonds and Parity Debt."

Notwithstanding the above, the Indenture further authorizes the issuance of Additional Bonds to refund any outstanding Bonds or Parity Debt, provided, that the Maximum Annual Debt Service with respect to any such refunding Bonds will not exceed 1.10 times the Maximum Annual Debt Service, as calculated under the Indenture, with respect to the Bonds or Parity Debt being refunded. See APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE–Issuance of Bonds and Parity Debt."

Nothing in the Indenture prohibits or impairs the authority of the City to issue bonds or other obligations which are unsecured or which are secured by a lien on Net Revenues which is subordinate to the lien established under the Indenture, upon such terms and in such principal amount as the City may determine. See APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE–Issuance of Bonds and Parity Debt."

Rate Stabilization Fund

The City covenants under the Indenture to maintain and hold a Rate Stabilization Fund. The City may deposit Net Revenues or any other lawfully available funds in the Rate Stabilization Fund as the City may determine, provided, that deposits for each Fiscal Year may be made until (but not after) 120 days following the end of such Fiscal Year. The City may withdraw amounts from the Rate Stabilization Fund for inclusion in Gross Revenues for any Fiscal Year, but only until (but not after) 120 days after the end of such Fiscal Year. All interest earnings on deposits in the Rate Stabilization Fund shall be withdrawn and deposited in the Wastewater Fund and accounted for as Gross Revenues. Withdrawals from the Rate

Stabilization Fund may be made at any time by the City for any lawful purpose of the Enterprise. See APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE–Net Revenues."

THE WASTEWATER ENTERPRISE

Overview

The Wastewater Enterprise (hereafter referred to as the "Enterprise") is one of three utilities maintained and operated by the City. The two other utilities are storm sewer and cable television. As of January 1, 2019, the Enterprise provided sewer services to approximately 18,246 of the 27,004 residential parcels located within the City and, in addition, provided services 1,349 industrial and commercial parcels located in the City. See "–Customer Base."

The Enterprise is comprised of a sanitary sewer collection system (the "Collection System"), a wastewater treatment plant (the "Treatment Plant"), and the disposal system. The Collection System consists of approximately 183 miles of sanitary sewer collection pipes and 13 wastewater lift stations. The Treatment Plant is located on an approximately 30-acre site in the southwest portion of the City at 601 Canal Boulevard. The current permitted capacity of the Treatment Plant for primary treatment is 40 ("mgd") and for secondary treatment is 16 mgd for average day maximum month flow, and 20 mgd for peak wet weather flow. For a map showing the Treatment Plant and other facilities within the Enterprise, see Figure 1 on the following page.

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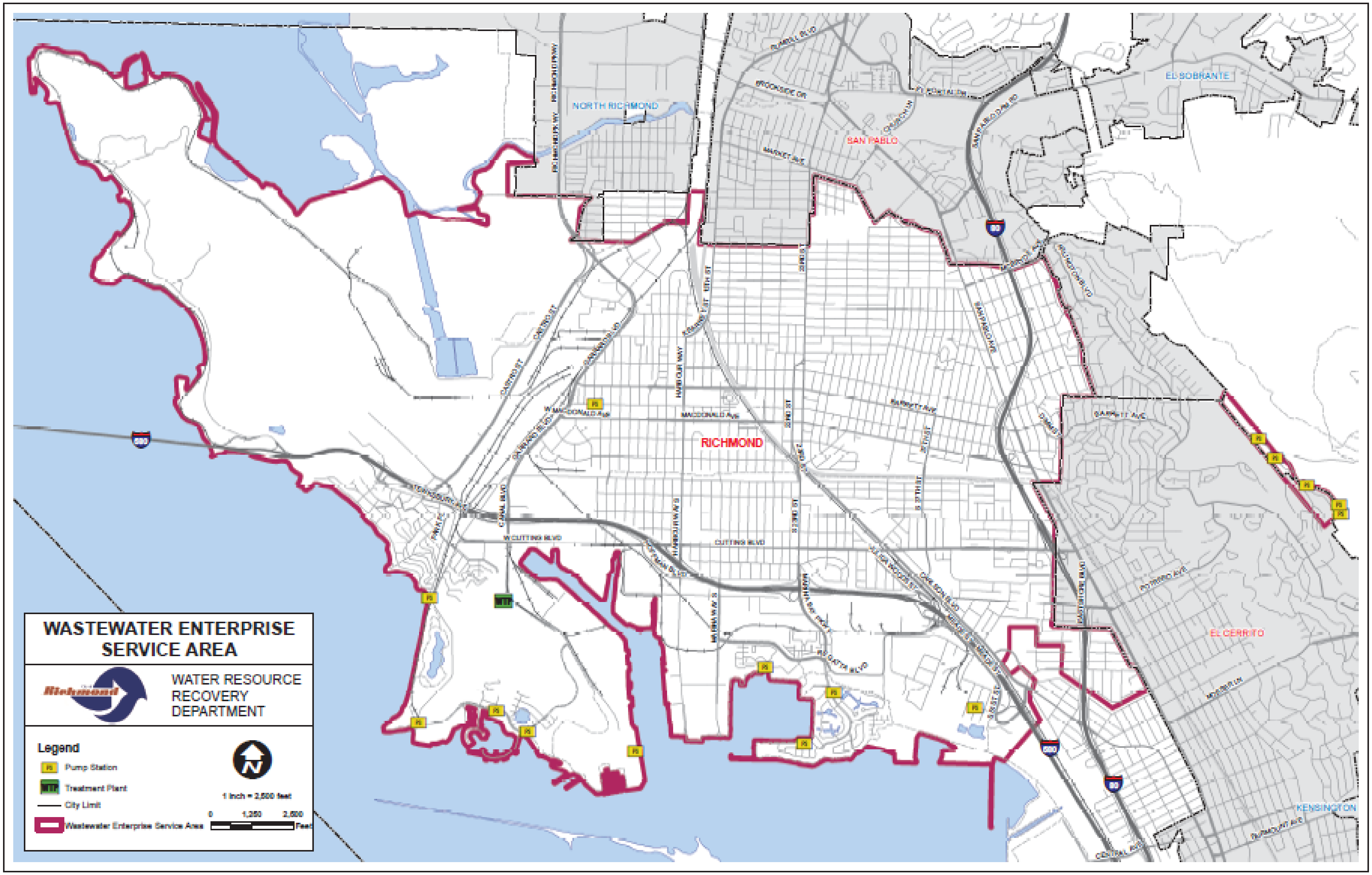
Figure 1
Map Showing the Treatment Plant and Other Enterprise Facilities



Service Area

The service area of the Enterprise coincides with the boundaries of the Richmond Municipal Sewer District No. 1 ("District No. 1"), which was created by the City in 1956. The service area of the Enterprise comprises approximately 14 square miles of the total approximately 33.7 square-mile land area of the City and corresponds to the original boundaries of the City as they existed in 1905. The Stege Sanitary District (the "Stege District") and the West County Wastewater District (the "West County District") provide sewer services to portions of the City that are not serviced by the Enterprise. These areas were originally outside the boundaries of the City and, since annexation of these areas to the City, have continued to be served by those districts. In 1977, the City, District No. 1 and the West County District formed the West County Agency, a joint powers agency, which constructed a 72-inch joint outfall pipe and other facilities jointly used by the City, District No. 1 and the West County District.

Figure 2 on the following page sets forth a map of the service area of the Enterprise.

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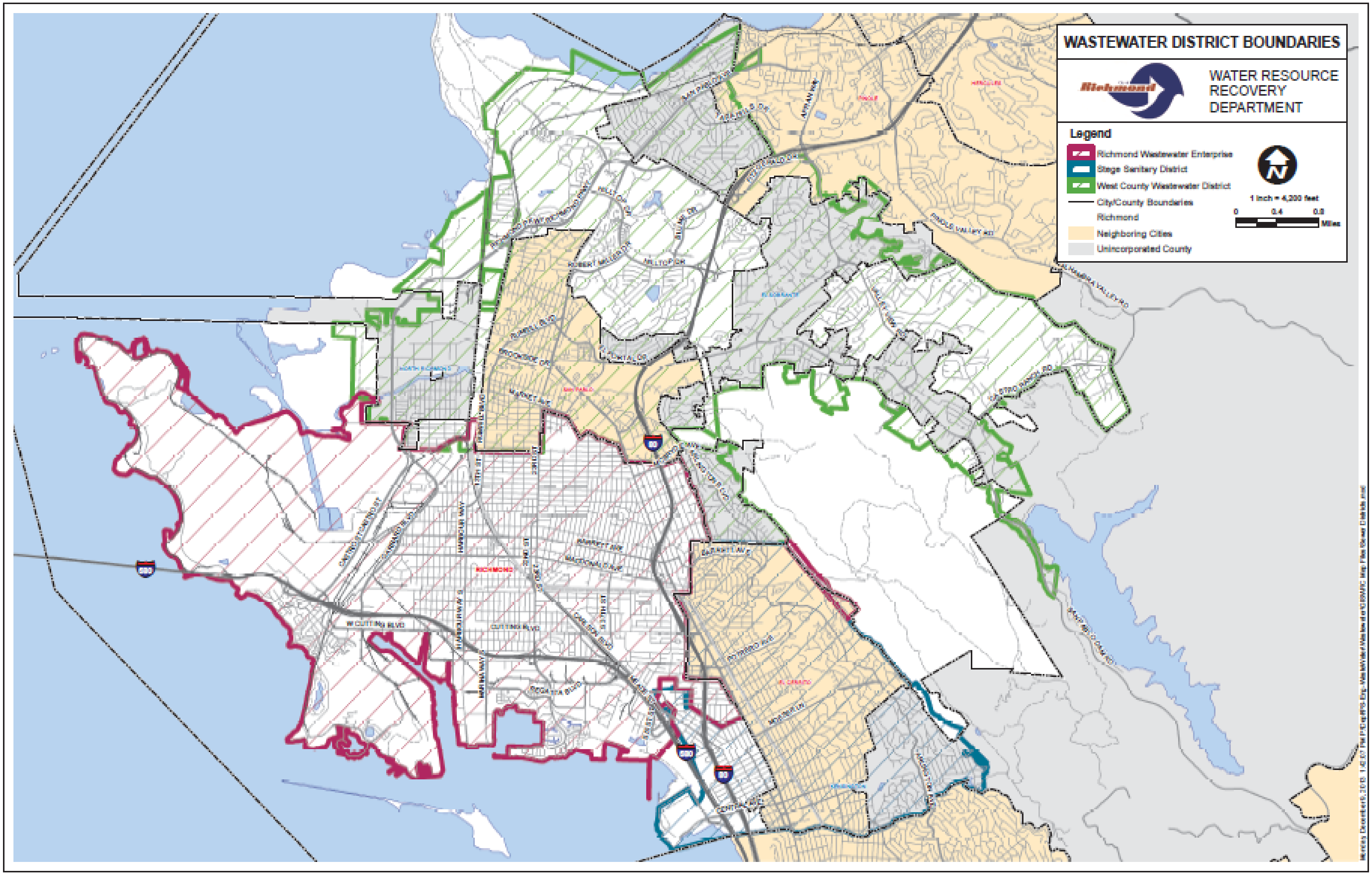
Figure 2
Map of the Service Area of the Enterprise



History

The Treatment Plant was initially constructed in 1953 as a primary treatment facility. In 1967 it was expanded to include secondary treatment. Smaller upgrade projects have been completed since that time, including the construction of a third circular clarifier in 1990. Wet weather diversion structures and various improvements, including expansion and modernization of the existing laboratory and construction of an emergency generator and fuel storage system, were added in the 1980s and early 1990s. Until 1999, the facilities of the Enterprise generally had an average age of 60 years, with many facilities nearing the end of their useful lives; the Treatment Plant had little automation and process control was mostly manual. However, beginning in 1999 major rehabilitation and renovation improvements to the Enterprise were undertaken and are continuing. See "–Capital Improvement Program" and "–Facilities Description–*Collection System*."

City Management

Key members of the City staff responsible for the operation and financial management of the Enterprise include the officials listed below. Substantially all operations of Enterprise are managed by Veolia. See "–Management of the Enterprise by Veolia."

Carlos Martinez, City Manager. Carlos Martinez was appointed the City Manager in October 2018. Prior to joining the City, he served as the City Manager for the City of East Palo Alto for over four years. Mr. Martinez has worked in the public sector since 1999, working for the City of Hayward as its Economic Development Manager, and the City of East Palo Alto, where, prior to being appointed City Manager, he was the Economic Development and Redevelopment Director. Mr. Martinez earned a degree in Architecture from the Autonomous Metropolitan University of Mexico City in 1981, and master's degrees in Architecture and City Planning from the University of California, Berkeley.

Belinda Warner, Director of Finance and Treasurer. Belinda Warner began her long professional career with the City in 2000, starting as an accountant, and then senior accountant, in the Finance Department, then moved to the Police Department in 2012 and progressing upwards to become Finance Manager for the Police Department beginning in 2014. She became Director of Finance for the City in March 2015. Ms. Warner earned a bachelor's degree from the University of Phoenix in 2000 and a masters of business administration from Golden Gate University in 2004.

Ryan Smith, Director of Water Resource Recovery. Ryan Smith began his professional career as a wastewater treatment plant operator-in-training with the City of Santa Rosa, and rapidly promoted to a senior level operator. He then accepted a similar position with the City of Petaluma for the construction and startup of the City's new treatment facility, as an operations supervisor with the Las Gallinas Valley Sanitary District, and then as an operations superintendent and plant manager for the City of San Mateo. Mr. Smith has been the wastewater department head since October 2015. He earned a bachelor's degree in Agriculture from the BioResource and Agricultural Engineering Department at the California Polytechnic State University in San Luis Obispo.

Management of the Enterprise by Veolia

Summary of the Management Agreement. In 2002, the City and US Filter Operating Services, Inc., succeeded by Veolia Water North America Operating Services, Inc., which was converted to Veolia Water North America Operating Services, LLC ("Veolia") entered into the City of Richmond Wastewater Treatment Facility Capital Improvements, Operations, Maintenance and Management Agreement, as amended (the "Management Agreement"), which provides, among other things, for Veolia to design and construct improvements to the Enterprise and to operate, maintain and manage the Treatment Plant during the term of the Management Agreement. The Management Agreement has been amended to provide for the operation, maintenance and repair of the sewer collection system and storm drainage system, the preparation of sanitary sewer and storm drain master plans and completion of certain improvements to the pump stations pursuant to a settlement agreement. (See "–Regulatory Matters–Prior Noncompliance–Baykeepers Lawsuit"). Pursuant to the Management Agreement, the City provides all capital funding, at specified levels, and remains the owner of the Enterprise. Veolia subcontracts for the design, construction, and installation of all capital improvements for the Enterprise and operates and maintains the Enterprise at guaranteed costs to the City (exclusive of pass-through costs such as utilities) for the contract term, subject to maximum and minimum total compensation amounts set forth in the Management Agreement. The Management Agreement initially provided for a term that expired on May 14, 2022, with an option of the City to renew for up to two five-year periods and a mutual option to extend for an additional five-year period. In April 2018, the City Council approved, and the parties executed, a fifth amendment to the Management Agreement, that among other things, reduced the capital program management markup from 24.0% to 16.5% and extended the term of the contract through May 14, 2027.

Veolia's responsibilities with respect to the sewer collection and storm drainage facilities include: (i) maintenance, including both emergency and scheduled maintenance; (ii) development and implementation of a capital improvement plan; and (iii) responsibility for all relevant customer service requirements related to operation of the collection system including response to routine and emergency calls and new service tap inspections. The City retains responsibility for enforcing its Industrial Pretreatment Program, performing all regulatory duties, sampling analysis and reporting associated with the collection system and performing long-term collection system and service area planning. Veolia's responsibilities with respect to capital improvements to the collection system facilities include development of a comprehensive capital improvement program for the collection system and provision of turn-key services to implement a comprehensive Sanitary Collection System rehabilitation program in compliance with the draft Capacity, Management, Operations & Maintenance ("CMOM") guidelines of the EPA. In the event that final CMOM guidelines differ materially from the preliminary guidelines issued by the EPA, the parties will treat such material difference as a "Change in Law" under the Management Agreement.

Operation of the treatment facilities is provided by Veolia using Veolia employees and contractors. Compliance with all regulatory requirements and a conditional effluent quality guarantee are provided by Veolia. Permitting and construction schedules are similarly guaranteed by Veolia. Future changes in laws and regulations (if any) are treated as a change in scope of services with Veolia permitted to obtain reimbursement for documented additional costs (capital or operational) necessary for compliance with the new regulations and requirements. Failure by Veolia to meet certain requirements of the contract may result in the imposition of liquidated damages by the City, subject to notice and cure provisions, in the manner and in the amount set forth in the Management Agreement.

In the Management Agreement, Veolia provides an effluent quality guaranty, subject to certain Uncontrollable Circumstances. Subject to certain exclusions, "Uncontrollable Circumstances" is defined in the Management Agreement to mean any act, event or condition that impacts the cost of performance of or materially and adversely affects the ability of either party to perform any obligation under the Management Agreement (except for payment obligations), if such act, event or condition is beyond the reasonable control and is not a result of a willful or negligent act, error or omission of failure to exercise reasonable diligence on the part of the party relying thereon, including, but not limited to, acts of God (excluding reasonably anticipated weather conditions for the geographic area of the Enterprise), landslide, earthquake, fire, explosion, flood, sabotage or similar occurrence, acts of a public enemy, extortion, war blockade or insurrections, riot or civil disturbance; changes in law; failures of appropriate governmental agencies or private utilities to provide and maintain utilities, interference in possession or performance of material services by or on behalf of a declared or asserted public emergency or condemnation or taking of any part of the Enterprise; strikes, work stoppages, or labor disputes other than those of employees, agents, contractors, or subcontractors of Veolia; violations of the City's industrial pretreatment program discharge limits of a quantity and quality that causes substantial disruption in the operations or biological activity of the Enterprise, provided Veolia undertakes best efforts to deal with the discharge. The effluent quality guarantee requires that influent to the Treatment Plant be within the raw wastewater parameters of the Treatment Plant's design criteria and that the raw wastewater be free of hazardous and biologically toxic materials in quantities that exceed the maximums of the City's laboratory and industrial pre-treatment program and the NPDES permit. Uncontrollable Circumstances that limit Veolia's effluent guaranty include, among other things, acts of God, changes in law and labor disputes other than those of Veolia's employees but does not include changes in general economic conditions, the financial condition of the City, Veolia or the Project Guarantor, or the consequences of Veolia error. Except in the event of Uncontrollable Circumstances, failure by Veolia to satisfy applicable law with respect to effluent limits may result in the imposition of liquidated damages in the manner and in the amount set forth in the Management Agreement.

All disputes arising out of or relating to the Management Agreement are subject first to non-binding negotiation, and, if unsuccessful, non-binding mediation, as conditions precedent to the submission of the dispute to mandatory, binding arbitration.

The City covenants in the Management Agreement to fix, establish, and revise from time to time the rates and charges for the Enterprise as necessary to provide sufficient revenues to pay amounts due under the Management Agreement. Such amounts include the capital improvement costs described above. The City's obligation to pay Veolia the amounts as specified in the Management Agreement is a general, unsecured obligation and the City treats the payments to Veolia as Operating Expenses under the Indenture.

Veolia. *The following information has been obtained from publicly available information on the Veolia website. The City believes such information to be reliable, however none of the City or the Underwriters take any responsibility as to the accuracy or completeness thereof and has not independently verified such information.*

Veolia is a subsidiary of Veolia Environnement S.A. (the "Company"), a French public limited-liability company headquartered in Paris. The Company has three core businesses: water management, waste management, and energy services. The Company has over 171,000 employees worldwide, and manages over 2,800 wastewater treatment plants.

In North America, Veolia North America, Inc. has approximately 8,100 employees, including Canada, and serves more than 150 municipal clients. Representative Northern California local governments for which Veolia provides operations and maintenance ("O&M") for wastewater treatment plant operations include Atwater, Burlingame, Discovery Bay, Hollister, Lathrop, Rio Vista, and Novato. Notable US engagements for which Veolia provides O&M services for wastewater treatment include Milwaukee, where Veolia operates and maintains two water reclamation facilities with combined capacity of 660 mgd, the 320-mile collection system, biosolids production facilities, and the 520 million gallon "Deep Tunnel" storage system. In Atlanta-Fulton County, Veolia operates and maintains the county's wastewater assets, including three treatment facilities, 30 wastewater pump stations and one grinder station, and also provides maintenance services for other water-related assets. Veolia also provides educational programming at the 10,000 square-foot Johns Creek Environmental Campus, promoting water and wastewater educational opportunities with an emphasis on educating children about the bioscience/life-science industry.

Master Planning

Various master planning activities for both the Treatment Plant and Collection System have occurred since 2010. Veolia contracted with Carollo Engineers in 2010 to prepare a Wastewater Treatment Plant Master Plan; and again in 2016 to prepare a Facility Plan, which is an update to the 2010 Master Plan to include updated regulatory assumptions, current facility conditions, and a recycled water feasibility study. Additionally, Veolia contracted with Jacobs (formerly CH2M) to prepare a Biosolids and Energy Plan to outline a strategy for beneficial digester biogas use, external digester feedstocks (fats/oils/grease, food scraps, high strength waste, etc.), and a needed future dewatering facility for digested solids ("biosolids").

Veolia contracted with West Yost Associates in 2011 to prepare a Sewer Collection System Master Plan. Veolia contracted with Vivian Housen and Associates in 2018 to prepare a sewage pump station Master Plan, as well as an updated master plan for the Collection System. See also "–Regulatory Matters–*Prior Noncompliance*–Settlement of Baykeeper Lawsuit."

Capital Improvement Program

Pursuant to the Management Agreement, Veolia is responsible for preparation of master plans for the Enterprise. Planning for the Enterprise addresses the Collection System, the Treatment Plant and the disposal system. (See "–Facilities Description) For specific components of the plan, Veolia from time to time contracts with specialty engineering firms to assist in developing approaches to specific Enterprise components. Long-term planning includes recommendations for long-term projects that are anticipated to be needed through 2045, based on current understanding of anticipated Enterprise regulation and expected capacity needs.

In the framework of long-term master planning for the Enterprise, the City and Veolia develop on an annual basis, five-year capital improvement plans for the development, construction, installation and financing of improvements to the Enterprise. The Fiscal Year 2019-20 through Fiscal Year 2023-24 CIP (the "2019-20 through 2023-24 CIP") includes approximately $175.4 million in projects necessary to upgrade the Enterprise to satisfy regulatory requirements, comply with 2018 Settlement Agreement, as well as meet current and future demand. For a description of the 2018 Settlement Agreement, see "–Regulatory Matters–*Prior Noncompliance*–Settlement of Baykeepers Lawsuit." The projects in the 2019-20 through 2023-24 CIP consist of the following:

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Table 2
City of Richmond
2019-20 through 2023-24 Capital Improvement Program Projects

CIP Project Description	Component	Estimated Cost†	Estimated Fiscal Year of Completion
Pump Station Improvements	Collection	$1,424,031	2021-22
Macdonald and Virginia Sewer Capacity	Collection	9,377,811	2020-21
1st Street Sewer Capacity	Collection	20,659,490	2022-23
Ferry Point Pump Stations Replacement	Collection	3,456,089	2021-22
Sanitary Sewer Manhole Rehabilitation	Collection	1,250,000	Ongoing
Critical Pipeline Rehabilitation	Collection	12,500,000	Ongoing
Cutting & Carlson, and Hoffman Sewer Capacity	Collection	4,882,672	2019-20
Biosolids Dewatering and Sidestream Treatment	Treatment Plant	32,010,245	2023-24
SCADA Upgrade Phase 1	Treatment Plant	2,091,000	2020-21
Sludge Thickener Facility	Treatment Plant	5,156,389	2021-22
Rockslide Protection	Treatment Plant	1,644,747	2024-25
WWTP Stormwater Diversion	Treatment Plant	2,353,000	2024-25
Sodium Bisulfite System Replacement	Treatment Plant	2,021,283	2021-22
Cogeneration and Digester Mixing Improvements	Treatment Plant	1,515,661	2020-21
Digester Gas Facilities Repair	Treatment Plant	967,361	2023-24
Influent Pump Station Safety Improvements	Treatment Plant	340,572	2019-20
Solids Facilities Demolition	Treatment Plant	2,567,170	2019-20
Grit/Screenings Facility, and Aeration System Upgrade	Treatment Plant	44,857,291	2021-22
Rehabilitation and Replacement Program	Treatment Plant	21,317,270	Ongoing
Miscellaneous Expenditures (Capital and Program Management)		4,960,780	N/A
TOTAL		$175,352,862	

† Based upon engineering estimates for design and construction.
Source: City of Richmond.

Proceeds of the Series 2019 Bonds in the amount of approximately $25.1 million will be applied to fund 2019-20 through 2023-24 CIP projects, with the remaining funds anticipated to be derived from a combination of pay-as-you-go sources (approximately $35.90 million), the State Loan, and proceeds from the issuance of Additional Bonds (approximately $76.8 million). Such State Loan is anticipated to be secured by a pledge and lien on Net Revenues on a parity with the Series 2019 Bonds and other Bonds. See "PLAN OF FINANCE–Capital Improvements."

Facilities Description

Overview. Operation of the Collection System, treatment and Disposal Systems is a 24-hour, seven days a week, 365-day a year activity. During Fiscal Year 2017-18, an average of 4.78 mgd average dry weather flow of wastewater originating from residential, commercial, industrial and institutional customers within the Service Area was treated at the Treatment Plant.

The City's Enterprise consists of three major components: the Collection System, the Treatment Plant and the Disposal System. In addition, the City operates a Pretreatment Program designed to reduce pollutant sources.

Collection System. The Collection System includes approximately 183 miles of collection pipes and is estimated to have an average age of 66 years. Most pipes are six inches in diameter and are constructed of vitrified clay pipeline material. Due to the age and poor condition of the pipes in the majority of the Collection System, a lot of groundwater and rainwater enter the sewers through cracks and other structural defects during periods of wet weather – a condition known as inflow and infiltrations (known as "I & I") – resulting in increased flows to the Treatment Plant. In addition, the Collection System also includes 13 sewage pumping stations, which lift wastewater throughout the sewer interceptors to the Treatment Plant. There are also two engineered overflow weirs (a control structure that permits measurement of water discharge) which discharge untreated water into the San Francisco Bay. These two structures now have inflatable dams inserted on the overflow weirs to prevent wastewater from entering the stormwater system and stormwater from entering the Collection System.

Pretreatment Program. The City has operated a pretreatment program (the "Pretreatment Program") to stop pollution from overloading or passing through the Treatment Plant since 1979. This program monitors industrial wastewater discharged into the sanitary sewage collection system, and issues up to approximately 75 permits to wastewater dischargers within the Enterprise. As described under "–Service Area," because not all businesses within the City discharge to the Enterprise, pretreatment inspection to businesses in the southern portion of the City served by the Stege District is provided by the East Bay Municipal Utilities District.

For more than 30 years, the Pretreatment Program has been involved with identification, reduction, and prevention of pollutants to the sanitary sewer and the storm drains from industrial, commercial and residential sources. The Pretreatment Program controls pollutants such as metals, cyanide, ammonia, and oil and grease, at the sources such that the pollutants: (i) do not pass through, by pass, or cause interference with the Treatment Plant processes; (ii) do not harm the health and safety of the workers at the Treatment Plant; and (iii) do not interfere with the integrity of biosolids such that biosolids can be applied towards beneficial uses, directly as soil amendment and fertilizer, and indirectly feedstock in the fabrication of value-added products. Currently, the biosolids are used as a capping soil in a sanitary landfill. The Pretreatment Program is designed to keep the metal content in the biosolids low, resulting in more economic disposal options of the solids. Cyanide is also a priority pollutant, and the program is always vigilant of cyanide discharge to the Collection System. Fats, oils and grease ("FOG") in the sewers is also a major concern. Sewers blocked with FOG can cause overflows which are expensive in terms of clean-up costs, damage to property, and fines if they cause overflows to the storm collection system. The Pretreatment Program controls sources of FOG through its permitting process for commercial businesses, and public educational outreach.

Treatment Plant. The Treatment Plant provides primary and secondary treatment of raw wastewater that flows in from the collection system.

The 2019 NPDES Permit rates the peak capacity of the primary treatment facilities at the Treatment Plant at 40 mgd and the secondary treatment capacity at 16.0 mgd for average day maximum month flow and 20 mgd for peak hourly wet weather flow. The average annual dry weather flow at the Treatment Plant in during Fiscal Year 2017-18 was 4.78 mgd. Wet weather flows sometimes exceed the peak capacity for secondary treatment at the Treatment Plant. The excess primary treated effluent is diverted around the biological treatment units to an approximately five million gallon above-ground pre-stressed concrete wet weather storage tank. Once storage is at capacity, excess primary-treated effluent is blended with secondary-treated effluent. The combined flow is then disinfected and dechlorinated prior to discharge to the San Francisco Bay. The stored wastewater is treated through the secondary treatment facilities after wet weather flows subside and there is capacity in those units. The blended effluent is required to meet secondary treatment discharge limits.

Preliminary Treatment. Preliminary treatment at the Treatment Plant consists of screening debris larger than one inch, and grit removal of heavy smaller particles such as rock and sand.

Primary Treatment. Primary treatment consists of primary sedimentation to remove floating material, oils and greases, sand and silt not removed in preliminary treatment and organic solids heavy enough to settle in water. In two primary treatment tanks, suspended material in the wastewater is allowed to settle out. The settled material (referred to as "primary sludge") is removed to digesters while the liquid effluent flows to the secondary treatment facilities.

Secondary Treatment. In secondary treatment, suspended and dissolved organic material is removed from the primary effluent by mixing it with biological organisms ("activated sludge") and aerating the combined liquid in the tank. The resulting effluent then flows into secondary clarifiers where the activated sludge is allowed to settle out. This resulting "secondary sludge" is either recirculated to the aeration tanks for continuous treatment of the primary effluent, or removed for process control, while the remaining secondary effluent is transported to the chlorine contact basin for disinfection.

Disinfection and Dechlorination. Secondary effluent is conveyed to chlorine contact tanks for disinfection, where liquid sodium hypochlorite is used as the disinfecting agent. Effluent is then dosed with liquid sodium bisulfite to dechlorinate the Treatment Plant effluent, and is then mixed with the West County District treated effluent in the confluence structure before being discharged to the San Francisco Bay.

Anaerobic Digestion. Primary and secondary sludges are pumped to two heated and mixed tanks called digesters. Under anaerobic conditions, bacteria break down organic solids and produce methane and carbon dioxide gases. The digester gas is flared and biosolids are transported, via a six-inch, six-mile long diameter pipeline constructed by the West County Agency, to the drying beds located at and owned by the West County District. Dried biosolids are disposed of by the operator of the West Contra Costa County Landfill. See also "–Disposal System."

Power Source. The Treatment Plant purchases electrical energy power from Pacific Gas & Electric ("PG&E"). In order to satisfy State requirements that all wastewater treatment facilities have an alternate source of power, the Treatment Plant is equipped with a standby diesel generator. The City is also a member of MCE (formerly Marin Clean Energy) and participates in its Deep Green that provides 100% program greenhouse gas-free, Green-e Energy certified wind and solar power produced within the State.

Disposal System. The combined outfall pipe, which transports treated secondary effluent from the West County District and the Enterprise to its discharge point, is jointly owned by the City (68% undivided interest) and the West County District (32% undivided interest). Effluent from the two entities meet at the confluence structure located west of the Treatment Plant. The combined effluent flows through the outfall pipe through the hills west of the Treatment Plant and then into a 1,000-foot-long, 72-inch outfall for discharge through a diffuser that extends 4,700 feet offshore of Point Richmond in the San Francisco Bay at a depth of 26 feet below mean lower water mark. The outfall risers are fitted with flexible rubber nozzles and marked by two navigation buoys in San Francisco Bay.

Biosolids are currently pumped from the Treatment Plant through a six-inch, six-mile pipeline to sludge drying lagoons and beds located at and owned by the West County District plant. Dried sludge is disposed of at the West Contra Costa County Landfill. Piping from the Treatment Plant is glass lined and is cathodically protected.

On February 16, 2010, the City entered into an eight-year lease with the West County District for continued use of the sludge ponds through December 31, 2017. In December 2016, the City and West County District amended the lease to extend the agreement to year 2025 with updated terms. The City is exploring alternative options to deal with sludge removal from the Treatment Plant. One alternative is to build dewatering facilities on the Treatment Plant site, which would also require side-stream treatment of centrate/filtrate for ammonia. Another alternative is to construct a joint-project with the West County District. After conducting a holistic biosolids and energy evaluation, preliminary estimates indicate that alternative on-site facilities could cost approximately $28.5 million, but no firm estimates or course of action have been determined and the City Council has not been presented with any recommended option, or approved any action.

Customer Base

Set forth in Table 3 is the number of parcels served by the Enterprise and the total annual revenues (excluding connection fees, fines, and violations) for Fiscal Years 2013-14 through 2017-18, and total budgeted revenues for Fiscal Year 2018-19. The Total Revenues shown below represents amounts collected for actual wastewater services only and differs from the amounts shown in Table 9–"Summary of Revenues, Expenses, Operating Expenses, and Changes in Fund Net Position."

Table 3
City of Richmond Wastewater Enterprise
Customers Served and Total Revenues
Fiscal Years 2013-14 through 2017-18 and Budgeted for Fiscal Year 2018-19

	Single Family Residential		Multi-Family Residential		Commercial/Industrial		
Fiscal Year	**Parcels Served**	**Revenues**	**Parcels Served**	**Revenues**	**Parcels Served**	**Revenues**	**Total Revenues(1)**
2013-14	16,280	$10,305,240	1,964	$3,912,683	1,368	$3,904,555	$18,122,478
2014-15	16,275	10,302,075	1,958	3,889,269	1,367	3,968,357	18,159,701
2015-16	16,258	10,990,408	1,982	4,220,896	1,352	3,752,690	18,963,994
2016-17	16,263	11,741,886	1,983	4,571,889	1,347	3,449,463	19,763,238
2017-18	16,321	12,583,491	2,037	4,899,860	1,334	3,805,190	21,288,541
2018-19(2)	16,311	13,440,264	2,038	5,254,956	1,349	4,434,002	23,129,222

(1) Excludes development related and connection, fees, fines, and violation fees.
(2) Budgeted.
Source: City of Richmond.

The principal wastewater customers in the City served by the Enterprise for Fiscal Year 2017-18 and Fiscal Year 2018-19 are summarized in Table 4. For Fiscal Year 2018-19, the largest user will represent approximately 0.9% of Revenues of the Enterprise and the 10 largest users will collectively account for approximately 5.8% of Revenues.

Table 4
City of Richmond Wastewater Enterprise
Principal Wastewater Customers
Fiscal Year 2017-18 and Fiscal Year 2018-19

		Fiscal Year 2017-18			Fiscal Year 2018-19		
Customer	Product/Service	Total Charges	% of Industrial	% of Revenues	Total Charges	% of Industrial	% of Revenues
Atchison Village Mutual Homes Association (Multi-Family Residential Units)	Home Owners Association	$175,391	4.61%	0.82%	$209,507	4.73%	0.91%
Chevron USA Inc. Chevron Services Co (Chevron Refinery)†	Energy Company	159,983	4.20	0.75	178,726	4.03	0.77
California Fats & Oils Inc. (AAK Products)	Oil Processor/Supplier	138,825	3.65	0.65	172,337	3.89	0.75
Regents of University of Calif GS Management Co (US EPA) (Maple Leaf - Grace Baking)	Bakery	135,735	3.57	0.64	140,505	3.17	0.61
Kaiser Foundation Hospitals Department of Taxation (Kaiser Hospital - Nevin)	Hospital	117,507	3.09	0.55	125,355	2.83	0.54
California State of Facilities Management Section (DOHS)	Laboratories	96,479	2.54	0.45	117,461	2.65	0.51
United States of America GSA-PBS Fin Mgmt Stf (9PAF) (Social Security)	Federal Government	91,968	2.42	0.43	113,157	2.55	0.49
Bio-Rad Laboratories Inc. Jim Markgraf (Bio-Rad A - Regatta)	Laboratories	87,733	2.31	0.41	105,795	2.39	0.46
Stephens & Stephens LLC Donald R Stephens (Blue Apron/Del Monte Fresh)	Food Packaging	84,113	2.21	0.40	99,622	2.25	0.43
Edgar Donald L Tre (Super Coin-Op)	Coin-operated Laundry	75,990	2.00	0.36	82,790	1.87	0.36
Subtotal		$1,163,724	30.58%	5.47%	$1,345,255	30.34%	5.82%
All Others		20,124,817		94.53	21,783,967		94.18
Total		$21,288,541		100.00%	$23,129,222		100.00%

† Represents the non-refinery operations of Chevron USA Inc. in the City.
Source: City of Richmond.

Wastewater Flows

Table 5 presents the average monthly dry weather wastewater flows through the Treatment Plant for Fiscal Years 2013-14 through 2017-18 and estimated for Fiscal Year 2018-19.

Table 5
City of Richmond Wastewater Enterprise
Wastewater Treatment Plant
Average Monthly Dry Weather Flow
Fiscal Years 2013-14 through 2018-19

Fiscal Year	MGM†
2013-14	166.88
2014-15	148.95
2015-16	145.08
2016-17	157.60
2017-18	150.54
2018-19(1)	159.05

† All flows are expressed in millions of gallons per month ("MGM").
Source: City of Richmond.

Table 6 presents the average monthly wet weather flows through the Treatment Plant for Fiscal Years 2013-14 through 2018-19.

Table 6
City of Richmond Wastewater Enterprise
Wastewater Treatment Plant
Average Monthly Wet Weather Flow
Fiscal Years 2013-14 through 2018-19

Fiscal Year	MGM†
2013-14	177.24
2014-15	187.38
2015-16	218.62
2016-17	325.70
2017-18	211.60
2018-19(1)	301.12

† All flows are expressed in MGM.
Source: City of Richmond.

Insurance on the Enterprise

The City maintains insurance with respect to the Enterprise which the City believes is reasonable for activities such as the Enterprise. For a summary of the insurance coverage maintained by the City, the insurers, self-insured retentions, policy limits, and deductibles see APPENDIX B–"COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED JUNE 30, 2018–Note 14–Risk Management."

Under the Indenture, the City is required to maintain insurance on the Enterprise as is usual and customary for wastewater treatment systems similar to the Enterprise, subject to certain limitations. See APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE–Insurance." The City believes that the above-referenced policies currently meet customary standards. The City reviews its insurance coverage from time to time and may make changes in the future to its insurance coverage as permitted under the Indenture.

Regulatory Matters

The Enterprise meets all known current regulatory permit requirements for its facilities and is in material compliance with the Porter-Cologne and Clean Water Acts. This section summarizes the regulatory framework governing the Enterprise and its operations. The City is not aware of any environmental or regulatory issues that could adversely impact its ability to provide wastewater service as described in this Official Statement.

History and Background. In 1969, the State adopted the Porter-Cologne Water Quality Act (the "Porter-Cologne Act"), creating the State's current legal framework for the protection of water quality. This adoption was followed at the federal level by the Water Pollution Control Act Amendments of 1972 (the "Clean Water Act"). The Clean Water Act provided an aggressive timetable for eliminating pollution of the nation's waters and established the basic secondary treatment requirements that 85% of pollutants, as defined in administrative regulations, be removed from sanitary wastewater. The Clean Water Act also required the issuance of discharge permits on a nationwide basis and established a federal grant program for construction of publicly owned wastewater facilities, subsequently replaced in California by the State's revolving fund loan program. Although the U.S. Environmental Protection Agency (the "EPA") has ultimate responsibility for administering the Clean Water Act, many functions have been delegated to the State. The administration of the current loan program and enforcement of regulations are a joint undertaking of the State Water Resources Control Board, the nine Regional Water Quality Control Boards, and EPA Region IX. The operation of the Enterprise is governed by the San Francisco Bay Regional Water Quality Control Board (the "SF Bay RWQCB").

Federal and State Clean Water Act Permits. Each Regional Water Quality Control Board issues discharge permits under Section 402 of the Clean Water Act, which established the National Pollutant Discharge Elimination System ("NPDES") permit system. These permits, issued for a five-year period, are also wastewater discharge requirements for the purposes of the Porter-Cologne Act.

The City operates the Enterprise under NPDES Permit No. CA 0038539 (Order No. R2-2019-003) issued by the SF Bay RWQCB in February 2019 and held by the West County Agency (a Joint Powers Agency whose members are (i) the West County Wastewater District, (ii) the City, and (iii) the Richmond Municipal Sewer District No. 1), which covers the wastewater discharges from the Enterprise and the West County District. Order No. R2-2019-003 rescinded the prior order issued in 2016, except for enforcement purposes. The current permit became effective on April 1, 2019, and expires on March 31, 2024. Order No. R2-2019-003 prescribes the effluent, receiving water, groundwater and pond disposal limitations for the Treatment Plant, requires additional testing, monitoring and limits for toxic substances, and requires the City to implement all feasible alternatives to reduce blending resulting from inflow and infiltration into the Collection System.

Compliance Status

Current Status. The City is currently in compliance with all permits, laws and regulations necessary to operate the Enterprise. The City and the Enterprise have all environmental and other approvals necessary to complete the Project, other than ministerial approvals expected in the ordinary course of construction. See, however, "*–Prior Noncompliance*–Settlement of Baykeeper Lawsuit."

Prior Noncompliance

General. The City has been cited in the past for violations of its NPDES permits. According to data in the California Integrated Water Quality System, the City and the West County District have, at various times, discharged treated wastewater to the waters of the State that exceeded allowable effluent limitations for certain pollutants. According to these complaints, the violations were not serious, but were subject to mandatory minimum penalties. The mandatory minimum penalty for each violation to which a penalty applied is $3,000 per occurrence.

Settlement of Baykeeper Lawsuit. On September 25, 2005, the City was served with a complaint (*Baykeeper and West County Toxics Coalition v. City of Richmond, West County Wastewater District, Veolia Water North America Operating Services and West County Agency*, Case No. C-05-03829 MMC) (the "Baykeeper Lawsuit") alleging that the City, the West County Agency, and Veolia violated the Clean Water Act and the effluent limitations contained in the terms and conditions of prior NPDES permits.

The parties entered into two settlement agreements; one on June 28, 2006, addressing alleged violations of effluent (discharge) limitations from the Treatment Plant; and the second on October 18, 2006 to facilitate prevention of sanitary sewer overflows ("SSOs") that historically occurred and were occurring from the Collection System of the Enterprise. These two settlement agreements are referred together as the "2006 Settlement Agreement." The 2006 Settlement Agreement was scheduled to terminate on December 16, 2016. However, in 2014, the 2006 Settlement Agreement was extended for an additional year to accommodate the extended construction schedule for the wet weather storage facility at the Treatment Plant that was needed to address SSO spills into the San Francisco Bay.

Construction of the wet weather storage facility was completed in 2015. However, heavy rains of 2016 and 2017 indicated that more work was needed to comply with the 2006 Settlement Agreement SSO reduction goals. In October 2017, Baykeeper filed a motion in federal court, seeking to enforce the terms of the 2006 Settlement Agreement. Following comprehensive and collaborative discussions, on June 4, 2018, the City and Baykeeper entered into a new settlement agreement that replaced the 2006 Settlement Agreement (the "2018 Settlement Agreement"). The 2018 Settlement Agreement is for a 10-year period and terminates on July 15, 2028.

The 2018 Settlement Agreement requires the City to: (i) satisfy SSO reduction performance goals each calendar year commencing in 2018 through 2027 (as summarized below), including the elimination of capacity-related SSOs from areas identified in the 2011 Master Plan, except those caused by storm events exceeding the 10-year, 24-hour storm event occurring across the Service Area with wet antecedent soil conditions (the "Design Storm"), on or before July 15, 2024, and elimination of all capacity-related SSOs from the Collection System on or before July 15, 2026, except those caused by storm events exceeding the Design Storm; (ii) complete capacity-related analysis and certain minimum capital improvement projects by no later than June 30, 2024, (iii) complete a Collection System condition assessment and risk assessment analysis which are to be updated annually; (iv) fund, complete, and construct repairs, replacements, and rehabilitation of certain projects specified in the 2018 Settlement Agreement; (v) revise the Operations and Maintenance Plan with Veolia on or before March 31, 2018 for the Collection System; (vi) implement certain improvements to the fats, oils, and grease ("FOG") control program, and (vii) prepare an updated System Evaluation and Capacity Assurance Plan (a "SECAP").

A summary of the 2018 Settlement Agreement SSO reduction performance goals is set forth below.

Calendar Year	Maximum Number of SSOs per 100 Miles of Sewer Line/Year	Number of SSOs based on the City's 183.1 miles
2018	20	37
2019	15	27
2020	13	24
2021	11	20
2022	10	18
2023	9	16
2024	8	15
2025	7	13
2026	5	9
2027	5	9

Source: City of Richmond.

In compliance with the 2018 Settlement Agreement and pursuant to the Management Agreement, Veolia is undertaking taking various actions including but not limited to, performing annual Risk Assessment Analyses, implementing educational outreach relative to FOG, revising the Collection System operations and maintenance plan, updating the hot spot cleaning list annually, funding and constructing mandatory wet weather capacity improvement projects, and rehabilitating damaged pipes. The 2019-20 through 2023-24 CIP includes projects to satisfy the 2018 Settlement Agreement. See "–Capital Improvement Program" and "PLAN OF FINANCE."

In 2018, the City had 13 SSOs. The City timely submitted and satisfied the SSO performance reduction goals for 2018 in the 2018 Settlement Agreement.

Regulatory Trends. Regulatory developments at the State and Federal level, as well as ongoing permit reissuance activities, may increase operation costs and capital needs of the Enterprise and may have an effect on the Enterprise operations and its revenues. In the future, additional constituents of concern (possibly including pollutants such as ammonia, nutrients, endocrine disrupting chemicals, human-made chemical/products) will likely be identified, and additional effluent limits may be added for wastewater discharges into the San Francisco Bay, as water quality objectives are developed for new compounds and improved analytical techniques become available. Additional source control measures, public education and outreach, and additional or advanced treatment processes may be necessary to achieve compliance.

Other Regulatory Agencies with Jurisdiction Over the Wastewater Enterprise. Other regulatory agencies with approval or oversight responsibilities over the siting, construction or operational impacts of the Enterprise on air, water and natural resources include the Bay Area Air Quality Management District, the Bay Conservation and Development Commission, the California Coastal Commission, the State Lands Commission, the California Department of Public Health, the National Marine Fisheries Services, the United States Fish and Wildlife Service, the California Department of Fish and Wildlife, and the U.S. Army Corps of Engineers.

Other Laws Affecting the Wastewater Enterprise. As a public agency the actions of the City with respect to the Enterprise must be constituent with the California Environment Quality Act and, where federal approvals or funding is involved, the National Environmental Policy Act. The federal Clean Air Act and the California Clean Air Act of 1988 also regulate emissions from treatment facilities. The Enterprise's Treatment Plant meets present Bay Area Air Quality Management District standards. Other State or federal laws could have an impact on operations of, or construction of improvements to, the Enterprise.

FINANCIAL MATTERS RELATING TO THE ENTERPRISE

Billing and Collection Procedures

General. Sewer charges are collected by the County Treasurer-Tax Collector's office on the real property tax bill of each parcel owner. The City receives sewer service charge collections from the County in three installments with approximately 95% received in December and April and the balance received in June of each Fiscal Year. The amount of sewer service charges on each parcel constitutes a lien against that lot or parcel as of noon on the first Monday in March immediately preceding the date of levy of the charge. If any sewer service charge is delinquent, the City may in its discretion either sell the parcel or file a civil action to recover such charges. However, the City receives sewer charge revenue from the County without regard to delinquencies as described under "*–Teeter Plan*."

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

Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes and assessments are distributed to taxing agencies within the county included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all participating taxing agencies is avoided. While the County bears the risk of loss on delinquent taxes that go unpaid, it benefits from the penalties associated with these delinquent taxes when they are paid. In turn, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk. The constitutionality of the Teeter Plan was upheld in *Corrie v. County of Contra Costa*, 110 Cal. App. 2d 210 (1952). The County was the first Teeter Plan county in the State when the Teeter Plan was enacted by the State Legislature in 1949.

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

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.

Rates, Fees and Charges

The City's wastewater charge has two components: a sanitary system charge and a storm program charge. The sanitary system charge covers the costs of administering, monitoring, operating, maintaining, improving and retiring the capital debts of the Enterprise. ***The storm program was developed to pay for the costs of administering, monitoring, operating, maintaining and improving the storm sewer system throughout the City and is not included in Revenues pledged to pay the principal of and interest on the Bonds.*** In addition, the City charges fees for the issuance of permits, site visit inspections, site monitoring, sampling and testing, and laboratory charges for users covered by the City's wastewater permitting program.

Sewer Service Charges. Customers of the Enterprise are billed an annual sewer charge based on a user classification system.

Residential. Single unit residential users of the Enterprise are billed a flat annual charge per sewer service unit ("SSU"). Multifamily residential users are billed a slightly lower amount SSU.

Non-Residential. All non-residential users of the Enterprise (i.e. commercial and industrial users and schools) are billed annually based upon industrial waste unit ("IWU") plus strength charges per pound of the five-day biochemical oxygen demand in mg/L and pounds of total suspended solids in mg/L in the effluent. In addition, all non-residential users are billed for actual cost of monitoring charges.

Current Rates. To satisfy funding requirements for expansion, improvement, maintenance and operating the Enterprise on July 28, 2015, the City Council approved a five-year rate ordinance that increased user charges by 6.8% per year for Fiscal Years 2015-16 through 2019-20, which became effective August 1, 2015.

Rates shown for single unit and multi-unit residences are flat rates per sewer service unit. Rates shown for commercial and industrial customers are minimum rates calculated based on metered usage per industrial waste unit, which is equal to a volume of industrial and domestic waste discharge of 1,000 cubic feet.

The City has covenanted in the Indenture to implement the capital expenditure program funded by Outstanding Bonds and to levy and collect rates and charges in conformance with the rate covenant in the Indenture. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2019 BONDS–Rate Covenant." The City believes that the current rate structure is consistent with State law, which requires generally that wastewater charges be proportionate to the operation, maintenance and replacement costs associated with providing service for each discharger or class of dischargers.

Set forth below in Table 7 are the annual adopted user charges for Fiscal Years 2015-16 through 2019-20 reflecting historic, current and adopted rates and charges.

Table 7
City of Richmond
Wastewater Enterprise
Annual User Rates and Charges
Fiscal Years 2015-16 through 2020-21

	Fiscal Year				
User Classification	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Single Unit Residential	$676.00	$722.00	$771.00	$824.00	$880.00
Multi-Unit Residential	544.00	581.00	620.00	662.00	707.00
Commercial/Industrial Base Rate†	404.77	432.30	461.69	493.09	526.62
Biochemical Oxygen Demand per lb	1.04	1.11	1.19	1.27	1.35
Total Suspended Solids per lb	0.48	0.51	0.55	0.59	0.63
Industrial Waste Unit per each	49.04	52.38	55.94	59.74	63.81

† Charges shown are minimum charges and will vary depending upon the amount of wastewater discharge (measured per industrial waste unit), biochemical/oxygen/demand levels, total suspended solids content, and strength and volume of wastewater discharge.

Source: City of Richmond.

Rate Increase Study. The current ordinance approved rates for the Enterprise through Fiscal Year 2019-20. The City Council has determined to retain the services of a rate consultant to assist in the development of proposed multi-year wastewater rate increases sufficient to fund the operations of the Enterprise, fund capital projects, and satisfy financial covenants and reserves. Following the preparation of a rate study, and in accordance with Proposition 218, the City will conduct a public hearing on the proposed wastewater rate increases. The preparation of the rate study and the public hearing are expected by completed by December 2019. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS–Proposition 218." See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS–Proposition 218."

Connection Fee

In addition to user charges, the City imposes a connection fee upon each owner connecting a building sewer with the Enterprise on or after July 1, 1992. The connection fee is payable at the time of issuance of a permit by the City to connect to the Collection System. For Fiscal Year 2018-19 the connection fee is $2,795 for each sewer service unit to be connected to the Collection System. The connection fees are Revenues and, as such are a part of the Net Revenues pledged to the payment of the Bonds, including the Series 2019 Bonds and any Parity Debt.

Comparison of Enterprise Charges

Table 8 shows average monthly residential service charges by various cities and agencies in the San Francisco Bay Area, as reported by each respective agency.

Table 8
Comparative Monthly Wastewater Charges
Average Single Family Residences

Agency	Fiscal Year 2018-2019 Charges	Fiscal Year 2019-20 Charges	Percent Change
City of Berkeley/EBMUD(1)	$116.28	N/A	N/A
City of Larkspur Sanitary District No. 1 - Marin County	98.17	$113.00(2)	15.1%
Rodeo Sanitary District	80.21	83.03	3.5
City of San Mateo	80.33	91.78	14.3
Las Galinas Valley Sanitary District	74.83	77.25	3.2
City of San Rafael	71.75	N/A	N/A
City of Oakland/EBMUD(1)	66.79	N/A	N/A
City of Richmond	**68.66**	**73.33**	**6.8**
City of Crockett	65.75	N/A	N/A
City of Pinole	65.40	67.37	3.0
City and County of San Francisco	62.30	66.21	6.3
City of South San Francisco	60.83	62.08	2.1
City of Vallejo/Vallejo Flood and Wastewater District	48.78	54.78	12.0
West County Wastewater District	48.00	53.25	10.9

(1) EBMUD is the East Bay Municipal Utility District.
(2) Proposed.
Sources: Rates were provided by each respective agency.

Basis of Accounting

The City reports operations on a Fiscal Year basis (currently July 1 through June 30). The City maintains the Enterprise as a separate enterprise fund for accounting purposes.

Sources of Funds; Operating Costs

The following Table 9 sets forth the Enterprise's audited summary of revenues and expenditures for Fiscal Years 2013-14 through 2017-18. For Fiscal Year 2017-18, of the approximately $22.4 million in sewer service charges received by the City, approximately $17.5 million (approximately 77.9%) was derived from residential parcels (single- and multi-family), and approximately $4.9 million (approximately 22.1%) came from industrial, commercial and other classifications. See "THE WASTEWATER ENTERPRISE–Customer Base–Table 3–Customers Served and Total Revenues."

Table 9
City of Richmond Wastewater Enterprise
Summary of Revenues, Expenses and Changes in Fund Net Position
Fiscal Year Ended June 30

	2013-14	**2014-15**	**2015-16**	**2016-17**	**2017-18**
Operating Revenues					
Sewer Service Charges[1]	$18,566,311	$18,648,404	$19,757,863	$20,764,071	$22,447,439
Other (Fines and Violations)	2,880	385,002	0	3,854	0
TOTAL OPERATING REVENUES	**18,569,191**	**19,033,406**	**19,757,863**	**20,767,925**	**22,447,439**
Operating Expenses					
Salaries and Benefits	857,842	849,665	1,155,864	1,796,017	1,578,452
General and Administrative[2]	8,366,742	8,343,717	8,577,140	9,096,468	10,225,609
Maintenance	218,451	197	5,197	18,966	52,197
Depreciation	1,646,055	1,642,065	1,644,674	1,809,207	2,301,596
Other[3]	291,244	337,131	369,479	375,923	212,347
TOTAL OPERATING EXPENSES	**11,380,334**	**11,172,775**	**11,752,354**	**13,096,581**	**14,370,201**
OPERATING INCOME (LOSS)	7,188,857	7,860,631	8,005,509	7,671,344	8,077,238
Nonoperating Revenues (Expenses)					
Interest Income	(263,339)	(790,571)	(3,104,869)	3,514,697	3,341,707
Interest (expense)	(4,918,289)	(4,792,833)	(4,694,272)	(4,624,54)	(7,326,169)
TOTAL NONOPERATING REVENUES (EXPENSES)	**(5,181,628)**	**(5,583,404)**	**(7,799,141)**	**(1,109,457)**	**(3,984,462)**
Income (Loss) Before Contributions and Transfers	2,007,229	2,277,227	206,368	6,561,887	4,092,776
Capital contributions/grants	793,693	799,729	801,453	803,178	797,193
Change in Net Position	2,800,922	3,076,956	1,007,821	7,365,065	4,889,969
Beginning Net Position (Deficit), As Restated[4]	15,825,435	16,799,055	19,876,011	20,883,832	26,427,543
Ending Net Position (Deficit)	**$18,626,357**	**$19,876,011**	**$20,883,832**	**$28,248,897**	**$31,317,512**

(1) Includes the sewer service charges amounts shown in Table 3 that are collected on the annual property tax bills, and plan check, permit, design review, inspection, and other miscellaneous wastewater fees. Excludes developer impact fees and connection fees.
(2) Includes payments to Veolia pursuant to the Management Agreement, professional services, and utilities. See "THE WASTEWATER ENTERPRISE–Management of the Enterprise by Veolia."
(3) Includes primarily lease payments (approximately $200,000 annually) paid to the West County District for use of drying beds (see "–Facilities Description–*Treatment Plant*–Anaerobic Digestion."), small equipment rental expenses, safety and office supplies, and other miscellaneous expenses.
(4) During Fiscal Year 2014-15, the City implemented new accounting pronouncements, adopted revised accounting policies and made other corrections that resulted in restatements or adjustments to beginning net position or fund balance. For more information, reference is made to Note 9E of the City's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018.

Sources: City of Richmond Audited Financial Statements and the City of Richmond.

Management's Discussion of Operating Results

Audited operating results for the Enterprise for Fiscal Years 2013-14 through 2017-18 are summarized in Table 9. Over this period, operating revenues increased by an annual average of approximately 4.8%; and maintenance and operating expenses increased by an annual average of approximately 5.2%.

Budget Process

Based primarily on the prior year's expenditures, the annual Enterprise budget is developed by the Director of Water Resource Recovery for submission to the Finance Department and then the City Manager. Budgets for staffing levels, other operating costs, interfund transfers and capital expenditures are reviewed and approved by the City Council. The management of the Enterprise is held accountable for conformance to the approved budget.

Historical and Projected Revenues, Operating Expenses, and Debt Service Coverage

Table 10 summarizes historical and projected revenues, operating expenses and debt service coverage ratios for the period beginning in Fiscal Years 2014-15 through 2017-18 (historical) and projections for Fiscal Years 2018-19 through 2022-23. In preparing the projections, the City has made certain assumptions with respect to capital needs and the condition of the existing Enterprise and conditions that may occur in the future. The projections in Table 10 are not necessarily indicative of future performance by the Enterprise and the City does not assume any responsibility for the failure of the Enterprise to meet such projections. In addition, certain assumptions with respect to future demand, costs, and available financing sources to the Enterprise are subject to change. If actual results for the Enterprise are less favorable then the results projected, or if the assumptions used in preparing such projections prove to be incorrect, then the amount of Net Revenues may be materially less than presented.

While the City believes these assumptions are reasonable for the purpose of the projections, they are dependent upon future events, and actual conditions may differ from those assumed.

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Table 10
City of Richmond Wastewater Enterprise
Historical and Projected Revenues, Operating Expenses, and Debt Service Coverage
Fiscal Year Ending June 30

	Historical				Projected				
	2014-15	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-2023**
Operating Revenues									
Sewer Service Charges (base)[1]	$18,648,404	$19,757,860	$20,764,071	$22,447,439	$23,389,641	$24,850,429	$26,187,009	$27,682,419	$29,282,509
Sewer Service Charges (growth from new connections)[2]	–	–	–	–	–	33,229	208,977	675,276	895,766
Other	385,002	0	3,854	589,089	131,445	0	0	0	0
Nonoperating Revenues (Expenses)									
Capital Contributions/Grants[3]	799,729	801,453	803,178	797,193	787,053	311,877	9,125	0	0
Connection Fees[4]	220,842	115,650	313,651	456,353	204,930	802,165	559,000	715,520	559,000
Interest Revenue	69,779	75,313	106,075	1,283,994	203,053	536,622	325,430	769,193	604,500
TOTAL REVENUES	**20,123,756**	**20,750,276**	**22,053,161**	**25,574,068**	**24,716,122**	**26,534,322**	**27,289,541**	**29,842,408**	**31,341,775**
Maintenance and Operating Expenditures									
Salaries and Benefits[5]	849,665	1,155,864	1,796,017	1,578,452	1,730,027	1,858,719	1,934,123	2,012,858	2,095,081
General and Administrative	8,343,717	8,557,140	9,096,468	10,225,609	9,593,393	11,113,106	10,161,888	10,422,551	10,690,953
Maintenance	197	5,197	18,966	52,197	–	–	–	–	–
Other Operating[6]	337,328	374,676	375,923	212,347	712,678	324,615	310,704	325,747	341,654
TOTAL EXPENDITURES	**9,530,907**	**10,092,877**	**11,287,374**	**12,068,605**	**12,036,098**	**13,296,440**	**12,406,715**	**12,761,156**	**13,127,688**
Net Revenues	**$10,592,849**	**$10,657,399**	**$10,703,455**	**$13,505,463**	**$12,680,024**	**$13,237,882**	**$14,882,826**	**$17,081,252**	**$18,214,087**
Debt Service on Existing Bonds[7]	$6,614,235	$6,593,376	$6,715,910	$7,999,008	$7,714,058	$4,125,052	$4,105,244	$2,867,225	$2,862,350
Debt Service on 2019A Bonds	–	–	–	–	–	581,635	973,900	973,900	973,900
Debt Service on 2019B Bonds						1,819,647	3,046,850	4,133,975	4,131,850
Debt Service on Future Bonds[8]	–	–	–	–	–	–	–	1,476,833	2,215,250
State Loan payments (Projected)[9]	–	–	–	–	–	–	–	–	1,604,065
TOTAL EXISTING AND PROJECTED DEBT SERVICE	**$6,614,235**	**$6,593,376**	**$6,715,910**	**$7,999,008**	**$7,714,058**	**$6,526,333**	**$8,125,994**	**$9,451,933**	**$11,787,415**
Debt Service Coverage	**1.60x**	**1.62x**	**1.59x**	**1.69x**	**1.64x**	**2.03x**	**1.83x**	**1.81x**	**1.55x**
Debt Service Coverage without Growth[10]	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**1.90x**	**1.74x**	**1.66x**	**1.42x**

(1) Projected revenues include adopted Sewer Service Charge rate increase of 6.8% per year through Fiscal Year 2019-20 and assumes a Sewer Service Charge rate increase of 7.0% per year in Fiscal Years 2020-21 through 2022-23 (see "–Rates, Fees and Charges–*Rate Increase Study*" and "CERTAIN RISKS TO BONDOWNERS–Future Rate Increases") and full funding of the 2019-20 through 2023-24 CIP projects. See "THE WASTEWATER ENTERPRISE–Capital Improvement Program."

(2) Reflects sewer service charge revenue increases derived from connections resulting from new development within the Service Area. See APPENDIX A–"CERTAIN ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION REGARDING THE CITY OF RICHMOND–ECONOMIC AND DEMOGRAPHIC INFORMATION."

(3) Represents Subsidy Receipts relating to the Taxable Series 2010B Bonds and reflects the expected defeasance of $36.48 million of the Refunded Taxable Series 2010B Bonds on June 26, 2019. See "PLAN OF FINANCE–Refunding of the Refunded Taxable Series 2010B Bonds."

(4) Projected connection fees reflect the City's projections for pending residential, commercial and industrial development in the Service Area. See APPENDIX A–"CERTAIN ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION REGARDING THE CITY OF RICHMOND."

(5) Projections assume salaries and benefits at full staffing of 9.6 FTEs, 2% annual salary and benefits increases, and projected retirement contributions.

(6) Includes maintenance costs, bond-related expenses (including letter of credit fees), and other expenses. Reductions in Fiscal Years 2019-20 through 2022-23 reflect projected full refunding of the Refunded Series 2008A Bonds and cancellation of the Series 2008A Letter of Credit, and elimination of remarketing fees related to the Refunded Series 2008A Bonds.

(7) For Fiscal Years 2018-19 through 2022-23, represents debt service on the Series 2008A Bonds through their redemption date on June 26, 2019 (based upon the Series 2008A Bonds Swap Agreement rate equal to 3.897%), the Taxable Series 2010B Bonds that will remain outstanding following the issuance of the Series 2019 Bonds and that mature August 1, 2019 and 2020, and the Series 2017A Bonds. See "PLAN OF FINANCE–Refunding of the Refunded Series 2008A Bonds" and "–Refunding of the Refunded Taxable Series 2010B Bonds."

(8) Assumes the issuance of Additional Bonds in the amount of $42.0 million in Fiscal Year 2020-21 and $17.9 million in Fiscal Year 2022-23 at current interest rates amortized over 30 years.

(9) Assumes receipt of the State Loan in the amount of approximately $36 million at an interest rate of 1.8% from the State Water Resources Control Board approved in 2019 and construction is completed in Fiscal Year 2021-22. See "THE WASTEWATER ENTERPRISE–Capital Improvement Program."

(10) Excludes Sewer Service Charges from new connections and Connection Fee revenue in calculating debt service coverage.

Sources: City of Richmond for historical and projected revenues and expenses; Public Resources Advisory Group for projections of debt service; and Barclays Capital Inc. for the projected Series 2019 Bonds debt service.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII B

At the statewide special election of November 6, 1979, the voters approved an initiative entitled "Limitation of Government Appropriations" which added Article XIII B to the California Constitution. Under Article XIII B, state and local governmental entities have an annual "appropriations limit" which limits the ability to spend certain monies which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations." The "base year" for establishing such appropriation limit is the 1978/79 fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if (i) the financial responsibility for a service is transferred to another public entity or to a private entity, (ii) the financial source for the provision of services is transferred from taxes to other revenues, or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations subject to Article XIII B generally include proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions and refunds of taxes. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to an entity of government from (i) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (ii) the investment of tax revenues. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters and payments required to comply with court or federal mandates which without discretion required an expenditure for additional services or which unavoidably make the providing of existing services more costly.

The City believes that the sewer service fees and charges it imposes for use of the Enterprise do not exceed the costs it reasonably bears in providing such services and therefore are not subject to the limits of Article XIII B.

Proposition 62

A statutory initiative ("Proposition 62") was adopted by the voters voting in the State at the November 4, 1986 general election which (1) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity, (2) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction, (3) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (4) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A, (5) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities and (6) requires that any tax imposed by a local governmental entity on or after March 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme

Court, in *Santa Clara County Local Transportation Authority v. Guardino* ("Guardino"), upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or City to impose a special tax, and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or City to impose any general tax. Guardino did not address the question of whether or not it should be applied retroactively.

Following the Guardino decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On December 15, 1997, the Court of Appeals for the State of California, Fourth Appellate District, in *McBrearty v. City of Brawley*, determined that (i) Guardino is to be applied retroactively to require voter approval of previously enacted taxes, and (ii) the three-year statute of limitations applicable to such taxes runs from the date of the Guardino decision (September 28, 1995). On June 4, 2001, the California Supreme Court released its decision in *Howard Jarvis Taxpayers Association v. City of La Habra, et al*. ("La Habra") holding (i) that a public agency's continued imposition and collection of a tax is an ongoing violation upon which the statute of limitations period begins anew with each collection and (ii) that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of local governments to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C. Article XIII C removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. In *Bighorn-Desert View Water Agency v. Beringson* ("Bighorn"), decided by the California Supreme Court on July 24, 2006, the petitioner sought to establish his right to reduce a local water agency's water rates and fees and charges through use of the initiative power. In holding for the petitioner on this issue, the court stated that the absence of a restrictive definition of "fee" or "charge" in Article XIII C suggests that those terms include all levies that are ordinarily understood to be fees or charges, including all of the property-related fees and charges subject to Article XIII D.

Though the California Supreme Court did not arrive at an exact definition of such terms in Bighorn, it did determine that fees and charges that are fees and charges within the meaning of Article XIII D are necessarily fees and charges within the meaning of Article XIII C. See "–Article XIII D." The Court held that Article XIII C authorizes the use of the initiative process to reduce water rate and other delivery charges but that it does not authorize use of the initiative power to impose a voter-approval requirement on future increases or new water delivery charges. The court declined to determine whether the initiative power is limited by other statutory provisions requiring that water service charges be set at a level that will pay system expenses and debt service since that issue was not before the court.

Consequently, the voters of the City could, by future initiative, seek to repeal or reduce any local tax, assessment, fee or charge, including the City's sewer service fees and charges of the Enterprise, which are the source of Net Revenues pledged to the payment of debt service on the Series 2019 Bonds, the other Bonds, and any Parity Debt. Though the use of the initiative power is arguably limited in the case of levies directly pledged to bonded indebtedness, such as the fees and charges imposed by the Enterprise securing the Series 2019 Bonds and the other Bonds, there can be no assurance that the voters of the City will not seek to approve an initiative which attempts to reduce the fees and charges imposed by the Enterprise securing the Series 2019 Bonds, the other Bonds, and any Parity Debt.

Article XIII D. Article XIII D established procedural requirements for imposition of assessments, which are defined as any charge on real property for a special benefit conferred upon the real property. Standby charges are classified as assessments. Procedural requirements include the conducting of a public hearing and an election by mailed ballot, with notice to the record owner of each parcel subject to the assessment. The assessment may not be imposed if a majority of the ballots returned oppose the assessment, with each ballot weighted according to the proportional financial obligation of the affected parcel. The City does not currently impose standby charges or assessments for the Enterprise.

Article XIII D conditions the imposition or increase of any "fee" or "charge" upon there being no written majority protest after a required public hearing and voter approval for fees and charges other than for sewer, water, refuse collection services, and certain storm drainage fees. Article XIII D defines "fee" or "charge" to mean levies (other than ad valorem or special taxes or assessments) imposed by a local government upon a parcel or upon a person as an incident of the ownership or tenancy of real property, including a user fee or charge for a "property-related service." One of the requirements of Article XIII D is that before a property related fee or charge may be imposed or increased, a public hearing upon the proposed fee or charge must be held and mailed notice sent to the record owner of each identified parcel of land upon which the fee or charge is proposed for imposition. In the public hearing if written protests of the proposed fee or charge are presented by a majority of the owners of affected identified parcel(s), an agency may not impose the fee or charge.

In *Richmond et al. v. Shasta Community Services District* ("Richmond"), the California Supreme Court held that a water connection fee was not a "property-related" fee and charge subject to Article XIII D. However, in the opinion the California Supreme Court suggested in dicta that fees for ongoing water service through an existing connection were "property related" fees and charges imposed on a person as an incident of property ownership. The court addressed this issue directly in the Bighorn case discussed above. In its decision, the court relied on its discussion in Richmond to reach the conclusion that fees and charges for ongoing water service through an existing connection are "property-related" fees and charges imposed on a person as an incident of property ownership for purposes of Article XIII D whether the fees and charges are calculated based on usage or are imposed as a fixed monthly fee.

The City has complied with the procedures required by Article XIII D in connection with the increase in the sewer fees and charges described under the caption "FINANCIAL MATTERS RELATING TO THE ENTERPRISE–Rates, Fees and Charges" herein.

In addition to the procedural requirements of Article XIII D, under Article XIII D, all property related fees and charges, including those which were in existence prior to the passage of Proposition 218 in November 1996, must meet the following substantive standards:

(1) Revenues derived from the fee or charge cannot exceed the funds required to provide the property related service.

(2) Revenues derived from the fee or charge must not be used for any purpose other than that for which the fee or charge was imposed.

(3) The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership must not exceed the proportional cost of the service attributable to the parcel.

(4) No fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Fees or charges based on potential or future use of a service are not permitted. Standby charges, whether characterized as charges or assessments, must be classified as assessments and cannot be imposed without compliance with Section 4 of Article XIII D (relating to assessments).

(5) No fee or charge may be imposed for general governmental services including, but not limited to, police, fire, ambulance or library services where the service is available to the public at large in substantially the same manner as it is to property owners.

The City believes that the sewer service fees and charges it imposes for use of the Enterprise comply with the foregoing standards.

Article XIII D provides that nothing in Proposition 218 will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

Further interpretation and application of Proposition 218 will ultimately be determined by the courts or through implementing legislation with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the nature or scope of any such legislation.

Effect of Proposition 218 and of Possible General Limitations on Enforcement Remedies

The ability of the City to comply with its covenants under the Indenture and to generate Net Revenues sufficient to pay the principal of and interest on the Series 2019 Bonds may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) under Article XIII C or Article XIII D by voters, property owners, taxpayers or payers of assessments, fees and charges. Furthermore, any remedies available to the owners of the Series 2019 Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. In addition to the possible limitations on the ability of the City to comply with its covenants under the Indenture, the rights and obligations under the Series 2019 Bonds and the Indenture may be subject to bankruptcy, insolvency, 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 limitations on legal remedies against municipal utilities in the State of California.

Based on the foregoing, in the event the City fails to comply with its covenants under the Indenture, including its covenants to generate sufficient Net Revenues, as a consequence of the application of Article XIII C and Article XIII D, or to pay principal of or interest on the Series 2019 Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the owners of the Series 2019 Bonds.

Future Initiatives

Articles XIII B, XIII C and XIII D and Proposition 62 were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiatives could be proposed and adopted affecting the City's Net Revenues or ability to increase sewer fees and charges.

CERTAIN RISKS TO BONDOWNERS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Series 2019 Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Series 2019 Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Series 2019 Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Series 2019 Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.

System Demand

There can be no assurance that the demand for sewer services of the Enterprise will occur as described in this Official Statement. Reduction in levels of demand on such services could require an increase in rates or charges in order to comply with the rate covenant in the Indenture.

System Expenses

There can be no assurance that the City's actual expenses will be consistent with the projections in this Official Statement. Increases in expenses including, but not limited to, personnel costs, regulatory compliance costs and changes in technology, could require an increase in rates or charges in order to comply with the rate covenant in the Indenture.

Risks Related to Subsidy Receipts for the Outstanding Taxable Series 2010B Bonds

The Taxable Series 2010B Bonds were issued as "Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009, signed into law on February 1, 2009 (the "Recovery Act"), the interest on which is not excluded from gross income for federal income tax purposes but is exempt from State of California personal income taxes. The City receives the Subsidy Receipts with respect to the Taxable Series 2010B Bonds, which are Revenues under the Indenture. See "FINANCIAL MATTERS RELATING TO THE ENTERPRISE–Historical and Projected Revenues, Operating Expenses, and Debt Service Coverage."

Failure by the City to comply with certain requirements applicable to "Build America Bonds" may result in a delay or forfeiture of all or a portion of the Subsidy Receipts and may cause the obligations represented by the outstanding Taxable Series 2010B Bonds to cease to be treated as "qualified bonds" either prospectively from the date of determination of a failure to comply with the requirements or retroactively to the date of issuance of the Outstanding Taxable Series 2010B Bonds. Should such an event occur the outstanding Taxable Series 2010B Bonds are subject to extraordinary optional redemption. Such circumstances could create an additional, or increased, obligation payable from Net Revenues.

In the past, the federal government has reduced the amount of the Subsidy Receipts through sequestration due to federal government's financial condition. The City can provide no assurance that Subsidy Receipts may not be reduced or eliminated in the future due to sequestration, federal legislation, amendments to the Tax Code, court decisions or any other reason.

Failure to receive the Subsidy Receipts, or a reduction in the amount thereof, could have an adverse effect on Net Revenues available to repay the Bonds. The City is obligated under the Indenture to make all payments of principal of and interest on the Bonds whether or not the City receives any Subsidy Receipts.

Limited Recourse on Default

If the City defaults on its obligation to pay principal or interest on the Series 2019 Bonds, the Owners of not less than a majority in aggregate amount of the Series 2019 Bonds at the time outstanding have the right to accelerate the principal of all Series 2019 Bonds then outstanding and the accrued interest thereon. However, in the event of a default and such acceleration there can be no assurance that the City will have sufficient funds to pay the accelerated principal and accrued interest from Net Revenues.

If at any time there is a deficiency in Net Revenues available to pay the principal and interest on the Series 2019 Bonds, available Net Revenues are required to be applied on a pro rata basis for such purposes and any amounts due with respect to the Bonds and Parity Debt, amounts required to replenish any reserve fund established for the Bonds and Parity Debt or Credit Facility Obligations, then under the Indenture.

No debt service reserve fund is established under the Indenture for the Series 2019 Bonds.

Initiatives; Changes in Law

In recent years several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. Article XIII A, Article XIII B, Article XIII C, Article XIII D, and Proposition 218, were adopted as measures that qualified for the ballot through California's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the Net Revenues or the ability of the City to expend its revenues. There is no assurance that the electorate or the State Legislature will not at some future time approve additional limitations which could affect the ability of the City to implement rate increases which could reduce Net Revenues and adversely affect the security for the Series 2019 Bonds.

Future Rate Increases

The ability of the City to impose future rate increases is subject to, among other things, the provisions of Proposition 218. No assurance can be given that future rate increases will not encounter majority protest opposition or be challenged by initiative action authorized under Proposition 2018. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS–Proposition 218." If future proposed rate increases cannot be imposed as a result of majority protest or initiative, the City may be unable to generate sufficient Net Revenues to pay the principal of and interest on the Series 2019 Bonds. See also "FINANCIAL MATTERS RELATING TO THE ENTERPRISE–Rates, Fees, and Charges–*Rate Increase Study*."

Statutory and Regulatory Impact

Laws and regulations governing collection, treatment and disposal of wastewater are enacted and promulgated by government agencies on the federal, State and local levels. Compliance with these laws and regulations may be costly, and, as more stringent standards are developed to protect the environment, these costs will likely increase. In addition, claims against the City for violations of regulations with respect to its facilities and services could be significant. Such claims are payable from Gross Revenues or from other legally available sources.

Although the City covenants in the Indenture to fix, prescribe and collect rates and charges for the services and facilities furnished by the Enterprise during each Fiscal Year sufficient to yield the debt service coverage not less than 1.25:1, no assurance can be given by the City that the cost of compliance with such laws and regulations will not materially adversely affect the ability of the City to generate sufficient Net Revenues in the amounts required by Indenture. Increasing regulatory standards could materially increase the cost to the City of providing wastewater services. See also "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS–Proposition 218" and "–Effect of Proposition 218 and of Possible General Limitations on Enforcement Remedies."

Seismic Risks

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 City.

The City, the Enterprise and the Bay Area are generally located in a zone 4 seismic hazard area. Seismic zones aid in identifying and characterizing certain geological conditions and the risk of seismic damage at a particular location and are used in establishing building codes to minimize seismic damage. The five seismic zones are: zone 0 (no measurable damage), zone 1 (minor damage), zone 2 (moderate damage), zone 3 (major damage) and zone 4 (major damage and greater proximity than zone 3 to certain major fault systems).

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.

The nearest active fault to the City is the Hayward Fault, which is a northwest-southeast trending fault approximately 3.7 miles to the east of the City. The West Napa Fault lies approximately 17 miles to the northeast. The Concord-Green Valley fault lies approximately 18 miles to the east. The Rogers Creek fault lies approximately 15 miles to the north. The San Andreas Fault lies approximately 14 miles to the west. The northern part of the Calaveras fault lies approximately 20 miles to the southeast. All of these faults are considered active.

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 Series 2019 Bonds will be outstanding which may cause a delay or suspension of receipt of Net Revenues from the Enterprise.

The Treatment Plant is partially located 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 the City 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 Net Revenues.

In the event of significant earthquake damage to the Enterprise, there can be no assurance that Net Revenues will be sufficient to pay principal of and interest on the Bonds.

It is believed that the City is not at great risk of earthquake-triggered tsunamis due to natural attenuation across San Francisco Bay and Brooks Island near the City. If a tsunami did occur on the open ocean, it is expected that waves would dissipate as they moved through San Francisco Bay and past Angel Island and that the tidal flats would absorb much of the impact.

Climate Change

In 2005, the Governor signed Executive Order S-3-05 (the “Executive Order”) setting the stage for multiple legislative actions to reduce greenhouse gas emissions (“GHG”) to 80% below 1990 levels by 2050. The adoption of the California Global Warming Solutions Act of 2006 (“AB 32”) and subsequent companion bills, including but not limited to the Sustainable Communities and Climate Protection Act of 2008 (“SB 375”) that builds upon AB 32 to reduce GHG emissions by linking transportation funding to land use planning, demonstrate the commitment by the State to take action and reduce GHG to 1990 levels by 2020 and to 80% below 1990 levels by 2050. In 2008, the City Council adopted Resolution No. 108-08 committing to the GHG emissions targets established by AB 32. Additionally, the State adopted Senate Bill No. 32, which established a revised statewide GHG emission reduction target of 40% below 1990 levels by 2030.

In 2009, the California Natural Resources Agency released the Climate Adaptation Strategy, as updated in 2010, 2013, and 2018. California Climate Adaptation Strategy summarizes the best known science on climate change impacts in the State to assess vulnerability and outlines possible solutions that can be implemented within and across State agencies to promote resiliency.

In October 2016, the City adopted a Climate Action Plan (the "CAP") to outline the goals and strategies to reduce GHG emissions, create local jobs, and prepare for the impacts of climate change on public health, infrastructure, ecosystems, and public spaces within the City. The CAP is a multi-objective plan that addresses environmental, social and economic issues related to climate change. The CAP builds on the goals and policies in the City's General Plan 2030 (the comprehensive framework adopted by the City Council in April 2012 for developing a healthy City and healthy neighborhoods) and other planning documents and policies, including the Health in All Policies Strategy (to further the City's efforts to build health equity through the reduction of local GHG emissions), to ensure that the City is prepared for the impacts of climate change, and to fulfill the requirements of AB 32 and SB 375.

The CAP included a Climate Change Adaptation Study (the "Adaptation Study") that evaluated the climate change impacts at the local scale and a vulnerability and risk assessment of the City's most important assets to rising temperatures, rising seas, extreme weather events, and more extreme droughts.

The Adaptation Study concluded that the greatest risks to the City related to climate change are a product of its bayside setting, the sensitivities of its Mediterranean climate, and its dependence on imported water from the Sierra Nevada Mountains as the primary water supply. Some of the most critical City assets where risk of damage or disruption from sea level rise is significant include the Treatment Plant, residential neighborhoods, the Chevron Refinery and other industrial areas including the Port of Richmond, highways, rail lines, fire stations, and law enforcement facilities. The Adaptation Study summarizes a broad range of climate change vulnerabilities to the functional, information, and management systems of the City and identifies potential consequences to the economy, public health, citizens, and environment. The City is engaged in multiple planning efforts to address some or all of these risks, however, the City cannot guarantee that these efforts will be completely successful in mitigating every risk to the City associated with climate change.

Local impacts of climate change are not definitive, but include 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.

Climate change concerns are leading to new laws and regulations at the federal, State and local levels. The City is unable to predict the impact such laws and regulations, if adopted, will have on Net Revenues. The effects, however, could be material.

Insurance

The Indenture obligates the City at all times to maintain with responsible insurers such insurance on the Enterprise as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. For a description of the required insurance coverage, see "THE WASTEWATER ENTERPRISE–Insurance on the Enterprise."

No Tax Pledge; No Recourse to City General Fund

The obligation of the City to pay the principal of and interest on the Series 2019 Bonds does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Series 2019 Bonds nor the obligation of the City to make payments on the Series 2019 Bonds constitutes a debt of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Owners of the Series 2019 Bonds have no recourse to the City's General Fund for payment of amounts due with respect to the Series 2019 Bonds.

Cybersecurity

The City and the Enterprise each rely on a large and complex technology environment to conduct its operations. The City and its departments, including the Enterprise, face multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. There have been, however, only limited cyber-attacks on the computer systems of the City and the Enterprise. No assurances can be given that the security and operational control measures of the City and the Enterprise will be successful in guarding against any and each cyber threat and attack. The results of any attack on the computer and information technology systems could have a material adverse impact on the operations of the City and the Enterprise and could damage the digital networks and systems. The resulting costs and/or impacts on operations of the City and of the Enterprise could be material.

Bankruptcy

The Enterprise, being an enterprise department of the City, likely cannot itself file for bankruptcy. While an involuntary bankruptcy petition cannot be filed against the City, the City is authorized to file for bankruptcy under certain circumstances. Should the City file for bankruptcy, there could be adverse effects on the holders of the Series 2019 Bonds.

To the extent that Gross Revenue are "special revenues" under the United States Bankruptcy Code (the "Bankruptcy Code"), then Gross Revenue collected after the date of the bankruptcy filing should be subject to the lien of the Indenture. If any or all of the Gross Revenue are determined not to be "special revenues," then any such amounts collected after the commencement of the bankruptcy case will likely not be subject to the lien of the Indenture. The holders of the Series 2019 Bonds may not be able to assert a claim against any property of the City other than the Net Revenues, and if any or all of the Gross Revenue are no longer subject to the lien of the Indenture, then there may be limited, if any, funds from which the holders of the Series 2019 Bonds are entitled to be paid.

The Bankruptcy Code provides that "special revenues" can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. It is not clear which expenses would constitute necessary operating expenses, and any definition in the transaction documents may not be applicable.

If the City is in bankruptcy, the parties (including the Trustee and the holders of the Series 2019 Bonds) may be prohibited from taking any action to collect any amount from the City or to enforce any obligation of the City, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the Series 2019 Bonds from funds in the Trustee's possession. The rate covenants (see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Rate Covenants") may not be enforceable in bankruptcy by the Trustee or the holders of the Series 2019 Bonds.

Gross Revenue are deposited with and in the City Treasury and may be commingled with other City funds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Flow of Funds." If the City goes into bankruptcy, the City may not be required to turn over to the Trustee any Gross Revenue that are in its possession at the time of the bankruptcy filing. In addition, if the City has possession of Gross Revenue (whether collected before or after commencement of the bankruptcy) and if the City does not voluntarily turn over such Gross Revenue to the Trustee, it is not clear what procedures the Trustee and the holders of the Series 2019 Bonds would have to follow to attempt to obtain possession of such Gross Revenue, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful.

The City may be able to borrow additional money that is secured by a lien on any of its property (including the Gross Revenue), which lien could have priority over the lien of the Indenture, or to cause some of the Gross Revenue to be released to it, free and clear of lien of the Indenture, in each case as long as the bankruptcy court determines that the rights of the Trustee and the holders of the Series 2019 Bonds will be adequately protected.

If the City is in bankruptcy it may be able, without the consent and over the objection of the Trustee and the holders of the Series 2019 Bonds, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Indenture and the Series 2019 Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in payments on the Series 2019 Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the Series 2019 Bonds, or result in losses to the holders of the Series 2019 Bonds. Regardless of any specific adverse determinations in a City bankruptcy proceeding, the fact of a City bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2019 Bonds.

The City invests Gross Revenue in the City Pool. Should those investments suffer losses, Gross Revenue may be lower than expected, and there may be delays or reductions in payments on the Series 2019 Bonds.

Changes in Law

There can be no assurance that the State Legislature will not at some future time enact legislation that will amend or create laws resulting in a reduction of Net Revenues securing or available to pay the Bonds. Similarly, the State electorate could adopt initiatives or the State Legislature could adopt legislation with the approval of the electorate amending the State Constitution which could have the effect of reducing moneys securing or available to pay the Bonds.

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," interest on the Series 2019 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Series 2019 Bonds were issued, as a result of future acts or omissions of the City in violation of their covenants in the Indenture. Should such an event of taxability occur, the Series 2019 Bonds are not subject to special redemption and will remain outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Secondary Markets and Prices

The Underwriters will not be obligated to repurchase any of the Series 2019 Bonds, and no representation is made concerning the existence of any secondary market for the Series 2019 Bonds. No assurance can be given that any secondary market will develop following the completion of the offering of the Series 2019 Bonds, and no assurance can be given that the initial offering prices for the Series 2019 Bonds will continue for any period of time.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City ("Bond Counsel"), based on 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 2019 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. Bond Counsel is of the further opinion that interest on the Series 2019 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel relating to the Series 2019 Bonds is set forth in Appendix D hereto.

To the extent the issue price of any maturity of the Series 2019 Bonds is less than the amount to be paid at maturity of such Series 2019 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2019 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 2019 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 2019 Bonds is the first price at which a substantial amount of such maturity of the Series 2019 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 2019 Bonds accrues daily over the term to maturity of such Series 2019 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 2019 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2019 Bonds. Beneficial Owners of the Series 2019 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2019 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2019 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2019 Bonds is sold to the public.

The Series 2019 Bonds 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 2019 Bonds. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2019 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 2019 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2019 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 2019 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2019 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 2019 Bonds is excluded from gross income for federal income tax purposes and 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 2019 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 2019 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. 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 2019 Bonds. Prospective purchasers of the Series 2019 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 2019 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 City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2019 Bonds ends with the issuance of the Series 2019 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Series 2019 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City 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 the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2019 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 2019 Bonds, and may cause the City or the Beneficial Owners to incur significant expense.

ABSENCE OF MATERIAL LITIGATION

There is no litigation pending with service of process having been accomplished, or, to the knowledge of the City Attorney, threatened, questioning the existence of the City or the title of the officers of the City to their respective offices or contesting the ability of the City to execute and deliver the Series 2019 Bonds, the Indenture, or the Escrow Agreement.

Various legal actions and claims against the City may exist which are incidental to the ordinary course of operations of the Enterprise. Based upon information currently available, the City Attorney believes that there are substantial defenses to such litigation and claims that, in any event, any ultimate liability in excess of applicable insurance coverage resulting therefrom will not have a material adverse effect on the ability of the City to service its indebtedness or to expend the proceeds for the purposes for which the Series 2019 Bonds are authorized or which will have a material adverse effect on the business operations of the Enterprise.

RATING

S&P Global Ratings ("Standard & Poor's") has assigned a rating of "AA-" to the Series 2019 Bonds.

The rating reflects only the views of Standard & Poor's and is not a recommendation to buy, sell or hold the Series 2019 Bonds. An explanation of the significance of the rating may be obtained from the rating agencies as follows: Standard & Poor's, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2019 Bonds.

UNDERWRITING

The Series 2019 Bonds are being purchased pursuant to a purchase contract between the City and Barclays Capital Inc., as representative on behalf of itself and Raymond James & Associates, Inc. (together, the "Underwriters"). The purchase contract provides that the Underwriters will purchase all of the Series 2019 Bonds if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the purchase contract.

The Underwriters may offer and sell the Series 2019 Bonds to certain dealers and others at prices or yields different than the initial public offering prices or yields. The offering prices or yields may be changed from time to time by the Underwriters.

Series 2019A Bonds

The Underwriters purchased the Series 2019A Bonds at a price of $25,259,259.67 (which represents the principal amount of the Series 2019A Bonds, plus an original issue premium in the amount of $2,872,296.80, and less an underwriters' discount in the amount of $123,037.13).

Series 2019B Bonds

The Underwriters purchased the Series 2019B Bonds at a price of $78,974,210.09 (which represents the principal amount of the Series 2019B Bonds, plus an original issue premium in the amount of $13,131,123.05, and less an underwriters' discount in the amount of $231,912.96).

MUNICIPAL ADVISOR

The City has retained the services of Public Resources Advisory Group, Oakland, California as Municipal Advisor in connection with the sale of the Series 2019 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. Public Resources Advisory Group is an independent financial advisory firm and is not engaged in any underwriting, trading or investment activities. All of the fees of the Municipal Advisor with regard to the delivery of the Series 2019 Bonds are contingent upon the issuance and delivery of the Series 2019 Bonds.

REGISTERED INVESTMENT ADVISOR

Raymond James & Associates, Inc. ("Raymond James") acted as registered investment adviser to the City in its capacity as bidding agent in conducting a competitive bid procurement for the purchase of open market securities to be held in the Taxable 2010B Bonds Escrow Account. Raymond James will receive compensation for bidding agent services contingent on the sale and delivery of the Series 2019B Bonds.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, issuance and sale of the Series 2019 Bonds are subject to the approval of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel. The form of approving opinion of Bond Counsel is included as Appendix D to this Official Statement and the approving opinion will be delivered with the Series 2019 Bonds. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the City by the City Attorney and by Schiff Hardin LLP, San Francisco, California, Disclosure Counsel, and for the Underwriters by Jones Hall, A Professional Law Corporation, San Francisco, California, Underwriters' Counsel. All of the fees of Bond Counsel, Disclosure Counsel and Underwriters' Counsel are contingent upon the issuance and delivery of the Series 2019 Bonds.

FINANCIAL STATEMENTS

Attached as Appendix B hereto is the City's Comprehensive Annual Financial Report (the "CAFR") for the Year Ended June 30, 2018, which includes financial statements for the City, including for the Enterprise, which have been audited by Maze & Associates, Accounting Corporation, certified public accountants. See APPENDIX B–"COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED JUNE 30, 2018." The Independent Auditor's Report prepared by Maze & Associates dated May 17, 2019 is included in the CAFR and describes, among other matters, the scope of the audit conducted and the auditor's responsibilities. Prospective purchasers of the Series 2019 Bonds should review such report noting, in particular, the matters emphasized or disclaimed therein. The CAFR includes information regarding funds other than the Municipal Sewer Fund that are not pledged to pay debt service on the Series 2019 Bonds. Maze & Associates has not consented to the inclusion of its report in Appendix B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement.

The Series 2019 Bonds are limited obligations of the City payable from Net Revenues of the Enterprise. No other funds of the City are available for payment of the Series 2019 Bonds. The inclusion of the complete Comprehensive Annual Financial Report for the City does not imply that any revenues other than Net Revenues of the Enterprise are pledged to make any payments on the Series 2019 Bonds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Series 2019 Bondholders to provide certain financial information and operating data relating to the Enterprise and the City by not later than March 26 following the end of the City's fiscal year (presently June 30) in each year commencing with the report for the 2018-19 Fiscal Year (the "Annual Report") and to provide notices of the occurrence of certain specified events. The Annual Report and notices of specified events will be filed by the City or the Dissemination Agent, if any, on behalf of the City through the Electronic Municipal Market Access Site maintained by the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events by the City is summarized in APPENDIX E–"FORM OF CONTINUING DISCLOSURE AGREEMENT."

In the past five years, the City inadvertently did not make certain filings with respect to bond ratings changes arising from changes in the ratings of the applicable bond insurer. In addition, certain other filings inadvertently omitted certain required information. Such failures to file and omissions were remediated by subsequent filings.

The City undertakes continuing disclosure responsibilities for City bond issues and for bonds issued by the Authority with respect to which the City is the "obligated person" under the Rule. In addition, the relevant City staff undertakes these responsibilities for the Successor Agency to the Richmond Community Redevelopment Agency (the "Successor Agency") and its bond issues. The City inadvertently missed filings for bond ratings changes described above apply to certain Authority and Successor Agency bonds as well.

In January 2014, the City established procedures, including the appointment of Willdan Financial Services, as the Dissemination Agent for all City bond transactions who is required to determine each year the applicable filing date for the annual reports. In addition, the City designated the Finance Department Debt Analyst as the party responsible for monitoring and making the required filings.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the Series 2019 Bonds, the Verification Agent will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the City, relating to: (i) the sufficiency Investment Securities and the interest thereon, and the uninvested cash in the Refunding Escrow to pay the Refunded Taxable Series 2010B Bonds Redemption Price on the scheduled redemption date, and (ii) the "yield" of the deposits in the Escrow Account and on the Series 2019 Bonds considered by Bond Counsel in connection with their opinion that the Series 2019 Bonds are not "arbitrage bonds" within the meaning of section 148 of the Internal Revenue Code of 1986, as amended.

The report of the Verification Agent will include the statement that the scope of their engagement is limited to verifying mathematical accuracy, of the computations contained in such schedules provided to them, and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof and do not purport to be complete or definitive and reference is hereby made to such documents and reports for a full and complete statement of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or registered owners of any of the Series 2019 Bonds. The delivery and distribution of this Official Statement have been duly authorized by the City.

CITY OF RICHMOND

By: /s/ Belinda Warner
City Finance Director

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APPENDIX A

CERTAIN DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION REGARDING THE CITY OF RICHMOND

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APPENDIX A

CERTAIN DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION REGARDING THE CITY OF RICHMOND

The City of Richmond, California (the "City"), is located 16 miles northeast of San Francisco on the western shore of Contra Costa County (the "County"), occupies 33.7 square miles of land area on a peninsula that separates the San Francisco Bay from San Pablo Bay, and spans 32 miles of shoreline. The City is an important oil refining, industrial, commercial, transportation, shipping and government center. Redevelopment in the downtown and waterfront areas and commercial expansion in the City's Hilltop area, along the Interstate 80 and Interstate 580 corridors, and along the Richmond Parkway have added to the tax base of the City in recent years.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Introduction

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

Population

City residents account for approximately 10% of the population of the County. Both the City and the County have experienced consistent growth since 1990. Table A-1 below shows the population of the City, the County, and the State according to the U.S. Census for the years 2010 and as estimated by the California Department of Finance for 2015 through 2019.

Table A-1
City, County and State Population Statistics
(As of January 1)

Year	City of Richmond	Contra Costa County	State of California
2010	103,764	1,047,948	37,253,956
2015	108,559	1,113,759	38,952,462
2016	109,646	1,128,574	39,214,803
2017	109,863	1,139,746	39,504,609
2018	110,128	1,147,879	39,740,508
2019	110,436	1,155,897	39,927,315

Sources: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2019, with 2010 Census Benchmark. Sacramento, California, May 2019.

Economy

Overview. The economy of the City includes oil refining operations, heavy and light manufacturing, distribution facilities, service industries, commercial centers, and a multi-terminal shipping port on San Francisco Bay. Richmond also serves as a government center for western portions of Contra Costa County.

The economy of the City has experienced growth in light industrial and high technology companies and new business parks that accommodate both light industrial and "office/flex" type commercial buildings. Growth in these sectors is adding diversity to the City's historically heavy industrial base. At the same time, major manufacturers continue to upgrade their facilities, making major investments in modernization and expansion.

The City is continuing its efforts to attract developers, builders, manufacturers and commercial activity to all areas of the City. Economic development program efforts are being expanded to increase private sector investment, job, and housing and recreational activities in the City.

Industrial Activity. Historically, the City has been viewed as an industrial and distribution center, largely due to the visible presence of a major oil refinery operated by Chevron USA Inc. ("Chevron") and the bulk liquid terminals in the Port of Richmond.

Impact of Chevron Refinery. Chevron operates a major oil refinery (the "Refinery") in the City and is the largest employer and taxpayer in the City. See "–Employment." Chevron also owns and operates a liquid bulk cargo facility at its terminal on San Francisco Bay.

Over the years, Chevron has had disputes with the City involving tax matters, including the applicability of certain taxes and such matters as assessed valuation for property tax purposes. Of current significance, the City is receiving annual payments of utility users tax from Chevron in partial settlement of a dispute regarding Measure T, a business license tax imposed beginning in 2009, which payments will decline in future years and terminate in Fiscal Year 2024-25. See "FINANCIAL OPERATIONS–Major General Fund Revenue Sources–*Utility Users Tax*" and "*–Property Taxes.*" In addition, there has been environmental litigation among Chevron, the City, and other parties.

Chevron is expected to continue to be a major property owner, taxpayer, and employer in the City and, as a result, a significant source of revenues to the City as well as a substantial part of the City's economy generally. Other disputes involving Chevron may arise from time to time in the future.

On July 29, 2014, the City Council approved certification of the final environmental impact report and applications submitted by Chevron Products Company for a Conditional Use Permit ("CUP") and Design Review Permit ("DRP"), as well as an Environmental and Community Investment Agreement (the "ECIA") to allow an approximately $1.0 billion replacement of the existing hydrogen plant, power plant, and reformer (collectively, the "Chevron Modernization Project"). The equipment is designed to improve the ability of the Refinery to process high-sulfur crude oil, reliability, energy efficiency, and add environmental controls. Pursuant to the ECIA, Chevron will invest $80 million dollars in the City over the next 10 years for community programs, including, but not limited to, competitive community grants, a scholarship program, community-based greenhouse gas reduction programs and a photovoltaic solar farm. Chevron made initial payments to the City totaling $12 million between 2014 and 2015, of which $8 million was deposited into a dedicated fund for the "Richmond Promise," a college scholarship program established by the City Council for students graduating from public, charter, and private high schools located in the West Contra Costa Unified School District. In accordance with the ECIA, Chevron has contributed $40 million of the total required amount through April 15, 2019. According to the terms of the ECIA, over a 10-year period, $35 million will be used to fund the "Richmond Promise," $15 million will be spent on other community-based programs, and $30 million will be utilized for community based greenhouse gas reduction programs. As part of the ECIA, Chevron also partnered with MCE, a nonprofit renewable energy provider, to construct Solar One, a 12 megawatt solar power generating facility, with an estimated value of $10 million.

On April 8, 2015, the Contra Costa County Superior Court lifted the injunction that halted construction of the Chevron Modernization Project since 2009. That injunction was as a result of lawsuits filed asserting that the project could increase pollution and challenging the sufficiency of the environmental impact report. In addition, the Bay Area Air Quality Management District reissued the authority-to-construct permit for the modified project.

Chevron commenced updating its engineering, procurement and construction plans. The field construction of the Chevron Modernization Project restarted in June 2018 and is anticipated to be complete by December 2019.

High Technology and Biotechnology. "High tech" light industrial firms, research and development companies, biotechnology, and business park developments are growing industrial sectors in the City. Biotechnology, medical instruments, and computer software in particular are emerging sectors in the City's economy.

A number of factors appear to be attracting the new high tech firms to the City:

- The ongoing development and leasing of light industrial/business park property at Hilltop and in the Marina District along Richmond's South Shoreline and the Richmond Parkway;
- Availability of fairly extensive vacant or underutilized land areas zoned for industrial use;
- Relatively lower land costs than elsewhere in 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 the State's capitol, Sacramento;
- Proximity to the University of California at Berkeley ("UC Berkeley"), one of the major scientific universities and library systems in the world;
- Good access and transportation (two Interstate freeways Interstate 80 and Interstate 580 are located within the city, the Richmond Parkway, Amtrak, the Bay Area Rapid Transit District ("BART") System and AC Transit, as well as heavy rail and water transportation facilities, including Union Pacific and BNSF Railroads, Santa Fe western terminal, and the Port of Richmond); and
- Availability of affordable housing in a variety of neighborhoods, housing types and price ranges.
- The Richmond Ferry connects the San Francisco Ferry Terminal and the newly constructed ferry terminal at Richmond's Ford Point. This new route takes 35 minutes.

Among the high tech companies located within the City is Dicon Fiberoptics ("Dicon"), a manufacturer of fiberoptic components, modules and test instruments. Dicon is located in an approximately 201,000 square foot corporate headquarters building, of which a portion is leased to the City to house the City's Police Department. An approximately 130,000 square foot research facility is located on an approximately 28-acre campus located in the Marina District of the City.

Biotechnology companies located in the City include Analytical Scientific Instruments (ASI), Bio-Rad, Ekso Bionics, Kaiser Laboratories, Sangamo Biosciences, and Transcept Pharmaceuticals.

- ASI, a manufacturer of medical equipment instruments and components, purchased a building within the City and relocated from neighboring El Sobrante. ASI brought 25 existing employees with them and expects to hire 10 additional employees.

- Bio-Rad, a manufacturer of products for life science research and clinical diagnostics, leases 116,250 square feet of space in Richmond's Pinole Point Business Park near Atlas Road on the Richmond Parkway.

- Ekso Bionics, originally named Berkeley Bionics, was founded in Berkeley, California in 2005. Ekso, a pioneer in exoskeleton bionic devices that enhance and augment strength mobility and endurance of people with lower extremity paralysis or weakness, relocated to the City in April 2012 with 80 employees. Since inception Ekso Bionics has forged partnerships with world-class institutions like UC Berkeley, received research grants from the Department of Defense and licensed technology to the Lockheed Martin Corporation. Ekso Bionics occupies space in the 520,000 square foot Ford Building in the Marina District.

- Kaiser Laboratories handles more than 25,000 lab specimens daily in a 50,000 square foot facility located on Marina Way South in Richmond's Marina District.

- Sangamo Biosciences, a worldwide leader in the design and development of engineered zinc finger DNA-binding proteins for gene regulation and gene modification, is located in a 127,500 square foot facility in the Point Richmond area of the City.

- Transcept Pharmaceuticals, a specialty pharmaceutical company focused on development and commercialization of proprietary products that address therapeutic needs in the field of neuroscience, is located in an approximately 12,757 square foot facility in the Point Richmond area of the City.

Additionally, the State Department of Health Services operates a Public Health Laboratory in a state-of-of-the-art facility comprised of five buildings encompassing approximately 700,000 square feet in the Marina District.

Green Technology. Green-technology companies located in the City include Alion Energy, Inc., Heliodyne, PAX Water Technologies, Inc., and SunPower Systems.

- Alion Energy, Inc., a developer and manufacturer of solar tracker mounting and robotic cleaning systems, has been operating in the City since 2009.

- Heliodyne, Inc., a manufacturer of solar water heating equipment, has been located in the City since 1976, and occupies 4,298 square feet in the Southern Gateway area of the City off of Interstate-580.

- PAX Water Technologies, Inc., a developer of market energy-efficient mixing systems for potable water storage tanks, has been operating in the City since 2010.

- SunPower Systems, an international leader in design and manufacturing and distributor of high efficiency solar electric technology, has been operating in the City since 2007. SunPower System occupies 175,000 square feet in the refurbished, historic 520,000 square foot Ford Point Building in the Marina District.

Future Development. Completion of the John T. Knox Freeway in the early 1990's (Interstate 580 extension from Interstate 80 at Albany to the Richmond/San Rafael Bridge) spurred new industrial and commercial development along the freeway corridor throughout the South Shoreline area of the City.

Berkeley Global Campus, Richmond Bay: In January 2012, the UC Field Station was selected by the Lawrence Berkeley National Laboratory (LBNL) as the preferred site for the development of its second campus. The original plan was to develop a joint second campus (then known as the Richmond Bay Campus (the "RBC") for LBNL and UC Berkeley. In 2013, LBNL lost expected Department of Energy funding in the wake of federal budget sequestration, leaving development plans in limbo. In October 2014, UC Berkeley announced plans to develop the more than 130 acres site of approximately 220 acres along Richmond Bay as the "Berkeley Global Campus," a new form of international institution of higher education and research. A long range development plan for the BGC (then the RBC) to guide development of up to 5.4 million square feet of research and development facilities and 10,000 employees in phases through 2050 was prepared and a Draft Environmental Impact Report was released in January 2013. On May 15, 2014, a final environmental impact report was certified and the long range development plan was adopted by the University of California Board of Regents. There is no timeline for construction at this time. The BGC is expected to be the foundation for commercial business, industrial, maritime, and residential growth within the City.

Richmond Bay Specific Plan: The City was awarded a Priority Development Area Planning Grant from the Metropolitan Transportation Commission and the Association of Bay Area Governments to develop the Richmond South Shoreline Specific Plan for an approximately 220-acre area located in the City of Richmond south of Interstate Highway 580 and will focus on ways the City can take advantage of the planned Berkeley Global Campus, Richmond Bay, future ferry service, and other area assets to create a sustainable shoreline district providing jobs, housing, transportation options, and opportunities for entertainment and recreation. In December 2016, the City Council adopted the Richmond Bay Specific Plan (the "Plan") and certified an environmental impact report for the Plan. The Plan articulates a clear vision for the area as a series of distinct, walkable, mixed-use neighborhoods that can accommodate over 5.6 million square feet of research and development uses, 720,000 square feet of retail and services, over 4,000 housing units, and 84 acres of public and natural open space.

Industrial Development. Development along the Richmond Parkway, which links the northern edge of Richmond (Interstate 80 at Hilltop) and the City's southwest corner (Interstate 580) and the Richmond San Rafael Bridge, opened up a large tract of industrially zoned area in the northwest area of the City. Recent development includes:

- Amazon – a 242,000 square foot warehouse with up to 100 employees.
- Blue Apron, Inc. – a 100,000 square foot distribution center with approximately 1,200 employees as of Fiscal Year 2017-18.
- Chevron Modernization Project – a $1 billion project to modernize and replace the oldest processing equipment with safer modern technology. See "*–Impact of Chevron Refinery*."
- HelloFresh Inc. – a 107,784 square foot freezer storage warehouse with 1,256 employees.
- Ex Steel Scape site – a 700,000 square foot distribution center.
- Mattress Firm Factory – a 200,000 square foot factory/warehouse
- Pinole Point Distribution Center – a 600,000 square foot warehouse and distribution under construction include: Williams Sonoma, 252,375 square foot warehouse with up to 80 employees; and Amazon – a 242,000 square foot warehouse with up to 100 employees.
- Restoration Hardware – a 200,000 square foot distribution center.

- Whole Foods Distribution Center – a 47,000 square foot distribution center with 95 employees.
- Williams Sonoma, Inc. – an approximately 247,908 square foot distribution center with up to 80 employees.

Planned development includes PowerPlant Park an approximately 160,000 square feet of rentable canopy space for cannabis cultivation that was approved by the Planning Commission on April 18, 2018. This project will be constructed on an approximately 18-acre site on the Richmond North Shoreline. Upon completion it is expected that approximately 500 people will be employed.

Residential and Commercial Development. As the economy continues to improve, the City anticipates that shoreline area of the City will be in stronger demand for residential and commercial development. As of March 2019, 543 new residences are under construction, 977 units entitled, and 701 units under review. In addition, approximately 447,742 square feet of industrial/commercial space is under construction, 169,000 square feet is entitled, and several hotel projects are under review. Below is a list of recently completed, on-going, and entitled projects together with projects under review:

Residential

- 12th Street and Macdonald Avenue mixed-use project – an eight-story, 256 market rate/affordable residential unit development, with approximately 56,000 square feet of commercial space
- Artisan Cove (Phase 3), 51 Live/Work Units and 13 Work Spaces (under construction)
- The Cascades – 46 units of market rate townhomes and condominiums
- Garrity Way Apartments – a 98 market rate unit condominium development
- Harbour View Senior Apartments –80-unit affordable apartment development
- Hilltop Apartments – a 180 unit market rate/affordable apartment complex
- Marina Way South Residential Project – a four- and five-story, 399 unit market rate/ residential development and with approximately 1,800 square feet of retail space, near the Richmond Ferry terminal (under review)
- Miraflores – an 80 unit affordable senior housing development
- Miraflores Residential Condominium Project – 190 market rate and affordable condominium units
- Parcel FM – a mixed-use project, with approximately 400 market rate and affordable residential units and 10,000 square feet of commercial uses
- The Point – a 27 unit market rate townhome development
- Quarry Residential Project – 193 attached residential units
- SAA|EVI Metro Walk Phase 2, 400-500 rental units, 25%-30% of which will be affordable to moderate income households.
- Shea Homes Waterline Project – a 60-unit luxury condominium development (under construction)
- Terminal One – a 316-unit market rate residential community on the Richmond shoreline comprised of 295 luxury condominium units and 21 single-family homes. This property is owned by the City and is under a contract for sale to a developer for a purchase price of $10 million, of which the developer has paid the City $500,000 in a non-refundable deposit. The City anticipates that following final regulatory approval from the Bay Conservation and Development Commission, close of escrow will be completed by the end of 2019.
- Terraces at Nevin Apartment Complex – a 271-unit affordable apartment development, with 268 affordable units (under construction)

- Westridge Apartments Modernization and Expansion –rehabilitation of 401 affordable units and construction of 62 affordable units
- William Lyons Homes NOMA – a 193-unit market rate mixed use live/work and townhome development at Marina Way South and Wright Avenue (under construction)

Commercial

- 912 Harbour Way South Industrial Project – a 182,000 square foot warehouse/distribution space
- Hilltop Charter School
- Home2Suites Hotel – a four-story, 107 room hotel
- Life Long Medical Facility – a 33,742 square foot medical office (under construction)
- Lumber Barron – a 32,000 square foot light industrial warehouse
- Making Waves Academy Expansion – Renovation of three existing classroom buildings, and construction of three new classroom buildings, two new gymnasiums, outdoor student space, associated parking and infrastructure improvements on six adjacent/nearby parcels
- Point Pinole Business Park, Phase III – a 162,000 square foot speculation warehouse building
- Residence Inn @ Hilltop Project – a four- story, 104 room hotel
- West Contra Costa Family Justice Center

Employment

Table A-2 provides a listing of principal employers located in the City, as of Fiscal Year 2017-18.

Table A-2
Principal Employers in the City
Fiscal Year 2017-18

Employer Name	Product/Service	Estimated Number of Employees
Chevron Refinery	Oil Refinery/Research Facility	3,150
West Contra Costa Unified School District	Education	1,658
Social Security Administration	Governmental Services	1,259
Blue Apron, Inc.	Meal Delivery Service	1,200
U.S. Postal Service	Governmental Services	1,047
City of Richmond	Governmental Services	888
Contra Costa County	Governmental Services	844
Kaiser Foundation Hospitals	Healthcare Services	805
Costco Wholesale #482	Wholesale Warehouse	431
SunPower Corporation	Solar Electric Technology	291

Source: City of Richmond.

The following Table A-3 compares estimates of the labor force, civilian employment and unemployment for the City, County, State and United States from 2014 through 2018 (the most recent annual data available). The State Employment Development Department data for April 2019 (preliminary) indicates that the unemployment rate (not seasonally adjusted) for the City was 3.1%, for the County was 2.8%, for the State was 3.9%, and for the United States was 3.3%.

Table A-3
Civilian Labor Force, Employment and Unemployment
Annual Average for Calendar Years 2014 through 2018
(Not Seasonally Adjusted)

Year and Area	Labor Force	Civilian Employment	Unemployment	Unemployment Rate
2018[(1)]				
City	53,300	51,400	1,900	3.6%
County	564,600	546,800	17,800	3.2
State	19,398,200	18,582,800	815,400	4.2
United States	162,075,000	155,761,000	6,314,000	3.9
2017[(2)]				
City	53,500	51,000	2,500	4.6
County	563,900	542,500	21,400	3.8
State	19,312,000	18,393,100	918,900	4.8
United States	162,320,000	153,337,000	6,982,000	4.4
2016[(2)]				
City	53,500	50,800	2,700	5.1
County	557,000	532,200	24,800	4.5
State	19,093,700	18,048,800	1,044,800	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
2015[(2)]				
City	52,700	49,700	3,000	5.8
County	547,500	520,000	27,500	5.0
State	18,896,500	17,724,800	1,171,700	6.2
United States	157,130,000	148,834,000	146,411,000	5.3
2014[(2)]				
City	52,1000	48,400	3,700	7.1
County	540,900	507,500	33,400	6.2
State	18,758,400	17,351,300	1,407,100	7.5
United States	155,922,000	146,305,000	9,617,000	6.2

(1) Preliminary.
(2) Revised.
Sources: State of California Employment Development and Department Labor Market Information Division; U.S. Bureau of Labor Statistics.

Personal Income

General. The United States 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 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.

Minimum Wage Ordinance. In 2014, the City adopted a Minimum Wage Ordinance requiring that beginning January 1, 2015 (subject to certain exceptions), employees working within the geographic boundaries of the City be paid an hourly rate equal to $9.60, subject to a reduction equal to $1.50 per hour if the employer pays at least that amount per hour per employee towards an employee medical benefit plan. Thereafter, the minimum wage within the City increased each January 1 until reaching $13.00 per hour effective January 1, 2018. Beginning January 1, 2019, and each year thereafter, the City Minimum Wage will increase by the Consumer Price Index for Urban Wage Earners and Clerical Workers for the San Francisco-Oakland-San Jose, California Metropolitan Statistical Area, or any successor index published by the U.S. Department of Labor or its successor agency. As of January 1, 2019, the minimum wage in the City is $15.00 per hour.

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Table A-4 presents the latest available total personal income and per capita personal income for the City, the County, the State and the United States for the calendar years 2013 through 2017 (the most current annual data available).

Table A-4
City of Richmond, Contra Costa County, State of California and United States
Total Personal Income
Calendar Years 2013 Through 2017†

Year and Area	Total Personal Income (millions of dollars)	Per Capita Personal Income (dollars)
2017†		
City	$2,920	$26,124
County	87,810	76,527
State	2,364,129	60,004
United States	16,820,250	51,640
2016		
City	2,797	25,024
County	82,204	72,195
State	2,259,414	57,625
United States	16,115,630	49,831
2015		
City	2,744	24,856
County	77,915	69,195
State	2,173,300	55,793
United States	15,711,634	48,940
2014		
City	2,708	24,453
County	71,164	64,056
State	2,021,640	52,340
United States	14,983,140	47,025
2013		
City	2,719	25,614
County	67,290	61,435
State	1,885,672	49,259
United States	14,175,503	44,826

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

Construction Activity

Table A-5 sets forth a five-year summary of building permit valuations and new dwelling units within the City.

Table A-5
City of Richmond
Building Permit Valuations
Calendar Years 2013 through 2017[(1)]
($ in 000's)

	Residential						Nonresidential	
	Single Family		Multifamily		Value of Alterations	Total Residential		
Year	Units	Valuation	Units	Valuation	and Additions	Valuation	Valuation	Total[(2)]
2013	2	$650	0	$0	$9,917	$10,567	$59,349	$69,916
2014	6	1,106	56	8,810	10,833	20,749	75,486	96,235
2015	18	3,407	63	13,523	16,769	30,292	48,288	78,580
2016	25	7,305	0	0	15,282	22,587	66,298	88,885
2017	62	2,460	98	21,658	19,891	44,009	155,382	199,391

(1) Most current annual data available.
(2) Total represents the sum of residential and nonresidential building permit valuations. Data may not total due to independent rounding.

Source: California Homebuilding Foundation/Construction Industry Research Board.

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 the City'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 Port of Richmond (the "Port") is a deep water port and is the third largest in the State by annual tonnage. The Port is a public enterprise established by and administered as a department of the City. Revenues of the Port are not General Funds of the City. The Port handles 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 contains seven City-owned marine terminals leased and operated by private lessors under lease contracts with the Port, five dry-docks, and 11 privately owned and operated 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.

A widely varied assortment of cargo moves through the Port, 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 traffic through the Port.

Ferry Service. In March 2015, the San Francisco Bay Area Water Emergency Transportation Authority ("WETA") Board of Directors approved a Cooperative Agreement with the Contra Costa Transportation Authority (the "CCTA") and the City for the CCTA to provide an operating subsidy for proposed ferry service from the City to San Francisco. The 10-year agreement serves as the basis of future planning efforts to support and plan the Richmond ferry service. WETA approved funding to purchase two catamaran ferry vessels and construction of a Richmond Ferry Terminal on Richmond Bay Shoreline, including construction of an accessible gangway with a new ramping system, float and piles, a passenger shelter, the development and reconfiguration of a 362-space paved parking lot, and installation of a new ADA-compliant kayak launch ramp and improved shoreline access at Ford Point. Construction of the ferry terminal and improvements were completed and ferry service from Ford Point Ferry Terminal in the City to the San Francisco commenced on January 10, 2019.

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 in eastern 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") and MCE
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 MCE (formerly Marin Clean Energy), 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 being 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.

Community Facilities

City residents have access to modern health care facilities. Within the City there is one general hospital, the Kaiser Hospital Facility, located in the downtown area and several convalescent hospitals. There are a variety of leisure, recreational, and cultural resources within the City, 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.

The City also operates a recreation center for disabled persons, 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, the Richmond Plunge/Natatorium, Coach Randolph Pool, the Washington Fieldhouse, the Veterans Memorial Auditorium, and the Richmond Public Library. The Richmond Art Center, a privately funded arts organization, is partly supported by the City. Currently, 12 of the City's 13 recreation centers are operational.

There are also several private yacht harbors, golf and country clubs, and community theaters within the City.

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.

In addition, approximately 35 miles of the planned 500-mile multi-purpose San Francisco Bay Trail encircling the San Francisco and San Pablo Bays are also located in the City.

Education

The City comprises a portion of the attendance area of the West Contra Costa Unified School District, which comprises 38 elementary schools (18 of which are located in the City), seven middle and junior high schools, and eight senior high schools (four of which are located in the City), three continuation and alternative high schools, and five charter schools, college preparatory and community day schools which had total K-12 enrollment of approximately 30,970 students for Fiscal Year 2017-18. In addition, several private schools operate in the City.

Institutions of higher education located near the City, include UC Berkeley, Contra Costa College, Diablo Valley College, Los Medanos College, the California Maritime Academy, California State University – East Bay, San Francisco State University, the University of San Francisco, the University of California at San Francisco, John F. Kennedy University, Saint Mary's College, Dominican University, and Golden Gate University.

FINANCIAL OPERATIONS

Financial Policies and Practices

Financial Policies. The current financial policies of the City are summarized below and the City is in compliance with each policy. Each financial policy is subject to annual review and revision. Copies of the Cash Reserve Policy, Debt Policy, Swap Policy and Investment Policy can be obtained from the City's website.

<u>Cash Reserve Policy</u>. In 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 and established a $10 million General Fund contingency reserve target.

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 CalPERS savings reserves but excluding departmental carryover, equal to a percentage of the next Fiscal Year's 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 with approval by the City Council, but requires that the cash reserve be restored in accordance with a stabilization policy laying out the plans for restoration of the reserve, in order to allow the City to build up its capacity to handle future short-term economic downturns or emergencies without cutting services.

In connection with the adoption of the Fiscal Year 2018-19 budget, the Cash Reserve Policy was amended to increase the maximum reserve from 7% to 15% of budgeted General Fund expenditures for the next Fiscal Year. The contingency reserve is shown as a component of unassigned fund balance within the General Fund.

For Fiscal Year 2017-18, the cash reserve was $15.4 million (approximately 9.7% of Fiscal Year 2018-19 Mid-Year Review General Fund expenditures) The Fiscal Year 2018-19 Mid-Year Budget Review estimates that the cash reserve is approximately $14.1 million.

<u>Debt Policy</u>. The City maintains a debt management policy (the "Debt Policy") pertaining to its financings. 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 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. 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 Debt Policy was most recently reviewed and adopted by the City Council on May 7, 2019.

Grant Management Policy. The City maintains a policy to establish an overall framework for the use and management of grant resources (the "Grant Management Policy"). This policy provides that: (i) aside from entitlement grants, the City should focus its efforts on securing grants for capital improvements; (ii) the City should only seek grants when sufficient staff resources are available to effectively administer the program in compliance with grant requirements and successfully perform the grant work scope and provide necessary matching requirements (both cash and in-kind matches); (iii) indirect costs of administering grant programs be recovered to the maximum extent feasible; (iv) operating departments will have the primary responsibility for seeking out grant opportunities, preparing the applications and managing grant programs after award; and (v) operating departments develop a simple system for tracking grant funding availability in their functional areas. The Grant Management Policy was most recently reviewed and adopted by the City Council in 2013.

Investment Policy. The City maintains an investment policy (the "Investment Policy") which provides guidelines for the investment and management of pooled funds of the City, including the General Fund, Special Revenue, Debt Service, Capital Projects, Enterprise, Internal Service, Trust & Agency, Redevelopment, and other Funds of the City (each as defined in the Investment Policy) that are accounted for in the City's Comprehensive Annual Financial Report. The Investment Policy establishes three criteria for selecting investment vehicles: safety, liquidity and yield. The Investment Policy states that an adequate percentage of the portfolio should be maintained in liquid short-term securities that can be converted to cash if necessary to meet disbursement requirements and that yield or "rate of return" on an investment should be a consideration only after the requirements of safety and liquidity are met. The Director of Finance is required to report monthly on the City's pooled and bond funds to the City Manager and City Council and to report quarterly on other investments, such as pension funds.

The Investment Policy prohibits investments in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, any security that could result in zero interest accrual if held to maturity, other than investments in authorized money market mutual funds, in companies involved in the manufacturing of tobacco and tobacco-related products, and in any funds in international financial instruments that benefitted from slavery.

The Investment Policy was most recently reviewed and approved by the City Council on October 2, 2018. A copy of the current Investment Policy is available on the City's website.

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. The City maintains an interest rate swap policy (the "Swap Policy") regarding the utilization, execution, and management of interest rate swaps and related instruments. 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 Swap Policy was most recently reviewed and adopted by the City Council on October 2, 2018.

Financial Practices

Five-Year Financial Forecast. In connection with the adoption of its Fiscal Year 2019-20 budget, the City Council commissioned a General Fund Five-Year Financial Forecast (the "Financial Forecast") for Fiscal Years 2019-20 through 2023-24 to serve as a planning tool for the long term sustainability of the City and its employees. The Financial Forecast is designed to create a long-range view for strategic decision making, align financial capacity with long-term service obligations, identify structural budget issues, understand the major drivers of revenues and expenditures, evaluate long-term impacts of current decisions, and analyze the fiscal impacts of varying scenarios. The Financial Forecast includes an analysis of projected revenues, expenditures (including wage benefits and retirement obligations), reserves, capital projects and debt policies, and a review of fiscal policies.

Structural Balance Guideline. In connection with its budget preparations for Fiscal Year 2004-05, the City Council adopted a guideline to maintain structurally balanced budgets whereby one-time funds can be spent only on one-time uses and ongoing funds can be spent on ongoing (or one-time) uses. In addition, budget enhancements can be approved only if a new source of permanent revenues is received that will cover the future cost of such enhancements.

Pension Plans

Information regarding the City's pension plans and other post-employment benefits is provided primarily for general reference regarding the City. The Wastewater Treatment Plant, the most significant and labor-intensive asset within the Enterprise, is privately managed. See "THE WASTEWATER ENTERPRISE" within the body of this Official Statement. There are 9.6 full-time equivalent employees assigned to the Enterprise (out of a total of 733.2 budgeted full-time equivalent City employees for Fiscal Year 2018-19) for which the City makes pension payments from Revenues of the Enterprise (such employees being under the Miscellaneous Plan discussed below). The unfunded pension liability related to the Enterprise is less than onepercent of the total unfunded liability.

The City contributes to a multiple-employer defined benefit retirement plan ("PERF") administered by the California Public Employees' Retirement System ("CalPERS") on behalf of Enterprise employees.

GASB Accounting Standards. In 2012, GASB approved two new standards, Statement No. 67, *Financial Reporting for Pension Plans (GASB 67)* and Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB 68)*, with respect to pension accounting and financial reporting standards for state and local governments. These standards call for immediate recognition of more pension expense than was previously required. GASB 67 revises existing guidance for the financial reports of most pension plans and GASB 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. In 2014, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (GASB 71)* to address an issue regarding application of the transition provision of GASB 68. In 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75). Summaries of these GASB Statements are set forth below.

GASB 67. GASB 67, which is effective for fiscal year beginning after June 15, 2013, replaces the requirements of GASB 25 and GASB 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. GASB 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.

GASB 68. GASB 68, which is effective for fiscal years beginning after June 15, 2014, requires immediate recognition of annual service cost and interest on the pension liability and immediate recognition of the effect on the net pension liability of changes in benefit terms. Other components of pension expense will be recognized over a closed period that is determined by the average remaining service period of the plan members (both current and former employees, including retirees). These other components include the effects on the net pension liability of (i) changes in economic and demographic assumptions used to project benefits and (ii) differences between those assumptions and actual experience. Lastly, the effects on the net pension liability of differences between expected and actual investment returns will be recognized in pension expense over a closed five-year period.

GASB 71. GASB 71 amends paragraph 137 of GASB 68 to eliminate the source of potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB 68 in the accrual-basis financial statements of employers and non-employer contributing entities.

GASB 75. GASB 75, which became effective during the year ended June 2018 is intended to improve the usefulness of information for decisions made by various users of the financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense. The implementation of GASB 75 required the City to make prior period adjustments. As a result, certain net positions were restated. See Note 9.E.–"Fund Balances and Net Position–Net Position Restatements" of APPENDIX B–"CITY OF RICHMOND CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018."

During Fiscal Year 2014-15, the City implemented GASB 68 and GASB 71. These new pension accounting standards respond to public interest about government pensions and provide new transparency about the City's considerable pension obligations and their funding progress. As a result, Governmental Activities net position was restated by $321.6 million and Business-Type Activities net position was restated by $13 million changing the City's total net position at July 1, 2014 from $209.7 million to a deficit $124.9 million and unrestricted net position from a deficit $152.1 million to a deficit $489.7 million. The majority of the restatement is due to a $337.4 million reduction to beginning net position to record the City's new net pension liability and related deferred outflows of resources for pension contributions made during the prior year in accordance with the new pension accounting standards. Additionally, governmental activities net position was increased by a net $2.8 million due to adjustments made to various receivable balances. These restatements are fully discussed in Note 10F–"Fund Balance and Net Position–*Restatement and Adjustments of Fund Balance and Net Position."* The new net pension liability of $209.3 million, representing an accounting measure of the City's unfunded pension obligations, is presented as a new liability on the Statement of Net Position at June 30, 2018.

See Note 10–"Fund Balances and Net Position," Note 11–"California Public Employees' Retirement System Pension Plans," and Note 12–"Other City Pension Plans" of APPENDIX B–"CITY OF RICHMOND CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018."

Calculations made by CalPERS and the City-administered pension plans will be modified as these new standards are implemented. The City expects that all of the pension plans will initially report weaker funded ratios as GASB 67 and GASB 68 are phased in.

Pension Reform. On January 1, 2013, the *"Public Employee Pension Reform Act of 2013"* ("PEPRA") took effect, which implemented lower defined-benefit formulas with higher retirement ages for new employees hired on or after that date and includes provisions to increase current employee contributions. Key changes to retirement plans affecting the City include: (i) commencing January 1, 2018, permitting the employer may unilaterally require employees to pay 50% of the total annual normal cost (i.e. the cost of service accrual for the upcoming Fiscal Year for active employees, in the absence of any surplus or unfunded liability, expressed as a percentage of payroll) up to an 8% contribution rate for Miscellaneous Plan employees and an 11% or 12% contribution rate for Safety Plan employees and employers are prohibited from paying any of the required employee contribution; (ii) eliminating the ability of an employer to provide better health benefits or health benefit vesting to non-represented employees than it does for represented employees; (iii) eliminating the ability of any public employee to purchase nonqualified service or "airtime," unless an official application was received by the system prior to January 1, 2013; (iv) requiring the combined employer and employee contributions, in any fiscal year, to cover that year's normal cost; (v) requiring both current and future public officials and employees to forfeit pension and related benefits if they are convicted of a felony in carrying out official duties, in seeking an elected office or appointment, or in connection with obtaining salary or pension benefits, subject to certain requirements; (vi) limiting post retirement public employment by: (A) prohibiting working more than 960 hours or 120 days per year for any public employer; (B) requiring a 180-day "sit-out" period before a retiree could return to work except under certain circumstances; (C) requiring a one-year "sit-out" period for retirees who received either a golden handshake or some other employer incentive to retire; (D) prohibiting an individual receiving an industrial disability retirement from working for another public employer doing the same or substantially similar job; and (E) requiring a public retiree appointed to a full time State board or commission to suspend his or her retirement allowance and become a member of CalPERS; and (vii) requiring CalPERS (for plans it administers) to develop requirements for defining a significant increase in actuarial liability for a former employer due to excessive compensation paid by a subsequent public employer, and to develop a plan to assess the cost of that excess liability to the employer who paid the excessive compensation.

In addition to the above reforms, employees hired after December 31, 2012 are subject to: (i) a new benefit formula equal to 2% percent at 62 for Miscellaneous Plan employees with an early retirement age of 52 and a maximum benefit factor of 2.5% at 67 and for Safety Plan employees with a normal retirement age at 50 and a maximum retirement age at 57 with the defined benefit formula ranging from 1.426% at age 50 under the basic formula to 2.7% at age 57; (ii) a cap on pensionable salaries at the Social Security contribution and wage base of $110,100 (or 120% of that amount for employees not covered by Social Security), adjusted annually based on the CPI for All Urban Consumers; (iii) rules prohibiting a retirement board from administering, and a public employer from offering, a benefit replacement plan; (iv) a requirement that: (A) all public retirement systems in the State to adhere to the federal compensation limit when calculating retirement benefits for new members and (B) prohibit a public employer from making contributions to any qualified public retirement plan based on any portion of compensation that exceeds the limit; (iv) contributions equal to 50% of the total annual normal cost of pension benefits; (v) a requirement that compensation be defined as the normal rate of regular, recurring pay, excluding special bonuses, unplanned overtime, payouts for unused vacation or sick leave, and other special pay, provided that these requirements do not apply to the extent a system has adopted a more restrictive definition of compensation earnable; and (vi) a requirement that final compensation be defined as the highest average annual final compensation during a consecutive 36 month period, subject to the cap.

Costs for other post-employment benefits are not addressed in PEPRA. However, later retirement ages will help reduce such liabilities in the long-term.

California Public Employees' Retirement System. *The following information concerning CalPERS and PERF has been obtained from publicly available information on the CalPERS and State Treasurer websites. The City believes such information to be reliable, however the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information.*

CalPERS does not prepare department specific information for its members. The following information related to the City includes costs for all City departments, including those funded by the General Fund.

The City contributes to PERF, a multiple-employer, public employee, defined benefit, pension plan. PERF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS 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 CalPERS' annual financial report may be obtained from their executive office: Lincoln Plaza North, 400 Q Street, Sacramento, California 95814.

The staff actuaries at CalPERS prepare annually an actuarial valuation which covers a Fiscal Year ending approximately 12 months before the actuarial valuation is prepared (thus, the actuarial valuation as of June 30, 2014 (the "CalPERS 2014 Actuarial Valuation") was delivered to the City in October 2015). The actuarial valuation expresses the City's required contribution rates in percentages of payroll, which percentages the City contributes in the Fiscal Year immediately following the Fiscal Year in which the actuarial valuation is prepared (thus, the City's contribution rates derived from the CalPERS 2013 Actuarial Valuation, are effective for the City's Fiscal Year 2016-17). CalPERS rules require the City to implement the actuary's recommended rates.

Plan Description. All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Enterprise employees are eligible to participate in the Miscellaneous Plan and therefore the following discussion is limited to information with respect to the Miscellaneous Plan only.

Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Employees of the City hired on or before December 31, 2012 participate in the Miscellaneous Plan under the 2.7% at age 55 Benefit Formula. PEPRA is applicable to employees new to CalPERS and hired after December 31, 2012. Employees at the City hired on or after January 1, 2013 participate under the Miscellaneous Plan 2.0% at age 62 Benefit Formula.

The Plans' provisions and benefits in effect as of June 30, 2018, are summarized as follows:

	Miscellaneous	
Hire Date	**Prior to January 1, 2013**	**On or after January 1, 2013**
Benefit formula	2.7% at 55	2.0% at 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 – 55	52 – 55
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.75%
Required employer contribution rates	12.242%	12.242%
Required UAL contribution	$6,121,476	

Beginning in Fiscal Year 2015-16, CalPERS collects employer contributions for the Miscellaneous Plan as a percentage of payroll for the normal portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability (UAL). The dollar amounts are billed on a monthly basis. The City's required contributions for the unfunded liability in the Miscellaneous Plan was $6,121,476, as noted in the table above.

Employees Covered. As of the June 30, 2016 actuarial valuation date and the June 30, 2017 measurement date, the following employees were covered by the benefit terms for the Miscellaneous Plan:

	Miscellaneous	
	June 30, 2016	**June 30, 2017**
Inactive employees or beneficiaries currently receiving benefits	894	915
Inactive employees entitled to but not yet receiving benefits	511	509
Active employees	469	454
TOTAL	1,874	1,878

As of June 30, 2018, the City had 451 active employees in the Miscellaneous Plan, of which 9.6 were full-time equivalent employees of the Enterprise.

Contributions. The California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined annually by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For Fiscal Year 2017-18, the actuarially determined contributions for the Miscellaneous Plan was $10,436,250.

Net Pension Liability. The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability for the Miscellaneous Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled to June 30, 2017 using standard update procedures.

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Actuarial Assumptions. For the measurement period ended June 30, 2017, the total pension liabilities were determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous[1]
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.2% - 12.2%[2]
Investment Rate of Return	7.50%[3]
Mortality	Derived using CalPERS Membership Data for all Funds[4]
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Actuarial assumptions are the same for all benefit tiers.
(2) Depending on age, service and type of employment.
(3) Net of pension plan investment expenses, including inflation.
(4) The mortality table used was developed based on CalPERS' specific data. The table includes five years of mortality improvements using Society of Actuaries Scale AA. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

Source: City of Richmond, Comprehensive Annual Financial Report for the Year Ended June 30, 2018.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be found on the CalPERS website under Forms and Publications.

Discount Rate. The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund ("PERF"). The stress test results are presented in a detailed report that can be obtained from the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

For additional information regarding the CalPERS plans see APPENDIX B–"CITY OF RICHMOND CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018–Note 10–"California Public Employees' Retirement System Pension Plans."

Changes in Net Pension Liability. The changes in the Net Pension Liability for the Miscellaneous and the Safety Plan as of June 30, 2016 measurement date are set forth in Table A-6A.

Table A-6
City of Richmond
Changes in the Net Pension Liability
Miscellaneous Plan
(CalPERS)

	Increase (Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability/(Asset)**
Balance at June 30, 2016 Measurement Date	$446,234,376	$326,226,506	$120,007,870
Changes in the year:			
Service cost	8,053,459		8,053,459
Interest on the total pension liability	32,804,753		32,804,753
Differences between actual and expected experience	(4,464,966)		(4,464,966)
Changes in assumptions	25,548,824		25,548,824
Changes in benefit terms			
Plan to plan resource movement		(50,018)	50,018
Contribution – employer		8,860,295	(8,860,295)
Contribution – employees		2,996,354	(2,996,354)
Net investment income		35,805,938	(35,805,938)
Administrative expenses		(481,651)	481,651
Benefit payments, including refunds of employee contributions	(25,074,448)	(25,074,448)	
Net Changes	36,867,622	22,056,470	14,811,152
Balance at June 30, 2017 Measurement Date	$483,101,998	$348,282,976	$134,819,022

Source: City of Richmond, Comprehensive Annual Financial Report for the Year Ended June 30, 2018.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City for the Miscellaneous Plan, calculated using the discount rate for the Miscellaneous Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	$195,707,528
Current Discount Rate	7.15%
Net Pension Liability	$134,819,022
1% Increase	8.15%
Net Pension Liability	$84,290,283

Source: City of Richmond, Comprehensive Annual Financial Report for the Year Ended June 30, 2018.

Subsequent Change in Discount Rate. In December 2016, the CalPERS Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in Fiscal Year 2017-18. The change in the discount rate will affect the contribution rates for employers beginning in Fiscal Year 2018-19 and result in increases to employers' normal costs and unfunded actuarial liabilities.

Other Post-Employment Benefits

In addition to the retirement and pension benefits described above, the City provides post-employment medical and dental benefits ("OPEB Obligations"). In order to qualify for these 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, certain eligibility rules and contribution requirements apply for future retirees, followed by current retirees as specified in City ordinances. For information regarding the eligibility rules and contribution requirements for each bargaining unit, see APPENDIX B–"CITY OF RICHMOND CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018–Note 12–Other Postemployment Benefits."

The City membership in this plan varies based on the employee bargaining group. As of the June 30, 2017 valuation date, membership in this plan consisted of 1,278 members (627 active employees electing coverage, 44 active employees waiving coverage, and 607 retiree and beneficiaries receiving benefits).

Funding Policy and Actuarial Assumptions. During Fiscal Year 2007-08, 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, 2018 was $17,422,879. PARS issues a publicly available financial report that includes financial statements and required supplementary information. A copy of the PARS financial report may be obtained from the Public Agency Retirement Services, 4350 Von Karman Avenue, Suite 100, Newport Beach, California 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 dated as of June 27, 2006. In July 2016, the City adopted an additional funding policy to place into the PARS trust half of any one-time revenues and half of any year-end surplus in excess of the City's minimum reserve policy in an effort to pay down the unfunded liability. In accordance with the policy, the City transferred $3.175 million to the PARS trust during Fiscal Year 2017-18 along with an additional contribution of $4,328,063.

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Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The valuation used the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

	Actuarial Assumptions
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost, level percent of pay
Actuarial Assumptions:	
Discount Rate	4.12%
Inflation	2.75%
CPI Medical Care	4.00%
Payroll Growth	3.00%
Investment Rate of Return	6.85%
Index Rate for 20 year, tax exempt municipal bonds	3.62%
Mortality	Based on assumptions for Public Agency Miscellaneous, Police and Fire members published in the December 2017 CalPERS Experience Study
Healthcare Cost Trend Rates	6.90% for 2018, 6.30% for 2019, 5.80% for 2020, 5.20% for 2021-2054, transition to ultimate rate of 4.40% in 2074 and further years
Health – NO Medicare Eligible	5.60% for 2018, 5.40% for 2019, 5.30% for 2020, 5.20% for 2021-2054, transition to ultimate rate of $.40% in 2074 and further years
Dental	To increase 4.00% annually
Vision	To increase 3.00% annually

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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Changes in Net OPEB Liability. The changes in the net OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability/ (Asset) (a) – (b)**
Balance at June 30, 2017	$191,472,282	$9,336,893	$182,135,389
Changes Recognized for the Measurement Period:			
Service Cost	6,730,397		6,730,397
Interest on the total OPEB liability	7,927,217		7,927,217
Changes in benefit terms			0
Differences between expected and actual experience	(2,816,969)		(2,816,969)
Changes of assumptions	8,715,168		8,715,168
Contributions from the employer		13,599,120	(13,599,120)
Contributions from the employee		765,475	(765,475)
Net investment income		632,089	(632,089)
Administrative expenses		(49,169)	49,169
Benefit payments†	(6,861,529)	(6,861,529)	0
Net changes	13,694,284	8,085,986	5,608,298
Balance at June 30, 2018 (Measurement Date)	$205,166,566	$17,422,879	$187,743,687

† Benefit payments are comprised of $3,947,832 direct subsidy payments to retirees and $2,913,697 estimated implicit subsidy costs incurred during the measurement period ending June 30, 2018.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using the discount rate that is one-percentage point lower or one percentage point higher than the current discount rate:

Net OPEB Liability/(Asset)		
Discount Rate – 1% (3.12%)	Discount Rate (4.12%)	Discount Rate +1% (5.12%)
$218,312,924	$187,743,687	$162,834,832

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Net OPEB Liability/(Asset) Healthcare Cost Trend		
1% Decrease	Current Trend Rates Various - see assumptions above	1% Increase
$165,359,439	$187,743,687	$215,505,846

Contributions. The California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined annually by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; general liability; errors and omissions; injuries to employees; natural disasters; and inverse condemnation. In April 2009, the City joined the California State Association of Counties Excess Insurance Authority (the "CSAC-EIA") for worker's compensation insurance. In July 2009, the City joined the California Joint Powers Risk Management Authority ("CJPRMA") for general liability and employment practices coverage. The City has chosen to establish a risk financing internal service funds where assets are accumulated for claim settlements associated with the above risks of loss up to certain limits.

Excess coverage for the risk categories excluding inverse condemnation is provided by policies with various commercial insurance carriers. The City is insured with various commercial carriers for risks including: cyber liability; difference in conditions – earthquake (provides supplemental insurance coverage for perils (earthquake) excluded from standard commercial property insurance policies) and earthquake sprinkler leakage; excess workers' compensation; general liability, general liability – special events program; pollution liability; Port liability; property, boiler and machinery; and public employee dishonesty. Information regarding current insurance coverage can be obtained by contacting the City.

See also APPENDIX B-"CITY OF RICHMOND CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018–Note 14–Risk Management–Liability for Self-Insured Claims."

CJPRMA. The CJPRMA provides coverage against liability ($500,000 deductible with a coverage limit of $40 million) and employment practices ($500,000 deductible with a coverage limit of $10 million) under the terms of a joint-powers agreement with the City.

Once the City's self-insured retention for general liability claims is met, CJPRMA becomes responsible for reimbursements of payments for future expenses related to the claim. The City paid contributions in the amount of $932,564 for the year ended June 30, 2018. Actual surpluses are allocated to members based on an actuarial study and losses are allocated on the basis of each member's share of cash contributions.

Audited financial statements for the CJPRMA are available from CJPRMA, 3201 Doolan Road, Suite 285, Livermore, California 94551.

CSAC EIA. CSAC EIA is a public entity risk pool of cities and counties within Northern California. The CSAC EIA provides workers' compensation coverage up to the California 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 in the amount of $342,738 for the year ended June 30, 2018. CSAC EIA provides insurance through the pool up to $10,000, beyond which group purchased commercial excess insurance is obtained. CSAC EIA has never made an additional assessment and is currently fully funded. No provision has been made on the financial statements of the City 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, California 95630.

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED JUNE 30, 2018

The following Appendix B contains is the complete comprehensive annual financial report for the City for the Fiscal Year ended June 30, 2018. Only Net Revenues of the Enterprise are pledged to make payments on the Series 2019 Bonds. The inclusion of the complete comprehensive annual financial report for the City does not imply that any revenues other than Net Revenues of the Enterprise are pledged to make any payments on the Series 2019 Bonds. See "SECURITY AND SOURCES OF PAYMENT OR THE BONDS" in the front of this Official Statement.

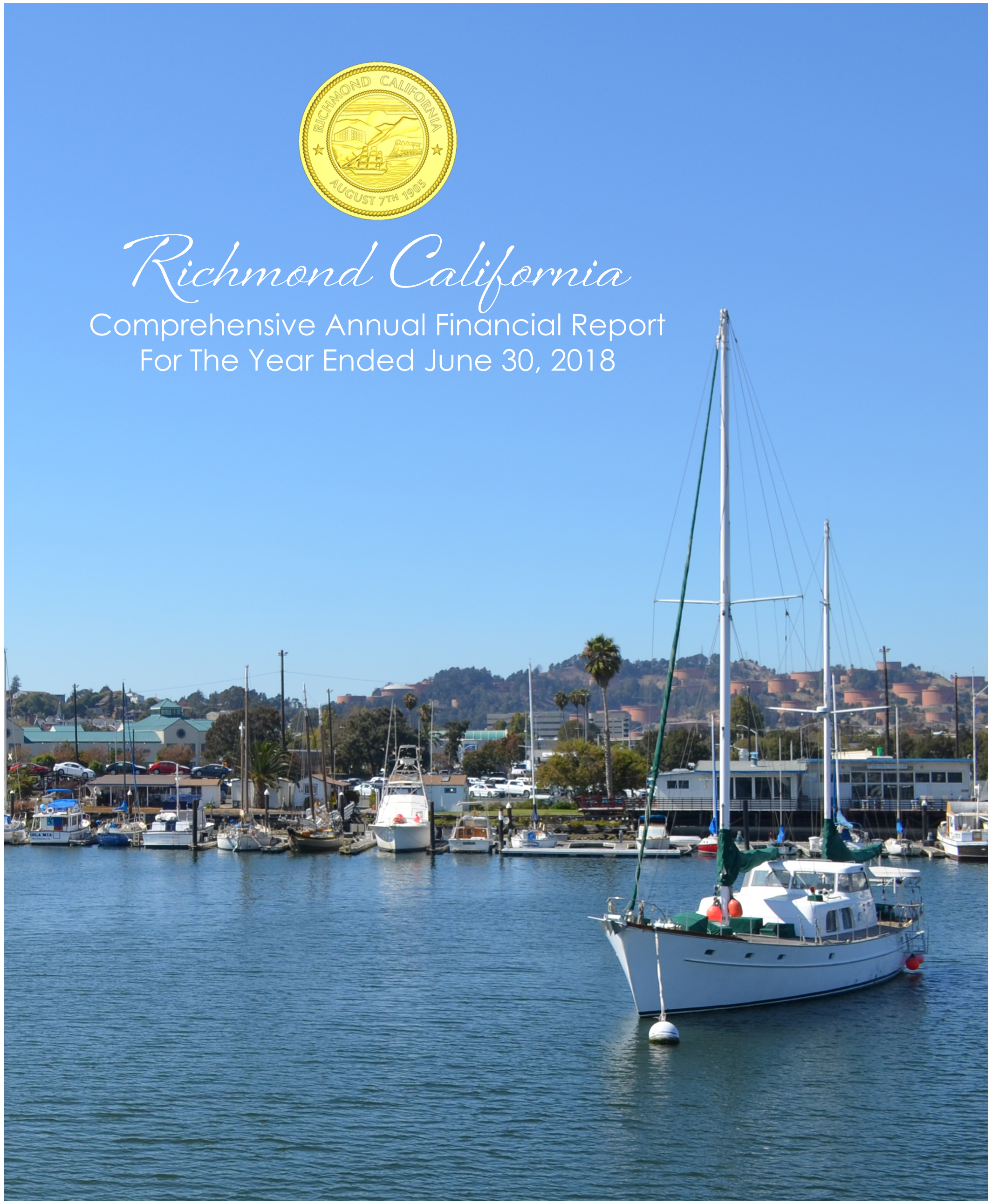
*** Revised CAFR ***

The following revisions were made to the
City of Richmond Comprehensive Annual Financial Report
For The Year Ended June 30, 2018:

- Page 81 – Revised date the city entered into capital lease with Bank of America.
  From: December 22, 2010
  To: December 1, 2010.

- Page 88 – Revised semi-annual interest payment dates.
  From: "…2025 for the Series 2009A and through 2020 for the Series 2009B Bonds."
  To: "…July 1, 2024 for the Series 2009A and through July 1, 2019 for the Series 2009B Bonds."

- Page 148 – Revised outstanding principal balance of 2003 Series A Bonds that was refunded and defeased.
  From: $12,910,000
  To: $13,290,000



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City of Richmond
California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018

Prepared by the Finance Department

Belinda Warner
Finance Director/Treasurer

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CITY OF RICHMOND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018

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STATISTICAL SECTION (Continued)

FINANCE DEPARTMENT

City of Richmond

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

May 17, 2019

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, 2018, 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 Council is required to adopt an initial budget for the fiscal year 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 City Council. 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.

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, 2018, 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 unmodified opinion on the City's financial statements for the fiscal year ended June 30, 2018, but with a disclaimer of opinion for business-type activities as it relates to the Richmond Housing Authority Enterprise Fund and the aggregate discretely presented component units, as the financial statements of the Richmond Housing Authority and RHA Properties, RHA Housing Corporation and RHA RAD LLC have not been audited for the year ended June 30, 2018. 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 the 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 three discretely presented component units are RHA Properties, RHA Housing Corporation and RHA RAD LLC. 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 Harbor Navigation, Country Club Vista 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 111,785. 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 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

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, 2018 include the following:

Community Services
- Over 35,000 people participated in recreation, aquatics, sports and wellness programs.

Information Technology
- Completed implementation of Tyler transparency module which brings data from MUNIS (our financial software) into a central repository that can be easily accessed and understood by any level of user.

Office of Neighborhood Safety (ONS)
- ONS completed its 5th 18-month Operation Peacemaker Fellowship Cohort with 22 Fellows.

Planning and Building Services
- Secured funding for park improvements, Bay Trail improvements and complete street improvements.

Public Safety
- The Richmond Police Department completed its Fourth Cohort of "The Community Safety Academy (CSA)." The CSA teaches methods of practice civilians can use to make criminal victimization less likely, while also providing residents with a behind the scenes look at police operations. The program is eight weeks long.
- Fire implemented new emergency and informational communication methods with community (Nixle, Next Door and Twitter).

Strategic Support

- Received the Distinguished Budget Presentation Award for fiscal year 2017-18 from the Government Finance Officers Association (GFOA).
- Received the California Society of Municipal Finance Officers (CSMFO) Operating Budget Excellence Award and Capital Budgeting Excellence Award the fiscal year 2017-18.

Long-Term Financial Plan

- Adhered to the Debt Policy which reflects general debt service cannot exceed 10% of General Fund Revenue.
- Increased Cash Reserve Policy from 7% to 15%

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,

Belinda W

Belinda Warner
Finance Director/Treasurer

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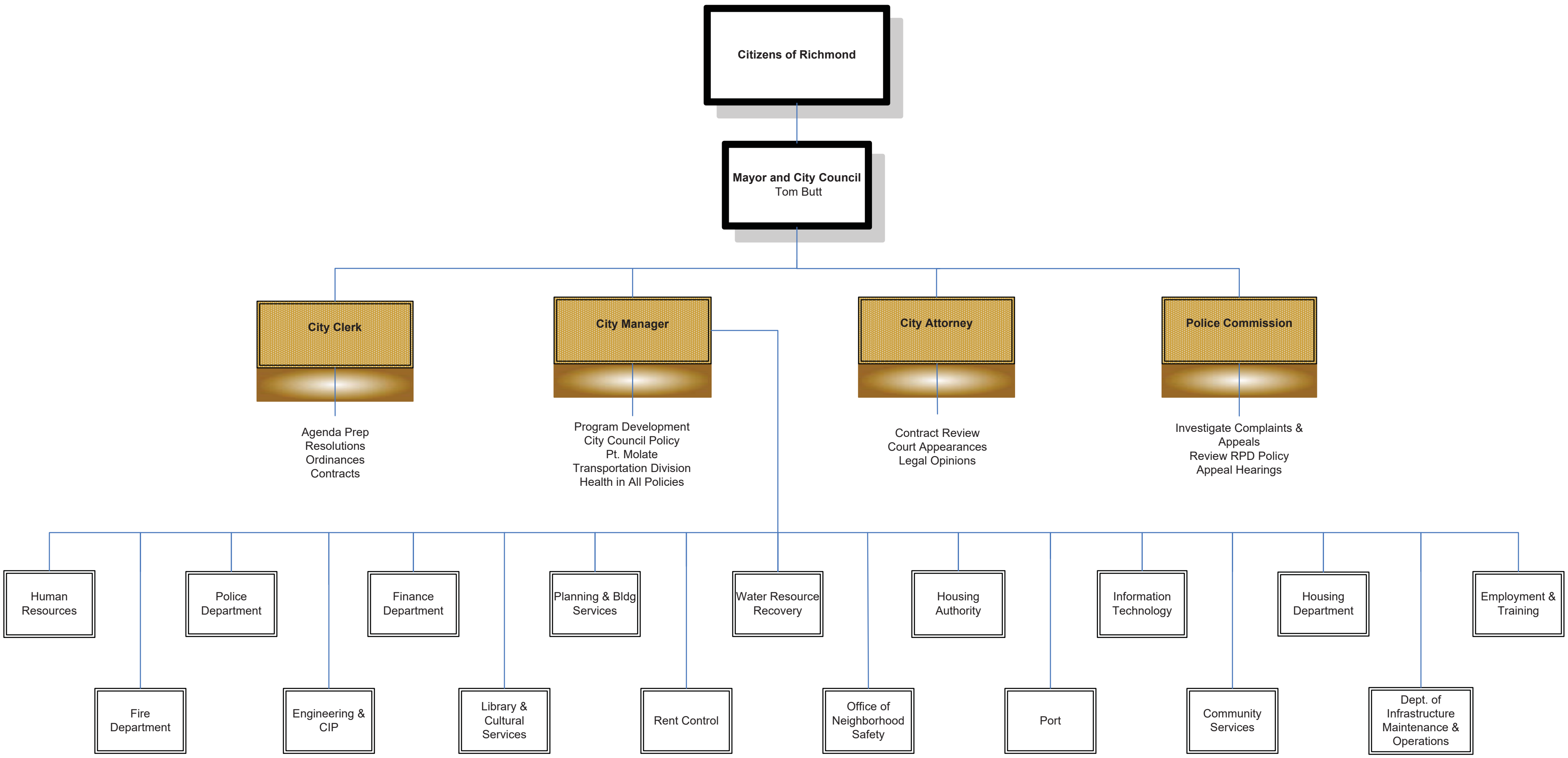
City of Richmond
FY2017-18 Organizational Chart



CITY OFFICIALS

JUNE 26, 2018

CITY COUNCIL

Mayor	Tom Butt
Vice Mayor	Melvin Willis
Councilmember	Jovanka Beckles
Councilmember	Ben Choi
Councilmember	Eduardo Martinez
Councilmember	Jael Myrick
Councilmember	Ada Recinos

ADMINISTRATION AND DEPARTMENT HEADS

City Manager	Bill Lindsay
Capital Improvement Director	Yader Bermudez
City Attorney	Bruce Goodmiller
City Clerk	Pamela Christian
Community Services Director	Rochelle Monk
Employment & Training Director	Sal Vaca
Finance Director/Treasurer	Belinda Warner
Fire Chief	Adrian Sheppard
Housing Authority Director	Vacant
Human Resources Director	Lisa Stephenson
Information Technology Director	Sue Hartman
Infrastructure Maintenance & Operations Director	Tim Higares
Library and Cultural Services Director	Katy Curl
Planning Director	Richard Mitchell
Police Chief	Allwyn Brown
Port Director	Jim Matzorkis
Rent Control Executive Director	Nicolas Traylor
Water Resource Recovery Manager	Ryan Smith

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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, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements. We were engaged to audit the financial statements of the aggregate discretely presented component units. These financial statements 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 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. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the business-type activities, Richmond Housing Authority Enterprise Fund and the aggregate discretely presented component units.

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.

Except for the matter described in the "Basis for Disclaimer of Opinion on the Business-Type Activities, Richmond Housing Authority Enterprise Fund and the Aggregate Discretely Presented Component Units" paragraph, 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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W **mazeassociates.com**

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Disclaimer
Aggregate Discretely Presented Component Units	Disclaimer
General Fund	Unmodified
Community Development and Loan Programs Special Revenue	Unmodified
Major Enterprise Funds:	
Richmond Housing Authority	Disclaimer
Port of Richmond	Unmodified
Municipal Sewer	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Disclaimer of Opinion on the Business-Type Activities, Richmond Housing Authority Enterprise Fund and the Aggregate Discretely Presented Component Units

The financial statements of the Richmond Housing Authority and RHA Properties, RHA Housing Corporation and RHA RAD LLC have not been audited for the year ended June 30, 2018. The Richmond Housing Authority's financial activities are included in the City's basic financial statements as a major enterprise fund and represent 14.65%, 30.92% and 40.67% of the assets, net position, and revenues, respectively, of the City's business-type activities. The financial activities of RHA Properties, RHA Housing Corporation and RHA RAD LLC are included in the City's financial activities as discretely presented component units and represent the City's only discretely presented component units.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Business-Type Activities, Richmond Housing Authority Enterprise Fund and the Aggregate Discretely Presented Component Units" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Business-Type Activities, Richmond Housing Authority Enterprise Fund and the Aggregate Discretely Presented Component Units of the City. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, the Community Development and Loan Programs Special Revenue Fund, the Port of Richmond Enterprise Fund, the Municipal Sewer Enterprise Fund, and the aggregate remaining fund information of the City as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

General Fund Cash and Fund Balance and Other Funds Cash Balances

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the City as a going concern. However, as of June 30, 2018, the General Fund's unrestricted cash balance represented approximately thirty-five days of General Fund expenditures, unassigned fund balance represents available fund balance and equates to approximately forty days of General Fund expenditures. In addition, the Richmond Housing Authority Enterprise Fund, Port of Richmond Enterprise Fund, other Non-Major Enterprise Funds and Non-Major Governmental Funds had borrowed $32.9 million from the General Fund and other funds. As a result of the interfund borrowing, City-wide, the City has a total of only $36.6 million of unrestricted cash as of June 30, 2018. If deficit spending continues in the funds that continue to borrow from the General Fund and other funds, it reduces the likelihood that the City will be able to continue as a going concern.

The emphasis of this matter does not constitute a modification to our opinions.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* which became effective during the year ended June 30, 2018 and required a prior period adjustment to the financial statements and required the restatement of net position as discussed in Note 9E.

The emphasis of this matter 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 and other Required Supplementary Information as listed in the Table of Contents 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. 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 May 17, 2019, 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
May 17, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

This narrative overview and analysis of the City of Richmond's (the "City") Basic Financial Statements for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter, basic financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net position decreased by $2.1 million during the fiscal year attributed to a $4.7 million decrease in governmental and $2.6 million increase in business-type activities, after restatement.

- The liabilities and deferred inflows of the governmental activities of the City exceeded its assets and deferred outflows at the close of the most recent fiscal year by $316.3 million (net deficit). Alternatively, the assets and deferred outflows of the business-type activities of the City exceeded its liabilities and deferred inflows by $49.8 million.

- At June 30, 2018, the City's unrestricted net deficit (governmental and business-type activities) totaled $652.9 million, a $120 million or 24% decrease from prior year after the GASB 75 restatement. The unrestricted net deficits represent the net unfunded liabilities of the government. Over time, increases and decreases in this account will allow the reader to determine if the City's condition is improving or deteriorating. Restricted net position for governmental and business-type activities increased by a net $10.6 million to $96.9 million.

- The City's financial statements include a disclaimer of opinion on the financial statements of the Richmond Housing Authority Enterprise Fund ("RHA"), a blended component unit included in the City's business-type activities, and three discretely presented component units, RHA Properties, RHA Housing Corporation and RHA RAD LLC. As of June 30, 2018, the net position of RHA is $15.4 million or 31% of the City's business-type activities. Additional information about the disclaimer of opinion can be found in the Independent Auditor's Report.

- The City's General Fund contingency reserve policy increased to the minimum 15% of the General Fund's next year's budgeted appropriations or $23.3 million and the balance was $17.5 million at June 30, 2018.

- The Net Pension Liability of $340.8 million, representing an accounting measure of the City's unfunded pension obligation, increased by $42.2 million from $298.6 million. The City reports $187.7 million in the Other Post-Employment Benefit (OPEB) liability for this fiscal year which is an increase of $132.2 million from the $55.5 million obligation reported in the prior year. The increase represents the current year implementation of the GASB Statement No. 75. During fiscal 2018, the City issued $33.5 million of Wastewater revenue bonds, series 2017A to refund the 2006A bond.

- The City's General Fund revenue and other financing sources (uses) exceeded expenditures by $214 thousand in fiscal year 2018. This is primarily attributable to tax and service fee revenues in excess of expectations for the year.

- Prior to the restatement, the City's total government-wide net position decreased by $127 million in fiscal year 2018, a 48% percent decrease, primarily due to the implementation of GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

OVERVIEW OF FINANCIAL STATEMENTS

The City's basic financial statements are comprised of government-wide financial statements, fund financial statements, and 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 *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between the four 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* 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.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and grants, governmental activities, and business-type activities, which are intended to recover all or a significant portion of their costs through user fees and charges. The City's activities include 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.

RHA Properties, RHA Housing Corporation and RHA RAD LLC are discretely presented component units of the City that are legally separate reporting entities but are important because the City is financially accountable for them.

The government-wide financial statements can be found on pages 20-23 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – Governmental funds 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 governmental 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 the comparison between governmental funds and governmental activities.

The City has 20 governmental funds, of which two 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 two major funds are the General Fund and the Community Development and Loan Programs Special Revenue Fund. The basic governmental fund financial statements can be found on pages 26-29 of the financial report. Data from the other eighteen governmental funds are combined into a single, aggregated presentation and separately on pages 174-187 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 City maintains four internal service funds to account for its vehicle operations, risk management program, police telecommunications and compensated absences. The proprietary fund financial statements can be found on pages 32-34.

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, OPEB Plan Trust Fund, Pt. Molate Private-Purpose Trust Fund, Successor Agency to the Richmond Community Redevelopment Agency Private-Purpose Trust Fund and Agency Funds. The fiduciary funds financial statements for these funds can be found on pages 36-37.

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 39 through 153 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Government-wide Net Position

This Comparative financial information includes the long-term and short-term information about the City's overall financial condition. Below to provide the reader with highlights of changes from the prior year.

City of Richmond's Net Position
June 30, 2018 and 2017
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY2018	FY2017*	FY2018	FY2017*	FY2018	FY2017*
Assets:						
Current assets	$ 172,445	$ 155,165	$ 44,774	$ 23,855	$ 217,219	$ 179,020
Capital assets	308,629	312,291	184,818	176,254	493,447	488,545
Total Assets	481,074	467,456	229,592	200,109	710,666	667,565
Deferred Outflows of Resources:						
Deferred outflows related to pensions	74,812	63,388	2,725	2,993	77,537	66,381
Deferred outflows related to OPEB	6,699		354		7,053	
Deferred charge on refunding			3,928	5,094	3,928	5,094
Total Deferred Outflows of Resources	81,511	63,388	7,007	8,087	88,518	71,475
Liabilities:						
Current liabilities	74,337	81,909	21,138	20,917	95,475	102,826
Long-term liabilities	798,370	635,657	165,292	130,550	963,662	766,207
Total Liabilities	872,707	717,566	186,430	151,467	1,059,137	869,033
Deferred Inflows of Resources:						
Deferred inflows related to pensions	4,077	7,451	236	384	4,313	7,835
Deferred inflows related OPEB	2,152		114		2,266	-
Total Deferred Inflows of Resources	6,229	7,451	350	384	6,579	7,835
Net Position:						
Net investment in capital assets	221,336	233,619	68,213	71,000	289,549	304,619
Restricted	87,380	76,810	9,514	9,441	96,894	86,251
Unrestricted	(625,067)	(504,602)	(27,908)	(24,096)	(652,975)	(528,698)
Total Net Position (Deficit)	$ (316,351)	$ (194,173)	$ 49,819	$ 56,345	$ (266,532)	$ (137,828)

*Not restated for the implementation of GASB 75.

Government-wide 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 Years Ended June 30, 2018 and 2017
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY2018	FY2017*	FY2018	FY2017*	FY2018	FY2017*
Revenues:						
Program revenues:						
Charges for services	$ 36,688	$ 31,140	$ 38,656	$ 37,890	$ 75,344	$ 69,030
Operating grants/contributions	20,557	16,083	26,099	22,637	46,656	38,720
Capital grants/contributions	10,471	14,009	1,155	970	11,626	14,979
General revenues:						
Property taxes-current collections	59,442	56,589			59,442	56,589
Sales taxes	44,475	41,620			44,475	41,620
Utility user taxes	46,080	44,966			46,080	44,966
Documentary transfer taxes	6,486	7,453			6,486	7,453
Other taxes	6,145	5,329			6,145	5,329
Unrestricted Intergovernmental	59	49			59	49
Use of money and property	7,001	12,230	3,431	3,549	10,432	15,779
Pension stabilization revenue		886			-	886
Gain on sale of capital assets	39	65			39	65
Other	4,196	5,139			4,196	5,139
Total revenues	241,639	235,558	69,341	65,046	310,980	300,604
Expenses:						
General government	45,716	34,851			45,716	34,851
Public safety	114,932	104,919			114,932	104,919
Public works	48,617	41,558			48,617	41,558
Community development	4,589	3,290			4,589	3,290
Cultural & recreation	14,281	10,997			14,281	10,997
Housing & redevelopment	3,442	7,449			3,442	7,449
Interest and fiscal charges	16,128	16,388			16,128	16,388
Richmond Housing Authority			30,979	26,242	30,979	26,242
Port of Richmond			10,258	10,102	10,258	10,102
Richmond Marina			327	231	327	231
Municipal Sewer			21,696	17,721	21,696	17,721
Storm Sewer			1,662	2,321	1,662	2,321
Cable TV			1,697	1,028	1,697	1,028
Total expenses	247,705	219,452	66,619	57,645	314,324	277,097
Excess (Deficiency) of Revenues Over (Under) Expenses	(6,066)	16,106	2,722	7,401	(3,344)	23,507
Transfers	87		(87)	(87)		
Special items	1,208				1,208	
Changes in Net Position	(4,771)	16,106	2,635	7,314	(2,136)	23,507
Net position (deficit) at beginning of year (July 1, 2017 restated)	(311,580)	(210,366)	47,184	49,031	(264,396)	(161,335)
Net position (deficit) at end of year	$ (316,351)	$ (194,173)	$ 49,819	$ 56,345	$ (266,532)	$ (137,828)

* Not restated for the implementation of GASB 75.

Governmental Activities

Governmental activities decreased the City's net position by $4.7 after the restatement for the implementation of GASB 75. Total expenses of $247.7 million exceeded revenue of $242.6 million by $5.1 million. Revenues increased $7 million or 3% primarily due to increases in property taxes associated with an increase in assessed valuations, utility users taxes, documentary transfer taxes, sales taxes, business license fees and various grants. Expenses increased $28 million or 13% from prior year primarily due to decreases in public safety, public works, community development and long-term debt expenses that outweighed the increases in general government and housing and redevelopment expenses.

The decrease in the net position is primarily due to reporting of net unfunded liability of the City's pension and Other Postemployment Benefits (OPEB) plans in the basic financial statements.

Business Type Activities

Business-type activities increased the City's net position by $2.6 million. Key factors contributing to the decrease in business-type activities are as follows:

- The Municipal Sewer fund reported operating income of approximately $8.1 million, there were $3.9 million of non-operating expenses the majority of which represented interest and swap expenses incurred on various Wastewater Debt issues, offset by $798 thousand in federal subsidies received to reduce interest costs associated with Richmond Wastewater Revenue Bonds, Series 2010B, resulting in a $4.8 million change in net position.
- The Richmond Housing Authority's ("RHA") net position decreased by $2.8 million. RHA's operating loss of $29.2 million increased $6.1 million, or 26.2% from prior year due to an approximate $5.5 million increase in Housing Assistance and restated beginning balance.
- Other Enterprise funds had a combined $526 thousand increase in net position. The majority of the increase, $304 thousand, is attributed to the decrease in in salaries and benefits under the Port of Richmond.

Net Program (Expenses) Revenues

Comparisons of the cost of services by function for the City's government-wide activities are shown in the preceding tables, along with the revenues used to cover the net expenses.

The following table details the net program costs for each of the governmental activities functions:

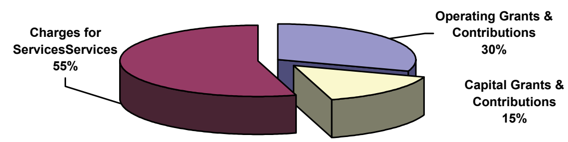
Expenses and Program Revenues
Governmental Activities

Functions	Expenses	Revenues	Net (Expenses) Revenues
General government	$ 45,715,329	$ 17,740,519	$ (27,974,810)
Public safety	114,932,219	10,015,021	(104,917,198)
Public works	48,617,290	20,404,606	(28,212,684)
Community development	4,589,328	14,219,090	9,629,762
Cultural and recreational	14,280,985	2,381,728	(11,899,257)
Housing and redevelopment	3,442,239	2,955,392	(486,847)
Interest on long-term debt	16,127,479	-	(16,127,479)
Total	$ 247,704,869	$ 67,716,356	$ (179,988,513)

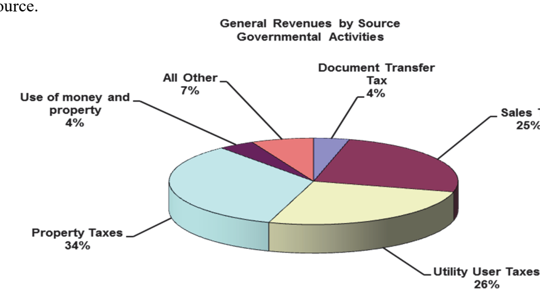
Total governmental activities expenses of $247.7 million were offset by $67.7 million in program revenues in fiscal year 2018. These expenses do not include capital outlays, which are reflected in the City's capital assets. Program revenues are derived directly from the program itself or from parties 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. During the fiscal year, the net costs funded by the City's general revenues were $179.9 million.

As reflected in the pie chart below, 55% 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 45% 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.

Program Revenues by Source
Governmental Activities



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 from governmental activities were $174.0 million in fiscal year 2018. The three largest components of general revenues received were Property Taxes-current collections of $59.4 million, Utility User Taxes of $46 million and Sales Taxes of $44.4 million. The following graph shows the City's general revenues by source.



The following table details net program costs for business-type activities:

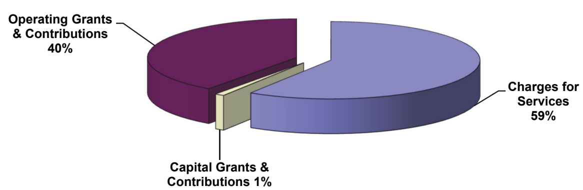
Expenses and Program Revenues
Business-type Activities

	Expenses	Program Revenues	Net (Expenses) Revenues
Business-type Activities			
Richmond Housing Authority	$ 30,978,813	$ 28,197,546	$ (2,781,267)
Port of Richmond	10,257,553	10,580,246	322,693
Richmond Marina	327,442	537,438	209,996
Municipal Sewer	21,696,370	23,244,632	1,548,262
Storm Sewer	1,661,808	2,068,110	406,302
Cable TV	1,697,155	1,281,952	(415,203)
Total	$ 66,619,141	$ 65,909,924	$ (709,217)

Business-type activities expenses exceeded revenues by $709 thousand, as the Richmond Housing Authority and Cable TV were not able to generate enough user fees sufficient to cover operating costs by $3.2 million.

As reflected in the pie chart below, 59% of the business-type program revenues came from Charges for Services and the remaining 41% were derived from Operating and Capital Grants.

Program Revenues by Source
Business-Type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial capacity.

At the end of the fiscal year, the City's governmental funds reported total fund balances of $90.8 million, an increase of $10.8 million, or 13% from prior year. Financial highlights for the City's 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 utility users' tax, sales tax and property taxes. The major expenditures are salaries and administrative expenses. The City's general fund revenues and expenditures grew by $2.2 million or 1% and $5.5 million or 4%, respectively. The increase in revenues is primarily due to the continuing growth in the City's assessed valuation of properties within the City as well as increases various taxes. The increase in expenditures is primary due to a contribution of $3.2 million to the City's OPEB Trust, in accordance to the City's OPEB funding policy.

At the end of the current fiscal year, the total fund balance increased by $214 thousand from the prior year to $35.6 million. General Fund reported an unassigned fund balance of $17.6 million, a decrease of $2.1 million from prior year, of which $17.5 million represents the amount the City has set aside for contingency.

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. As of June 30, 2018, fund balance is $25 million which represents a $702 thousand increase from prior year.

Proprietary Funds:

The City's proprietary funds are enterprise and internal service funds. Proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

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

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. RHA'S net position declined $2.8 million to $15.4 million at June 30, 2018. Of the $15.4 million, $17.5 million is invested in capital assets, net of related debt and $2.1 million is unrestricted negative.

The Port of Richmond The Port of Richmond ("Port") is a public enterprise established by the City and is administered as a department of the City. Operations include the marine terminal facilities and commercial property rentals. The Port's net position increased by $375 thousand to $6.5 million. The increase is partially attributed to the reduction of dredging and oil spill maintenance expenses.

Municipal Sewer Fund This fund is used to account for a variety of sewer service-related revenues and expenses. Municipal Sewer's net position increased $4.8 million to $31.3 million at June 30, 2018.

GENERAL FUND BUDGETARY HIGHLIGHTS

The adopted budget, excluding transfers, bond premium and proceeds from sale of property, reflected $154.1 million in estimated revenues and $154.7 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 $1.2 million increase in estimated revenue and a $642 thousand increase in appropriations. Actual revenues of $157.1 million were $1.8 million more than adjusted operating revenue budget, a variance of 1.1%. Key elements of the variances in revenues are discussed as follows:

Property Taxes totaled $39.0 million which is $600 thousand more than expected. The increase stems from increases in Residual Redevelopment Property Tax (RRPTF) after Recognized Obligation Payments Schedule (ROPS) or, in other words, more than expected Successor Agency Residual and Pass-through revenue.

Utility Users Tax (UUT) totaled $46.0 million which was $548 thousand less than expected. The bulk of the decrease was in gas and electricity UUT and prepaid wireless UUT which is collected by the State.

Sales Taxes totaled $44.5 million which was $1.6 million more than budgeted. This corresponded to increases in the regular Sales Tax and proportional increases in both half cent Sales Tax measures. More directly, we experienced Sales Tax growth for most sectors in the City including the business to business category and increased collections from internet sales.

Licenses, Permits and Fees totaled $3.8 million which was $1 million less than budgeted. The bulk of the decrease stemmed from the collection of Business License Tax. The previous year saw a significant increase due to the collective efforts from the Business License Division, Code Enforcement, Rent Control and MuniServices. It led to payments from new customers that included, in many cases, past due amounts up to three years back. The majority of the new businesses were residential rental properties. The subsequent year, these businesses just paid the yearly flat rate. The budget did not reflect this expected decrease.

The final adjusted appropriations were $155.3 million, an increase of $642 thousand from the original adopted budget appropriation of $154.7 million. The adopted budget appropriation was increased mainly due to mid-year adjustments. This included payments to the Department of Toxic Substances Control (DTSC) for various sites; and transfers to non-general funds to cover annual required contributions to pension plans, a rental lease, and critical capital improvement repairs.

An additional $1.6 million was allocated to the compensated absences fund to clear the negative cash position. Actual operating expenditures of $156.8 million were $1.4 million more than final budget appropriations. The overage was primarily due to the transfer of $3.2 million to the OPEB trust to comply with the City's OPEB policy.

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, 2018 amounted to $493.4 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress is illustrated below:

Capital Assets by Type

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 29,424,667	$ 29,403,573	$ 7,195,986	$ 7,195,986	$ 36,620,653	$ 36,599,559
Construction in					-	
Progress	17,034,198	68,938,598	28,401,520	32,139,210	45,435,718	101,077,808
Building and improvements	115,156,850	117,248,923	26,903,695	29,316,426	142,060,545	146,565,349
Machinery and equipment	8,804,933	9,567,529	3,531,105	4,304,447	12,336,038	13,871,976
Infrastructure	138,209,556	87,132,729	118,785,856	103,297,903	256,995,412	190,430,632
Total Capital assets	$ 308,630,204	$ 312,291,352	$ 184,818,162	$ 176,253,972	$ 493,448,366	$ 488,545,324

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

The most significant additions to capital assets were construction in progress primarily consisting of $16.4 million of Wastewater Treatment plant improvements included in the City's business-type activities.

Additional information about the City's capital assets can be found in Note 6 on pages 66 through 68 in the financial statements.

Debt Administration:

Long Term Debt – The City's total debt outstanding at June 30, 2018 increased $23.2 million from $397.5 million to $420.7 million. The $23.2 million increase is due to the City issuing $33.5 of Wastewater Revenue Bonds, offset by current year retirements.

Outstanding Debt
June 30

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue bonds			$ 111,698,772	$ 82,313,447	$ 111,698,772	$ 82,313,447
Lease revenue bonds	$ 111,241,920	$ 113,275,266	33,587,707	36,588,791	144,829,627	149,864,057
Pension obligation bonds	150,445,289	153,058,033			150,445,289	153,058,033
Total bonds payable	261,687,209	266,333,299	145,286,479	118,902,238	406,973,688	385,235,537
Loans payable	1,844,775	1,993,820	3,316,308	3,401,553	5,161,083	5,395,373
Capital leases	8,650,840	6,872,843		-	8,650,840	6,872,843
Total outstanding debt	$ 272,182,824	$ 275,199,962	$ 148,602,787	$ 122,303,791	$ 420,785,611	$ 397,503,753

The City does not have any general obligation bonds as of June 30, 2018.

The City's issuer credit rating from S&P was BBB+ as of June 30, 2017. On December 4, 2017, the City received an updated issuer credit rating from S&P upgrading the previous BBB+ issuer credit rating to an A- issuer credit rating.

For more detailed information on the City's long-term debt see Note 7 on pages 69-93.

Economic Factors, Next Year's Budget and Inflation Rates

The City's economic base continues to grow after years of recession. Property values assessed by the County as of January 1, 2018 have increased by 8.13% over the prior year. Additionally, Residual Redevelopment Property Tax (RPTF) after Recognized Obligation Payments Schedule (ROPS) payments have gone from $600 thousand in FY2015-16 to $2.5 million in FY2016-17, and finally to over $4 million in FY20117-18. Sales Tax is expected to increase by 4.3% in FY2018-19 as compared to the previous year. As of June 30, 2017, unemployment in Richmond stands at 4.8%, improved from 5.4% a year ago.

The City of Richmond is in contact with Terminal One Development, LLC to sell an approximately 10-acre site for development purposes at a price of $10 million. The developer has paid the City $500,000 in a non-refundable deposit, with the balance of $9.5 million due following granting of all entitlements and close of escrow. Following City Council certification of the environmental impact report (EIR) for the project in July 2016, a lawsuit was filed that challenged certification of the EIR. A settlement was reached by all parties to this lawsuit in November 2016 which allows the project entitlement process to proceed. Close of escrow on the real estate sale by the City to Terminal One Development, LLC, including the transfer of the $9.5 million balance due from the developer to the City, is anticipated by June 30, 2019.

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 City continues to work with Public Financial Management Group (PFM) through the National Resource Network on budget and financial planning. For the upcoming fiscal year, PFM will be working with the City to align the budget forecast with City Council priorities, review the City's organizational structure, and provide recommended actions for fiscal sustainability. This will include planning and addressing pension and Other Post-Employment Benefits (OPEB) funding. Additionally, the City continues to analyze the structural integrity of all funds and identify additional cost reductions and efficiencies.

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.

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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 units of the RHA Properties, RHA Housing Corporation and RHA RAD LLC are included in these Statements as separate columns.

CITY OF RICHMOND
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	RHA Properties	RHA Housing Corporation	RHA RAD LLC
ASSETS						
Cash and investments (Note 3)	$64,436,288	$24,295,934	$88,732,222		$1,239	
Restricted cash and investments (Note 3)	14,202,232	28,070,292	42,272,524			
Receivables:						
Accounts, net	13,395,605	6,640,784	20,036,389			
Interest	177,303	47,010	224,313			
Grants	6,563,543	686,284	7,249,827			
Due from developer (Note 16E)		11,221,743	11,221,743			
Loans (Notes 5 and 16J)	46,762,555		46,762,555			$14,510,000
Internal balances (Note 4D)	26,206,756	(26,206,756)				
Property held for resale (Note 2I)	78,016		78,016			
Prepaids, supplies, and other assets (Note 2C)	622,329	18,609	640,938			
Capital assets (Note 6):						
Nondepreciable	46,458,865	35,597,506	82,056,371			
Depreciable, net	262,171,339	149,220,656	411,391,995			
Total Assets	481,074,831	229,592,062	710,666,893		1,239	14,510,000
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions (Notes 10 and 11)	74,812,578	2,725,036	77,537,614			
Deferred outflows related to OPEB (Note 12)	6,699,027	354,808	7,053,835			
Deferred charge on refunding (Note 2H)		3,928,020	3,928,020			
Total Deferred Outflows of Resources	81,511,605	7,007,864	88,519,469			
LIABILITIES						
Accounts payable and accrued liabilities	7,460,870	4,009,620	11,470,490		34,138	
Interest payable	3,054,646	3,448,737	6,503,383			
Refundable deposits	1,140,519	344,775	1,485,294			
Unearned revenue (Note 8)	8,468,834	640,029	9,108,863			
Derivative instrument at fair value - liability (Note 7)	22,939,800	6,744,600	29,684,400			
Compensated absences (Note 2D):						
Due within one year	7,409,289	156,307	7,565,596			
Due in more than one year	5,987,720	316,759	6,304,479			
Claims liabilities (Note 14):						
Due within one year	11,120,445		11,120,445			
Due in more than one year	26,587,129		26,587,129			
Long-term debt (Note 7):						
Due within one year	12,742,999	5,794,081	18,537,080			
Due in more than one year	259,439,825	142,808,706	402,248,531			
Net pension liability (Notes 10 and 11):						
Due in more than one year	328,055,449	12,723,222	340,778,671			
Net OPEB liability (Note 12):						
Due in more than one year	178,300,179	9,443,508	187,743,687			
Total Liabilities	872,707,704	186,430,344	1,059,138,048		34,138	
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions (Notes 10 and 11)	4,077,558	236,375	4,313,933			
Deferred inflows related to OPEB (Note 12)	2,151,737	113,966	2,265,703			
Total Deferred Inflows of Resources	6,229,295	350,341	6,579,636			
NET POSITION (Note 9)						
Net investment in capital assets	221,336,363	68,213,687	289,550,050			
Restricted for:						
Capital projects	16,313,017		16,313,017			
Debt service	9,844,344	9,514,522	19,358,866			
Housing and redevelopment	46,880,701		46,880,701			
Community development projects	14,342,301		14,342,301			
Total Restricted Net Position	87,380,363	9,514,522	96,894,885			
Unrestricted (Deficit)	(625,067,289)	(27,908,968)	(652,976,257)		(32,899)	14,510,000
Total Net Position (Deficit)	($316,350,563)	$49,819,241	($266,531,322)		($32,899)	$14,510,000

See accompanying notes to financial statements

CITY OF RICHMOND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position					
					Primary Government			Component Units		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	RHA Properties	RHA Housing Corporation	RHA RAD LLC
Primary Government:										
Governmental Activities:										
General government	$45,715,329	$16,838,782	$704,145	$197,592	($27,974,810)		($27,974,810)			
Public safety	114,932,219	8,147,458	1,721,872	145,691	(104,917,198)		(104,917,198)			
Public works	48,617,290	6,529,172	4,217,994	9,657,440	(28,212,684)		(28,212,684)			
Community development	4,589,328	1,748,222	12,470,868		9,629,762		9,629,762			
Cultural and recreational	14,280,985	1,545,399	836,329		(11,899,257)		(11,899,257)			
Housing and redevelopment	3,442,239	1,878,958	605,781	470,653	(486,847)		(486,847)			
Interest on long-term debt	16,127,479				(16,127,479)		(16,127,479)			
Total Governmental Activities	247,704,869	36,687,991	20,556,989	10,471,376	(179,988,513)		(179,988,513)			
Business-type Activities:										
Richmond Housing Authority	30,978,813	1,740,399	26,098,804	358,343		($2,781,267)	(2,781,267)			
Port of Richmond	10,257,553	10,580,246				322,693	322,693			
Richmond Marina	327,442	537,438				209,996	209,996			
Municipal Sewer	21,696,370	22,447,439		797,193		1,548,262	1,548,262			
Storm Sewer	1,661,808	2,068,110				406,302	406,302			
Cable TV	1,697,155	1,281,952				(415,203)	(415,203)			
Total Business-type Activities	66,619,141	38,655,584	26,098,804	1,155,536		(709,217)	(709,217)			
Total Primary Government	$314,324,010	$75,343,575	$46,655,793	$11,626,912	(179,988,513)	(709,217)	(180,697,730)			
Component Units:										
RHA Properties										
RHA Housing Corporation										
RHA RAD LLC										
General revenues:										
Taxes:										
Property taxes-current collections					59,441,796		59,441,796			
Sales taxes					44,474,973		44,474,973			
Utility user taxes					46,079,755		46,079,755			
Documentary transfer taxes					6,486,347		6,486,347			
Other taxes					6,144,968		6,144,968			
Unrestricted intergovernmental					58,842		58,842			
Use of money and property					7,000,785	3,431,293	10,432,078			
Gain from sale of capital assets					39,226		39,226			
Other					4,195,794		4,195,794			
Transfers, net (Note 4)					86,778	(86,778)				
Special Item (Note 5):										
Transfer of loans to housing successor					1,208,259		1,208,259			
Total general revenues, transfers and special item					175,217,523	3,344,515	178,562,038			
Change in Net Position					(4,770,990)	2,635,298	(2,135,692)			
Net Position (Deficit)-Beginning, As Restated (Note 9E)					(311,579,573)	47,183,943	(264,395,630)		($32,899)	$14,510,000
Net Position (Deficit)-Ending					($316,350,563)	$49,819,241	($266,531,322)		($32,899)	$14,510,000

See accompanying notes to financial statements

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CITY OF RICHMOND
JUNE 30, 2018

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 2018. Individual non-major funds may be found in the Supplemental section.

MAJOR GOVERNMENTAL FUNDS

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.

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. Related to the grant disallowed costs discussed in Notes 5 and 16D, the City purchased certain loans that had previously been funded with Community Development Block Grant and HOME funds. 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, 2018

	General	Community Development and Loan Programs	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments (Note 3)	$15,413,405		$26,915,335	$42,328,740
Restricted cash and investments (Note 3)		$1,865,324	11,106,177	12,971,501
Receivables:				
Accounts, net	10,233,844	25,331	2,986,445	13,245,620
Interest	43,082	5,645	51,828	100,555
Grants	25,500	333,941	6,204,102	6,563,543
Loans (Note 5)	1,212,042	44,621,500	779,013	46,612,555
Property held for resale (Note 2I)		78,016		78,016
Advances to other funds (Note 4B)	16,133,282	174,067		16,307,349
Prepaids, supplies and other assets	622,329			622,329
Total Assets	$43,683,484	$47,103,824	$48,042,900	$138,830,208
LIABILITIES				
Accounts payable and accrued liabilities	$2,834,949	$837,608	$3,500,889	$7,173,446
Refundable deposits	585,645		554,874	1,140,519
Due to other funds (Note 4A)		340,111	6,588,191	6,928,302
Unearned revenue (Note 8)	4,073,857		3,611,157	7,685,014
Total Liabilities	7,494,451	1,177,719	14,255,111	22,927,281
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue (Note 8)	558,110	20,861,912	3,622,504	25,042,526
FUND BALANCES (Note 9)				
Nonspendable	17,967,653			17,967,653
Restricted		25,064,193	39,061,160	64,125,353
Assigned	72,506		43,906	116,412
Unassigned	17,590,764		(8,939,781)	8,650,983
Total Fund Balances	35,630,923	25,064,193	30,165,285	90,860,401
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$43,683,484	$47,103,824	$48,042,900	$138,830,208

See accompanying notes to financial statements

CITY OF RICHMOND
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances reported on the governmental funds balance sheet	$90,860,401
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.	308,630,204
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	22,107,548
Restricted cash and investments	1,230,731
Accounts receivable	149,985
Interest receivable	76,748
Loans receivable	150,000
Due from other funds	14,467,306
Advances to other funds	2,360,403
Accounts payable, accrued liabilities and interest payable	(299,989)
Compensated absences	(232,076)
Unearned revenue	(783,820)
Claims payable	(37,707,574)
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.	25,042,526
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	(3,042,081)
Long-term debt	(272,182,824)
Derivative instrument at fair value - liability	(22,939,800)
Net pension liability and deferred outflows/inflows related to pensions	(257,320,429)
Net OPEB liability and deferred outflows/inflows related to OPEB	(173,752,889)
Governmental activities portion of compensated absences	(13,164,933)
NET POSITION OF GOVERNMENTAL ACTIVITIES	($316,350,563)

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, 2018

	General	Community Development and Loan Programs	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	$38,961,021		$22,002,168	$60,963,189
Sales taxes	44,474,973			44,474,973
Utility user taxes	46,079,755			46,079,755
Other taxes	12,413,127			12,413,127
Licenses, permits and fees	3,802,576	$1,697,222	16,053,085	21,552,883
Fines, forfeitures and penalties	981,984		19,943	1,001,927
Use of money and property	189,599	282,805	274,121	746,525
Intergovernmental	1,102,944	341,491	18,693,158	20,137,593
Private grants			9,000,000	9,000,000
Charges for services	7,823,287		9,221,914	17,045,201
Pension stabilization revenue				
Rent	849,640		3,300	852,940
Other	414,525	2,062,661	1,941,593	4,418,779
Total Revenues	157,093,431	4,384,179	77,209,282	238,686,892
EXPENDITURES				
Current:				
General government	28,402,147		15,607,109	44,009,256
Public safety	93,646,193		2,899,842	96,546,035
Public works	22,805,801		12,210,694	35,016,495
Community development		3,604,538	4,453,100	8,057,638
Cultural and recreational	10,734,162		613,274	11,347,436
Housing and redevelopment		764,390	1,178,247	1,942,637
Capital outlay	127,246	265,715	9,607,634	10,000,595
Debt service:				
Principal	814,494		10,218,439	11,032,933
Interest and fiscal charges	256,830		10,528,512	10,785,342
Total Expenditures	156,786,873	4,634,643	67,316,851	228,738,367
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	306,558	(250,464)	9,892,431	9,948,525
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	39,226			39,226
Transfers in (Note 4C)	6,035,115		8,437,049	14,472,164
Transfers (out) (Note 4C)	(6,166,866)	(255,762)	(8,446,278)	(14,868,906)
Total Other Financing Sources (Uses)	(92,525)	(255,762)	(9,229)	(357,516)
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM	214,033	(506,226)	9,883,202	9,591,009
SPECIAL ITEM (Note 5):				
Transfer of loans to housing successor		1,208,259		1,208,259
Total Special Item		1,208,259		1,208,259
NET CHANGE IN FUND BALANCES	214,033	702,033	9,883,202	10,799,268
BEGINNING FUND BALANCES	35,416,890	24,362,160	20,282,083	80,061,133
ENDING FUND BALANCES	$35,630,923	$25,064,193	$30,165,285	$90,860,401

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, 2018

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	$10,799,268
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	11,546,818
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of $1,156,716 which has already been allocated to serviced funds)	(16,563,989)
Retirements of capital assets are deducted from the fund balance (Retirements are net of internal service fund retirements of $5,372 which has already been allocated to serviced funds)	(322,371)
Capital contributions from developers and the Successor Agency are added to fund balance	135,765
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	11,032,933
Capital appreciation bonds accretion is deducted from fund balance	(5,560,256)
Amortization of bond premium is added back to fund balance	63,346
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	171,060
Unavailable revenue	3,618,590
Derivative instrument at fair value - liability	5,999,900
Compensated absences	(755,150)
Net pension liability and deferred outflows/inflows related to pensions	(28,196,716)
Net OPEB liability and deferred outflows/inflows related to OPEB	(769,888)
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	4,029,700
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	($4,770,990)

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 extends to Proprietary Funds. The City has identified the funds below as major proprietary funds in fiscal 2018.

Generally accepted accounting principles do 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, 2018

	Business-type Activities-Enterprise Funds					Governmental
	Richmond Housing Authority	Port of Richmond	Municipal Sewer	Other Enterprise Funds	Totals	Activities-Internal Service Funds
ASSETS						
Current assets:						
Cash and investments (Note 3)	$3,174,894		$17,388,492	$3,732,548	$24,295,934	$22,107,548
Restricted cash and investments (Note 3)	102,576	$9,514,522	18,369,421	83,773	28,070,292	1,230,731
Receivables:						
Accounts, net	301,641	5,414,796	495,918	428,429	6,640,784	149,985
Interest			38,921	8,089	47,010	76,748
Grants	686,284				686,284	
Notes (Note 5)						150,000
Prepaids	18,609				18,609	
Due from other funds (Note 4A)						14,467,306
Total current assets	4,284,004	14,929,318	36,292,752	4,252,839	59,758,913	38,182,318
Noncurrent assets:						
Receivables:						
Due from developer	11,221,743				11,221,743	
Capital assets (Note 6):						
Nondepreciable	2,361,628	4,937,160	28,274,241	24,477	35,597,506	1,451,985
Depreciable, net	15,776,327	42,175,948	88,790,972	2,477,409	149,220,656	4,539,349
Advances to other funds (Note 4B)			901,396	167,451	1,068,847	2,360,403
Total noncurrent assets	29,359,698	47,113,108	117,966,609	2,669,337	197,108,752	8,351,737
Total Assets	33,643,702	62,042,426	154,259,361	6,922,176	256,867,665	46,534,055
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions (Note 10)	993,187	422,955	693,821	615,073	2,725,036	774,178
Deferred outflows related to OPEB (Note 12)	177,757	40,207	70,538	66,306	354,808	77,592
Deferred charge on refunding (Note 2H)			3,928,020		3,928,020	
Total Deferred outflows of resources	1,170,944	463,162	4,692,379	681,379	7,007,864	851,770
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	1,814,244	355,125	1,663,065	177,186	4,009,620	287,424
Interest payable		1,128,825	2,211,989	107,923	3,448,737	12,565
Due to other funds (Note 4A)	3,657,170	2,919,904		961,930	7,539,004	
Refundable deposits	96,752	163,050		84,973	344,775	
Compensated absences (Note 2D)	10,299	31,512	60,325	54,171	156,307	
Claims payable (Note 14)						11,120,445
Current portion of long-term debt (Note 7B)		3,320,000	2,385,000	89,081	5,794,081	224,192
Total current liabilities	5,578,465	7,918,416	6,320,379	1,475,264	21,292,524	11,644,626
Noncurrent liabilities:						
Advances from other funds (Note 4B)	3,458,884	13,917,312		2,360,403	19,736,599	
Compensated absences (Note 2D)	92,693	204,605	19,461		316,759	232,076
Unearned revenue (Note 8)	70,191	533,558	36,280		640,029	783,820
Claims payable (Note 14)						26,587,129
Derivative instrument at fair value - liability (Note 7B)			6,744,600		6,744,600	
Long-term debt, net (Note 7B)	700,000	30,267,707	109,313,772	2,527,227	142,808,706	2,463,453
Net pension liability (Note 10)	4,637,201	1,974,780	3,239,458	2,871,783	12,723,222	3,614,648
Net OPEB liability (Note 12)	4,731,141	1,070,139	1,877,437	1,764,791	9,443,508	2,065,181
Total noncurrent liabilities	13,690,110	47,968,101	121,231,008	9,524,204	192,413,423	35,746,307
Total Liabilities	19,268,575	55,886,517	127,551,387	10,999,468	213,705,947	47,390,933
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions (Note 10)	86,150	36,688	60,184	53,353	236,375	67,154
Deferred inflows related to OPEB (Note 12)	57,096	12,915	22,657	21,298	113,966	24,923
Total Deferred inflows of resources	143,246	49,603	82,841	74,651	350,341	92,077
NET POSITION (Note 9)						
Net investment in capital assets	17,540,531	23,039,923	27,663,882	(30,649)	68,213,687	4,534,420
Restricted for debt service		9,514,522			9,514,522	
Unrestricted	(2,137,706)	(25,984,977)	3,653,630	(3,439,915)	(27,908,968)	(4,631,605)
Total Net Position	$15,402,825	$6,569,468	$31,317,512	($3,470,564)	$49,819,241	($97,185)

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, 2018

	Business-type Activities-Enterprise Funds					Governmental
	Richmond Housing Authority	Port of Richmond	Municipal Sewer	Other Enterprise Funds	Totals	Activities-Internal Service Funds
OPERATING REVENUES						
Rental	$678,559				$678,559	
Service charges	733,085	$2,852,569	$22,447,439	$3,345,780	29,378,873	$27,596,887
Lease income		7,691,234		541,720	8,232,954	
Other	328,755	36,443			365,198	
Total Operating Revenues	1,740,399	10,580,246	22,447,439	3,887,500	38,655,584	27,596,887
OPERATING EXPENSES						
Salaries and benefits	1,117,620	591,094	1,578,452	1,554,764	4,841,930	7,502,965
General and administrative	2,499,118	1,994,000	10,225,609	1,704,064	16,422,791	2,349,817
Maintenance	1,768,899	1,559,527	52,197	99,419	3,480,042	2,935,254
Depreciation	1,637,570	3,775,336	2,301,596	136,519	7,851,021	1,156,716
Housing assistance	23,955,606				23,955,606	
Claims losses						12,509,419
Other		8,347	212,347	94	220,788	11,029
Total Operating Expenses	30,978,813	7,928,304	14,370,201	3,494,860	56,772,178	26,465,200
Operating Income (Loss)	(29,238,414)	2,651,942	8,077,238	392,640	(18,116,594)	1,131,687
NONOPERATING REVENUES (EXPENSES)						
Loss on retirement of capital assets						(5,372)
Interest income	91	52,987	3,341,707	36,508	3,431,293	401,231
Grants	26,098,804				26,098,804	2,034,921
Interest (expense)		(2,329,249)	(7,326,169)	(191,545)	(9,846,963)	(16,287)
Total Nonoperating Revenues (Expenses)	26,098,895	(2,276,262)	(3,984,462)	(155,037)	19,683,134	2,414,493
Income (Loss) Before Contributions and Transfers	(3,139,519)	375,680	4,092,776	237,603	1,566,540	3,546,180
Capital contributions/grants	358,343		797,193		1,155,536	
Transfers in (Note 4C)						483,520
Transfers out (Note 4C)				(86,778)	(86,778)	
Total Contributions and Transfers	358,343		797,193	(86,778)	1,068,758	483,520
Change in net position	(2,781,176)	375,680	4,889,969	150,825	2,635,298	4,029,700
BEGINNING NET POSITION (DEFICIT), AS RESTATED (NOTE 9E)	18,184,001	6,193,788	26,427,543	(3,621,389)	47,183,943	(4,126,885)
ENDING NET POSITION (DEFICIT)	$15,402,825	$6,569,468	$31,317,512	($3,470,564)	$49,819,241	($97,185)

See accompanying notes to financial statements

CITY OF RICHMOND
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	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	$2,031,370	$9,565,687	$22,012,840	$3,870,650	$37,480,547	$27,307,555
Payments to suppliers	(26,578,727)	(3,519,374)	(10,660,551)	(1,917,989)	(42,676,641)	(5,365,121)
Payments to employees	(1,917,018)	(877,554)	(1,371,444)	(1,181,602)	(5,347,618)	(7,616,360)
Insurance premiums and claims paid						(11,330,259)
Cash Flows from Operating Activities	(26,464,375)	5,168,759	9,980,845	771,059	(10,543,712)	2,995,815
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund receipts	2,569,709	276,738			2,846,447	3,343,754
Interfund payments				(380,672)	(380,672)	
Receipts from other governments	26,203,110				26,203,110	
Transfers out				(86,778)	(86,778)	
Transfers in						483,520
Cash Flows from Noncapital Financing Activities	28,772,819	276,738		(467,450)	28,582,107	3,827,274
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Receipts from other governments			797,193		797,193	
Grant receipts	358,343	33,558			391,901	2,034,921
Acquisition of capital assets		2	(16,390,736)	(24,477)	(16,415,211)	(2,704,717)
Issuance of long-term debt			33,530,000		33,530,000	2,687,645
Premium on bonds			5,905,634		5,905,634	
Cost of issuance			(579,579)		(579,579)	
Payment to bond escrow agent			(7,120,000)		(7,120,000)	
Principal payments on capital debt		(3,065,000)	(2,400,000)	(85,245)	(5,550,245)	(168,760)
Interest paid		(2,393,977)	(5,599,008)	(195,061)	(8,188,046)	(3,805)
Cash Flows from Capital and Related Financing Activities	358,343	(5,425,417)	8,143,504	(304,783)	2,771,647	1,845,284
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest	91	52,987	1,283,994	32,498	1,369,570	359,885
Cash Flows from Investing Activities	91	52,987	1,283,994	32,498	1,369,570	359,885
Net Cash Flows	2,666,878	73,067	19,408,343	31,324	22,179,612	9,028,258
Cash and investments at beginning of period	610,592	9,441,455	16,349,570	3,784,997	30,186,614	14,310,021
Cash and investments at end of period	$3,277,470	$9,514,522	$35,757,913	$3,816,321	$52,366,226	$23,338,279
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:						
Operating income (loss)	($29,238,414)	$2,651,942	$8,077,238	$392,640	($18,116,594)	$1,131,687
Adjustments to reconcile operating income to cash flows from operating activities:						
Depreciation	1,637,570	3,775,336	2,301,596	136,519	7,851,021	1,156,716
Change in assets and liabilities:						
Receivables, net	226,604	(1,059,059)	(434,599)	(16,850)	(1,283,904)	309,849
Prepaids and other assets	61			608	669	5,300
Accounts payable and accrued liabilities and other accrued expenses	1,644,835	42,500	(170,398)	(115,020)	1,401,917	(74,321)
Refundable deposits	(5,824)	44,500			38,676	
Unearned revenue	70,191				70,191	(599,181)
Compensated absences payable	(19,241)	11,164	24,223	(658)	15,488	4,676
Claims payable						1,179,160
Net pension liability and deferred outflows/inflows of resources	(800,825)	(302,299)	174,583	366,110	(562,431)	(127,094)
Net pension OPEB and deferred outflows/inflows of resources	20,668	4,675	8,202	7,710	41,255	9,023
Cash Flows from Operating Activities	($26,464,375)	$5,168,759	$9,980,845	$771,059	($10,543,712)	$2,995,815
Non-cash transactions:						
Change in fair value of investment derivative			$2,036,200		$2,036,200	
Amortization of deferred charge on refunding			(1,166,116)		(1,166,116)	
Retirement of capital assets						($5,372)

See accompanying notes to financial statements

CITY OF RICHMOND
JUNE 30, 2018

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, 2018

	Pension and OPEB Trust Funds	Private-Purpose Trust Funds	Agency Funds
ASSETS			
Cash and investments (Note 3)		$15,051,204	$6,871,739
Restricted cash and investments (Note 3)		24,966,566	1,212,099
Investment in reassessment bonds (Note 3)			9,335,607
Pension and OPEB plan cash and investments (Notes 11C and 12B):			
City of Richmond Investment Pool	$1,526,074		
Local Agency Investment Fund	176,245		
Mutual fund investments	28,355,159		
Accounts receivable		177,409	431,012
Interest receivable	2,474		11,810
Grants receivable		2,177,084	
Loans receivable (Note 17B)		1,574,000	
Prepaids and other assets		6,366,928	
Capital assets (Note 17C):			
Nondepreciable		4,313,167	
Total Assets	30,059,952	54,626,358	$17,862,267
LIABILITIES			
Accounts payable and accrued liabilities		916,416	$1,631,405
Refundable deposits payable			1,296,921
Interest payable		1,203,574	
Derivative instrument at fair value - liability (Note 17D)		4,033,000	
Long-term debt (Note 17D):			
Due within one year		8,227,087	
Due in more than one year		86,377,962	
Due to assessment district bondholders			14,933,941
Total Liabilities		100,758,039	$17,862,267
NET POSITION			
Restricted for employees' pension and OPEB benefits	$30,059,952		
Held in trust for other governments		($46,131,681)	

See accompanying notes to financial statements

CITY OF RICHMOND
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Pension and OPEB Trust Funds	Private-Purpose Trust Funds
ADDITIONS		
Property taxes		$12,255,069
Contributions from the City	$15,786,320	
Contributions from employees	765,475	
Net investment income:	632,089	
Net increase (decrease) in the fair value of investments	400,813	
Interest income	258,861	1,157,803
Investment management fees	(65,812)	
Intergovernmental revenue		4,898,936
Proceeds from sale of property		1,614,529
Miscellaneous revenue		398,321
Total Additions	17,777,746	20,324,658
DEDUCTIONS		
Community development		4,835,285
Pension and OPEB benefits	10,137,299	
Payments in accordance with trust agreements		444,739
Interest and fiscal charges		4,993,687
Other	49,169	
Total Deductions	10,186,468	10,273,711
Change in net position	7,591,278	10,050,947
NET POSITION (DEFICIT), BEGINNING OF YEAR	22,468,674	(56,182,628)
NET POSITION (DEFICIT), END OF YEAR	$30,059,952	($46,131,681)

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.

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.

NOTE 1 – ORGANIZATION AND DEFINITION OF REPORTING ENTITY (Continued)

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 the members of the City Council serve as the Board of Directors. 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 and City management has operational responsibility for the RNSC. 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 to facilitate certain Port of Richmond transactions. 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.

B. DISCRETELY PRESENTED COMPONENT UNITS

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, however RHA Properties manages its own programs separate from the City or the Housing Authority. 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.

RHA Housing Corporation– RHA Housing Corporation was incorporated and registered on January 26, 2004 as a California nonprofit public benefit corporation to benefit and support the RHA with respect to the Easter Hill development. RHA Housing Corporation entered into RAD Conversion redevelopment activities and it acts as the sole and managing member of RHA RAD LLC. The Corporation's fiscal year ends on December 31, 2018. The City and Housing Authority exercise significant financial and management control over RHA Housing Corporation and appoint members of the Board of Directors, however RHA Housing Corporation manages its own programs separate from the City or the Housing Authority. Therefore, the financial activities of RHA Housing Corporation are discretely presented in the RHA Housing Corporation Component Unit column of the Statement of Net Position and the Statement of Activities. Separate financial statements for RHA Housing Corporation may be obtained by contacting the Richmond Housing Authority, 330 24th Street, Richmond, California 94804.

RHA RAD LLC - A California limited liability company was formed on July 11, 2013 by RHA Housing Corporation, the sole and managing member. The Company is operated exclusively to further the tax exempt charitable purposes of the sole and managing member to provide affordable housing for low-income persons where no adequate housing exists for such persons, and to own and operate housing for the benefit of low-income persons who are in need of affordable, decent, safe and sanitary housing and related services, where an inadequate supply of housing exists for such persons. The City and Housing Authority exercise significant financial and management control over RHA RAD LLC and RHA Housing Corporation is the sole member of RHA RAD LLC, however RHA RAD LLC manages its own programs separate from the City or the Housing Authority. Therefore, the financial activities of RHA RAD LLC are discretely presented in the RHA RAD LLC Component Unit column of the Statement of Net Position and the Statement of Activities. Separate financial statements for RHA RAD LLC may be obtained by contacting the Richmond Housing Authority, 330 24th Street, Richmond, California 94804.

In order for the Authority to proceed in its participation into the RAD Program as discussed in Note 16J, RHA RAD LLC shall act as the managing general partner of RHA RAD Housing Partnership LP.

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 ninety 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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and OPEB 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.

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. Related to the grant disallowed costs discussed in Notes 5 and 16D, the City purchased certain loans that had previously been funded with Community Development Block Grant and HOME funds. 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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and OPEB 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 16G. 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 17. 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. The cost of prepaid items is recorded as expenditures/expenses when consumed, rather than when purchased. 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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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	$12,637,183	$457,578	$13,094,761
Additions	7,979,960	274,238	8,254,198
Payments	(7,220,134)	(258,750)	(7,478,884)
Ending Balance	$13,397,009	$473,066	$13,870,075
Current Portion	$7,409,289	$156,307	$7,565,596

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.

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 50% on February 1	July 1
Delinquent as of	December 10 (for November) 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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	$2,229,716	
Debt service - interest and fiscal charges	184	
Community Development and Loan Programs Special Revenue Fund		
Community development	2,138,527	(A)
State Gas Tax Special Revenue Fund		
Capital outlay	22,143	
Landscaping and Lighting Special Revenue Fund		
Debt service - principal	4,582	
Cost Recovery Special Revenue Fund		
Public safety	384,253	
Public works	151,726	
Civic Center Debt Service Fund		
Debt service - interest and fiscal charges	2,049	

(A) Expenditures in the Community Development and Loan Program Special Revenue Fund exceeded budget primarily due to the disbursement of the RHA RAD loan discussed in Note 5 due to an oversight during the budget process. The fund had sufficient resources to finance these expenditures.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet 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 first item that qualifies for reporting in this category is 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. The City also has deferred outflows of resources related to pensions and OPEB as discussed in Notes 10, 11 and 12.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of net position or balance sheet 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 first item which qualifies for reporting in this category arises only under a modified accrual basis of accounting. 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 8 for further discussion. The City also has deferred inflows of resources related to pensions and OPEB as discussed in Notes 10, 11 and 12. 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, called a deferred charge on refunding, is amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter. The deferred charge on refunding is reported as a deferred inflow or outflow of resources, as applicable. Bond issuance costs, other than prepaid insurance, are expensed in the year incurred.

I. Property Held for Resale

Property held for resale is accounted for at the lower of cost or net realizable value or agreed upon sales price if a disposition agreement has been made with a developer.

The City received five properties for resale in fiscal year 2013 with a book value of $573,822 from the acceptance of a deed in lieu of foreclosure on the property related to developer defaults on prior loans under the Richmond Neighborhood Stabilization loan program discussed in Note 5. These properties were rehabilitated during fiscal years 2014 and 2015 increasing the carrying value by a total of $749,716 and $39,303, respectively. In fiscal year 2014, the City received an additional four properties with a carrying value of $648,238. Six properties were sold in fiscal year 2016, the remaining two properties held for resale had a book value of $671,255 as of June 30, 2017. In fiscal year 2018, one property was sold during the year, and the carrying value of the one remaining property held for resale was $78,016 as of June 30, 2018.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

K. OPEB Liabilities, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the PARS Trust. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. 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.

NOTE 3 – CASH AND INVESTMENTS (Continued)

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 deppoits. 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.

C. Classification

Cash and investments are classified in the financial statements as shown below at June 30, 2018:

Cash and investments	$88,732,222
Restricted cash and investments	42,272,524
Total Primary Government cash and investments	131,004,746
Cash and investments	1,239
Total Discrete Component Unit cash and investments	1,239
Cash and investments in Fiduciary Funds (Separate Statement)	
Cash and investments	21,922,943
Restricted cash and investments	26,178,665
Investments in reassessment bonds	9,335,607
Total Fiduciary Funds cash and investments	57,437,215
Total cash and investments	$188,443,200

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 Federally Sponsored Agencies	5 years		90%	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	Top rating category	10% **(A)**	10%
Negotiable Certificates of Deposit	5 years	A	20%	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 (LAIF)	N/A		None	$65 Mil/ acct
Investment Trust of California (CalTrust)	N/A		None	None

(A): City may invest an additional 15% or a total of 25% 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, or in any security that could result in zero interest accrual if held to maturity (other than money market mutual funds).

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.

The Authority does not have reverse repurchase agreements.

F. *Investments Authorized by Debt Issues and Lease Agreements*

Under the terms of the City's and Agency's and debt issues and lease agreements, the City and Agency 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 and Agency's 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, 2018, the City and Agency 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	$2,994,510				$2,994,510
California Local Agency Investment Fund	56,968,398				56,968,398
CalTrust Short Term Fund	24,642,068				24,642,068
CalTrust Medium Term Fund	83,773				83,773
Held by Trustee:					
Money Market Mutual Funds (U.S. Securities)	60,710,585				60,710,585
Investment Agreement				$1,039,778	1,039,778
Guaranteed Investment Contracts			$564,000	625,001	1,189,001
Reassessment Bonds	1,125,000	$1,355,000	1,480,000	5,375,607	9,335,607
Total Investments	$146,524,334	$1,355,000	$2,044,000	$7,040,386	156,963,720
Cash in Banks and on hand - *Primary Government*					31,478,241
Cash in Banks - RHA Housing Corporation					1,239
Total Cash and Investments					$188,443,200

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. Each regular LAIF account is permitted to have up to 15 transactions per month, with a minimum transaction amount of $5,000, a maximum transaction amount of $65 million and at least 24 hours advance notice for withdrawals of $10 million or more. Bond proceeds accounts are subject to a one-time deposit with no cap and are set up with a monthly draw down schedule. 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, 2018, these investments matured in an average of 193 days.

NOTE 3 – CASH AND INVESTMENTS (Continued)

The City is a participant in the Short-Term Fund and Medium-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 in the Short-Term Fund is available for withdrawal on demand and the balance in the Medium-Term Fund is available for withdrawal upon two days' notice, 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 and CalTrust's Medium-Term Fund has a target portfolio duration of 1.5 to 3.5 years. At June 30, 2018 the Short-Term Fund investments matured in an average of 347 days and the Medium-Term Fund investments matured in an average of 799 days.

Money market funds and mutual funds are available for withdrawal on demand and as of June 30, 2018 have an average maturity from 20 to 39 days.

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, 2018 for each investment type:

Investment Type	AAAm	AAf	AA+	A+f	Total
Federal Agency Securities			$2,994,510		$2,994,510
Money Market Mutual Funds (U.S. Securities)	$60,710,585				60,710,585
CalTrust Short Term Fund		$24,642,068			24,642,068
CalTrust Medium Term Fund				$83,773	83,773
Totals	$60,710,585	$24,642,068	$2,994,510	$83,773	88,430,936
Not Rated:					
California Local Agency Investment Fund					56,968,398
Investment Agreement					1,039,778
Guaranteed Investment Contracts					1,189,001
Reassessment Bonds					9,335,607
Total Investments					156,963,720
Cash in Banks and On Hand					31,479,480
Total Cash and Investments					$188,443,200

I. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2018:

Investment Type	Level 2	Total
Investments Measured at Fair Value:		
Federal Agency Securities	$2,994,510	$2,994,510
Investments Measured at Amortized Cost:		
Held by Trustee:		
Investment Agreement		1,039,778
Guaranteed Investment Contracts		1,189,001
Reassessment Bonds		9,335,607
Money Market Funds		60,710,585
Investments Not Subject to Fair Value Hierarchy:		
California Local Agency Investment Fund		56,968,398
CalTrust Short Term Fund		24,642,068
CalTrust Medium Term Fund		83,773
Total Investments		$156,963,720

Federal agency securities are classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. These prices are obtained from various pricing sources by our custodian bank. Fair value is defined as the quoted market value on the last trading day of the period.

J. Concentration of Credit Risk

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, investment pools and money market funds, in Fiduciary Funds at June 30, 2018 were as follows:

Fiduciary Funds	Issuer	Type of Investment	Amount
Agency Funds:			
2006 A&B Reassessment District	City of Richmond JPFA	Municipal Bonds	$7,685,607
JPFA Reassessment	City of Richmond JPFA	Municipal Bonds	1,650,000

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, 2018 were as follows:

Due From Other Funds	Due To Other Funds	Amount
Internal Service Fund	Community Development and Loan Programs Special Revenue Fund	$340,111
	Non Major Governmental Funds	6,588,191
	Richmond Housing Authority Enterprise Fund	3,657,170
	Port of Richmond Enterprise Fund	2,919,904
	Non Major Enterprise Funds	961,930
	Total	$14,467,306

B. *Long-Term Interfund Advances*

At June 30, 2018 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 Enterprise Fund	General Fund	$2,215,970
	Community Development and Loan Programs Special Revenue Fund	174,067
	Municipal Sewer Enterprise Fund	901,396
	Non Major Enterprise Funds	167,451
Port of Richmond Enterprise Fund	General Fund	13,917,312
Non Major Enterprise Funds	Internal Service Funds	2,360,403
	Total	$19,736,599

Under the terms of a May 2013 Memorandum of Understanding (MOU) between the Housing Authority and RHA Properties, RHA Properties had paid a financial sanction imposed by the Office of the Inspector General (OIG) of $2,257,799 to the Housing Authority from the sale proceeds of the Westridge at Hilltop Apartments. The Housing Authority used those proceeds to retire outstanding debt owed to the General Fund in fiscal year 2017. The Department of Housing and Urban Development (HUD) disputed the use of the sale proceeds for the repayment of the General Fund loan, as discussed in Note 16D. Although management disputed HUD's claim, in April 2018 the City and RHA entered into a settlement agreement with HUD under which the City agreed to return $2,096,527 to the Housing Authority, which reestablished the General Fund's loan to the Housing Authority. During fiscal year 2018, the prior short-term amount due to the General Fund of $119,443 to the Housing Authority for Hope VI was added and the balance of the advance was $2,215,970 as of June 30, 2018.

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

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.

In fiscal years 2007 through 2014, the General Fund and the Municipal Sewer and Storm Sewer Enterprise Funds 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. However, in lieu of monthly payments, repayment may be in a lump sum on August 1, 2021. During fiscal year 2013, $6,600,000 of the advance was assumed by RHA Properties and was classified as a loan receivable, as discussed in Note 5. No repayments were made during fiscal year 2018 and the remaining balance of the interfund advance as of June 30, 2018 is $1,068,847.

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 $150,000 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, 2018 is $13,917,312.

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 principal and interest payments in the amount of $52,460 are 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 outstanding principal balance is due April 30, 2039. The Storm Sewer Enterprise Fund did not make the required payments during fiscal years 2015, 2016, 2017 and 2018; therefore unpaid interest of $257,218 was added to the balance of the loan. The balance of the advance and accrued interest as of June 30, 2018 is $2,360,403.

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

C. *Transfers Between Funds*

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of the transfers is to move General Fund resources to provide an annual subsidy to the Cost Recovery Fund and other non-major governmental funds, as well fund debt service, pension costs and capital projects. Transfers between funds during the fiscal year ended June 30, 2018 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Non Major Governmental Funds	$5,948,337
	Non Major Enterprise Fund	86,778
Non Major Governmental Funds	General Fund	5,683,346
	Community Development and Loan Programs	255,762
	Non Major Governmental Funds	2,497,941
Internal Service Funds	General Fund	483,520
	Total Interfund Transfers	$14,955,684

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 $5,748,337 to fund current year pension contributions to CalPERS, which is included in transfers from Non-Major Governmental Funds.

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.

CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 5 – NOTES AND LOANS RECEIVABLE

At June 30, 2018, notes and loans receivable consisted of the following:

	Amount
CalTrans Loan	$508,571
RHA RAD Project Loan	703,471
Richmond Neighborhood Stabilization Loans	779,013
East Bay Center for the Performing Arts	150,000
Community Development Block Grant, Home Investment Partnership Program, EDA, CALHome Loans and City Loans	
Deferred Loans	4,004,695
Home Improvement Program Loans	908,980
Rental Rehabilitation Loans	388,600
Infill Phase II Loan	1,331,709
The Carquinez Project	148,490
Creely Avenue Housing Rehabilitation Loan (Arbors)	2,263,659
Lillie Mae Jones Project Loan	1,254,751
Nevin Court Homeowner Development Project	479,245
EDA Loans	421,824
CALHome Program	2,787,725
RHA RAD Project Loan	3,612,033
Subtotal - CDBG, HOME, EDA, CALHome Loans, City Loans	17,601,711
Housing Successor Loans:	
Rental Rehabilitation Loans	20,000
The Carquinez Project	1,152,510
Creely Avenue Housing Rehabilitation Loan (Arbors)	2,127,399
Lillie Mae Jones Project Loan	2,339,642
Miraflores Loan	2,786,392
MacDonald Place Senior Housing	4,650,715
Heritage Park Development	43,166
Silent Second Mortgage Loans	1,749,161
Deferred Loans	374,401
Chesley Avenue Mutual Housing Development	5,927,460
Easter Hill Project	4,743,488
RHA RAD Project Loan	1,105,455
Subtotal - Housing Successor Loans	27,019,789
Total Notes and Loans Receivable	$46,762,555

NOTE 5 – NOTES AND LOANS RECEIVABLE (Continued)

CalTrans Loan

The total of $508,571 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 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 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 Police Chief left the City in January 2016, and although he continues to make the scheduled loan payments under the terms of the agreement the loan was due in July 2017. The loan was amended and is now due on June 30, 2018. 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. The remaining long-term loan balance of $51,066 was repaid during fiscal year 2018.

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 was due on December 31, 2013. The loan was amended in December 2014 to extend the repayment date to June 30, 2015 and the loan was again amended in December 2015 to extend the repayment date to June 30, 2017. The loan balance of $2,198 was repaid during fiscal year 2018.

RHA RAD Project

In December 2014, the General Fund loaned $700,000 to the Richmond Housing Authority Enterprise Fund for predevelopment costs related to the Triangle Court and Friendship Manor Rental Assistance Demonstration (RAD) Projects.

In December 2015, the loan agreement was replaced and the City entered into an amended agreement to loan $5,400,000 to the RHA Housing Corporation for the furtherance of the development of the RAD Projects as discussed in Note 16J. Funding for the loan was revised in fiscal year 2018 and is as follows: $700,000 from the City's General Fund, $3,600,000 will come from housing-in-lieu funds and $1,100,000 from the Housing Successor funds. The housing-in-lieu funds and Housing Successor Funds are included in the Community Development and Loan Programs Fund. RHA Housing Corporation assigned the loan agreement and associated obligations to RHA RAD Housing Partners L.P. on December 22, 2015 upon closing of the financing for the rehabilitation of the RAD projects. See Note 16J for additional information related to the RAD projects. The loan is secured by a leasehold deed of trust, assignment of rents and security agreement. The loan bears simple interest of 1% and the loan is repayable from residual receipts, as defined in the loan agreement, starting May 1 of the year after issuance of the Certificate of Completion, and unpaid principal and accrued interest is due December 1, 2070. As noted above, $700,000 of the General Fund loan was disbursed in December 2014 and the balance at June 30, 2018, including accrued interest, was $703,471. As of June 30, 2018, $4,717,488 of the funds had been drawn down from the Housing Successor Community Development and Loan Programs Fund.

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. During fiscal year 2014, the City foreclosed on seven of the loans with a carrying value of $780,153 and reacquired the properties which have been recorded as property held for resale as discussed in Note 2I. As of June 30, 2018, the total balance of outstanding loans for NSP1 was $779,013 and no NSP3 loans had been issued. Loans are payable upon the resale of improved properties.

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 17, 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.

NOTE 5 – NOTES AND LOANS RECEIVABLE (Continued)

On February 18, 2014, the agreement was amended a second time to extend the maturity date of the loan to June 30, 2018 and to provide an annual grant from the City in the amount of $200,000 for the next five years beginning in June 2014. The loan was amended a third time to extend the maturity date of the loan to June 30, 2019. The annual grant will be used to reduce the balance of the loan each fiscal year.

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 was as follows: $602,556 in HOME funds, $266,000 in CDBG funds and $329,457 in CDBG-R. Although the developer has not drawn down all of the proceeds from the HOME funds portion of the loan, the Department of Housing and Urban Development (HUD) has indicated that future drawdowns will not be reimbursed by the grantor. Related to the grant disallowed costs discussed in Note 16D, the City purchased $1,331,709 of the loan balance that had previously been funded with Community Development Block Grant and HOME funds. The current funding was 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. The payment of principal and interest is deferred and due at the end of the term due September 30, 2065. As of June 30, 2018, $1,331,709 had been drawn down on the loan.

NOTE 5 – NOTES AND LOANS RECEIVABLE (Continued)

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 17, 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: $2,160,282 in HOME funds, $103,377 in CDBG funds and $1,594,057 in 2007 Series B bond funds. Although the developer has not drawn down all of the proceeds from the HOME funds portion of the loan, the Department of Housing and Urban Development (HUD) has indicated that future drawdowns will not be reimbursed by the grantor. 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 17, 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.

NOTE 5 – NOTES AND LOANS RECEIVABLE (Continued)

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. Although the developer has not drawn down all of the proceeds of the HOME funds portion of the loan, HUD has indicated that future drawdowns will not be reimbursed by the grantor. 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 17, 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, 2018, Lillie Mae Jones has drawn down $3,594,393.

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, in fiscal year 2016 an additional $21,453 was drawn, and the outstanding balance of the loan is $479,245, which includes accrued interest of $113,953. 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 17, 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 17, the CALHome loan program that was funded with grant funds is now administered by the City effective February 1, 2012.

Housing Successor Loans

With the dissolution of the Redevelopment Agency as discussed in Note 17, 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.

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. Although the developer has not drawn down all of the proceeds of the HOME funds portion of the loan, HUD has indicated that future drawdowns will not be reimbursed by the grantor. Related to the grant disallowed costs discussed in Note 16D, the City purchased $1,208,258 of the loan balance that had previously been funded by CDBG and HOME funds and the loans were transferred to the Housing Successor. Since the Housing Successor-funded loans are not offset by unavailable revenue, the transfer of those loans has been reported as a special item. With the dissolution of the Redevelopment Agency as discussed in Note 17, 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 was due September 22, 2015, unless it was converted to a permanent loan. The loan was converted into a permanent loan on June 25, 2015. In addition to the converted permanent loan, the Housing Successor approved an additional predevelopment loan in the amount of $1,500,000. As of June 30, 2018, $2,786,392, of the loan had been drawn down.

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.

NOTE 5 – NOTES AND LOANS RECEIVABLE (Continued)

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, which includes accrued interest of $1,185,968 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.

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.

NOTE 6 – CAPITAL ASSETS

A. *Policies*

Capital assets are valued at historical cost or at estimated acquisition 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 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

NOTE 6 – CAPITAL ASSETS (Continued)

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.

B. *Current Year Activity*

The following is a summary of capital assets for governmental activities:

	Balance at June 30, 2017	Additions	Retirements	Transfers	Balance at June 30, 2018
Governmental activities					
Capital assets not being depreciated:					
Land	$29,403,573			$21,094	$29,424,667
Construction in progress	68,938,598	$12,761,765	($322,371)	(64,343,794)	17,034,198
Total capital assets not being depreciated	98,342,171	12,761,765	(322,371)	(64,322,700)	46,458,865
Capital assets being depreciated:					
Buildings and improvements	154,354,725			1,392,684	155,747,409
Machinery and equipment	45,927,136	1,625,535	(778,481)		46,774,190
Land improvements and infrastructure	470,427,347			62,930,016	533,357,363
Total capital assets being depreciated	670,709,208	1,625,535	(778,481)	64,322,700	735,878,962
Less accumulated depreciation for:					
Buildings and improvements	(37,105,802)	(3,484,757)			(40,590,559)
Machinery and equipment	(36,359,607)	(2,382,759)	773,109		(37,969,257)
Land improvements and infrastructure	(383,294,618)	(11,853,189)			(395,147,807)
Total accumulated depreciation	(456,760,027)	(17,720,705)	773,109		(473,707,623)
Capital asset being depreciated, net	213,949,181	(16,095,170)	(5,372)	64,322,700	262,171,339
Governmental activity capital assets, net	$312,291,352	($3,333,405)	($327,743)		$308,630,204

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, 2018 were as follows:

Governmental Activities	
General Government	$3,618,724
Public Safety	1,303,058
Public Services	11,217,479
Cultural and Recreational	424,728
Internal Service Funds	1,156,716
Total Governmental Activities	$17,720,705

NOTE 6 – CAPITAL ASSETS (Continued)

The following is a summary of capital assets for business-type activities:

	Balance at June 30, 2017	Additions	Transfers	Balance at June 30, 2018
Business-type activities				
Capital assets not being depreciated:				
Land	$7,195,986			$7,195,986
Construction in progress	32,139,210	$16,415,211	($20,152,901)	28,401,520
Total capital assets not being depreciated	39,335,196	16,415,211	(20,152,901)	35,597,506
Capital assets being depreciated:				
Buildings and improvements	79,313,834			79,313,834
Machinery and equipment	17,528,809			17,528,809
Infrastructure	204,183,151		20,152,901	224,336,052
Total capital assets being depreciated	301,025,794		20,152,901	321,178,695
Less accumulated depreciation for:				
Buildings and improvements	(49,997,408)	(2,412,731)		(52,410,139)
Machinery and equipment	(13,224,362)	(773,342)		(13,997,704)
Infrastructure	(100,885,248)	(4,664,948)		(105,550,196)
Total accumulated depreciation	(164,107,018)	(7,851,021)		(171,958,039)
Capital asset being depreciated, net	136,918,776	(7,851,021)	20,152,901	149,220,656
Business-type activity capital assets, net	$176,253,972	$8,564,190		$184,818,162

Included in buildings and improvements is the Richmond Housing Authority's Hacienda Development with a net book value of $8,038,038 at June 30, 2018 that was deemed uninhabitable in fiscal year 2013. The Hacienda property is still uninhabitable. However, the Housing Authority is working to find sources to fund the rehabilitation of the property, including funding from the U.S. Department of Housing and Urban Development. The City and Housing Authority staff believe the impairment of the capital asset to be temporary and no provision for impairment has been recorded in the financial statements.

Business-type activities depreciation expenses for capital assets allocated to each program for the year ended June 30, 2018 were as follows:

Business-Type Activities	
Richmond Housing Authority	$1,637,570
Port of Richmond	3,775,336
Municipal Sewer	2,301,596
Richmond Marina	85,563
Storm Sewer	45,088
Cable TV	5,868
Total Business-Type Activities	$7,851,021

NOTE 7 – 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, 2018:

	Balance July 01, 2017	Additions (A)	Retirements (B)	Balance June 30, 2018	Due Within One Year	Due in More than One Year
Bonds payable	$266,333,299	$5,560,256	($10,206,346)	$261,687,209	$11,175,000	$250,512,209
Loans payable	1,993,820		(149,045)	1,844,775	557,498	1,287,277
Capital leases	6,872,843	2,687,645	(909,648)	8,650,840	1,010,501	7,640,339
Total	$275,199,962	$8,247,901	($11,265,039)	$272,182,824	$12,742,999	$259,439,825

(A) Additions include bonds payable bond accretion for capital appreciation bonds totaling $5,560,256, and a new capital lease in the amount of $2,687,645.
(B) Retirements of bonds payable include principal retirements in the amount of $10,143,000 and amortization of bond premiums in the amount of $63,346.

Bonds Payable

Bonds payable at June 30, 2018 consisted of the following:

	Net
Pension Obligation Bonds - 1999 Series A	$6,490,000
Pension Funding Bond Series 2005	143,955,289
JPFA Lease Revenue Refunding Bonds - 2009	81,585,000
JPFA Lease Revenue Bonds - 2016	29,656,920
Total	$261,687,209

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

1999 Series A 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 City's pension plans 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. 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. Principal and interest paid for the current fiscal year and total pension tax override revenues were $2,070,543 and $9,075,692, respectively.

The annual debt service requirements on the bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019	$1,375,000	$440,967	$1,815,967
2020	885,000	355,426	1,240,426
2021	795,000	291,838	1,086,838
2022	710,000	234,696	944,696
2023	620,000	184,023	804,023
2024-2028	1,885,000	381,954	2,266,954
2029-2030	220,000	14,099	234,099
Total	$6,490,000	$1,903,003	$8,393,003

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 10). 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	1 month LIBOR + 1.4%	$53,745,000
2005B-2	6.5650%	-0.1000%	6.4650%	8/1/34	41,403,173	8/1/23	1 month LIBOR + 1.4%	127,968,000
					$114,995,133			$181,713,000

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

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 were fully repaid during fiscal year 2015.

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 1 month LIBOR index plus 1.4%. This rate fluctuates according to the market conditions and 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 and is limited to a maximum 17 percent per year and a minimum of 80 percent of the LIBOR index rate. The Series 2005B-1 Bonds did not convert to auction rate bonds, and were instead converted to index rate bonds, as discussed above.

Swap Agreements - The City entered into two interest rate swap agreements related to the 2005B-1 and 2005B-2 Bonds. The interest rate swap related to the 2005B-1 Bonds became effective August 1, 2013 while the 2005B-2 Bonds does not become effective until August 1, 2023, 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. The synthetic fixed rate for the 2005B-1 Bonds was 6.850% at June 30, 2018. Because neither the variable rate nor the swap rates are effective for the 2005B-2 Bonds as of June 30, 2018 the initial bond interest rates discussed above are used for disclosure purposes.

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

At June 30, 2018, the Bonds consisted of the following:

	Maturity Value	Accretion/ Amortization	Unamortized Premium (Discount)	Net
Capital appreciation bonds	$181,713,000	$5,560,256	($43,317,967)	$143,955,289

The annual debt service requirements are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019	$7,720,000	$7,635,603	$15,355,603
2020	8,366,000	7,066,210	15,432,210
2021	9,458,000	6,424,561	15,882,561
2022	10,302,000	5,723,682	16,025,682
2023	11,593,000	4,936,920	16,529,920
2024-2028	36,201,000	19,858,343	56,059,343
2029-2033	62,177,000	11,318,237	73,495,237
2034-2035	35,896,000	705,796	36,601,796
Total	$181,713,000	$63,669,352	$245,382,352

CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

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.

The Series 2009 Bonds in the principal amount of $81,585,000 have been recorded as governmental activities debt, and the business-type activities portion was fully repaid in fiscal year 2016.

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 required the Authority to make and receive payments based on variable interest rates. The Authority made payments based on a variable interest rate equal to 100% of SIFMA plus a fixed percentage of 0.56% and the Authority received variable rate interest payments equal to 68% of 1-month LIBOR from the swap counterparty. Floating rate payments were due semi-annually on August 1 and February 1 commencing on February 1, 2010.

On February 1, 2016, the interest rate swap agreement related to the 2009 Lease Revenue Refunding Bonds was terminated with the issuance of the Series 2016 Lease Revenue Bonds discussed below.

The annual debt service requirements on the Series 2009 Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019	$2,080,000	$4,627,238	$6,707,238
2020	2,190,000	4,523,088	6,713,088
2021	2,315,000	4,410,463	6,725,463
2022	2,445,000	4,291,463	6,736,463
2023	2,580,000	4,156,163	6,736,163
2024-2028	15,550,000	18,283,876	33,833,876
2029-2033	22,550,000	12,904,672	35,454,672
2034-2038	31,875,000	4,915,172	36,790,172
Total	$81,585,000	$58,112,135	$139,697,135

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

Richmond Joint Powers Financing Authority Lease Revenue Bonds, Series 2016 – Original Issue - $28,390,000

On February 1, 2016, the Authority issued Series 2016 Lease Revenue Bonds in the amount of $28,390,000. The proceeds from the Bonds were used to pay the obligations of the City related to the termination of the interest rate swap agreement and the option on swap agreement (swaption) related to the Authority's Series 2009 Lease Revenue Refunding Bonds and to pay the costs associated with the issuance of the Series 2016 Bonds. On February 3, 2016 the interest rate swap agreement and the swaption related to the Series 2009 Bonds were terminated with a swap termination payment of $28,554,000.

The Bonds bear interest rates of 4.00% to 5.50%. Principal payments are due annually on November 1 through 2037 and semi-annual interest payments are due May 1 and November 1 commencing on May 1, 2016.

At June 30, 2018, the 2016 Bonds consisted of the following:

Bonds outstanding	$28,390,000
Unamortized premium	1,266,920
Total	$29,656,920

The annual debt service requirements are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019		$1,343,375	$1,343,375
2020	$235,000	1,337,206	1,572,206
2021	1,015,000	1,304,394	2,319,394
2022	1,080,000	1,248,050	2,328,050
2023	1,165,000	1,186,313	2,351,313
2024-2028	7,170,000	4,830,877	12,000,877
2029-2033	8,775,000	2,733,513	11,508,513
2034-2038	8,950,000	888,597	9,838,597
Total	$28,390,000	$14,872,325	$43,262,325

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

Interest Rate Swap and Swaption Agreements

The City entered into an interest swap agreement in connection with the 2005B-1 Taxable Pension Funding 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 agreement pertaining to the 2005B-2 Taxable Pension Funding Bonds, the disclosure is included below, but the swap agreement does not become effective until August 1, 2023.

On May 13, 2015, Moody's Investor Services ("Moody's") downgraded the City's issuer rating from "A1" to "Baa1" and the rating on its 1999 Taxable Limited Obligation Pension Bonds from "A2" to "Baa2". In addition, the City and its Wastewater Enterprise bonds were placed under review for possible downgrades. On August 4, 2015, Moody's further downgraded the City's issuer rating from "Baa1" to "Ba1" and its rating on the City's Taxable Pension Obligation Bonds and 1999 Taxable Limited Obligation Pension Bonds ("POB's) from "Baa2". In addition, Moody's downgraded its rating on the City's Wastewater Revenue Bonds, Series 2006A to "Baa2" from "A2". On September 1, 2015, Standard and Poor's Rating Services ("S&P") lowered the City's Issuer Credit Rating from "AA-" to "BBB+" placing the City on CreditWatch. Other credit ratings downgrades included S&P's assigned underlying rating (SPUR) for the Wastewater Enterprise Fund that was lowered from "A+" to "BBB".

Moody's downgrade of the City's issuer rating to "Ba1" resulted in allowing the counterparty, JPMorgan Chase Bank, NA ("JPM") to declare an Additional Termination Event (ATE) with the interest rate swaps the City entered in conjunction with the 2005 Taxable POBs (2007 Swaps). This means that JPM could exercise a right to terminate the 2007 Swaps and demand immediate payment of an approximately $31.5 million settlement amount that represented the present value of the City's expected future performance obligations under the 2007 Swaps at the time of the ATE. The City entered into a restructuring of certain of its obligations through the issuance by the Richmond Joint Powers Financing Authority of Lease Revenue Bonds Series 2016A (tax-exempt) to fund the cost of terminating the Civic Center Swaps relating to the Richmond Joint Powers Financing Authority Series 2009 Civic Center Lease Revenue Bonds held by Royal Bank of Canada (RBC). RBC simultaneously entered into a novation of the 2007 Swaps with JPM. By terminating the Civic Center Swaps, the City reduced RBC's credit exposure to the City sufficiently to allow RBC to accept the additional credit exposure associated with stepping into JPM's position in the 2007 swaps through novation. Contemporaneous with the novation from JPM to RBC, RBC and the City amended and restated the 2007 Swaps, including eliminating the existence of the ATE by removing reference to a Moody's rating in the ATE provisions, reducing the Standard & Poor's rating threshold for a future ATE to BBB- from BBB and providing a mandatory early termination of the 2007 Swaps in 2023. The early termination will require the City to either refund or restructure the 2007 Swap at that date if a termination payment is due at the time. In addition, terminating the Civic Center Swaps eliminated the risk of an ATE with respect to the Civic Center Swaps, which require the City to maintain its Issuer Credit Rating at the current level of BBB+ to avoid an ATE.

The City's issuer credit rating from S&P was BBB+ as of June 30, 2017. On December 4, 2017, the City received an updated issuer credit rating from S&P upgrading the previous BBB+ issuer credit rating to an A- issuer credit rating.

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

Terms. The terms, including the counterparty credit ratings of the outstanding swaps, as of June 30, 2018, are included below. The swap agreements contain scheduled reductions to the outstanding notional amount on an annual basis.

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.

Pay-Fixed, Receive-Variable

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, 2018	Termination Date
2005B-1 Taxable Pension Funding Bonds							
$53,753,789	8/1/2013	Royal Bank of Canada	AA-/Aa2/AA	5.580%	100% of USD- 1 Month LIBOR	($4,128,800)	8/1/2023
2005B-2 Taxable Pension Funding Bonds							
$127,990,254	8/1/2023	Royal Bank of Canada	AA-/Aa2/AA	5.665%	100% of USD-1 Month LIBOR	($18,811,000)	8/1/2034

Fair value. Fair value of the swaps 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 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. The swaps are classified in Level 2 of the fair value hierarchy, using a market approach that considers observable swap rates commonly quoted for the full term of the swaps.

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

As of June 30, 2018, 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 ineffective hedges as noted below:

	Changes in Fair Value		Fair value at June 30, 2018	
	Classification	Amount	Classification	Amount
Governmental Activities				
Pay-Fixed, Receive-Variable				
2005B-1 Taxable Pension Funding Bonds	Investment revenue	$3,414,700	Investment	($4,128,800)
2005B-2 Taxable Pension Funding Bonds	Investment revenue	2,585,200	Investment	(18,811,000)
Totals		$5,999,900		($22,939,800)

Credit risk. The fair values of the swaps represent the City's credit exposure to the counterparties. As of June 30, 2018, 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.

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 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

Swap payments and associated debt. Using rates as of June 30, 2018, debt service requirements of the City's outstanding fixed rate 2005 Taxable Pension Funding Bonds and net swap payments, assuming current interest rates remain the same for their term, are as follows. The 2005B-2 Bond is not included in the table, because the swap is not effective until August 1, 2023. As rates vary, net swap payments will vary.

2005 Taxable Pension Funding Bonds

For the Years Ending June 30,	Variable-Rate Bonds Principal	Interest	Interest Rate Swap, Net (A)	Total
2019	$7,720,000	$6,057,087	$1,578,516	$15,355,603
2020	8,366,000	5,768,787	1,297,423	15,432,210
2021	9,458,000	5,443,902	980,659	15,882,561
2022	10,302,000	5,089,027	634,655	16,025,682
2023	11,593,000	4,690,667	246,253	16,529,920
2024-2028	36,201,000	19,840,211	18,132	56,059,343
2029-2033	62,177,000	11,318,237		73,495,237
2034-2035	35,896,000	705,796		36,601,796
Total	$181,713,000	$58,913,714	$4,755,638	$245,382,352

(A) Includes only the 2005 B-1, because the 2005 B-2 is not effective until August 1, 2023.

Loans Payable

Loans payable at June 30, 2018 consisted of the following:

City Loans Payable

CalTrans Home Loans	$428,886
California Energy Commission Loan #1	404,693
California Energy Commission Loan #2	1,011,196
	$1,844,775

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

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.

California Energy Commission Phase 1 – 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 in December and June through December 2025.

The annual debt service requirements on the loan are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019	$48,888	$11,778	$60,666
2020	50,338	10,328	60,666
2021	51,886	8,779	60,665
2022	53,455	7,211	60,666
2023	55,071	5,595	60,666
2024-2026	145,055	6,605	151,660
Total	$404,693	$50,296	$454,989

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

California Energy Commission Phase 2 – Original Amount $1,239,036

During fiscal year 2015, the City entered into a loan agreement with the California Energy Commission in the amount of $1,239,036. The purpose of the loan is to provide funding for the replacement of street lighting with new LED lights. The loan bears interest at 1% and is due in semi-annual payments in December and June through June 2030.

The annual debt service requirements on the loan are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019	$79,724	$9,914	$89,638
2020	80,499	9,139	89,638
2021	81,331	8,308	89,639
2022	82,146	7,492	89,638
2023	82,969	6,669	89,638
2024-2028	427,470	20,721	448,191
2029-2030	177,057	2,220	179,277
Total	$1,011,196	$64,463	$1,075,659

Capital Leases

Capital leases payable at June 30, 2018 consisted of the following:

Qualified Energy Conservation Lease	$622,149
JPFA Recovery Zone Economic Development Lease	744,414
Holman Capital Corporation Lease #3	71,139
Holman Capital Corporation Lease #4	1,058,325
Street Light Capital Lease	3,467,168
Holman Capital Corporation Lease #5	2,687,645
Total	$8,650,840

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 2018 was $25,550. 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 June 15, 2026.

NOTE 7 – 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
2019	$70,591	$41,054	$111,645
2020	72,531	36,228	108,759
2021	74,525	31,269	105,794
2022	76,573	26,175	102,748
2023	78,678	20,940	99,618
2024-2026	249,251	29,952	279,203
Total	$622,149	$185,618	$807,767

Richmond Joint Powers Financing Authority Recovery Zone Economic Development Lease – Original Amount $1,316,000

On December 1, 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 2018 was $22,087. 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
2019	$88,203	$46,966	$135,169
2020	91,385	41,182	132,567
2021	94,681	35,189	129,870
2022	98,096	28,979	127,075
2023	101,634	22,546	124,180
2024-2026	270,415	26,677	297,092
Total	$744,414	$201,539	$945,953

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

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 final lease payment was made during fiscal year 2018.

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 requirements on the capital lease are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019	$71,139	$1,602	$72,741

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 requirements on the capital lease are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019	$204,217	$31,943	$236,160
2020	210,743	25,419	236,162
2021	217,476	18,684	236,160
2022	224,424	11,736	236,160
2023	201,465	4,564	206,029
Total	$1,058,325	$92,346	$1,150,671

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

Street Light Capital Lease - Original Amount $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 streetlights 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 30, 2026.

The annual debt service requirements on the capital lease are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019	$352,159	$86,211	$438,370
2020	370,787	77,114	447,901
2021	390,184	67,538	457,722
2022	410,373	57,461	467,834
2023	431,386	46,865	478,251
2024-2027	1,512,279	72,553	1,584,832
Total	$3,467,168	$407,742	$3,874,910

Holman Capital Corporation Lease #5 – Fire Apparatus Equipment Lease - Original Amount $2,687,645

On May 17, 2018 the City entered into a lease agreement with Holman Capital Corporation in the amount of $2,687,645 to finance the purchase of one Spartan Ladder Truck and two Spartan Pumper Trucks. The lease bears an interest rate of 3.91%. Principal and interest payments on the lease are due quarterly on each August 17, November 17, February 17, and May 17 commencing on August 17, 2018 through May 17, 2028.

The annual debt service requirements on the capital lease are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019	$224,192	$101,827	$326,019
2020	233,088	92,931	326,019
2021	242,336	83,683	326,019
2022	251,951	74,068	326,019
2023	261,946	64,070	326,016
2024-2028	1,474,132	155,959	1,630,091
Total	$2,687,645	$572,538	$3,260,183

NOTE 7 – 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, 2018:

	Balance July 01, 2017	Additions (A)	Retirements (B)	Balance June 30, 2018	Due Within One Year	Due in More than One Year
Bonds payable	$118,902,238	$39,435,634	($13,051,393)	$145,286,479	$5,705,000	$139,581,479
Notes and Loans payable	3,401,553		(85,245)	3,316,308	89,081	3,227,227
Total	$122,303,791	$39,435,634	($13,136,638)	$148,602,787	$5,794,081	$142,808,706

(A) Additions include the issuance of new bonds in the amount of $33,530,000 and a bond premium in the amount of $5,905,634.
(B) Retirements of bonds payable include principal retirements in the amount of $12,585,000 and amortization of bond premiums and discounts in the amount of $466,393.

Bonds payable at June 30, 2018 consisted of the following:

Wastewater Refunding Revenue Bonds 2008A	$32,730,327
2009A Point Potrero Lease Revenue Bonds	26,711,948
2009B Point Potrero Lease Revenue Bonds	6,875,759
Wastewater Revenue Bonds Series 2010B	39,713,273
Wastewater Revenue Bonds Series 2017A	39,255,172
Total	$145,286,479

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. Principal and interest payments were due semi-annually on February 1 and August 1 of each year through August 2022 for the Series 2006A bonds. During the fiscal year ended June 30, 2018, the City issued $33,530,000 of Wastewater Revenue Bonds, Series 2017A (described below) to refund the 2006A Bonds.

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

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 Barclays Bank PLC letter of credit was renewed in July 2017 and is valid through July 10, 2020. 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 3.265% at June 30, 2018.

At June 30, 2018, the Bonds consisted of the following:

Bonds outstanding	$32,875,000
Unamortized discount	(144,673)
Net	$32,730,327

The annual debt service requirements on the Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019	$20,000	$1,427,913	$1,447,913
2020	20,000	1,427,509	1,447,509
2021	20,000	1,427,800	1,447,800
2022	20,000	1,426,654	1,446,654
2023	25,000	1,426,232	1,451,232
2024-2028	8,870,000	6,069,850	14,939,850
2029-2033	10,770,000	3,911,845	14,681,845
2034-2038	13,090,000	1,288,466	14,378,466
2039	40,000	306	40,306
Total	$32,875,000	$18,406,575	$51,281,575

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

Interest Rate Swap Agreement

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 2009 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 2008A Bonds, protecting it against increases in short-term interest rates. The terms, fair value and credit risk of the swap agreement are disclosed below.

Terms. The terms, including the counterparty credit rating of the outstanding 2006B Bonds swap, as of June 30, 2018, 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, 2018	Termination Date
$32,260,000	11/23/2009	Royal Bank of Canada	AA-/Aa2/AA	3.897%	63.42% of USD-1 Month LIBOR plus 22 basis points	($6,744,600)	8/1/2037

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 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. The swap is classified as Level 2 of the fair value hierarchy, using a market approach that considers observable swap rates commonly quoted for the full term of the swap.

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

As of June 30, 2018, the fair value for the outstanding swap was in favor of the respective 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 City has accounted for the change in fair value of the ineffective hedge as noted below:

	Changes in Fair Value		Fair value at June 30, 2018	
	Classification	Amount	Classification	Amount
Business-Type Activities				
Pay-Fixed, Receive-Variable				
2006B Wastewater Bonds	Investment revenue	$2,036,200	Investment	($6,744,600)

Credit risk. As of June 30, 2018, the City 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 was 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.

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 2006B Wastewater Bonds, associated with the 2008A Wastewater Revenue Bonds, exposes the City to rollover risk because the swap terminates on August 1, 2037 while the 2008A Wastewater Revenue Bonds mature on August 1, 2038.

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

Swap payments and associated debt. Using rates as of June 30, 2018, 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
2019	$20,000	$664,893	$763,020	$1,447,913
2020	20,000	664,489	763,020	1,447,509
2021	20,000	664,780	763,020	1,447,800
2022	20,000	663,634	763,020	1,446,654
2023	25,000	663,212	763,020	1,451,232
2024-2028	8,870,000	2,858,945	3,210,905	14,939,850
2029-2033	10,770,000	1,864,037	2,047,808	14,681,845
2034-2038	13,090,000	654,351	634,115	14,378,466
2039	40,000	306		40,306
Total	$32,875,000	$8,698,647	$9,707,928	$51,281,575

Richmond Joint Powers Financing Authority Point Potrero Lease Revenue Bonds, Series 2009A and 2009B – Original Issue Series 2009A ($26,830,000), Series 2009B ($20,820,000)

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 July 1, 2024 for the Series 2009A and through July 1, 2019 for the Series 2009B Bonds.

At June 30, 2018 the Series 2009A Bonds consisted of:

Bonds outstanding	$26,830,000
Unamortized discount	(118,052)
Net	$26,711,948

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirements on the 2009A Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019		$1,676,875	$1,676,875
2020		1,676,875	1,676,875
2021	$3,905,000	1,554,844	5,459,844
2022	4,150,000	1,303,125	5,453,125
2023	4,405,000	1,035,781	5,440,781
2024-2025	14,370,000	1,054,375	15,424,375
Total	$26,830,000	$8,301,875	$35,131,875

At June 30, 2018 the Series 2009B Bonds consisted of:

Bonds outstanding	$6,920,000
Unamortized discount	(44,241)
Net	$6,875,759

The annual debt service requirements on the 2009B Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019	$3,320,000	$441,419	$3,761,419
2020	3,600,000	151,031	3,751,031
Total	$6,920,000	$592,450	$7,512,450

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

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

On October 7, 2010 the City issued Series 2010B Wastewater Revenue Bonds Taxable Build America Bonds in the amount of $41,125,000. The proceeds of these Bonds were used to finance improvements to the City's wastewater collection, treatment and disposal system. The taxable 2010B Bonds were sold as "Build America Bonds" pursuant to the American Recovery and Reinvestment Act of 2009. The interest on Build America Bonds is not tax-exempt and therefore the bonds carry a higher interest rate. However, this higher interest rate will be offset by a subsidy payable by the United States Treasury equal to 35% of the interest payable on the Bonds. The 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 2018 was $797,193. 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% and payments are due semiannually on August 1 and February 1 beginning February 1, 2011. The Bonds mature on August 1, 2040.

At June 30, 2018 the Series 2010B Bonds consisted of:

Bonds outstanding	$40,010,000
Unamortized discount	(296,727)
Net	$39,713,273

The annual debt service requirements on the 2010B Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019	$1,145,000	$2,397,359	$3,542,359
2020	1,175,000	2,347,247	3,522,247
2021	1,210,000	2,293,638	3,503,638
2022	1,245,000	2,232,267	3,477,267
2023	1,285,000	2,164,033	3,449,033
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	$40,010,000	$33,343,579	$73,353,579

CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

Richmond Wastewater Revenue Bonds, Series 2017A– Original Issue $33,530,000

On July 19, 2017 the City issued Series 2017A Wastewater Revenue Bonds in the amount of $33,530,000. The proceeds from the Bonds were used to finance improvements to the City's wastewater collection, treatment and disposal system and to refund all of the City's outstanding Wastewater Revenue Refunding Bonds, Series 2006A. Principal payments are due annually on August 1. Interest rates on the Bonds range from 2% to 5.25% and payments are due semiannually on August 1 and February 1 beginning February 1, 2018. The refunding resulted in an overall debt service savings of $565,625. The net present value of the debt service savings is called an economic gain and amounted to $522,953. The bonds mature on August 1, 2047.

At June 30, 2018 the Series 2017A Bonds consisted of:

Bonds outstanding	$33,530,000
Unamortized premium	5,725,172
Net	$39,255,172

The annual debt service requirements on the 2017A Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019	$1,220,000	$1,650,950	$2,870,950
2020	1,255,000	1,613,650	2,868,650
2021	1,305,000	1,562,450	2,867,450
2022	1,365,000	1,502,225	2,867,225
2023	1,430,000	1,432,350	2,862,350
2024-2028		6,983,000	6,983,000
2029-2033		6,983,000	6,983,000
2034-2038		6,983,000	6,983,000
2039-2043	7,415,000	6,511,875	13,926,875
2044-2048	19,540,000	2,671,987	22,211,987
Total	$33,530,000	$37,894,487	$71,424,487

Pledge of Wastewater Revenues

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay the 2008A, 2010B, and 2017A Bonds through 2048. The Municipal Sewer Enterprise Fund's total principal and interest remaining to be paid on the bonds is $196,059,641. The Municipal Sewer Enterprise Fund's principal and interest paid for the current year and total customer net revenues were $7,999,008 and $11,867,127, respectively.

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

Notes and Loans Payable

Notes and loans payable at June 30, 2018, consisted of the following:

California Department of Boating and Waterways	$2,616,308
RHA RAD Housing Partners L.P. Promissory Note	700,000
Total	$3,316,308

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, 2018 was $2,616,308.

The annual debt service requirements on these loans are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019	$89,081	$117,734	$206,815
2020	93,090	113,725	206,815
2021	97,279	109,536	206,815
2022	101,656	105,159	206,815
2023	106,231	100,584	206,815
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	238,766	17,545	256,311
Total	$2,616,308	$1,395,264	$4,011,572

RHA RAD Housing Partners, LP Promissory Note

On December 17, 2014, the Housing Authority's Component Unit, RHA Housing Corporation, entered into an agreement with the City and promised to pay a principal amount of $700,000, plus accrued interest. The proceeds of the Note were then loaned from RHA Housing Corporation to the Housing Authority to finance acquisitions and development of the properties undergoing rehabilitation work in conjunction with a RAD conversion (Friendship Manor/Triangle Court). On December 22, 2015, the official closing of the RAD conversion took place, at which time the Note was assigned to a newly created entity, RHA RAD Housing Partners, L.P. The Note payable to the City was assigned from RHA Corporation to RHA RAD Housing Partners, L.P. along with a note receivable from the Housing Authority. The principle balance shall bear 1% simple interest. The term of the Note shall expire fifty-five years after. The balance of the promissory note at June 30, 2018 was $700,000.

CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 7 – LONG-TERM DEBT OBLIGATIONS (Continued)

In fiscal year 2015, the City had advanced the $700,000 to the Richmond Housing Authority Enterprise Fund, however, in fiscal year 2016 that loan was assigned to RHA RAD Housing Partners L.P. as discussed in Note 5. Therefore, the Richmond Housing Authority Enterprise Fund now owes this amount to RHA RAD Housing Partners L.P. and the interfund advance was converted to long-term debt in fiscal year 2016.

C. 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, 2018, the balances of these Districts' outstanding debt were as follows:

Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2011A	$1,530,000
Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2016 (Country Club Vista)	7,435,000

D. 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, 2018, the balance of this issuers' outstanding debt was as follows:

Richmond Community Foundation, Richmond Housing Rehabilitation Program, Social Impact Bonds, Taxable Series 2015A	$3,000,000

NOTE 8 – UNAVAILABLE REVENUE AND UNEARNED REVENUE

At June 30, 2018, 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	Accounts and Grants Receivable	Total
General Fund	$432,357	$125,753	$558,110
Community Development and Loan Programs Special Revenue Fund	20,527,971	333,941	20,861,912
Non-Major Governmental Funds	779,013	2,843,491	3,622,504
Total	$21,739,341	$3,303,185	$25,042,526

At June 30, 2018, 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 & Other	Total
General Fund		$3,471,391	$602,466	$4,073,857
Non-Major Governmental Funds		2,895,537	715,620	3,611,157
Richmond Housing Authority Enterprise Fund			70,191	70,191
Port of Richmond Enterprise Fund			533,558	533,558
Municipal Sewer Enterprise Fund			36,280	36,280
Internal Service Funds	$783,820			783,820
Total	$783,820	$6,366,928	$1,958,115	$9,108,863

NOTE 9 – FUND BALANCES AND NET POSITION

A. 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.

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."

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.

NOTE 9 – FUND BALANCES AND NET POSITION (Continued)

B. 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.

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.

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, during the budget approval process or via budget amendments in accordance with the City's adopted budget policy. 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.

NOTE 9 – FUND BALANCES AND NET POSITION (Continued)

Detailed classifications of the City's fund balances, as of June 30, 2018, are below:

Fund Balance Classifications	General Fund	Community Development and Loan Programs Special Revenue Fund	Other Governmental Funds	Total
Nonspendable:				
Items not in spendable form:				
Prepaids, supplies and other assets	$622,329			$622,329
Loans receivable	1,212,042			1,212,042
Advance to other funds	16,133,282			16,133,282
Total Nonspendable Fund Balances	17,967,653			17,967,653
Restricted for:				
Street Improvement Projects			$2,367,517	2,367,517
Employment and Training Programs			2,019,263	2,019,263
Public Safety Grant Programs (Police and Fire)			324,961	324,961
Lighting and Landscaping			1,222,852	1,222,852
Housing and Community Development		$25,064,193	175,583	25,239,776
Debt Service			9,844,431	9,844,431
Community Development Projects			19,477,072	19,477,072
Other Capital Projects			3,629,481	3,629,481
Total Restricted Fund Balances		25,064,193	39,061,160	64,125,353
Assigned to:				
Other Capital Projects			43,906	43,906
Other Contracts	72,506			72,506
Total Assigned Fund Balances	72,506		43,906	116,412
Unassigned:				
General Fund	17,590,764			17,590,764
Other Governmental Fund Deficit Residuals			(8,939,781)	(8,939,781)
Total Unassigned Fund Balances	17,590,764		(8,939,781)	8,650,983
Total Fund Balances (Deficits)	$35,630,923	$25,064,193	$30,165,285	$90,860,401

C. Contingency Reserve Policy

In fiscal year 2016, the City Council updated the fund balance policy to require the City to maintain a year-end contingency reserve balance of a minimum of 15% of the next year's budgeted General Fund expenditures. 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. The Council shall have the discretion to use the reserve for one time emergencies only and not to be used for ongoing expenses. 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 City's cash reserve as of June 30, 2018, which is a component of unassigned fund balance of the General Fund, is $17,498,226, which is approximately 11% of fiscal year 2018-19 budgeted General Fund expenditures. As the City experiences net revenue gains in future years, the cash balance must continue to be maintained at or above 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.

D. Deficit Fund Balances and Accumulated Deficits

At June 30, 2018, the following funds had deficit fund balance or deficit net position, which will be eliminated by future revenues:

	Amount
Non Major Governmental Funds:	
Paratransit Operations Special Revenue Fund	$2,908,749
Rent Control Special Revenue Fund	87,679
Cost Recovery Special Revenue Fund	3,090,390
General Debt Service Fund	87
Civic Center Debt Service Fund	2,852,876
Non Major Enterprise Funds:	
Storm Sewer	2,616,147
Cable TV	3,413,725
Internal Service Fund:	
Insurance Reserves	6,462,314
Private-Purpose Trust Fund:	
Successor Agency to the Richmond Community Redevelopment Agency	49,351,828

NOTE 9 – FUND BALANCES AND NET POSITION (Continued)

E. *Net Position Restatements*

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), which became effective during the year ended June 30, 2018. In June 2015, GASB issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

The implementation of the Statement required the City to make prior period adjustments. As a result, the beginning net position of the Governmental Activities, Business-Type Activities, Enterprise Funds and the Insurance Reserve Internal Service Fund were restated and reduced by the amounts in the table below. See Note 12.

	Restatement
Governmental activities	$117,406,476
Business-type activities	9,161,411
Enterprise Funds:	
Richmond Housing Authority Fund	4,589,812
Port Fund	1,038,172
Municipal Sewer Fund	1,821,354
Storm Sewer Fund	91,068
Cable TV Fund	1,621,005
Insurance Reserves Internal Service Fund	2,003,489

NOTE 10 – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM PENSION PLANS

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. *General Information about the CalPERS Pension Plan*

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

NOTE 10 – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM PENSION PLANS (Continued)

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The City's employees hired on or before December 31, 2012 participate in the Miscellaneous Plan under the 2.7% @ 55 Benefit Formula or the Safety Plan under the 3.0% @ 50 (Police) or 3.0% @ 55 (Fire) Benefit Formula. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012. The City's employees hired on or after January 1, 2013 participate under the Miscellaneous Plan 2.0% @ 62 Benefit Formula or the 2.7% @ 57 (Police and Fire) Benefit Formula.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 55
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.75%
Required employer contribution rates	12.242%	12.242%
Required UAL Contribution	$6,121,476	

	Safety - Police	Safety - Fire	Safety - Police and Fire
Hire date	Prior to January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3.00%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9.00%*	9.00%*	11.25%
Required employer contribution rates	19.813%	19.813%	19.813%
Required UAL Contribution		$7,884,396	

* Effective July 1, 2015, Safety (Police and Fire) employees hired prior to January 1, 2013 pay 3% of the employer's required contribution. Therefore, the required employer contribution rate is 16.813% and required employee contribution rate is 12%.

NOTE 10 – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM PENSION PLANS (Continued)

Beginning in fiscal year 2016, CalPERS collects employer contributions for each Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability (UAL). The dollar amounts are billed on a monthly basis. The City's required contributions for the unfunded liability in the Miscellaneous and Safety Plans were $6,121,476 and $7,884,396, respectively, as noted in the tables above.

Employees Covered – As of the June 30, 2016 actuarial valuation date and the June 30, 2017 measurement date, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous		Safety	
	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017
Inactive employees or beneficiaries currently receiving benefits	894	915	490	502
Inactive employees entitled to but not yet receiving benefits	511	509	74	76
Active employees	469	454	258	248
Total	1,874	1,878	822	826

As of June 30, 2018, the City had 451 active employees in the Miscellaneous Plan and 258 active employees in the Safety Plan.

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Contributions for the year ended June 30, 2018 were $10,436,250 for the Miscellaneous Plan and $14,013,858 for the Safety Plan.

B. Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 10 – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM PENSION PLANS (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2017, the total pension liabilities were determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous (1)	Safety (1)
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.2% -12.2% (2)	3.7% - 20.0% (2)
Investment Rate of Return	7.50% (3)	7.50% (3)
Mortality	Derived using CalPERS Membership Data for all Funds (4)	Derived using CalPers Membership Data for all Funds (4)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Actuarial assumptions are the same for all benefit tiers
(2) Depending on age, service and type of employment
(3) Net of pension plan investment expenses, including inflation
(4) The mortality table used was developed based on CalPERS' specific data. The table includes 5 years of mortality improvements using Society of Actuaries Scale AA. For more details on this table, please refer to the CalPERS 2014 Experience Study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be found on the CalPERS website under Forms and Publications.

Change of Assumptions – In 2017, the accounting discount rate was reduced from 7.65% to 7.15%.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

NOTE 10 – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM PENSION PLANS (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Current Target Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	100.0%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

CITY OF RICHMOND
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For the Year Ended June 30, 2018

NOTE 10 – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM PENSION PLANS (Continued)

C. Changes in the Net Pension Liability

The changes in the Net Pension Liability as of the June 30, 2017 Measurement Date for each Plan follows:

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016 Measurement Date	$446,234,376	$326,226,506	$120,007,870
Changes in the year:			
Service cost	8,053,459		8,053,459
Interest on the total pension liability	32,804,753		32,804,753
Differences between actual and expected experience	(4,464,966)		(4,464,966)
Changes in assumptions	25,548,824		25,548,824
Changes in benefit terms			
Plan to plan resource movement		(50,018)	50,018
Contribution - employer		8,860,295	(8,860,295)
Contribution - employees		2,996,354	(2,996,354)
Net investment income		35,805,938	(35,805,938)
Administrative expenses		(481,651)	481,651
Benefit payments, including refunds of employee contributions	(25,074,448)	(25,074,448)	
Net changes	36,867,622	22,056,470	14,811,152
Balance at June 30, 2017 Measurement Date	$483,101,998	$348,282,976	$134,819,022

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016 Measurement Date	$580,176,320	$411,354,659	$168,821,661
Changes in the year:			
Service cost	11,650,927		11,650,927
Interest on the total pension liability	43,264,626		43,264,626
Differences between actual and expected experience	797,969		797,969
Changes in assumptions	35,109,898		35,109,898
Changes in benefit terms			
Plan to plan resource movement		50,018	(50,018)
Contribution - employer		12,699,049	(12,699,049)
Contribution - employees		4,471,008	(4,471,008)
Net investment income		45,166,243	(45,166,243)
Administrative expenses		(607,337)	607,337
Benefit payments, including refunds of employee contributions	(33,620,000)	(33,620,000)	
Net changes	57,203,420	28,158,981	29,044,439
Balance at June 30, 2017 Measurement Date	$637,379,740	$439,513,640	$197,866,100
Totals - Miscellaneous and Safety Plans	**$1,120,481,738**	**$787,796,616**	**$332,685,122**

NOTE 10 – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM PENSION PLANS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.15%	6.15%
Net Pension Liability	$195,707,528	$282,296,768
Current Discount Rate	7.15%	7.15%
Net Pension Liability	$134,819,022	$197,866,100
1% Increase	8.15%	8.15%
Net Pension Liability	$84,290,283	$128,531,169

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM PENSION PLANS (Continued)

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the City recognized pension expense of $53,518,486. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$10,436,250	
Differences between Expected and Actual Experience		($2,504,700)
Changes of Assumptions	13,382,717	
Net Differences between Projected and Actual Earnings on Pension Plan Investments	5,056,303	
Total	$28,875,270	($2,504,700)

Safety Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$14,013,858	
Differences between Expected and Actual Experience	2,650,654	
Changes of Assumptions	25,357,149	($1,809,233)
Net Differences between Projected and Actual Earnings on Pension Plan Investments	6,422,812	
Total	$48,444,473	($1,809,233)
Total Both Plans	$77,319,743	($4,313,933)

NOTE 10 – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM PENSION PLANS (Continued)

$24,450,108 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	Annual Amortization		
Year Ended June 30	Miscellaneous	Safety	Total
2019	$9,691,347	$9,499,799	$19,191,146
2020	6,744,137	17,757,367	24,501,504
2021	2,109,436	8,648,932	10,758,368
2022	(2,610,600)	(3,284,716)	(5,895,316)
2023			
Total	$15,934,320	$32,621,382	$48,555,702

E. Subsequent Change in Discount Rate

In December 2016, CalPERS' Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019 and result in increases to employers' normal costs and unfunded actuarial liabilities.

NOTE 11 – OTHER CITY PENSION PLANS

A. Plan Descriptions and Funding Policies

The City administers 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, covers twelve former City employees (or their beneficiaries) not covered by CalPERS, all of whom have retired. The Police and Firemen's Pension Plan, a defined benefit pension plan, covers thirty-six retired police and fire personnel (or their beneficiaries) 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, 2018 was $9,075,692, and the City used the funds to pay the General Pension Plan and the Police and Firemen's Pension Plan contributions of $73,383 and $1,270,466, respectively.

NOTE 11 – OTHER CITY PENSION PLANS (Continued)

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. Management of the Plan is vested in the General Pension Board which consists of seven members: the Mayor, City Manager, Director of Finance, two members appointed by the Mayor, with the concurrence of five members of the City Council, each of whom shall be and remain a resident of the City in order to be a member of the Board and serve a term of five years, and two members to be elected every five years by secret ballot vote of the rank and file of Plan employees and of Plan employees who have retired and are receiving pensions from the Plan. Four members of the General Pension Board are to be concurred in by four members.

The Plan is closed to new members. Retirement benefits for Plan members are calculated as one-half of the average annual salary attached to the position held by the retiree during the three years prior to the date of retirement. Surviving spouses receive 100% of the retiree's pension. Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustments are an automatic increase of 2% per year. City Council may grant additional increases of up to 3% per year to bring the total increase in a given year to 5%.

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. Management of the Plan is vested in the Pension Board which consists of seven members: the Mayor, City Manager, Director of Finance, two members appointed by the Mayor, with the concurrence of four members of the City Council, each of whom shall be and remain a resident of the City in order to be a member of the Board and serve a term of five years, one representative of the Police Department and one representative of the Fire Department.

The Plan is closed to new members. Retirement benefits for Plan members are calculated as one-half of the annual salary attached to the rank or position held by the retiree one year prior to the date of retirement. Surviving spouses receive 100% of the retiree's pension. Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustments are an increase each year for changes in the salary attached to the retiree's rank in the year before retirement.

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. Management of the Plan is vested in the City Council.

Mr. Garfield's pension and any continuation to his spouse receive the same cost-of-living increases as the City's police employees covered by CalPERS. (CalPERS cost-of-living increases include a 2% per year increase, subject to CPI increase constraints, and purchasing power protection through the CalPERS Purchasing Power Protection Allowance.) Mr. Garfield's surviving spouse receives 50% of the retiree's pension.

NOTE 11 – OTHER CITY PENSION PLANS (Continued)

B. 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.

C. Pension Plan Assets

At June 30, 2018 the pension plans reported assets available for benefits as shown below. For actuarial purposes, the value of the Plans' assets were determined to be fair value.

City of Richmond Investment Pool	$1,526,074
Local Agency Investment Fund (Garfield Plan)	176,245
Wellington Trust Company Mutual Fund (Police and Firemen's Plan)	10,932,280
Interest receivable	2,474
Assets available for benefits at June 30, 2018	$12,637,073

The Wellington Trust Company Fund investments, classified in Level 2 of the fair value hierarchy, are valued using the market approach, which uses prices and other information generated from market transactions, which typically includes securities priced with unadjusted market quotes, evaluated bids, market multiples, and trade information, and also generally includes short term securities valued at amortized cost which approximates market value. The City of Richmond Investment Pool and the California Local Agency Investment Fund (LAIF) are not subject to the fair value hierarchy. Fair value is defined as the quoted market value on the last trading day of the period.

Investment Policies

The General Pension and Police and Firemen's Pension Plans' policies in regard to the allocation of invested assets is established and may be amended by Resolution of the respective Boards. The Plans allow investments in the following:

(a) In investments which are authorized by General law for savings banks.

(b) In investments other than those specified in subdivision (a) hereof, including, but not limited to, corporate bonds and securities, common stocks, preferred stocks, investments in real estate and investment trusts, provided that the total amount invested pursuant to this subdivision shall not exceed fifty percent (50%) of the total amount of funds invested pursuant to this section, and provided further that the following conditions are met:

(1) Any stocks or other corporate securities, in which funds are invested, except stocks of banks, insurance companies or mutual funds, shall be registered on a national securities exchange as provided by the Federal Securities Exchange Act.

NOTE 11 – OTHER CITY PENSION PLANS (Continued)

(2) The total amount invested in common and preferred stocks shall not exceed at cost at the time of purchase twenty-five percent of the total amount invested pursuant to this section.

(3) The total amount invested in the common and preferred stocks of any one company shall not exceed at cost of the time of purchase two percent of the total amount invested pursuant to this section and shall not exceed five percent of the outstanding preferred or common stock of that company.

(4) No funds shall be invested in the common stocks of any company unless it has paid cash dividends on such stocks in eight of the ten years immediately preceding its purchase by the Board.

(5) No funds shall be invested in the stocks or other securities of any company other than a bank or insurance company unless it has assets of at least one hundred million dollars ($100,000,000), or in the stocks or other securities of a bank or insurance company unless it has assets of at least fifty million dollars ($50,000,000).

(6) The total amount invested in real estate and other than real estate owned by or leased to the City of Richmond, which amount may include land, buildings, land and buildings or real estate loans, shall not exceed twenty-five percent of the total amount invested pursuant to this section and such investments shall be restricted to first trust deeds which are insured by the Federal Housing Administration or which are guaranteed by the Veterans Administration.

The Garfield Pension Plan does not have a separate investment policy, therefore it uses the City's investment policy.

Interest and Credit 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 in 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, 2018, the investments in the Pension Trust Funds were not rated.

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, for the Police and Firemen's, General Pension and Garfield Pension Plans was 4.9%, 1.0% and 1.0%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 11 – OTHER CITY PENSION PLANS (Continued)

D. Net Pension Liability of the Plans

The components of the net pension liability of the City for each of the Plans is the total pension liability, less each Plan's fiduciary net position.

Actuarial Assumptions. The total pension liability as of June 30, 2018 was determined based on June 30, 2017 actuarial valuations rolled forward to June 30, 2018 using standard update procedures. The following actuarial assumptions applied to all periods included in the measurement:

	Police and Firemen's Plan	General Pension Plan	Garfield Pension Plan
Discount rate, net of investment expenses	5.75%	3.18%	3.00%
Expected return on plan assets	5.75%	3.00%	3.00%
Inflation rate	2.75%	2.75%	2.75%
Cost-of-living increases	3% per year	5% per year	2.75% per year
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Salary increases	N/A	N/A	N/A

Mortality rates were based on the California PERS Mortality Table in its 2014 experience study (based on CalPERS 2001-2011 experience).

Discount Rates. The discount rates used to measure the total pension liability for the Police and Firemen's Pension Plan, General Pension Plan and Garfield Pension Plan were 5.75%, 3.00%, and 3.00%, respectively, as of June 30, 2017 and 2018.

For the Police and Firemen's Pension Plan, based on the 5 previous years the City has on average contributed 98% of the Actuarially Determined Contribution (ADC). A sufficiency test was performed including: (1) expected benefit payments for all future years; (2) assuming that 98% of the ADC is contributed to the Plan in future years; (3) assuming that future contribution losses are amortized according to the Plan's funding policy; (4) using the Plan's assumed investment return before the projected asset depletion (if any); and (5) using a 20-year AA tax-exempt general obligation municipal bond index rate of 3.62% (using as a municipal bond rate source the Fidelity 20-Year General Obligation AA Municipal Bond Index as of June 30, 2018) after the projected asset depletion. Based on these parameters, plan assets are projected to be sufficient to pay all future benefits until a deminimus amount of estimated future benefits remain. Therefore, the Plan's long-term expected rate of return of 5.75% was used as the discount rate.

Based on the 5 previous years the City has on average contributed 75% and 116% of the Actuarially Determined Contribution (ADC) for the General Pension Plan and Garfield Pension Plan, respectively. A sufficiency test was performed including: (1) expected benefit payments for all future years; (2) assuming that 75% of the ADC is contributed to the General Pension Plan and 100% of the ADC is contributed to the Garfield Pension Plan in future years; (3) assuming that future contribution losses are amortized according to the Plans' funding policies; (4) using the Plans' assumed investment return before the projected asset depletion (if any); and (5) using a 20-year AA tax-exempt general obligation municipal bond index rate of 3.62% (using as a municipal bond rate source the Fidelity 20-Year General Obligation AA Municipal Bond Index as of June 30, 2018) after the projected asset depletion. Based on these parameters, each of the Plan's assets are projected to be sufficient to pay all future benefits until a deminimus amount of estimated future benefits remain. Therefore, the long-term expected rate of return of 3.00% was used as the discount rate for each of these Plans.

The long-term expected rate of return on pension plan investments was determined for each Plan using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.75%). All results are then rounded to the nearest quarter percentage point.

The best-estimate of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best-estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

NOTE 11 – OTHER CITY PENSION PLANS (Continued)

Best estimates of geometric real and nominal rates of return for each major asset class included in the Plans' asset allocation as of the measurement date are summarized below:

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Police and Firemen's Plan:			
Domestic Equity	56%	5.39%	8.14%
International Equity	0%	5.20%	7.95%
Fixed Income	38%	1.98%	4.73%
Real Estate and Alternatives	0%	4.25%	7.00%
Cash and Equivalents	6%	0.79%	3.54%
Total	100%		6.91%
Reduced for assumed investment expense			(0.60%)
Total (weighted avg, rounded to 1/4%)			6.25% (1)
General Pension Plan:			
Domestic Equity	0%	5.39%	8.14%
International Equity	0%	5.20%	7.95%
Fixed Income	0%	1.98%	4.73%
Real Estate and Alternatives	0%	4.25%	7.00%
Cash and Equivalents	100%	0.79%	3.54%
Total	100%		3.52%
Reduced for assumed investment expense			(0.50%)
Total (weighted avg, rounded to 1/4%)			3.00%
Garfield Pension Plan:			
Domestic Equity	0%	5.39%	8.14%
International Equity	0%	5.20%	7.95%
Fixed Income	0%	1.98%	4.73%
Real Estate and Alternatives	0%	4.25%	7.00%
Cash and Equivalents	100%	0.79%	3.54%
Total	100%		3.52%
Reduced for assumed investment expense			(0.50%)
Total (weighted avg, rounded to 1/4%)			3.00%

(1) The preliminary return for the Police and Firemen's Plan of 6.25% was then reduced by 50 basis points to 5.75% in order to provide a margin for adverse deviation.

CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – OTHER CITY PENSION PLANS (Continued)

E. Changes in the Net Pension Liability of Each Plan

The net pension liability of each Plan is measured as of June 30, 2018 as follows:

Police and Firemen's Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017	$19,271,774	$12,384,593	$6,887,181
Changes in the year:			
Service cost			
Interest on the total pension liability	1,031,755		1,031,755
Differences between actual and expected experience			
Changes in assumptions			
Changes in benefit terms			
Contribution - employer		1,270,466	(1,270,466)
Contribution - employees			
Net investment income		589,028	(589,028)
Administrative expenses			
Benefit payments, including refunds of employee contributions	(2,656,508)	(2,656,508)	
Net changes	(1,624,753)	(797,014)	(827,739)
Balance at June 30, 2018	$17,647,021	$11,587,579	$6,059,442
Plan fiduciary net position as a percentage of the total pension liability			65.7%

General Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017	$2,932,456	$449,871	$2,482,585
Changes in the year:			
Service cost			
Interest on the total pension liability	80,100		80,100
Differences between actual and expected experience			
Changes in assumptions	(20,669)		(20,669)
Changes in benefit terms			
Contribution - employer		814,594	(814,594)
Contribution - employees			
Net investment income		2,207	(2,207)
Administrative expenses			
Benefit payments, including refunds of employee contributions	(524,939)	(524,939)	
Net changes	(465,508)	291,862	(757,370)
Balance at June 30, 2018	$2,466,948	$741,733	$1,725,215
Plan fiduciary net position as a percentage of the total pension liability			30.1%

NOTE 11 – OTHER CITY PENSION PLANS (Continued)

Garfield Pension Plan:	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017	$691,642	$297,317	$394,325
Changes in the year:			
Service cost			
Interest on the total pension liability	19,334		19,334
Differences between actual and expected experience			
Changes in assumptions			
Changes in benefit terms			
Contribution - employer		102,140	(102,140)
Contribution - employees			
Net investment income		2,627	(2,627)
Administrative expenses			
Benefit payments, including refunds of employee contributions	(94,323)	(94,323)	
Net changes	(74,989)	10,444	(85,433)
Balance at June 30, 2018	$616,653	$307,761	$308,892
Plan fiduciary net position as a percentage of the total pension liability			49.9%
Totals - Other City Pension Plans	**$20,730,622**	**$12,637,073**	**$8,093,549**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City for each of the Plans, calculated using the discount rate as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Police and Firemen's Plan	**General Pension Plan**	**Garfield Pension Plan**
1% Decrease	4.75%	2.18%	2.00%
Net Pension Liability	$6,999,286	$1,844,294	$338,457
Current Discount Rate	5.75%	3.18%	3.00%
Net Pension Liability	$6,059,442	$1,725,215	$308,892
1% Increase	6.75%	4.18%	4.00%
Net Pension Liability	$5,207,932	$1,616,057	$281,692

NOTE 11 – OTHER CITY PENSION PLANS (Continued)

F. Actuarially Determined Contributions

As of the June 30, 2017, actuarial valuations used to calculate the actuarially determined contributions (ADC) for each Plan, the ADC's were determined using the entry-age normal cost method and the assumptions in Note 11B above.

For the Police and Firemen's Pension Plan, the City's contribution policy is to annually contribute an amount equal to (1) amortization of the unfunded liability as a level-dollar over a 10-year closed period as of July 1, 2013, plus (2) future gains and losses amortized over the same period, but not less than five years. Over the past five years, the City has contributed an average of 98% of the Actuarially Determined Contribution.

For the General Pension Plan, the City's contribution policy is to annually contribute an amount equal to (1) amortization of the unfunded liability as a level-dollar over a 6-year closed period as of July 1, 2013, plus (2) future gains and losses amortized over the same period, but not less than five years. Over the past five years, the City has contributed an average of 75% of the Actuarially Determined Contribution.

For the Garfield Pension Plan, the City's contribution policy is to annually contribute an amount equal to (1) amortization of the unfunded liability as a level-dollar over a 7-year closed period as of July 1, 2013, plus (2) future gains and losses amortized over the same period, but not less than five years. Over the past five years, the City has contributed an average of 116% of the Actuarially Determined Contribution.

The Actuarially Determined Contribution and the actual contributions for each Plan for the year ended June 30, 2018 are presented below:

	Actuarially Determined Contribution	Amount Contributed	Percent Contributed
Police and Firemen's Pension Plan	$1,389,612	$1,270,466	91%
General Pension Plan	947,219	814,594	86%
Garfield Pension Plan	86,103	102,140	119%

G. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the City recognized pension expense for each of the Plans as follows:

	Pension Expense
Police and Firemen's Plan	$540,790
General Pension Plan	68,268
Garfield Pension Plan	16,951
Total	$626,009

NOTE 11 – OTHER CITY PENSION PLANS (Continued)

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for these Plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	-	-
Differences between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Net Differences between Projected and Actual Earnings on Pension Plan Investments	$217,871	-
Total	$217,871	$0

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2019	$224,812
2020	80,169
2021	(110,203)
2022	23,093

H. *Plan Financial Statements*

The Statement of Net Position for the Plans at June 30, 2018 follows:

	General Pension	Police and Firemen's Pension	Garfield Pension
ASSETS			
Pension plan cash and investments:			
City of Richmond Investment Pool	$741,688	$652,968	$131,418
Local Agency Investment Fund			176,245
Mutual Fund Investments		10,932,280	
Accounts receivable	45	2,331	98
Total Assets	741,733	11,587,579	307,761
NET POSITION			
Restricted for employees' pension benefits	$741,733	$11,587,579	$307,761

NOTE 11 – OTHER CITY PENSION PLANS (Continued)

The Statement of Changes in Plan Net Position for the year ended June 30, 2018 follows:

	General Pension	Police and Firemen's Pension	Garfield Pension
ADDITIONS			
Net investment income:			
Net increase (decrease) in the fair value of investments	$12	$400,794	
Interest income	2,195	254,046	$2,620
Investment management fees		(65,812)	7
Contribution from the City	814,594	1,270,466	102,140
Total Additions	816,801	1,859,494	104,767
DEDUCTIONS			
Pension benefits	524,939	2,656,508	94,323
Total Deductions	524,939	2,656,508	94,323
Net Increase (Decrease)	291,862	(797,014)	10,444
NET POSITION RESTRICTED FOR PENSIONS			
Beginning of year	449,871	12,384,593	297,317
End of year	$741,733	$11,587,579	$307,761

I. *PARS Defined Contribution Plan*

Effective July 1, 2014, the City contracted with the Public Agency Retirement System (PARS), to sponsor a Section PARS 457 FICA Alternative Retirement Plan created in accordance with IRC Sections 3121(b)(7)(F) and 457(b), which is a qualified defined contribution pension plan covering all eligible part-time, seasonal and temporary employees of the City on that date and hired thereafter.

The Plan requires these employees to contribute 6.2% and the City to contribute 1.3% of the employees pay plus administration costs. The City's required contributions of $26,736 and the employees' required contributions of $127,507 were made during the fiscal year ending June 30, 2018.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

A. *General Information about the City's Other Post Employment Benefit (OPEB) Plan*

Plan Description - 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.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The City is the Plan administrator, while PARS administers the investment trust. The City's OPEB Plan does not issue separate financial statements. 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.

A summary of the Plan provisions follows:

Plan Provisions for Future Retirees			
Classification	**Eligibility (Age/Service Years)**	**Monthly Premium Paid by City Before/After Medicare Eligibility**	**Employee Monthly Contribution (1)**
SEIU Local 1021	Service Retirement: 50/20, 51/18, 52/16, 53/14, 54/12, 55/10 Disability Retirement: any age/10 years service	Retiree only or surviving spouse: the lesser of $435 and medical premium Retiree +1 or more: the lesser of $567 and medical premium Plus PEMHCA Minimum: $133 Retired after 7/1/1995: Reimbursement allowed towards non-PERS plans	None
IFPTE, Miscellaneous Executive Management, City Council	Service Retirement: Same as SEIU	Retiree only or surviving spouse: the lesser of $435 and medical premium Retiree +1 or more: the lesser of $567 and medical premium Plus PEMHCA Minimum: $133	Effective 1/1/2017: $50 Effective 1/1/2018: $100
Fire Local 188	35/15	Percentage of premium (medical premium minus PEMHCA minimum) for retiree/dependents/surviving spouse up to premium for coverage. Percentage is 90%, increased to 100% after 27 years of service. Total City contribution, excluding PEMHCA minimum, is capped at Kaiser non-Medicare eligible premium for coverage selected. Plus PEMHCA minimum: $133	Effective 1/1/2017: $200 Effective 1/1/2018: $300 Effective 7/1/2019: $400
Fire Management and Fire Executive Management	35/15	Percentage of premium (medical premium minus PEMHCA minimum) for retiree/dependents/surviving spouse up to premium for coverage. Percentage is 80%, increased to 90% after 15 years of service and 100% after 25 years of service. Total City contribution, excluding PEMHCA minimum, is capped at Kaiser non-Medicare eligible premium for coverage selected. Plus PEMHCA minimum: $133	Effective 1/1/2017: $200 Effective 1/1/2018: $300 Effective 7/1/2019: $400
Richmond Police Officer Association (RPOA)	10 years of service Service includes non City service Minimum 5 years City Service	Lesser of: percentage of premium for retiree/dependents/surviving spouse times medical premium minus PEMHCA minimum or percentage of premium for retiree/dependents/surviving spouse but no more than $827 per month, minus dental and vision premiums. Percentage is 50%, increased to 90% after 15 years of service, and 100% after 25 years of service Plus PEMHCA Minimum: $133 City also pays 100% of dental and vision premiums.	Effective 1/1/2017: $150 Effective 1/1/2018: $225 Effective 1/1/2019: $250 Effective 1/1/2020: $275 Effective 1/1/2021: $300
Police Widows	Death in line of duty	Full premium of medical, dental and vision	None
Police Management and Police Executive Management	50/20, 51/18, 52/16, 53/14, 54/12, 55/10 Service includes non City service Minimum 5 years City Service	Percentage of premium (medical premium minus PEMHCA minimum) 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.	Effective 7/1/2017: $300 Effective 7/1/2018: $425 Effective 7/1/2019: $525

(1) Prior to January 1, 2017, active Employees were not required to make monthly contributions.

NOTE 12 – 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	Same as future retirees
	Retired prior to July 1, 2007	Same as future retirees, but caps are: Retiree only or surviving spouse: $224/$182 Retiree +1 or more: $344/$284
IFPTE, Miscellaneous Executive Management	Retired July 1, 2007 or later	Same as future retirees
	Retired November 5, 1999 to June 30, 2007	Same as future retirees, but caps are: Retiree only or surviving spouse: $224/$182 Retiree +1 or more: $344/$284
	Retired before November 5, 1999	Same as future retirees, but caps are: Retiree only or surviving spouse: $124/$82 Retiree +1 or more: $244/$184
Fire Local 188		Same as future retirees
Fire Management	Retire on or after 7/1/2006	Same as future retirees
	Retire before 7/1/2006	Eligible at 35/15 Same as future retirees, but caps are: Percentage of premium for retiree/dependents/surviving spouse up to Kaiser non-Medicare eligible premium for coverage selected. Percentage is 90%, increased to 100% after 27 years of service.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Provisions for Current Retirees (Continued)		
Classification	**Subgroup**	**Monthly Premium Reimbursement Before/After Medicare Eligibility**
Richmond Police Officer Association (RPOA)	Retire on or after 7/1/2008	Same as future retirees
	Retired between 7/1/2004 and 6/30/2008	Same as future retirees, but: Reimbursement capped at $614
	Retired between 7/1/1997 and 6/30/2004	Same as future retirees, but: Reimbursement capped at $550
	Retired between 7/1/1994 and 6/30/1997	Percentage of premium (medical premium minus PEMHCA minimum) for retiree/dependents/surviving spouse including dental and vision. Percentage is 65% for 10-19 years of service, increased to 75% after 20 years of service, and 100% after 27 years of service Premium paid for dental and vision. Plus PEMHCA minimum $133
	Retired before 7/1/1994	Percentage of premium (medical premium minus PEMHCA minimum) for retiree/dependents/surviving spouse including dental and vision. Percentage is 65% for 10-19 years of service, increased to 75% after 20 years of service, and 100% after 27 years of service Reimbursement, excluding the PEMHCA minimum, capped at $210 for single coverage and $300 for 2-party coverage Premium paid for dental and vision. Plus PEMHCA minimum: $133
Police Management and Police Executive Management	Retired on or after 7/1/2007	Same as future retirees
	Retired between 1/1/1995 [(1)] and 6/30/2007	Percentage of premium (medical premium minus PEMHCA minimum) for retiree/dependents/surviving spouse. Percentage is 65% for 10-19 years of service, increased to 75% after 20 years of service, and 100% after 27 years of service. Retired after 1/1/2007 - Reimbursement capped at Kaiser premium, excluding the PEMHCA minimum, for pre-Medicare and 2nd highest premium plan for post-Medicare for coverage selected Retired before 1/1/2007 - Reimbursement capped at 2nd highest premium plan, excluding the PEMHCA minimum, for coverage selected Retired after 7/1/1995: Reimbursement allowed towards non-PERS plans Plus PEMHCA minimum: $133

(1) Although the City did provide medical premium benefits with single and 2-party caps for Police Management that retired prior to January 1, 1995, as of June 30, 2018 there were no retirees receiving such benefits.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

For retirees eligible to continue health benefits, but failing to meet the criterion in the tables above, the City pays the Public Employees Medical and Hospital Care Act (PEMHCA) minimum, which is $133 in 2018.

Plan Membership – As described in the table in Note 12A, Plan membership varies based on different employee bargaining groups. As of the June 30, 2017 valuation date, membership in the Plan considered of the following;

Active employees electing coverage	627
Active employees waiving coverage	44
Retiree and beneficiaries receiving benefits	607
Total	1,278

B. *Funding Policy and Actuarial Assumptions*

Funding Policy - 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, 2018 was $17,422,879.

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. In July 2016, the City adopted an additional funding policy to place into the PARS trust half of any one-time revenues and half of any year-end surplus in excess of the City's minimum reserve policy (7%) in an effort to pay down the unfunded liability. In accordance with the policy, the City transferred $3,175,003 to the PARS trust, along with an additional contribution of $4,328,063, during the year ended June 30, 2018.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions - The total OPEB liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The valuation used the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

	Actuarial Assumptions
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost, level percent of pay
Actuarial Assumptions:	
Discount Rate	4.12%
Inflation	2.75%
CPI Medical Care	4.00%
Payroll Growth	3.00%
Investment Rate of Return	6.85%
Index Rate for 20 year, tax exempt municipal bonds	3.62%
Mortality	Based on assumptions for Public Agency Miscellaneous, Police and Fire members published in the December 2017 CalPERS Experience Study.
Healthcare Cost Trend Rates:	
Health - Not Medicare Eligible	6.90% for 2018, 6.30% for 2019, 5.80% for 2020, 5.20% for 2021-2054, transitioning to ultimate rate of 4.40% in 2074 and further years
Health - Medicare Eligible	5.60% for 2018, 5.40% for 2019, 5.30% for 2020, 5.20% for 2021-2054, transitioning to ultimate rate of 4.40% in 2074 and further years
Dental	To increase 4.00% annually
Vision	To increase 3.00% annually

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount rate - The discount rate used to measure the total OPEB liability was 4.12%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Generally accepted accounting principles require that the liability discount rate be the single rate that reflects the following:

A. The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return; and

B. A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions in A. are not met. The municipal bond rate source used as of June 30, 2018 the Fidelity 20-Year General Obligation AA Municipal Bond Index.

Changes of assumptions since the prior actuarial valuation were:

- The discount rate was changed from 4.07% to 4.12% based on updated municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capital claims costs were updated to reflect recent experience.
- Withdrawal, retirement, mortality, disability and salary increase rates were updated from the rates used in the 6/30/2014 CalPERS Public Agency Miscellaneous, Police and Fire actuarial valuations to rates published in the December 2017 CalPERS Experience Study.
- The percent of future retiree only eligible for the PEMHCA minimum contribution assumed to elect coverage at retirement changed from 100% to 50% to reflect recent and anticipated plan experience.
- The percent of future retirees eligible for additional direct subsidy benefits assumed to elect coverage at retirement changed from 100% to 90% to reflect recent plan experience.
- The percent of retirees assumed to elect non-spouse dependent coverage at retirement changed from 25% to 20% to reflect recent plan experience.
- The percent of future non-Medicare and Medicare eligible retirees electing each medical plan varies by employee bargain unit and changed to reflect updated expectations based on recent plan experience.

Rate of Return – For the year ended June 30, 2018, the annual money-weighted rate of return on OPEB Trust Fund investments, net of OPEB plan investment expense, was 6.30%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Investment Policy – PARS offers different investment portfolios as part of the investment vehicle. The City invests in the "Balanced/Moderately Aggressive Highmark PLUS" portfolio; the primary goal of the Highmark Plus portfolio is growth of principal and income. The major portions of the assets are invested in the equity securities and market fluctuations are expected. The portfolio is constructed to control risk through three layers of diversification as follows:

Asset Class	Acceptable Range of Asset Allocation
Equity	50-70%
Fixed income	30-50%
Cash	0-20%

Investments of the OPEB Trust Fund at June 30, 2018 consisted of $17,422,879 invested in mutual funds.

C. *Changes in Net OPEB Liability*

The changes in the net OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability/(Asset) (a) - (b)**
Balance at June 30, 2017	$191,472,282	$9,336,893	$182,135,389
Changes Recognized for the Measurement Period:			
Service Cost	6,730,397		6,730,397
Interest on the total OPEB liability	7,927,217		7,927,217
Changes in benefit terms			
Differences between expected and actual experience	(2,816,969)		(2,816,969)
Changes of assumptions	8,715,168		8,715,168
Contributions from the employer		13,599,120	(13,599,120)
Contributions from the employee		765,475	(765,475)
Net investment income		632,089	(632,089)
Administrative expenses		(49,169)	49,169
Benefit payments (1)	(6,861,529)	(6,861,529)	
Net changes	13,694,284	8,085,986	5,608,298
Balance at June 30, 2018 (Measurement Date)	$205,166,566	$17,422,879	$187,743,687

(1) Benefit payments are comprised of $3,947,832 direct subsidy payments to retirees and $2,913,697 estimated implicit subsidy costs incurred during the measurement period ending 6/30/2018

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

D. *Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates*

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using the discount rate that is 1-percentage-point lower or 1-percentage point higher than the current discount rate:

Net OPEB Liability/(Asset)		
Discount Rate -1% (3.12 %)	Current Discount Rate (4.12%)	Discount Rate +1% (5.12%)
$218,321,924	$187,743,687	$162,834,832

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Net OPEB Liability/(Asset) Healthcare Cost Trend		
1% Decrease	Current Trend Rates Various - see assumptions above	1% Increase
$165,359,439	$187,743,687	$215,505,846

E. *OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB*

For the year ended June 30, 2018, the City recognized OPEB expense of $9,971,497. At June 30, 2018, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		($2,265,703)
Changes of assumptions	$7,009,656	
Net differences between projected and actual earnings on plan investments	44,179	
Total	$7,053,835	($2,265,703)

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2019	$1,165,291
2020	1,165,291
2021	1,165,291
2022	1,165,290
2023	126,969
Thereafter	

NOTE 13 – 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 14 – 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.

NOTE 14 – RISK MANAGEMENT (Continued)

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	Earthquake: 10% pre-1970, 5% post-1970 of total insured value of each building; minimum $100,000 All others: $25,000	$50,000,000 inclusive of deductible	Various
Crime/Employee Dishonesty	$2,500 per claim	$15,000,000 inclusive of deductible	National Union Fire Insurance Company
Property	$25,000 per claim; except flood zones A&V that have a deductible of $250,000	$400,000,000 inclusive of deductible $100,000,000 limit for flood all zones, except zones A & V, which have a limit of $50,000,000	Various
Boiler and Machinery	$25,000 per claim	$100,000,000 inclusive of deductible	Various
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 limit	Various
Student Volunteer	N/A	$50,000 limit	Ace American
Pollution Liability - Policy 1	$250,000 per claim	$20,000,000 inclusive of deductible	ACE - Illinois Union
Pollution Liability - Policy 2	$75,000 per claim	$5,000,000 limit	Illinois Union
Cyber Liability	$100,000 per claim	$2,000,000 limit	Lloyds of London

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
Property ($25,000)	$400,000,000
Liability ($500,000)	$40,000,000
Employment Practices ($500,000)	$5,000,000

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 $932,564 for the year ended June 30, 2018. 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.

NOTE 14 – RISK MANAGEMENT (Continued)

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 $342,738 for the year ended June 30, 2018. 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:

Property	Building and Personal Property Premium	Annual Premium	Deductible
Nevin Plaza (#1)	$6,106	$6,230	$25,000
Nystrom Village	22,144	22,807	25,000
Administration Office	902	902	25,000
Hacienda	17,544	21,930	5,000

All of the Housing Authority properties are included in the general liability coverage under the CJPRMA program.

CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 14 – RISK MANAGEMENT (Continued)

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, 2018, the estimated claims payable of $37,707,574 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 an 80% confidence level. The undiscounted claims totaled $36,228,359 at June 30, 2018. Changes in the claims liabilities for the years ended June 30, 2018 and 2017 were as follows:

	2018	2017
Claims liabilities, beginning of year	$36,528,414	$39,403,229
Current year claims	10,536,000	10,014,000
Change in prior year claims	2,518,288	(1,277,997)
Claim payments	(6,694,998)	(8,108,630)
Legal, administrative and other expenses	(5,180,130)	(3,502,188)
Claims liabilities, end of year	$37,707,574	$36,528,414
Claims liabilities, due in one year	$11,120,445	$10,648,489

For the years ended June 30, 2018, 2017 and 2016 the amount of settlements did not exceed insurance coverage.

NOTE 15 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City's non-major enterprise funds include the following:

- 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.

NOTE 15 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

Fiscal 2018 condensed financial information for the Richmond Marina Enterprise Fund is as follows:

Condensed Statement of Net Position

Assets:	
Current assets	$3,898,056
Capital assets	1,469,256
Total assets	5,367,312
Liabilities:	
Current liabilities	280,777
Long-term liabilities	2,527,227
Total liabilities	2,808,004
Net position:	
Net investment in capital assets	(1,063,279)
Unrestricted	3,622,587
Total net position	$2,559,308

Condensed Statement of Revenues, Expenses and Changes in Net Position

Operating revenues:	
Lease income	$537,438
Operating expenses:	
General and administrative	(24,406)
Maintenance	(99,419)
Depreciation	(85,563)
Operating income	328,050
Nonoperating revenues (expenses):	
Interest income	35,919
Interest expense	(118,054)
Income (Loss) Before Contributions and Transfers	245,915
Transfers out	(86,778)
Change in net position	159,137
Beginning net position	2,400,171
Ending net position	$2,559,308

Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	$411,803
Noncapital and related financing activities	(86,778)
Capital and related financing activities	(231,293)
Investing activities	31,733
Net increase	125,465
Beginning cash and investments	3,690,856
Ending cash and investments	$3,816,321

NOTE 16 – COMMITMENTS AND CONTINGENCIES

A. Lease and Construction Commitments

The Police Department occupies leased premises owned by DiCon Fiberoptics, Inc. The City's original lease was a three year lease which expired on December 31, 2009, and it had an option to renew for five (5) one year periods until December 31, 2014. In October 2014, the City and DiCon Fiberoptics, Inc. entered into a new five year lease extension with the term commencing January 1, 2015 through December 31, 2019, with an option to renew for five (5) one year periods until December 31, 2024. The lease calls for minimum monthly lease payments of $142,805.

The Richmond Municipal Sewer District occupies leased premises owned by West County Wastewater District. The City's original lease was a two year lease which expired on December 31, 2012, with an option to renew for one (1) three year period and one (1) two year period until December 31, 2017. In January 2017, the City and West County Wastewater District entered into a first amendment to the ground lease with four possible extensions for terms commencing January 1, 2016 through December 31, 2017; January 1, 2018 through December 31, 2020; and January 1, 2021 through December 31, 2025. The lease calls for minimum monthly lease payments of $195,383.

The City's future commitments under construction and other projects totaled approximately $199 million at June 30, 2018 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 a significant adverse effect on the City's or RHA Properties' financial position, with two potential exceptions 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 received a favorable judgement on the matter, but an appeal by the developer and associated entity resulted in the Ninth Circuit reversing the decision, concluding the plaintiffs should be given another opportunity to amend their complaint. The plaintiffs filed an amended complaint and the City answered, denying the plaintiffs' allegations and asserting affirmative defenses and counterclaims. In April 2018, the City again received a favorable judgement on the matter under which the City will pay no monetary damages to the developer and the developer's claims were dismissed. Under the terms of the judgment, future proceeds from the sale of the property will be shared equally between the City and the developer. However, the judgment is being challenged by an environmental rights group. The City may be negatively impacted should the court rule in favor of the group, however any such impact cannot be determined at this time.

NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)

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 Grant Programs – Disallowed Costs below.

D. Grant Programs – Disallowed Costs

HOME and CDBG Programs

During fiscal year 2013, the City was subject to 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 $2.4 million.

The City prepared responses to the findings, including assembling and providing additional documentation to HUD as well as performing numerous corrective actions and meetings to negotiate settlements with HUD. In July 2016, HUD determined the City's repayment obligation to be $366,063, $786,597, and $1,807,490 for CDBG-R, CDBG and HOME, respectively.

In August 2016, the City requested a Voluntary Grant Reduction in the amount of $1,807,409 in unspent HOME funds to be applied toward the obligation in lieu of making payments to HUD. In addition, the City also requested a Voluntary Grant Reduction of $85,000 in unspent CDBG funds to be used towards the $786,597 repayment obligation. However, if the City elected to make this request, all remaining obligations would be due within 90 days. Alternatively, the City requested a payment plan with installments over a three-year period for the remaining CDBG and CDBG-R funds.

In December 2016, HUD accepted the City's repayment terms regarding the treatment of the ineligible costs for the CDBG repayment obligation of $786,597, which is payable in two equal installments in fiscal years 2018 and 2019. The first installment of the CDBG repayment obligation of $393,298.25 was paid in September 2017 and the final installment in the amount of $393,298 is due in September 2018. In HUD's January 2017 close-out letter, HUD accepted the Voluntary Grant Reductions for HOME ineligible costs and the City's remaining grant funds were applied against the ineligible costs, reducing the City's repayment obligation under the HOME program to zero. The CDBG-R repayment obligation of $366,063 was paid in full in March 2017. The City received another Voluntary Grant Reduction approval in August 2017 from HUD of $86,231 to be applied against CDBG ineligible costs, reducing the total CDBG obligation to $700,365. The reduction will be applied to the final installment payment in September 2018 of $307,067. Since HUD moved all the findings to a close, after fiscal year 2019, the City will be free and clear of any obligation to HUD.

NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)

Neighborhood Stabilization Program (NSP1)

During fiscal year 2014, the City was subject to a monitoring visit from the Office of Inspector General of the City's Neighborhood Stabilization Program (NSP1) and received notification in October 2014 from HUD that it was demanding the repayment of $914,090 for ineligible expenses. In lieu of making a payment to HUD for the return of the ineligible costs, in November 2014, the City requested a grant reduction of $595,863 in unspent NSP1 funds to be applied towards the finding. In addition, the City requested approval to use the proceeds from income generated from the pending sale of certain NSP1 properties to make up the $318,227 difference. Given that the NSP1 is governed by CDBG regulations, the City believes that HUD's Voluntary Grant Reductions in Lieu of Repayment for Ineligible CDBG and HOME Activities "Program" applies to NSP1. In July 2016, HUD notified the City that it could make a request for a Voluntary Grant Reduction of $595,863 in unspent NSP1 funds to be applied towards the NSP1 repayment obligation. If the request was made, the remaining $318,227 would be due within 90 days. In August 2016, the City made a second request for the approval of a Voluntary Grant Reduction of $595,863 in unspent NSP1 funds and for the remaining $318,227 to be paid using the proceeds from income generated from the sale of NSP1 properties. In December 2016, the City accepted HUD's repayment terms regarding the treatment of the ineligible costs of $318,227, which are due in two payments in fiscal year 2017 ($62,645) and fiscal year 2018 ($255,762). The first NSP1 repayment obligation installment of $62,645 was paid in March 2017 and the final repayment obligation installment of $225,762 was paid in September 2017.

Housing and Urban Development

On June 3, 2016, the Office of the Inspector General issued a report in response to an allegation that the Authority allowed the City to use HUD funds and Authority assets and that the City charged the Authority for rent and services at an unreasonable price. The report concluded that the allegations held merit and the Authority misspent $2.2 million in HUD funds and had $994,910 in unsupported costs due to a lack of independence between the Authority and the City along with a weak internal control environment. The OIG recommended that the Director of the San Francisco Office of Public Housing that monitors the Authority, require the Authority to repay $2.1 million for ineligible use of HUD funds along with $53,347 for duplicate charges, and $60,000 for a City initiated management audit. In addition, it was suggested the Authority be required to provide additional support for $80,890 of the Executive Director's salary spent on activities, $180,000 spent on office rent, determine proper use of former maintenance building property, and develop and implement financial policies and procedures for the current operating environment. Further, it was recommended that HUD work with the Authority to improve control and accountability including HUD receivership and separating the Authority finances from the City. The Authority contested several of the conclusions made by the OIG. Although Authority management strongly believed in its response made to OIG that the Authority's actions were proper and agreed to in advance by HUD, Authority and City staff have concluded that neither the participants in the Authority's programs or the residents of the City will be well served by continued discord with HUD distracting from program improvements. Accordingly, City, Authority and OIG staff have negotiated a settlement agreement among the City, Authority and HUD whereby the City agrees to return $2.1 million to the Authority's accounts (as opposed to returning the funds to the U.S. Treasury) and limit the use of those funds to specific categories identified by HUD. The settlement agreement was approved by City Council in March 2018 and fully executed in April 2018. The General Fund returned the $2.1 million to the Housing Authority during fiscal year 2018, as discussed in Note 4B.

NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)

E. Housing Authority – Easter Hill Project

The Authority participates in a number of federally assisted grant programs, principal of which are the Section 8 Housing Assistance and the HOPE VI Revitalization Grant. It is possible that at some future date, it may be determined that the Authority is not in compliance with applicable grant requirements. The 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 to 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, 2018 is $11,221,743.

In 2002, the 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 have been constructed. 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. All homeownership units have been sold.

Due to the City Council's action to not allow the Authority to retain the Fire Training site originally anticipated for phase III of the project, the third phase is being revised to include the 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, 2018

NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)

F. RHA Properties – Status of Operations

RHA Properties having sold Westridge at Hilltop Apartments is at the point of being an entity with no activity. It is idle and available to be used in the future. Management currently has no further plans for the entity.

G. 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, 2018, 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 on 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.

H. Other – Major Taxpayer

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 from the taxpayer 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 user's taxes totaling $28 million that was paid in four installments beginning in fiscal year 2009. Payments totaling $75 million were received under the settlement agreements in fiscal years 2011 through 2018.

NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)

In fiscal year 2015, the City entered into an Environmental Community Investment Agreement (ECIA) with the same taxpayer that provides for funding to the City and other community agencies totaling $80 million over the next ten years. During fiscal year 2018, the City received $9 million that is restricted for use on pre-approved projects, and the City has received $26 million to date.

I. Police Communications Systems

The City administered 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, 2018. The program dissolved effective June 30, 2017. The distribution of the funds the City holds for enhancement from all participating agencies began in fiscal year 2018 and will be completed by fiscal year 2020.

J. Housing Authority Rental Assistance Demonstration

RHA Rental Assistance Demonstration ("RAD") Program conversion of the Friendship Manor and Triangle Court public housing sites occurred during the 2016 calendar year (includes both the 2015 and 2016 fiscal years). The RAD project consists of 156 units of Public Housing will that were converted to non-profit ownership with Section 8-Project Based Voucher rental subsidy on the two separate properties; all 156 units, except for three units (two are reserved for onsite managers and one for a manager's office), will be used to house low-income residents.

On October 8, 2015, the Department of Housing and Urban Development (HUD) issued and executed the RAD Conversion Commitment (RCC) which represents the agreed upon and approved terms of the RAD conversion transaction.

On November 18, 2015, California Tax Credit Allocation Committee made a preliminary reservation of federal tax credits in the amount of $1,228,999 accommodated upon executing Tax-Exempt Bond Project to raise funding in the amount of $36.7 million, the approximate estimated cost of the RAD project; of which $16.5 million shall be provided by a third-party Tax Credit investor.

The Authority has partnered with the John Stewart Company and The Richman Group to form a Limited Partnership, RHA RAD Housing Partners L.P., that will complete the conversion, manage the property and own the buildings. The Authority will relinquish the land via a long term ground lease.

In furtherance of the finances provided by the Authority, the City of Richmond loaned $5.4 million to RHA RAD Housing Partners L.P. that will be repaid in 55 years and accrues interest at a rate of 1%. The loan was initially signed with RHA Housing Corporation and then it was transferred and reassigned to RHA RAD Housing Partners L.P., as discussed in Note 5.

After the property is placed in service and receives approval of the 8609 documents from the State of California, the Authority will split a developer fee of $2.5 million with its general partner John Stewart Company (70%/30%). The project has not converted to permanent financing due to unforeseen delays, however the anticipated closing date will be in September 2019, so the majority of the fee will not be received until after that date.

CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)

RHA RAD Housing Partners L.P. will also receive $732,557 in Public Housing and Capital Improvement funds throughout the January 1, 2016 – December 31, 2016 calendar year to cover the RAD Housing Assistance Program (HAP) Voucher commitments of subsidy for the low income housing units at the two developments. The terms of this requirement are consistent with Notice 2012-32 of the Rental Assistance Demonstration program which requires RAD conversions that close after November 30th of the calendar year to be funded out of Public Housing and Capital Fund Programs until the next calendar year, at which time the Developments will be funded with Section 8 Housing Choice RAD Vouchers.

In a transaction related to the RAD project during the fiscal year ended June 30, 2016, the Richmond Housing Authority transferred capital assets to RHA RAD LLC, which then sold the capital assets to RHA RAD Housing Partners LP with a carrying value of $14,358,255 in return for two loans receivable in the amounts of $8,891,500 and $5,618,500. These loans are to be repaid in 55 years and bear annual interest rates of 2.82%.

K. Marina Bay – Pollution Remediation

The Successor Agency owned a group of land tracts collectively referenced as the "Nine Deed Restricted Properties." The Successor Agency was named as a responsible party at these sites under a Voluntary Cleanup Agreement with the State Department of Toxic Substances Control (DTSC) to conduct pollution monitoring and remediation. However, the Successor Agency received approval from the DOF to transfer the properties and their maintenance to the City at June 30, 2016. Therefore, the City is now the responsible party at the sites. These nine properties sit within the larger Marina Bay development site. A Remediation Action Plan (RAP) was prepared for Marina Bay in 1993 and included references to each of the Deed Restricted Properties. Eight of the nine deed restricted properties are subject to an Operations & Maintenance (O&M) Plan. The O&M Plans require annual inspections of the cap material and reporting of the findings to DTSC. The O&M Plans also require that a five-year review report be prepared and submitted to DTSC. The five-year review reports describe the inspection and maintenance activities that were performed over the previous five years. The annual monitoring costs are estimated at $8,700, with the five year review estimated at $45,000. The monitoring costs over a five year period are estimated at $88,500.

The RAP was subsequently amended in 2008 to address Area T, one of the Nine Deed Restricted Properties. The amended RAP subjects the site to groundwater sampling, analysis, and remediation. The approximate annual costs for the existing groundwater sampling, analysis and remediation program is approximately $89,000. The known pollution at this site is a layer of petroleum hydrocarbons above groundwater and petroleum hydrocarbons dissolved in groundwater. Active remediation has been conducted since September 2008 by the former Redevelopment Agency and now by the Successor Agency. DTSC requested that the Successor Agency submit a work plan describing the methods to enhance the recovery of free product and dissolved petroleum hydrocarbons at Area T. The Successor Agency submitted a Work Plan for Enhancement of Groundwater Remediation Program to DTSC in March 2015 (Work Plan). DTSC approved the Work Plan in April 2015. The cost to implement the enhanced groundwater remediation program is estimated at $133,000. This preliminary estimate has not been accrued as a liability in the City's Statement of Net Position. This estimate is also subject to change from price increases or reductions, technology, and changes in applicable laws or regulations.

NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)

L. *Other Commitments and Contingencies*

The Authority and its component units RHA Housing Corporation and RHA RAD LLC entered into several arrangements including a Co-Guarantor Contribution Agreement with third parties as participants in a tax credit bonds project to accommodate the required funding to convert two properties from a conventional public housing project to a rental assistance demonstration program, as discussed in Note 16J.

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, 2018 were as listed below:

	Amount
General Fund	$72,506
Community Development and Loan Programs Special Revenue Fund	2,372,904
Non-Major Governmental Funds	3,220,831
	$5,666,241

NOTE 17 – 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.

NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

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 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.

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. As of July 1, 2018, Contra Costa County has formed a county-wide Oversight Board to oversee the activities of all Successor Agencies within the County, including Richmond. 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.

AB1484 required the Successor Agency to complete two due diligence reviews – one for the low and moderate income housing assets of the Successor Agency (Housing DDR), and a second for all other balances of the Successor Agency (Non-housing DDR). The due diligence reviews were to calculate the balance of unencumbered balances as of June 30, 2012 available to be remitted to the County for disbursement to taxing entities. The Successor Agency submitted both due diligence reviews to the State Department of Finance for review and approval. The Department of Finance approved the Housing DDR, after making an adjustment, and the Successor Agency remitted the unencumbered balance of $4,067,242 to the County in November 2014. The Department of Finance approved the Non-housing DDR in December 2014, and no funds were required to be remitted to the County. The Successor Agency received a Finding of Completion on December 9, 2014.

NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

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, 2018 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, 2018.

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.

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. After a period of variable interest rates, the loan has converted to a fixed 5% interest rate. Interest and principal payments are due semi-annually through 2025. The balance of the loan was $1,574,000 as of June 30, 2018.

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.

There were no additions or retirements during fiscal year 2018 and capital assets recorded at June 30, 2018 include land and improvements with a balance of $4,313,167.

NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

D. Long-term Obligations

The following is a summary of long-term debt transactions during the fiscal year ended June 30, 2018:

	Balance July 01, 2017	Additions (A)	Retirements (B)	Balance June 30, 2018	Due Within One Year	Due in More than One Year
Bonds payable	$68,290,709	$1,049,052	($7,011,549)	$62,328,212	$6,970,000	$55,358,212
Loans payable	22,515,000		(875,000)	21,640,000	925,000	20,715,000
Notes payable	10,962,412		(325,575)	10,636,837	332,087	10,304,750
Total	$101,768,121	$1,049,052	($8,212,124)	$94,605,049	$8,227,087	$86,377,962

(A) Includes bond accretion for capital appreciation bonds totaling $1,049,052.
(B) Retirements of bonds payable includes principle retirements in the amount of $6,700,000 and amortization of bond premium in the amount of $311,549.

Bonds Payable

Bonds payable at June 30, 2018 consisted of the following:

	Net
Harbour Tax Allocation Refunding Bonds - 1998 Series A	$6,093,799
Subordinate Tax Allocation Bonds - 2007 Series B	12,149,027
Subordinate Tax Allocation Refunding Bonds - 2010 Series A	25,235,000
Successor Agency of RCRA Refunding Bonds - 2014 Series A & B	18,850,386
Total	$62,328,212

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. On March 27, 2014, the Agency issued the Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds 2014 Series A & B which resulted in the defeasance of the outstanding balance of the current interest portion of the bonds in the amount of $9,180,000, as discussed below.

NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

At June 30, 2018, the Bonds consisted of the following:

	Value	Accretion/ Amortization	Unamortized Premium (Discount)	Net
Capital appreciation bonds	$6,900,000	$303,418	($1,109,619)	$6,093,799

The annual debt service requirements on the bonds are as follows:

For the Years Ending June 30,	Principal
2019	$1,150,000
2020	1,150,000
2021	1,150,000
2022	1,150,000
2023	1,150,000
2024	1,150,000
Total	$6,900,000

Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds Series 2007A and Series B - Original Issue Series A $65,400,000, Series B $9,772,622

On July 12, 2007 the Redevelopment Agency issued Series 2007A 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.

The 2007A 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 2007A 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 2007A Bonds and applied approximately $36 million of the unspent 2007A proceeds and other available funds along with the proceeds from the issuance of the Subordinate Tax Allocation Refunding Bonds, Series 2010A to refund the outstanding balance of the 2007A Bonds. As part of the issuance of the 2010A Bonds, the interest rate swap agreement associated with the 2007A Bonds was amended and restated as discussed with the Series 2010A Bonds below.

NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

On July 12, 2007 the Redevelopment Agency issued Series 2007B 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 2007B Bonds will be used to finance certain low and moderate income housing activities of the Redevelopment Agency. The 2007B Bonds mature annually through 2037, in amounts ranging from $465,000 to $2,020,000. The 2007B Bonds are secured by a pledge of subordinated housing and non-housing tax revenues.

At June 30, 2018, the 2007B Bonds consisted of the following:

	Maturity Value	Accretion/ Amortization	Unamortized Premium (Discount)	Net
Capital appreciation bonds	$19,920,000	$745,634	($8,516,607)	$12,149,027

The annual debt service requirements on the 2007B Bonds are as follows:

For the Years Ending June 30,	Principal
2019	$990,000
2020	1,040,000
2021	1,415,000
2022	1,030,000
2023	1,085,000
2024-2028	6,855,000
2029-2033	4,165,000
2034-2037	3,340,000
Total	$19,920,000

2010 Subordinate Tax Allocation Refunding Bonds Series A – Original Issue $33,740,000

The 2010A Bonds were issued on March 31, 2010 by the Agency. The proceeds of the 2010A Bonds were used to refund all of the outstanding Series 2007A Subordinate Tax Allocation Bonds. Interest rates range from 3.00% to 6.125% and are payable semiannually on March 1 and September 1. The 2010A 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.

NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

In connection with the issuance of the Series 2007A 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 2010A 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. With the issuance of the 2014 Successor Agency to the Richmond Redevelopment Agency Refunding Bonds, the Successor Agency amended the swap agreement to subordinate the termination payment provisions of the swap agreement to the debt service on the 2014 Bonds.

The annual debt service requirements on the bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019	$1,325,000	$1,864,937	$3,189,937
2020	1,015,000	1,786,325	2,801,325
2021	1,270,000	1,689,437	2,959,437
2022	820,000	1,612,297	2,432,297
2023	880,000	1,547,844	2,427,844
2024-2028	13,180,000	5,739,142	18,919,142
2029-2033	3,140,000	2,225,314	5,365,314
2034-2037	3,605,000	606,516	4,211,516
Total	$25,235,000	$17,071,812	$42,306,812

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.

Terms. The terms, including the counterparty credit rating of the outstanding swap, as of June 30, 2018 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, 2018	Termination Date
$47,700,000	7/12/2007	Royal Bank of Canada	AA-/Aa2/AA	SIFMA Municipal Swap Index	68% of USD-1 Month LIBOR	($4,033,000)	9/1/2036

NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

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. The swap is classified as Level 2 of the fair value hierarchy, using a market approach that considers the observable swap rates commonly quoted for the full term of the swap. As of June 30, 2018, 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 ineffective hedge as noted below:

	Changes in Fair Value		Fair value at June 30, 2018	
	Classification	Amount	Classification	Amount
Pay-Variable, Receive-Variable				
2010A Subordinate Tax Allocation Refunding Bonds	Investment revenue	$826,300	Investment	($4,033,000)

Credit risk. As of June 30, 2018, 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.

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.

NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

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, 2018, 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
2019	$1,325,000	$1,437,361	$427,576	$3,189,937
2020	1,015,000	1,377,846	408,479	2,801,325
2021	1,270,000	1,317,325	372,112	2,959,437
2022	820,000	1,260,644	351,653	2,432,297
2023	880,000	1,213,344	334,500	2,427,844
2024-2028	13,180,000	4,475,120	1,264,022	18,919,142
2029-2033	3,140,000	1,617,301	608,013	5,365,314
2034-2037	3,605,000	464,121	142,395	4,211,516
Total	$25,235,000	$13,163,062	$3,908,750	$42,306,812

CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds 2014 Series A & B – Original Issue Amounts $25,795,000 and $1,655,000, respectively

The 2014 A & B Bonds were issued on March 27, 2014 by the Successor Agency to the Richmond Community Redevelopment Agency. The proceeds of the Bonds, together with other available funds, were used to refund and defease the outstanding balance of the current interest portion of the 1998 Harbour Redevelopment Project Tax Allocation Refunding Bonds Series A, and the outstanding balances of the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds Series 2000 A & B and Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds Series 2003A. Interest rates range from 1.40% to 5.00% and is payable semiannually on March 1 and September 1. The 2014A Bonds mature annually on each September 1 through 2025 while the 2014B Bonds mature annually on each September 1 through 2018. Both Bonds are secured by a pledge of Redevelopment Property Tax Trust Fund revenues. The outstanding balances of the defeased debt as of June 30, 2018 were as follows:

Harbour Tax Allocation Refunding Bonds - 1998 Series A	$6,055,000
JPFA Tax Allocation Revenue Bonds - 2000 Series A & B	3,360,000
JPFA Tax Allocation Revenue Bonds - 2003 Series A	11,025,000
	$20,440,000

At June 30, 2018, the 2014 A & B Bonds consisted of the following:

Bonds outstanding:	$17,680,000
Unamortized premium	1,170,386
Net	$18,850,386

The annual debt service requirements on the A & B bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019	$3,505,000	$771,512	$4,276,512
2020	1,775,000	659,375	2,434,375
2021	1,870,000	568,250	2,438,250
2022	1,960,000	472,500	2,432,500
2023	2,000,000	373,500	2,373,500
2024-2026	6,570,000	490,000	7,060,000
Total	$17,680,000	$3,335,137	$21,015,137

NOTE 17 – 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, 2018 came from the Bond issues listed below:

JPFA Tax Allocation Revenue Bonds - 2003 Series B	$8,075,000
JPFA Tax Allocation Revenue Bonds - 2004 Series A & B	13,565,000
Total	$21,640,000

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. On March 27, 2014, the Agency issued the Successor Agency to the Richmond Community Redevelopment Agency Refunding Bonds 2014 Series A & B which resulted in the refunding and defeasance of the outstanding balance of the 2003 Series A Bonds in the amount of $13,290,000 as discussed above.

At issuance, the Bonds were insured by MBIA Insurance Corporation (which was reinsured by National Public Finance Guarantee Corporation ("NPFGC")). On December 5, 2017, Kroll Bond Rating Agency downgraded its insurance financial strength rating for NPFGC from 'AA+' to 'AA' and subsequently withdrew the rating citing business reasons. On January 17, 2018, Moody's Investors Service ("Moody's") downgraded its insurance financial strength rating on NPFGC from 'A3' to 'Baa2'. As a result of the foregoing, Moody's downgraded its Insured Rating on the Bonds from 'A3' to 'Baa2'. On February 13, 2019, S&P Global Ratings (formerly Standard and Poor's Ratings Services) upgraded its Local Currency Long-Term and Underlying Ratings on the Bonds from 'A+' to 'AA-'.

CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

The annual debt service requirements on the 2003 Series B loan as of June 30, 2018 are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019	$590,000	$488,842	$1,078,842
2020	735,000	448,403	1,183,403
2021	785,000	400,523	1,185,523
2022	835,000	349,493	1,184,493
2023	885,000	295,313	1,180,313
2024-2026	4,245,000	449,348	4,694,348
Total	$8,075,000	$2,431,922	$10,506,922

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.

The annual debt service requirements for these loans as of June 30, 2018 are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2019	$335,000	$707,050	$1,042,050
2020	3,105,000	620,564	3,725,564
2021	680,000	525,014	1,205,014
2022	720,000	488,784	1,208,784
2023	850,000	446,956	1,296,956
2024-2027	7,875,000	1,220,808	9,095,808
Total	$13,565,000	$4,009,176	$17,574,176

NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

Pledge of Redevelopment Tax Increment Revenues

The Bond issues and loans payable to the Authority 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 $118,223,047 remaining debt service on the Bonds and loans which is scheduled to occur in 2037.

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. Total property taxes available for distribution to the Successor Agency and other taxing entities for fiscal year 2018 calculated by the County Auditor–Controller were $26,889,111. The total received by the Successor Agency for fiscal year 2018 debt service and other enforceable obligations was $12,255,069 and debt service was $11,670,329.

Notes Payable

SERAF Loan	$10,636,837

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
2019	$332,087	$212,737	$544,824
2020	338,728	206,095	544,823
2021	9,966,022		9,966,022
Total	$10,636,837	$418,832	$11,055,669

CITY OF RICHMOND
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 17 – 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 $2,535,000 at June 30, 2018.

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, 2018, the balances of these issuers' outstanding debts were as follows:

Baycliff Apartment Project, 2004 Revenue Bonds	$26,490,000
Crescent Park Apartment Project, 2007 Series A & Series A-T Revenue Bonds	25,111,260

E. Commitments and Contingencies

State Approval of Enforceable Obligations

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) annually that contains all proposed expenditures for the subsequent twelve-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 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

Miraflores – Pollution Remediation

The City, through the former Redevelopment Agency, has undertaken a known pollution remediation project at the Miraflores Housing Development site. The Successor Agency assumed the administration of the project as of February 1, 2012. Clean up of the 14 acre former flower nursery site, located at South 45th Street and Wall Avenue, will provide future residential and open space land. The remediation phase of the Miraflores project was completed during the fiscal year ended June 30, 2015.

At the time the original Remedial Action Plan was prepared, the original cost of the preferred alternative remediation was estimated to be $3,200,000. As of June 30, 2015, the estimate had increased to $13.6 million. During the fiscal year ended June 30, 2016, the Agency decreased the remediation estimate to $13.4 million. The Agency spent $13.4 million in pollution remediation costs since the project's inception through June 30, 2018. The project was completed as of June 30, 2018. Subsequent to June 30, 2018, the Miraflores Housing Development site was sold to a private developer.

NOTE 18 – SUBSEQUENT EVENTS

A. Terminal One Land Sale

The City is in contract with Terminal One Development, LCC, to sell an approximately 10-acre site for development purposes at a price of $10 million. The developer has paid the City $500,000 in a non-refundable deposit, with the balance of $9.5 million due following the granting of all entitlements and close of escrow. Following City Council certification of the environmental impact report (EIR) for the project in July 2016, a lawsuit was filed that challenged certification of the EIR. A settlement was reached by all parties to this lawsuit in November 2016, which allows the project entitlement process to proceed. Close of escrow on the real estate sale by the City to Terminal One Development, LLC, including the transfer of the $9.5 million balance due from the developer to the City, is anticipated by June 2019.

B. Transfer of the Section 8 Program to Housing Authority of the County of Contra Costa

As a result of the Recovery Agreement Action Plan, established and entered into with the U.S. Department of Housing and Urban Development (HUD) and Richmond Housing Authority (RHA), to analyze the following options:

A. Transfer all operations to another well-managed public housing agency
   I. Dispose Public Housing operations
   II. Transfer Housing Choice Voucher (HCV) operations

B. Separate from the City of Richmond
   I. Dispose Public Housing operations
   II. Maintain HCV operations
   III. Separate and independent RHA Board of Commissioners

C. Maintain RHA as a component of the City
   I. Dispose its Public Housing operations
   II. Maintain its HCV Operations

NOTE 18 – SUBSEQUENT EVENTS (Continued)

   III. Board of Commissioners
      a. Separate and independent
      b. Maintain existing structure

In February 2019, after conducting research and receiving guidance from the local HUD Office, the Board of Commissioners authorized RHA to issue a "Letter of Intent" to transfer the Housing Choice Voucher (HCV) and Project Based Voucher (PBV) Programs to the Housing Authority of the County of Contra Costa (HACCC) (a well-managed Housing Authority). The Board also directed RHA to formally ask HUD to transfer programs effective July 1, 2019. RHA intends to maintain all of its Public Housing units along with other properties owned or managed under HOPE VI and RAD programs. The request and associated documents from RHA and HACCC were forwarded to HUD for approval.

HUD has issued policies and guidance that authorize one housing authority (PHA) to voluntarily transfer the total budget authority and corresponding baseline units for its Housing Choice Voucher (Voucher) and Project-based Voucher (PBV) Programs to another PHA, subject to approval by HUD. On April 16, 2019, RHA received notice of approval for the Voluntary Transfer of the HCV and PBV programs from RHA to the Housing Authority of the County of Contra Costa effective July 1, 2019. RHA and HACCC plan to enter into a Memorandum of Understanding outlining the facilitation of the program transfer.

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BUDGETARY COMPARISON SCHEDULES

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CITY OF RICHMOND
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES:				
Property tax	$38,782,023	$38,361,265	$38,961,021	$599,756
Sales tax	42,299,235	42,876,659	44,474,973	1,598,314
Utility user fees	45,916,543	46,627,843	46,079,755	(548,088)
Other taxes	11,593,174	12,093,174	12,413,127	319,953
Licenses, permits and fees	4,802,874	4,802,874	3,802,576	(1,000,298)
Fines, forfeitures and penalties	943,088	943,088	981,984	38,896
Use of money and property	32,903	32,903	189,599	156,696
Intergovernmental	1,493,660	700,573	1,102,944	402,371
Charges for services	7,238,870	7,713,030	7,823,287	110,257
Rent	808,222	808,222	849,640	41,418
Other	235,927	349,900	414,525	64,625
Total Revenues	154,146,519	155,309,531	157,093,431	1,783,900
EXPENDITURES:				
Current				
General government	24,733,664	26,172,431	28,402,147	(2,229,716)
Public safety	94,289,105	93,651,101	93,646,193	4,908
Public works	22,926,681	23,068,602	22,805,801	262,801
Cultural and recreational	11,023,357	11,022,963	10,734,162	288,801
Capital outlay	432,000	131,213	127,246	3,967
Debt Service:				
Principal	1,040,350	1,040,350	814,494	225,856
Interest and fiscal charges	256,646	256,646	256,830	(184)
Total Expenditures	154,701,803	155,343,306	156,786,873	(1,443,567)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(555,284)	(33,775)	306,558	340,333
OTHER FINANCING SOURCES (USES)				
Bond premium				
Proceeds from sale of property	35,000	35,000	39,226	4,226
Transfers in	6,212,080	6,212,080	6,035,115	(176,965)
Transfers (out)	(5,691,357)	(6,153,382)	(6,166,866)	(13,484)
Total other financing sources (uses)	555,723	93,698	(92,525)	(186,223)
NET CHANGE IN FUND BALANCE	439	59,923	214,033	154,110
Fund balance, July 1	35,416,890	35,416,890	35,416,890	
Fund balance, June 30	$35,417,329	$35,476,813	$35,630,923	$154,110

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Licenses, permits and fees	$150,000	$150,000	$1,697,222	$1,547,222
Use of money and property	78,154	78,154	282,805	204,651
Intergovernmental	4,380,049	4,780,049	341,491	(4,438,558)
Other	991,660	991,660	2,062,661	1,071,001
Total Revenues	5,599,863	5,999,863	4,384,179	(1,615,684)
EXPENDITURES				
Current:				
Community development	1,066,010	1,466,011	3,604,538	(2,138,527)
Housing and redevelopment	2,471,308	1,839,322	764,390	1,074,932
Capital outlay	2,774,319	2,774,319	265,715	2,508,604
Total Expenditures	6,311,637	6,079,652	4,634,643	1,445,009
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(711,774)	(79,789)	(250,464)	(170,675)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	10,500	10,500		(10,500)
Transfers in	260,202	260,202		(260,202)
Transfers (out)		(255,762)	(255,762)	
Total other financing sources (uses)	270,702	14,940	(255,762)	(270,702)
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM	(441,072)	(64,849)	(506,226)	(441,377)
SPECIAL ITEM:				
Transfer of loans to housing successor			1,208,259	1,208,259
NET CHANGE IN FUND BALANCE	(441,072)	(64,849)	702,033	766,882
Fund balance, July 1	24,362,160	24,362,160	24,362,160	
Fund balance, June 30	$23,921,088	$24,297,311	$25,064,193	$766,882

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 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, Lighting and Landscaping Districts, Developer Impact Fees, Community Development and Loan Programs, Richmond Neighborhood Stabilization Corporation, Rent Control, Cost Recovery and Environmental and Community Investment Agreement) and the 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 on a project length basis and are therefore not comparable on an annual basis.

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.

Miscellaneous Agent Multiple-Employer Defined Benefit Pension Plan

Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Total Pension Liability				
Service Cost	$ 7,816,868	$ 7,446,410	$ 7,200,571	$ 8,053,459
Interest	30,597,498	31,414,256	32,305,003	32,804,753
Differences between expected and actual experience		(5,280,549)	(3,484,064)	(4,464,966)
Changes in assumptions		(7,116,200)		25,548,824
Changes in benefits				
Benefit payments, including refunds of employee contributions	(23,007,539)	(23,302,793)	(23,917,069)	(25,074,448)
Net change in total pension liability	15,406,827	3,161,124	12,104,441	36,867,622
Total pension liability - beginning	415,561,984	430,968,811	434,129,935	446,234,376
Total pension liability - ending (a)	$ 430,968,811	$ 434,129,935	$ 446,234,376	$ 483,101,998
Plan fiduciary net position				
Contributions - employer	$ 6,661,038	$ 7,189,716	$ 8,093,834	$ 8,860,295
Contributions - employee	3,195,699	3,141,565	3,087,656	2,996,354
Net investment income (1)	51,867,728	7,502,958	1,630,388	35,805,938
Plan to plan resource movement		(6,885)	(4,762)	(50,018)
Administrative expense		(379,925)	(205,714)	(481,651)
Benefit payments, including refunds of employee contributions	(23,007,539)	(23,302,793)	(23,917,069)	(25,074,448)
Net change in plan fiduciary net position	38,716,926	(5,855,364)	(11,315,667)	22,056,470
Plan fiduciary net position - beginning	304,680,611	343,397,537	337,542,173	326,226,506
Plan fiduciary net position - ending (b)	$ 343,397,537	$ 337,542,173	$ 326,226,506	$ 348,282,976
Net pension liability - ending (a)-(b)	$ 87,571,274	$ 96,587,762	$ 120,007,870	$ 134,819,022
Plan fiduciary net position as a percentage of the total pension liability	79.68%	77.75%	73.11%	72.09%
Covered payroll	$ 37,210,225	$ 36,151,102	$ 36,638,889	$ 35,964,798
Net pension liability as percentage of covered payroll	235.34%	267.18%	327.54%	374.86%

Notes to Schedule:

(1) Net of administrative expense in 2014.

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).
Changes in assumptions. GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 and 2016 measurement dates. In June 30, 2017 the discount rate was reduced from 7.65% to 7.15%.

* - Fiscal year 2015 was the 1st year of implementation.

Miscellaneous Agent Multiple-Employer Defined Benefit Pension Plan
As of fiscal year ending June 30
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended June 30	2015	2016	2017	2018
Actuarially determined contribution	$ 7,178,549	$ 8,084,584	$ 8,867,763	$ 10,436,250
Contributions in relation to the actuarially determined contributions	(7,178,549)	(8,084,584)	(8,867,763)	(10,436,250)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 36,151,102	$ 36,638,889	$ 35,964,798	$ 35,725,311
Contributions as a percentage of covered payroll	19.86%	22.07%	24.66%	29.21%
Notes to Schedule				
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	For details, see June 30 Funding Valuation Report
Asset valuation method	Market Value of Assets. For details, see June 30 Funding Valuation Report
Inflation	2.75%
Payroll Growth	3.00%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50%, Net of Pension Plan Investment and Administrative Expenses; including Inflation
Retirement age	The probability of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality Rate Table	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* - Fiscal year 2015 was the 1st year of implementation.

Safety Agent Multiple-Employer Defined Benefit Pension Plan

Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Total Pension Liability				
Service Cost	$ 10,167,167	$ 10,142,245	$ 10,297,536	$ 11,650,927
Interest	38,254,517	40,142,006	41,950,593	43,264,626
Differences between expected and actual experience		3,799,388	2,950,295	797,969
Changes in assumptions		(9,563,090)		35,109,898
Changes in benefits				
Benefit payments, including refunds of employee contributions	(27,199,743)	(28,747,508)	(30,593,589)	(33,620,000)
Net change in total pension liability	21,221,941	15,773,041	24,604,835	57,203,420
Total pension liability - beginning	518,576,503	539,798,444	555,571,485	580,176,320
Total pension liability - ending (a)	$ 539,798,444	$ 555,571,485	$ 580,176,320	$ 637,379,740
Plan fiduciary net position				
Contributions - employer	$ 9,352,438	$ 10,652,641	$ 11,488,714	$ 12,699,049
Contributions - employee	3,348,408	3,797,568	4,607,993	4,471,008
Net investment income (1)	64,842,562	9,408,186	2,062,417	45,166,243
Plan to plan resource movement		3,476	4,762	50,018
Administrative expense		(477,249)	(258,432)	(607,337)
Benefit payments, including refunds of employee contributions	(27,199,743)	(28,747,508)	(30,593,589)	(33,620,000)
Net change in plan fiduciary net position	50,343,665	(5,362,886)	(12,688,135)	28,158,981
Plan fiduciary net position - beginning	379,062,015	429,405,680	424,042,794	411,354,659
Plan fiduciary net position - ending (b)	$ 429,405,680	$ 424,042,794	$ 411,354,659	$ 439,513,640
Net pension liability - ending (a)-(b)	$ 110,392,764	$ 131,528,691	$ 168,821,661	$ 197,866,100
Plan fiduciary net position as a percentage of the total pension liability	79.55%	76.33%	70.90%	68.96%
Covered payroll	$ 35,479,947	$ 36,151,966	$ 37,352,212	$ 37,273,957
Net pension liability as percentage of covered payroll	311.14%	363.82%	451.97%	530.84%

Notes to Schedule:

(1) Net of administrative expense in 2014.

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 and 2016 measurement dates. In June 30, 2017 the discount rate was reduced from 7.65% to 7.15%.

* - Fiscal year 2015 was the 1st year of implementation.

Safety Agent Multiple-Employer Defined Benefit Pension Plan
As of fiscal year ending June 30
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended June 30	2015	2016	2017	2018
Actuarially determined contribution	$ 10,650,057	$ 11,492,798	$ 12,696,582	$ 14,013,858
Contributions in relation to the actuarially determined contributions	(10,650,057)	(11,492,798)	(12,696,582)	(14,013,858)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 36,151,966	$ 37,352,212	$ 37,273,957	$ 34,439,607
Contributions as a percentage of covered payroll	29.46%	30.77%	34.06%	40.69%

Notes to Schedule

Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	For details, see June 30 Funding Valuation Report
Asset valuation method	Market Value of Assets. For details, see June 30 Funding Valuation Report
Inflation	2.75%
Payroll Growth	3.00%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50%, Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Retirement age	The probability of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality Rate Table	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

* - Fiscal year 2015 was the 1st year of implementation.

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years *

General Pension Plan	Measurement Period Ended June 30				
	2014	2015	2016	2017	2018
Total Pension Liability					
Service Cost					
Interest	$ 147,247	$ 128,954	$ 107,632	$ 92,742	$ 80,100
Differences between expected and actual experience		345,786		40,459	
Changes of assumptions		322,312			(20,669)
Changes of benefit terms					
Benefit payments, including member contribution refunds	(592,105)	(672,546)	(623,662)	(584,272)	(524,939)
Net change in Total Pension Liability	(444,858)	124,506	(516,030)	(451,071)	(465,508)
Total Pension Liability at beginning of year	4,219,909	3,775,051	3,899,557	3,383,527	2,932,456
Total pension liability at end of year	$ 3,775,051	$ 3,899,557	$ 3,383,527	$ 2,932,456	$ 2,466,948
Fiduciary Net Position					
Contributions - employer	$ 602,970	$ 602,970	$ 602,970	$ 73,592	$ 814,594
Contributions - donations and other income					
Contributions - member					
Net investment income	(837)	2,017	2,255	3,351	2,207
Other additions					
Benefit payments, including member contribution refunds	(592,105)	(672,546)	(623,662)	(584,272)	(524,939)
Administrative expenses					
Other deductibles					
Net change in Fiduciary Net Position	10,028	(67,559)	(18,437)	(507,329)	291,862
Fiduciary Net Position at beginning of year	1,033,168	1,043,196	975,637	957,200	449,871
Fiduciary net position at end of year	$ 1,043,196	$ 975,637	$ 957,200	$ 449,871	$ 741,733
Net pension liability (asset) at end of year	$ 2,731,855	$ 2,923,920	$ 2,426,327	$ 2,482,585	$ 1,725,215
Fiduciary net position as percentage of total pension	27.6%	25.0%	28.3%	15.3%	30.1%
Covered payroll	n/a	n/a	n/a	n/a	n/a
Net pension liability as percentage of covered payroll	n/a	n/a	n/a	n/a	n/a

* Fiscal year 2014 was the 1st year of implementation.

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years *

Police and Firemen's Pension Plan	Measurement Period Ended June 30				
	2014	2015	2016	2017	2018
Total Pension Liability					
Service Cost					
Interest	$ 1,579,762	$ 1,464,746	$ 1,214,089	$1,111,386	$ 1,031,753
Differences between expected and actual experience		(323,462)		261,891	
Changes of assumptions		1,380,854			
Changes of benefit terms					
Benefit payments, including member contribution refunds	(3,436,887)	(3,074,421)	(3,140,552)	(2,859,902)	(2,656,508)
Net change in Total Pension Liability	(1,857,125)	(552,283)	(1,926,463)	(1,486,625)	(1,624,755)
Total Pension Liability at beginning of year	25,094,272	23,237,147	22,684,864	20,758,401	19,271,776
Total pension liability at end of year	$ 23,237,147	$ 22,684,864	$ 20,758,401	$ 19,271,776	$ 17,647,021
Fiduciary Net Position					
Contributions - employer	$ 740,235	$ 740,235	$ 1,222,197	$ 1,270,466	$ 1,270,466
Contributions - donations and other income					
Contributions - member					
Net investment income	2,968,492	369,240	(165,490)	1,340,997	589,027
Other additions					
Benefit payments, including member contribution refunds	(3,436,887)	(3,074,421)	(3,140,552)	(2,859,902)	(2,656,508)
Administrative expenses					
Other deductions	(3,424,568)				
Net change in Fiduciary Net Position	(3,152,728)	(1,964,946)	(2,083,845)	(248,439)	(797,015)
Fiduciary Net Position at beginning of year	19,834,552	16,681,824	14,716,878	12,633,033	12,384,594
Fiduciary net position at end of year	$ 16,681,824	$ 14,716,878	$ 12,633,033	$ 12,384,594	$ 11,587,579
Net pension liability (asset) at end of year	$ 6,555,323	$ 7,967,986	$ 8,125,368	$ 6,887,182	$ 6,059,442
Fiduciary net position as percentage of total pension	71.8%	64.9%	60.9%	64.3%	65.7%
Covered payroll	n/a	n/a	n/a	n/a	n/a
Net pension liability as percentage of covered payroll	n/a	n/a	n/a	n/a	n/a

* Fiscal year 2014 was the 1st year of implementation.

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years *

Garfield Pension Plan	Measurement Period Ended June 30				
	2014	2015	2016	2017	2018
Total Pension Liability					
Service Cost					
Interest	$ 30,759	$ 28,597	$ 21,615	$ 19,517	$ 19,334
Differences between expected and actual experience		(45,458)		67,810	
Changes of assumptions		64,544			
Changes of benefit terms					
Benefit payments, including member contribution refunds	(87,140)	(88,883)	(90,660)	(92,474)	(94,323)
Net change in Total Pension Liability	(56,381)	(41,200)	(69,045)	(5,147)	(74,989)
Total Pension Liability at beginning of year	863,415	807,034	765,834	696,789	691,642
Total pension liability at end of year	$ 807,034	$ 765,834	$ 696,789	$ 691,642	$ 616,653
Fiduciary Net Position					
Contributions - employer	$ 102,140	$ 102,140	$ 102,140	$ 102,140	$ 102,140
Contributions - donations and other income					
Contributions - member					
Net investment income	227	577	933	1,517	2,627
Other additions					
Benefit payments, including member contribution refunds	(87,141)	(88,883)	(90,660)	(92,474)	(94,323)
Administrative expenses					
Other deductions					
Net change in Fiduciary Net Position	15,226	13,834	12,413	11,183	10,444
Fiduciary Net Position at beginning of year	244,661	259,887	273,721	286,134	297,317
Fiduciary net position at end of year	$ 259,887	$ 273,721	$ 286,134	$ 297,317	$ 307,761
Net pension liability (asset) at end of year	$ 547,147	$ 492,113	$ 410,655	$ 394,325	$ 308,892
Fiduciary net position as percentage of total pension	32.2%	35.7%	41.1%	43.0%	49.9%
Covered payroll	n/a	n/a	n/a	n/a	n/a
Net pension liability as percentage of covered payroll	n/a	n/a	n/a	n/a	n/a

* Fiscal year 2014 was the 1st year of implementation.

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

Fiscal Year	(1) Actuarially Determined Contribution (ADC)	(2) Employer Contributions	(3) Contribution Deficiency (Excess) (1)-(2)	(4) Covered-Employee Payroll	(5) ADC / Covered-Employee Payroll (1)/(4)
Police and Firemen's Plan					
June 30, 2008	$ 2,199,459	$ 5,000,000	$ (2,800,541)	n/a	n/a
June 30, 2009	1,887,057	4,800,000	(2,912,943)	n/a	n/a
June 30, 2010	2,477,902	4,600,000	(2,122,098)	n/a	n/a
June 30, 2011	2,257,912	-	2,257,912	n/a	n/a
June 30, 2012	1,596,771	-	1,596,771	n/a	n/a
June 30, 2013	1,813,721	1,596,771	216,950	n/a	n/a
June 30, 2014	740,235	740,234	1	n/a	n/a
June 30, 2015	740,235	740,235	-	n/a	n/a
June 30, 2016	1,270,466	1,222,197	48,269	n/a	n/a
June 30, 2017	1,270,466	1,270,466	-	n/a	n/a
June 30, 2018	1,389,612	1,270,466	119,146	n/a	n/a
General Pension Plan					
June 30, 2008	$ 307,948	$ 307,948	$ -	n/a	n/a
June 30, 2009	307,948	307,948	-	n/a	n/a
June 30, 2010	486,092	486,092	-	n/a	n/a
June 30, 2011	486,092	486,092	-	n/a	n/a
June 30, 2012	455,662	148,186	307,476	n/a	n/a
June 30, 2013	502,278	660,992	(158,714)	n/a	n/a
June 30, 2014	602,970	602,970	-	n/a	n/a
June 30, 2015	602,970	602,970	-	n/a	n/a
June 30, 2016	750,016	602,970	147,046	n/a	n/a
June 30, 2017	750,016	73,592	676,424	n/a	n/a
June 30, 2018	947,219	814,594	132,625	n/a	n/a
Garfield Pension Plan					
June 30, 2008	$ 72,484	$ 72,484	$ -	n/a	n/a
June 30, 2009	72,484	72,484	-	n/a	n/a
June 30, 2010	76,692	76,692	-	n/a	n/a
June 30, 2011	76,692	76,692	-	n/a	n/a
June 30, 2012	78,731	-	78,731	n/a	n/a
June 30, 2013	92,092	77,000	15,092	n/a	n/a
June 30, 2014	102,140	102,140	-	n/a	n/a
June 30, 2015	102,140	102,140	-	n/a	n/a
June 30, 2016	78,987	102,140	(23,153)	n/a	n/a
June 30, 2017	78,987	102,140	(23,153)	n/a	n/a
June 30, 2018	86,103	102,140	(16,037)	n/a	n/a

SCHEDULE OF CONTRIBUTIONS (Continued)

Notes to Schedule:

	Police and Firemen's Plan	General Pension Plan	Garfield Pension Plan
Actuarially determined contribution rates are calculated as of the end of the fiscal year in which contributions are reported.			
From the July 1, 2017 Actuarial Valuation			
Methods and assumptions used to determine contribution rates:			
Actuarial cost method	Entry age normal cost	Entry age normal cost	Entry age normal cost
Amortization method	**Investment Gains & Losses:** Straight-line amortization over a closed 5-year period. **Effects of Assumptions Changes and Experience Gains and Losses:** Straight-line amortization over a closed period equal to the average of the expected remaining service lives of all members that are provided with pensions through the pension plan. Since the plan no longer has active members, the effects of assumption changes and experience gains and losses are recognized immediately.		
Remaining amortization period	6 years	2 years	5 years
Asset valuation method	Market value of assets	Market value of assets	Market value of assets
Inflation	2.75%	2.75%	2.75%
Salary increases used to estimate future increases to pensions	N/A	N/A	N/A
Discount rate, net of investment expenses	5.75%	3.18%	3.00%
Retirement age	Closed to new members	Closed to new members	Closed to new members
Mortality	California PERS Mortality Table in its 2014 experience study (based on CalPERS 2001 - 2011 experience)		

SCHEDULE OF INVESTMENT RETURNS

Last 10 Fiscal Years *

Annual money-weighted rate of return, net of investment expense	2014	2015	2016	2017	2018
Police and Fireman's Plan	3.90%	2.40%	-1.20%	11.80%	4.90%
General Pension Plan	0.10%	0.30%	0.30%	0.50%	1.00%
Garfield Pension Plan	0.40%	0.30%	0.40%	0.60%	1.00%

* Fiscal year 2014 was the 1st year of implementation.

OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULES
OPEB PLAN TRUST FUND, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years for the Measurement Periods Ended June 30 (1)

For the Measurement Period Ended June 30	2017	2018
Total OPEB Liability		
Service Cost	$7,558,987	$6,730,397
Interest	7,064,307	7,927,217
Changes in benefit terms		
Differences between expected and actual experience		(2,816,969)
Changes of assumptions	(15,340,529)	8,715,168
Benefit payments	(6,497,645)	(6,861,529)
Net change in total OPEB liability	(7,214,880)	13,694,284
Total OPEB liability - beginning	198,687,162	191,472,282
Total OPEB liability - ending (a)	$191,472,282	$205,166,566
Plan fiduciary net position		
Contributions - employer	$13,218,475	$13,599,120
Contributions - employee	278,850	765,475
Net investment income	227,394	632,089
Administrative expense	(11,250)	(49,169)
Benefit payments	(6,497,645)	(6,861,529)
Net change in plan fiduciary net position	7,215,824	8,085,986
Plan fiduciary net position - beginning	2,121,069	9,336,893
Plan fiduciary net position - ending (b)	$9,336,893	$17,422,879
Net OPEB liability - ending (a)-(b)	$182,135,389	$187,743,687
Plan fiduciary net position as a percentage of the total OPEB liability	4.88%	8.49%
Covered-employee payroll	$66,774,795	$65,359,713
Net OPEB liability as a percentage of covered-employee payroll	272.76%	287.25%

(1) Fiscal year 2017 was the first year of implementation.

OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULES

SCHEDULE OF PLAN CONTRIBUTIONS

Last 10 Fiscal Years (1)

Fiscal Year Ended June 30,	2017	2018
Contractually Required Contributions (CRC) (2)	$6,497,645	$6,861,529
Contributions in relation to the CRC	(6,497,645)	(6,861,529)
Contribution Deficiency (Excess)	$0	$0

(1) Fiscal year 2017 was the first year of implementation.
(2) The City does not calculate an Actuarially Determined Contribution, but the City's agreements with its bargaining units provide for various benefit levels as discussed in Note 12 to the financial statements. Contributions reported include the implicit subsidy.

SCHEDULE OF INVESTMENT RETURNS
Last Ten Fiscal Years Ended June 30 (1)

For the Fiscal Year Ended June 30	2017	2018
Annual money-weighted rate of return, net of investment expense	10.75%	6.30%

Notes:
(1) Fiscal year 2017 was the first year of implementation

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 Fund is used 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 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.

Rent Control Fund is used to account for fees paid by landlords to fund the operation of Richmond's Fair Rent, Just Cause for Eviction, and Homeowner Protection programs.

Cost Recovery Fund is used to record the receipt and use of monies for services provided to the public and developers.

Environmental and Community Investment Agreement (ECIA) Fund accounts for funding received from Chevron in conjunction with the Chevron Modernization Project Environmental and Community Investment Agreement to fund various projects and programs within the City of Richmond.

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.

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.

Civic Center Debt Service Fund accounts for principal and interest payments on the Civic Center Project Lease Revenue Bonds.

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.

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CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS			
	State Gas Tax	General Purpose	Paratransit Operations	Employment and Training
ASSETS				
Cash and investments	$682,278	$1,425,798		$1,409,377
Restricted cash and investments				4,225
Receivables:				
Accounts, net	138,960	5,773	$5,149	62,109
Interest	1,701	3,165		
Grants		1,009,674		786,123
Loans				
Total Assets	$822,939	$2,444,410	$5,149	$2,261,834
LIABILITIES				
Accounts payable and accrued liabilities	$504,759	$403,251	$11,381	$78,773
Refundable deposits				
Due to other funds			2,902,517	
Unearned revenue		635,527		60,000
Total Liabilities	504,759	1,038,778	2,913,898	138,773
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue		721,206		103,798
FUND BALANCE				
Restricted	318,180	684,426		2,019,263
Assigned				
Unassigned			(2,908,749)	
Total Fund Balances (Deficits)	318,180	684,426	(2,908,749)	2,019,263
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$822,939	$2,444,410	$5,149	$2,261,834

	SPECIAL REVENUE FUNDS						
	Public Safety	Lighting and Landscaping Districts	Developer Impact Fees	Secured Pension Override	Richmond Neighborhood Stabilization Corporation	Rent Control	Cost Recovery
ASSETS							
Cash and investments	$310,869	$1,257,487	$5,141,810		$50,700	$178	
Restricted cash and investments					124,772		
Receivables:							
Accounts, net		7,479				11,649	$848,931
Interest	708	2,838	8,804		111	309	4,339
Grants	30,353						1,701,210
Loans					779,013		
Total Assets	$341,930	$1,267,804	$5,150,614		$954,596	$12,136	$2,554,480
LIABILITIES							
Accounts payable and accrued liabilities	$16,969	$37,473	$15,843			$99,815	$1,201,079
Refundable deposits							554,874
Due to other funds							2,681,960
Unearned revenue							20,093
Total Liabilities	16,969	37,473	15,843			99,815	4,458,006
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue		7,479			$779,013		1,186,864
FUND BALANCE							
Restricted	324,961	1,222,852	5,134,771		175,583		
Assigned							
Unassigned						(87,679)	(3,090,390)
Total Fund Balances (Deficits)	324,961	1,222,852	5,134,771		175,583	(87,679)	(3,090,390)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$341,930	$1,267,804	$5,150,614		$954,596	$12,136	$2,554,480

(Continued)

CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS			
	Environmental and Community Investment Agreement	2005 Pension Obligation Bonds	General Debt Service	Civic Center Debt Service	General Capital Improvement	Measure C / J	Harbor Navigation	Total Nonmajor Governmental Funds
ASSETS								
Cash and investments	$15,079,174				$1,057,597	$456,257	$43,810	$26,915,335
Restricted cash and investments		$9,844,431	$150	$1,046,238	86,361			11,106,177
Receivables:								
Accounts, net						1,906,395		2,986,445
Interest	29,268				13	476	96	51,828
Grants					2,550,798	125,944		6,204,102
Loans								779,013
Total Assets	$15,108,442	$9,844,431	$150	$1,046,238	$3,694,769	$2,489,072	$43,906	$48,042,900
LIABILITIES								
Accounts payable and accrued liabilities	$766,141			$100	$51,514	$313,791		$3,500,889
Refundable deposits								554,874
Due to other funds			$237	1,003,477				6,588,191
Unearned revenue				2,895,537				3,611,157
Total Liabilities	766,141		237	3,899,114	51,514	313,791		14,255,111
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue					698,200	125,944		3,622,504
FUND BALANCE								
Restricted	14,342,301	$9,844,431			2,945,055	2,049,337		39,061,160
Assigned							$43,906	43,906
Unassigned			(87)	(2,852,876)				(8,939,781)
Total Fund Balances (Deficits)	14,342,301	9,844,431	(87)	(2,852,876)	2,945,055	2,049,337	43,906	30,165,285
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$15,108,442	$9,844,431	$150	$1,046,238	$3,694,769	$2,489,072	$43,906	$48,042,900

CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS				SPECIAL REVENUE 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	Rent Control	Cost Recovery
REVENUES											
Property taxes						$1,521,393		$9,075,692			
Licenses, permits and fees		$123,002	$51,889				$3,060,347			$1,878,958	$10,938,889
Fines, forfeitures and penalties		19,943									
Use of money and property	$5,974	13,874			$3,021	12,815	33,501	17,873	$666	1,201	9,626
Intergovernmental	2,731,217	1,700,439		$3,710,793	312,269						5,006,051
Private grants											
Charges for services			22,521	51,000							3,237,648
Pension stabilization revenue											
Other	62,974	1,800	5,123	95,434	108,647		3,105				47,135
Rent				3,300							
Total Revenues	2,800,165	1,859,058	79,533	3,860,527	423,937	1,534,208	3,096,953	9,093,565	666	1,880,159	19,239,349
EXPENDITURES											
Current:											
General government		375,140	1,284,205					73,383			7,431,850
Public safety		651,808			360,310		112,058	1,270,466			384,253
Public works	3,068,653	901,398				2,058,074	106,915				4,965,091
Community development				4,153,100							
Cultural and recreational		345,993					5,667				
Housing and redevelopment										$1,178,247	
Capital outlay	130,956						54,940				3,622,566
Debt Service:											
Principal						75,439					
Interest and fiscal charges						2,502					
Total Expenditures	3,199,609	2,274,339	1,284,205	4,153,100	360,310	2,136,015	279,580	1,343,849		1,178,247	16,403,760
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(399,444)	(415,281)	(1,204,672)	(292,573)	63,627	(601,807)	2,817,373	7,749,716	666	701,912	2,835,589
OTHER FINANCING SOURCES (USES)											
Transfers in				999,639		700,877			255,762		1,084,897
Transfers (out)								(7,823,380)			(622,898)
Total Other Financing Sources (Uses)				999,639		700,877		(7,823,380)	255,762		461,999
NET CHANGE IN FUND BALANCES	(399,444)	(415,281)	(1,204,672)	707,066	63,627	99,070	2,817,373	(73,664)	256,428	701,912	3,297,588
BEGINNING FUND BALANCES (DEFICITS)	717,624	1,099,707	(1,704,077)	1,312,197	261,334	1,123,782	2,317,398	73,664	(80,845)	(789,591)	(6,387,978)
ENDING FUND BALANCES (DEFICITS)	$318,180	$684,426	($2,908,749)	$2,019,263	$324,961	$1,222,852	$5,134,771		$175,583	($87,679)	($3,090,390)

(Continued)

CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS			
	Environmental and Community Investment Agreement	2005 Pension Obligation Bonds	General Debt Service	Civic Center Debt Service	General Capital Improvement	Measure C / J	Harbor Navigation	Total Nonmajor Governmental Funds
REVENUES								
Property taxes		$11,405,083						$22,002,168
Licenses, permits and fees								16,053,085
Fines, forfeitures and penalties								19,943
Use of money and property	$77,584	82,629	$612	$7,994	$1,089	$3,560	$2,102	274,121
Intergovernmental					2,831,366	2,401,023		18,693,158
Private grants	9,000,000							9,000,000
Charges for services				5,910,745				9,221,914
Pension stabilization revenue								
Other	20,000				1,597,375			1,941,593
Rent								3,300
Total Revenues	9,097,584	11,487,712	612	5,918,739	4,429,830	2,404,583	2,102	77,209,282
EXPENDITURES								
Current:								
General government	5,689,718				12,000		740,813	15,607,109
Public safety	120,947							2,899,842
Public works	168,833				34,982	906,748		12,210,694
Community development	300,000							4,453,100
Cultural and recreational	261,614							613,274
Housing and redevelopment								1,178,247
Capital outlay	1,253,333				3,904,368	641,471		9,607,634
Debt Service:								
Principal		6,653,000	1,520,000	1,970,000				10,218,439
Interest and fiscal charges		3,886,206	555,492	6,084,312				10,528,512
Total Expenditures	7,794,445	10,539,206	2,075,492	8,054,312	3,951,350	1,548,219	740,813	67,316,851
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,303,139	948,506	(2,074,880)	(2,135,573)	478,480	856,364	(738,711)	9,892,431
OTHER FINANCING SOURCES (USES)								
Transfers in		235,339	2,075,043	2,510,344	575,148			8,437,049
Transfers (out)								(8,446,278)
Total Other Financing Sources (Uses)		235,339	2,075,043	2,510,344	575,148			(9,229)
NET CHANGE IN FUND BALANCES	1,303,139	1,183,845	163	374,771	1,053,628	856,364	(738,711)	9,883,202
BEGINNING FUND BALANCES (DEFICITS)	13,039,162	8,660,586	(250)	(3,227,647)	1,891,427	1,192,973	782,617	20,282,083
ENDING FUND BALANCES (DEFICITS)	$14,342,301	$9,844,431	($87)	($2,852,876)	$2,945,055	$2,049,337	$43,906	$30,165,285

CITY OF RICHMOND
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	STATE GAS TAX			GENERAL PURPOSE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Licenses, permits and fees				$25,000	$123,002	$98,002
Fines, forfeitures and penalties				19,000	19,943	943
Use of money and property		$5,974	$5,974		13,874	13,874
Intergovernmental	$3,200,990	2,731,217	(469,773)	3,992,461	1,700,439	(2,292,022)
Private grants						
Charges for services						
Pension stabilization revenue						
Rent						
Other		62,974	62,974	30,475	1,800	(28,675)
Total Revenues	3,200,990	2,800,165	(400,825)	4,066,936	1,859,058	(2,207,878)
EXPENDITURES						
Current:						
General government				1,117,527	375,140	742,387
Public safety				887,568	651,808	235,760
Public works	3,269,304	3,068,653	200,651	1,887,090	901,398	985,692
Community development						
Cultural and recreational				555,149	345,993	209,156
Housing and redevelopment						
Capital outlay	108,813	130,956	(22,143)	171,151		171,151
Debt Service:						
Principal						
Interest and fiscal charges						
Total Expenditures	3,378,117	3,199,609	178,508	4,618,485	2,274,339	2,344,146
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(177,127)	(399,444)	(222,317)	(551,549)	(415,281)	136,268
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)				(5,000)		5,000
Total Other Financing Sources (Uses)				(5,000)		5,000
NET CHANGE IN FUND BALANCES	($177,127)	(399,444)	($222,317)	($556,549)	(415,281)	$141,268
BEGINNING FUND BALANCES (DEFICITS)		717,624			1,099,707	
ENDING FUND BALANCES (DEFICITS)		$318,180			$684,426	

	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							$1,498,064	$1,521,393	$23,329
Licenses, permits and fees		$51,889	$51,889						
Fines, forfeitures and penalties									
Use of money and property				$634	$3,021	$2,387	2,800	12,815	10,015
Intergovernmental	$840,000		(840,000)	360,335	312,269	(48,066)			
Private grants									
Charges for services	135,000	22,521	(112,479)						
Pension stabilization revenue									
Rent									
Other	96,000	5,123	(90,877)	38,429	108,647	70,218			
Total Revenues	1,071,000	79,533	(991,467)	399,398	423,937	24,539	1,500,864	1,534,208	33,344
EXPENDITURES									
Current:									
General government	1,467,906	1,284,205	183,701						
Public safety				411,708	360,310	51,398			
Public works							2,303,757	2,058,074	245,683
Community development									
Cultural and recreational									
Housing and redevelopment									
Capital outlay									
Debt Service:									
Principal							70,857	75,439	(4,582)
Interest and fiscal charges							4,239	2,502	1,737
Total Expenditures	1,467,906	1,284,205	183,701	411,708	360,310	51,398	2,378,853	2,136,015	242,838
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(396,906)	(1,204,672)	(807,766)	(12,310)	63,627	75,937	(877,989)	(601,807)	276,182
OTHER FINANCING SOURCES (USES)									
Transfers in							590,780	700,877	110,097
Transfers (out)									
Total Other Financing Sources (Uses)							590,780	700,877	110,097
NET CHANGE IN FUND BALANCES	($396,906)	(1,204,672)	($807,766)	($12,310)	63,627	$75,937	($287,209)	99,070	$386,279
BEGINNING FUND BALANCES (DEFICITS)		(1,704,077)			261,334			1,123,782	
ENDING FUND BALANCES (DEFICITS)		($2,908,749)			$324,961			$1,222,852	

(Continued)

CITY OF RICHMOND
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	DEVELOPER IMPACT FEES			RICHMOND NEIGHBORHOOD STABILIZATION CORPORATION			RENT CONTROL			COST RECOVERY			ENVIRONMENTAL AND COMMUNITY INVESTMENT AGREEMENT		
	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															
Licenses, permits and fees	$2,867,688	$3,060,347	$192,659				$2,425,338	$1,878,958	($546,380)						
Fines, forfeitures and penalties										$5,884,012	$10,938,889	$5,054,877			
Use of money and property	2,433	33,501	31,068		$666	$666		1,201	1,201		9,626	9,626		$77,584	$77,584
Intergovernmental										6,961,658	5,006,051	(1,955,607)			
Private grants													$9,000,000	9,000,000	
Charges for services										3,730,759	3,237,648	(493,111)			
Pension stabilization revenue															
Rent															
Other	3,105	3,105		$538,306		(538,306)				3,000	47,135	44,135		20,000	20,000
Total Revenues	2,873,226	3,096,953	223,727	538,306	666	(537,640)	2,425,338	1,880,159	(545,179)	16,579,429	19,239,349	2,659,920	9,000,000	9,097,584	97,584
EXPENDITURES															
Current:															
General government										8,980,008	7,431,850	1,548,158	8,925,405	5,689,718	3,235,687
Public safety	322,628	112,058	210,570								384,253	(384,253)	149,624	120,947	28,677
Public works	679,139	106,915	572,224							4,813,365	4,965,091	(151,726)	220,000	168,833	51,167
Community development													300,000	300,000	
Cultural and recreational	421,000	5,667	415,333										965,000	261,614	703,386
Housing and redevelopment				89,812		89,812	1,951,919	1,178,247	773,672						
Capital outlay	138,373	54,940	83,433							4,570,850	3,622,566	948,284	2,129,315	1,253,333	875,982
Debt Service:															
Principal															
Interest and fiscal charges															
Total Expenditures	1,561,140	279,580	1,281,560	89,812		89,812	1,951,919	1,178,247	773,672	18,364,223	16,403,760	1,960,463	12,689,344	7,794,445	4,894,899
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,312,086	2,817,373	1,505,287	448,494	666	(447,828)	473,419	701,912	228,493	(1,784,794)	2,835,589	4,620,383	(3,689,344)	1,303,139	4,992,483
OTHER FINANCING SOURCES (USES)															
Transfers in					255,762	255,762				1,084,897	1,084,897				
Transfers (out)				(260,202)		260,202				(622,898)	(622,898)				
Total Other Financing Sources (Uses)				(260,202)	255,762	515,964				461,999	461,999				
NET CHANGE IN FUND BALANCES	$1,312,086	2,817,373	$1,505,287	$188,292	256,428	$68,136	$473,419	701,912	$228,493	($1,322,795)	3,297,588	$4,620,383	($3,689,344)	1,303,139	$4,992,483
BEGINNING FUND BALANCES (DEFICITS)		2,317,398			(80,845)			(789,591)			(6,387,978)			13,039,162	
ENDING FUND BALANCES (DEFICITS)		$5,134,771			$175,583			($87,679)			($3,090,390)			$14,342,301	

(Continued)

CITY OF RICHMOND
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	2005 PENSION OBLIGATION BONDS			GENERAL DEBT SERVICE			CIVIC CENTER DEBT SERVICE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES									
Property taxes	$11,405,083	$11,405,083							
Licenses, permits and fees									
Fines, forfeitures and penalties									
Use of money and property		82,629	$82,629		$612	$612		$7,994	$7,994
Intergovernmental									
Private grants									
Charges for services							$5,808,919	5,910,745	101,826
Pension stabilization revenue									
Rent									
Other									
Total Revenues	11,405,083	11,487,712	82,629		612	612	5,808,919	5,918,739	109,820
EXPENDITURES									
Current:									
General government									
Public safety									
Public works									
Community development									
Cultural and recreational									
Housing and redevelopment									
Capital outlay									
Debt Service:									
Principal	6,653,000	6,653,000		$1,520,000	1,520,000		1,970,000	1,970,000	
Interest and fiscal charges	5,805,973	3,886,206	1,919,767	555,543	555,492	51	6,082,263	6,084,312	(2,049)
Total Expenditures	12,458,973	10,539,206	1,919,767	2,075,543	2,075,492	51	8,052,263	8,054,312	(2,049)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,053,890)	948,506	2,002,396	(2,075,543)	(2,074,880)	663	(2,243,344)	(2,135,573)	107,771
OTHER FINANCING SOURCES (USES)									
Transfers in	221,855	235,339	13,484	2,075,043	2,075,043		2,510,344	2,510,344	
Transfers (out)									
Total Other Financing Sources (Uses)	221,855	235,339	13,484	2,075,043	2,075,043		2,510,344	2,510,344	
NET CHANGE IN FUND BALANCES	($832,035)	1,183,845	$2,015,880	($500)	163	$663	$267,000	374,771	$107,771
BEGINNING FUND BALANCES (DEFICITS)		8,660,586			(250)			(3,227,647)	
ENDING FUND BALANCES (DEFICITS)		$9,844,431			($87)			($2,852,876)	

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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, 2018

	Richmond Marina	Storm Sewer	Cable TV	Total
ASSETS				
Current Assets				
Cash and investments	$3,732,548			$3,732,548
Restricted cash and investments	83,773			83,773
Receivables:				
Accounts	73,646	$1,711	$353,072	428,429
Interest	8,089			8,089
Prepaids				
Total Current Assets	3,898,056	1,711	353,072	4,252,839
Noncurrent Assets				
Capital assets:				
Nondepreciable	24,477			24,477
Depreciable, net	1,444,779	1,028,467	4,163	2,477,409
Advances to other funds		167,451		167,451
Total Noncurrent Assets	1,469,256	1,195,918	4,163	2,669,337
Total Assets	5,367,312	1,197,629	357,235	6,922,176
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions		70,793	544,280	615,073
Deferred outflows related to OPEB		3,527	62,779	66,306
Total Deferred Outflows of Resources		74,320	607,059	681,379
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities		172,964	4,222	177,186
Refundable deposits	83,773	1,200		84,973
Interest payable	107,923			107,923
Due to other funds		904,974	56,956	961,930
Compensated absences		16,876	37,295	54,171
Current portion of long term debt	89,081			89,081
Total Current Liabilities	280,777	1,096,014	98,473	1,475,264
Noncurrent Liabilities				
Advance from other funds		2,360,403		2,360,403
Long-term debt	2,527,227			2,527,227
Net pension liability		330,533	2,541,250	2,871,783
Net OPEB liability		93,872	1,670,919	1,764,791
Total Noncurrent Liabilities	2,527,227	2,784,808	4,212,169	9,524,204
Total Liabilities	2,808,004	3,880,822	4,310,642	10,999,468
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions		6,141	47,212	53,353
Deferred inflows related to OPEB		1,133	20,165	21,298
Total Deferred Inflows of Resources		7,274	67,377	74,651
NET POSITION				
Net investment in capital assets	(1,063,279)	1,028,467	4,163	(30,649)
Unrestricted	3,622,587	(3,644,614)	(3,417,888)	(3,439,915)
Total Net Position	$2,559,308	($2,616,147)	($3,413,725)	($3,470,564)

CITY OF RICHMOND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Richmond Marina	Storm Sewer	Cable TV	Total
OPERATING REVENUES				
Service charges		$2,063,828	$1,281,952	$3,345,780
Lease income	$537,438	4,282		541,720
Other				
Total Operating Revenues	537,438	2,068,110	1,281,952	3,887,500
OPERATING EXPENSES				
Salaries and benefits		230,236	1,324,528	1,554,764
General and administrative	24,406	1,312,993	366,665	1,704,064
Maintenance	99,419			99,419
Depreciation	85,563	45,088	5,868	136,519
Other			94	94
Total Operating Expenses	209,388	1,588,317	1,697,155	3,494,860
Operating Income (Loss)	328,050	479,793	(415,203)	392,640
NONOPERATING REVENUES (EXPENSES)				
Grants				
Interest income	35,919		589	36,508
Interest (expense)	(118,054)	(73,491)		(191,545)
Total Nonoperating Revenues (Expenses)	(82,135)	(73,491)	589	(155,037)
Income (Loss) Before Transfers	245,915	406,302	(414,614)	237,603
Transfers out	(86,778)			(86,778)
Change in Net Position	159,137	406,302	(414,614)	150,825
BEGINNING NET POSITION (DEFICIT), AS RESTATED	2,400,171	(3,022,449)	(2,999,111)	(3,621,389)
ENDING NET POSITION	$2,559,308	($2,616,147)	($3,413,725)	($3,470,564)

CITY OF RICHMOND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Richmond Marina	Storm Sewer	Cable TV	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$541,516	$2,069,885	$1,259,249	$3,870,650
Payments to suppliers	(129,713)	(1,421,961)	(366,315)	(1,917,989)
Payments to employees		(136,814)	(1,044,788)	(1,181,602)
Cash Flows from Operating Activities	411,803	511,110	(151,854)	771,059
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out	(86,778)			(86,778)
Interfund receipts (payments)		(437,628)	56,956	(380,672)
Cash Flows from Noncapital Financing Activities	(86,778)	(437,628)	56,956	(467,450)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Grants				
Acquisition of capital assets	(24,478)	1		(24,477)
Repayment of long-term borrowing	(85,245)			(85,245)
Interest paid	(121,570)	(73,491)		(195,061)
Cash flows from capital financing activities	(231,293)	(73,490)		(304,783)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	31,733		765	32,498
Cash Flows from Investing Activities	31,733		765	32,498
Net Cash Flows	125,465	(8)	(94,133)	31,324
Cash and investments at beginning of period	3,690,856	8	94,133	3,784,997
Cash and investments at end of period	$3,816,321			$3,816,321
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	$328,050	$479,793	($415,203)	$392,640
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	85,563	45,088	5,868	136,519
Change in assets and liabilities:				
Accounts receivable	4,078	1,775	(22,703)	(16,850)
Prepaids			608	608
Accounts payable and accrued liabilities and other accrued expenses	(5,888)	(108,968)	(164)	(115,020)
Compensated absences		9,460	(10,118)	(658)
Net pension liability and deferred outflows/inflows of resources		83,552	282,558	366,110
Net OPEB liability and deferred outflows/inflows of resources		410	7,300	7,710
Cash Flows from Operating Activities	$411,803	$511,110	($151,854)	$771,059

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 GASB Statement 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

Insurance Reserves Fund is used to report activities related to employee's claims due to industrial injuries and activities related to general claims against the City for 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.

Compensated Absences Fund is used to account for sick, vacation and compensatory time leave payouts related to employee retirements.

CITY OF RICHMOND
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2018

	Insurance Reserves	Equipment Services and Replacement	Police Tele-communications	Compensated Absences	Total
ASSETS					
Current Assets					
Cash and investments	$19,348,889	$1,849,033	$909,626		$22,107,548
Restricted cash and investments		1,230,731			1,230,731
Receivables:					
Accounts	73,353		76,632		149,985
Interest	72,783	1,331	2,634		76,748
Loan	150,000				150,000
Due from other funds	14,467,306				14,467,306
Total Current Assets	34,112,331	3,081,095	988,892		38,182,318
Noncurrent Assets					
Capital assets:					
Nondepreciable		1,451,985			1,451,985
Depreciable, net		4,469,296	70,053		4,539,349
Advances to other funds	2,360,403				2,360,403
Total Noncurrent Assets	2,360,403	5,921,281	70,053		8,351,737
Total Assets	36,472,734	9,002,376	1,058,945		46,534,055
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	774,178				774,178
Deferred outflows related to OPEB	77,592				77,592
Total Deferred Outflows of Resources	851,770				851,770
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	233,487	47,716	6,221		287,424
Interest payable		12,565			12,565
Accrued claims liabilities	11,120,445				11,120,445
Current portion of long-term debt		224,192			224,192
Total Current Liabilities	11,353,932	284,473	6,221		11,644,626
Noncurrent Liabilities					
Compensated absences	73,851		158,225		232,076
Unearned revenue			783,820		783,820
Accrued claims liabilities	26,587,129				26,587,129
Long-term debt, net		2,463,453			2,463,453
Net pension liability	3,614,648				3,614,648
Net OPEB liability	2,065,181				2,065,181
Total Noncurrent Liabilities	32,340,809	2,463,453	942,045		35,746,307
Total Liabilities	43,694,741	2,747,926	948,266		47,390,933
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	67,154				67,154
Deferred inflows related to OPEB	24,923				24,923
Total Deferred Inflows of Resources	92,077				92,077
NET POSITION (DEFICIT)					
Net investment in capital assets		4,464,367	70,053		4,534,420
Unrestricted	(6,462,314)	1,790,083	40,626		(4,631,605)
Total Net Position (Deficit)	($6,462,314)	$6,254,450	$110,679		($97,185)

CITY OF RICHMOND
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Insurance Reserves	Equipment Services and Replacement	Police Tele-communications	Compensated Absences	Total
OPERATING REVENUES					
Charges for services-internal	$19,248,324	$1,253,000	$3,931,905	$2,156,267	$26,589,496
Charges for services-external			1,007,391		1,007,391
Total Operating Revenues	19,248,324	1,253,000	4,939,296	2,156,267	27,596,887
OPERATING EXPENSES					
Salaries and benefits	1,559,549		3,787,143	2,156,273	7,502,965
General and administrative	1,361,785	7,535	980,497		2,349,817
Maintenance	2,774,204	64,671	96,379		2,935,254
Depreciation		1,151,488	5,228		1,156,716
Claims losses	12,509,419				12,509,419
Other	11,029				11,029
Total Operating Expenses	18,215,986	1,223,694	4,869,247	2,156,273	26,465,200
Operating Income (Loss)	1,032,338	29,306	70,049	(6)	1,131,687
NONOPERATING REVENUES (EXPENSES)					
Gain (loss) from sale of property		(5,372)			(5,372)
Grants	779,596	1,255,325			2,034,921
Interest income	394,166	7,065			401,231
Interest expense		(16,287)			(16,287)
Total Nonoperating Revenues (Expenses)	1,173,762	1,240,731			2,414,493
Income (Loss) Before Transfers	2,206,100	1,270,037	70,049	(6)	3,546,180
Transfers in	200,000	283,520			483,520
Change in Net Position	2,406,100	1,553,557	70,049	(6)	4,029,700
BEGINNING NET POSITION (DEFICIT), AS RESTATED	(8,868,414)	4,700,893	40,630	6	(4,126,885)
ENDING NET POSITION (DEFICIT)	($6,462,314)	$6,254,450	$110,679		($97,185)

CITY OF RICHMOND
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Insurance Reserves	Equipment Services and Replacement	Police Tele-communications	Compensated Absences	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$19,374,971	$1,253,000	$4,523,317	$2,156,267	$27,307,555
Payments to employees	(1,661,059)		(3,799,028)	(2,156,273)	(7,616,360)
Payments to suppliers	(4,258,484)	(32,689)	(1,073,948)		(5,365,121)
Insurance premiums and claims paid	(11,330,259)				(11,330,259)
Cash Flows from Operating Activities	2,125,169	1,220,311	(349,659)	(6)	2,995,815
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund receipts	3,343,754				3,343,754
Transfers in	200,000	283,520			483,520
Cash Flows from Noncapital Financing Activities	3,543,754	283,520			3,827,274
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Grant receipts	779,596	1,255,325			2,034,921
Acquisition of capital assets		(2,629,436)	(75,281)		(2,704,717)
Issuance of long-term debt		2,687,645			2,687,645
Principal payments on capital debt		(168,760)			(168,760)
Interest and fiscal charges paid		(3,805)			(3,805)
Cash Flows from Capital and Related Financing Activities	779,596	1,140,969	(75,281)		1,845,284
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest	354,974	6,481	(1,570)		359,885
Cash Flows from Investing Activities	354,974	6,481	(1,570)		359,885
Net Cash Flows	6,803,493	2,651,281	(426,510)	(6)	9,028,258
Cash and investments at beginning of period	12,545,396	428,483	1,336,136	6	14,310,021
Cash and investments at end of period	$19,348,889	$3,079,764	$909,626		$23,338,279
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	$1,032,338	$29,306	$70,049	($6)	$1,131,687
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation		1,151,488	5,228		1,156,716
Change in assets and liabilities:					
Receivables, net	126,647		183,202		309,849
Prepaids			5,300		5,300
Accounts and other payables	(111,466)	39,517	(2,372)		(74,321)
Unearned revenue			(599,181)		(599,181)
Compensated absences	16,561		(11,885)		4,676
Claims payable	1,179,160				1,179,160
(Decrease) increase in due to retirement system	(127,094)				(127,094)
(Decrease) increase in due to OPEB	9,023				9,023
Cash Flows from Operating Activities	$2,125,169	$1,220,311	($349,659)	($6)	$2,995,815
Non cash transactions:					
Retirement of capital assets		($5,372)			($5,372)

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 Firemen's Pension Fund records the activity of the Police and Firemen'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.

OPEB TRUST FUND

OPEB Plan Fund was established to account for the medical benefits for former employees of the City.

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
PENSION AND OPEB TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	PENSION				
	General Pension	Police and Firemen's Pension	Garfield Pension	OPEB Plan	Total
ASSETS					
Pension and OPEB plan cash and investments:					
City of Richmond investment pool	$741,688	$652,968	$131,418		$1,526,074
Local Agency Investment Fund			176,245		176,245
Mutual fund investments		10,932,280		$17,422,879	28,355,159
Receivables:					
Accounts					
Interest	45	2,331	98		2,474
Total Assets	741,733	11,587,579	307,761	17,422,879	30,059,952
NET POSITION					
Restricted for employees' pension and OPEB benefits	$741,733	$11,587,579	$307,761	$17,422,879	$30,059,952

CITY OF RICHMOND
PENSION AND OPEB TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	PENSION				
	General Pension	Police and Firemen's Pension	Garfield Pension	OPEB Plan	Total
ADDITIONS					
Net investment income:				$632,089	$632,089
Interest income	$2,195	$254,046	$2,620		$258,861
Net increase (decrease) in the fair value of investments	12	400,794	7		400,813
Investment management fees		(65,812)			(65,812)
Contributions to trust - employer	814,594	1,270,466	102,140	13,599,120	15,786,320
Contributions to trust - employee				765,475	765,475
Total Additions	816,801	1,859,494	104,767	14,996,684	17,777,746
DEDUCTIONS					
Pension and OPEB benefits	524,939	2,656,508	94,323	6,861,529	10,137,299
Other				49,169	49,169
Total Deductions	524,939	2,656,508	94,323	6,910,698	10,186,468
Net Increase (Decrease)	291,862	(797,014)	10,444	8,085,986	7,591,278
NET POSITION RESTRICTED FOR PENSION AND OPEB BENEFITS					
Beginning of year	449,871	12,384,593	297,317	9,336,893	22,468,674
End of year	$741,733	$11,587,579	$307,761	$17,422,879	$30,059,952

CITY OF RICHMOND
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	Pt. Molate	Successor Agency to the Richmond Community Redevelopment Agency	Total
ASSETS			
Cash and investments		$15,051,204	$15,051,204
Restricted cash and investments	$3,220,147	21,746,419	24,966,566
Accounts receivable		177,409	177,409
Grants receivable		2,177,084	2,177,084
Loans receivable		1,574,000	1,574,000
Prepaids and other assets		6,366,928	6,366,928
Capital assets:			
Nondepreciable		4,313,167	4,313,167
Total Assets	3,220,147	51,406,211	54,626,358
LIABILITIES			
Accounts payable and accrued liabilities		916,416	916,416
Interest payable		1,203,574	1,203,574
Derivative instrument at fair value-liability		4,033,000	4,033,000
Long-term debt:			
Due within one year		8,227,087	8,227,087
Due in more than one year		86,377,962	86,377,962
Total Liabilities		100,758,039	100,758,039
NET POSITION			
Held in trust other governments	$3,220,147	($49,351,828)	($46,131,681)

CITY OF RICHMOND
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Pt. Molate	Successor Agency to the Richmond Community Redevelopment Agency	Total
ADDITIONS			
Property taxes		$12,255,069	$12,255,069
Investment income	$12,409	1,145,394	1,157,803
Intergovernmental revenue		4,898,936	4,898,936
Proceeds from sale of property		1,614,529	1,614,529
Miscellaneous revenue		398,321	398,321
Total Additions	12,409	20,312,249	20,324,658
DEDUCTIONS			
Community development		4,835,285	4,835,285
Payments in accordance with trust agreements	444,739		444,739
Interest and fiscal charges		4,993,687	4,993,687
Total Deductions	444,739	9,828,972	10,273,711
Change in net position	(432,330)	10,483,277	10,050,947
NET POSITION (DEFICIT), BEGINNING OF YEAR	3,652,477	(59,835,105)	(56,182,628)
NET POSITION (DEFICIT), END OF YEAR	$3,220,147	($49,351,828)	($46,131,681)

CITY OF RICHMOND
SUBCOMBINING SCHEDULE OF NET POSITION OF THE
SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2018

	Redevelopment Property Tax Trust Fund	Administration	Capital Projects	Bond Funded Capital Projects	Bond Payments	Intra Fund Eliminations	Total
ASSETS							
Cash and investments	$10,282,073	$6,238	$4,762,893				$15,051,204
Restricted cash and investments			2,065,472	$148,735	$19,532,212		21,746,419
Accounts receivable		2,225	175,184				177,409
Grants receivable			2,177,084				2,177,084
Loans receivable			1,574,000				1,574,000
Due from other funds			36,993			($36,993)	
Prepaids and other assets			6,366,928				6,366,928
Capital assets:							
Nondepreciable			4,313,167				4,313,167
Total Assets	10,282,073	8,463	21,471,721	148,735	19,532,212	(36,993)	51,406,211
LIABILITIES							
Accounts payable and accrued liabilities		8,464	906,702		1,250		916,416
Due to other funds				36,993		(36,993)	
Interest payable					1,203,574		1,203,574
Derivative instrument at fair value-liability					4,033,000		4,033,000
Long-term debt:							
Due within one year					8,227,087		8,227,087
Due in more than one year					86,377,962		86,377,962
Total Liabilities		8,464	906,702	36,993	99,842,873	(36,993)	100,758,039
NET POSITION (DEFICIT)							
Held in trust for other governments	$10,282,073	($1)	$20,565,019	$111,742	($80,310,661)		($49,351,828)

CITY OF RICHMOND
SUBCOMBINING SCHEDULE OF CHANGES IN NET POSITION OF THE
SUCCESSOR AGENCY TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Redevelopment Property Tax Trust Fund	Administration	Capital Projects	Bond Funded Capital Projects	Bond Payments	Intra Fund Eliminations	Total
ADDITIONS							
Property taxes	$12,255,069						$12,255,069
Investment income			$99,796	$1,557	$1,044,041		1,145,394
Intergovernmental revenue			4,898,936				4,898,936
Transfers from other funds		$522,252	437,773		12,693,675	($13,653,700)	
Proceeds from sale of property			1,614,529				1,614,529
Miscellaneous revenue			398,321				398,321
Total Additions	12,255,069	522,252	7,449,355	1,557	13,737,716	(13,653,700)	20,312,249
DEDUCTIONS							
Community development		522,254	3,053,002		1,260,029		4,835,285
Interest and fiscal charges					4,993,687		4,993,687
Transfers to other funds	12,960,693		652,234	40,773		(13,653,700)	
Total Deductions	12,960,693	522,254	3,705,236	40,773	6,253,716	(13,653,700)	9,828,972
Change in net position	(705,624)	(2)	3,744,119	(39,216)	7,484,000		10,483,277
NET POSITION (DEFICIT), BEGINNING OF YEAR	10,987,697	1	16,820,900	150,958	(87,794,661)		(59,835,105)
NET POSITION (DEFICIT), END OF YEAR	$10,282,073	($1)	$20,565,019	$111,742	($80,310,661)		($49,351,828)

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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 2011A.

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 YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Special Assessment				
Cash and investments	$914,106	$311,031	$318,287	$906,850
Restricted cash and investments	341,408	1,900		343,308
Interest receivable	985	1,799	985	1,799
Total Assets	$1,256,499	$314,730	$319,272	$1,251,957
Due to assessment district bondholders	$1,256,499	$314,730	$319,272	$1,251,957
General Agency				
Cash and investments	$1,236,124	$101,853	$124,268	$1,213,709
Restricted cash and investments		16,679		16,679
Interest receivable	1,356	2,569	1,356	2,569
Total Assets	$1,237,480	$121,101	$125,624	$1,232,957
Accounts payable and accrued liabilities	$44,888	$6,185	$44,888	$6,185
Refundable Deposits	1,192,592	114,916	80,736	1,226,772
Total Liabilities	$1,237,480	$121,101	$125,624	$1,232,957
Johnson Library				
Cash and investments	$10,286	$114	$22	$10,378
Interest receivable	11	23	11	23
Total Assets	$10,297	$137	$33	$10,401
Refundable deposits	$10,297	$137	$33	$10,401
Senior Center				
Cash and investments	$78,344	$53,824	$68,960	$63,208
Interest receivable	80	158	80	158
Total Assets	$78,424	$53,982	$69,040	$63,366
Accounts payable and accrued liabilities	$11,572	$3,618	$11,572	$3,618
Refundable Deposits	66,852	50,364	57,468	59,748
Total Liabilities	$78,424	$53,982	$69,040	$63,366

(Continued)

CITY OF RICHMOND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
JPFA Reassessment				
Cash and investments	$2,537,694	$960,933	$810,056	$2,688,571
Restricted cash and investments	661,567		8,680	652,887
Interest receivable	2,738	5,697	2,738	5,697
Investment in reassessment bonds	2,255,000		605,000	1,650,000
Total Assets	$5,456,999	$966,630	$1,426,474	$4,997,155
Accounts payable and accrued liabilities		$82		$82
Due to assessment district bondholders	$5,456,999	966,548	$1,426,474	4,997,073
Total Liabilities	$5,456,999	$966,630	$1,426,474	$4,997,155
Payroll Benefits				
Cash and investments		$1,621,296	$431,014	$1,190,282
Accounts receivable	$345,968	431,012	345,968	431,012
Total Assets	$345,968	$2,052,308	$776,982	$1,621,294
Accounts payable and accrued liabilities	$345,968	$2,052,308	$776,982	$1,621,294
2006 A&B Reassessment District				
Cash and investments	$692,960	$780,265	$674,484	$798,741
Restricted cash and investments	91,929	107,296		199,225
Interest receivable	719	1,564	719	1,564
Investment in reassessment bonds	8,065,000		379,393	7,685,607
Total Assets	$8,850,608	$889,125	$1,054,596	$8,685,137
Accounts payable and accrued liabilities		$226		$226
Due to assessment district bondholders	$8,850,608	888,899	$1,054,596	8,684,911
Total Liabilities	$8,850,608	$889,125	$1,054,596	$8,685,137

(Continued)

CITY OF RICHMOND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2018

Total Agency Funds	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Cash and investments	$5,469,514	$3,829,316	$2,427,091	$6,871,739
Restricted cash and investments	1,094,904	125,875	8,680	1,212,099
Investment in reassessment bonds	10,320,000		984,393	9,335,607
Accounts receivable	345,968	431,012	345,968	431,012
Interest receivable	5,889	11,810	5,889	11,810
Total Assets	$17,236,275	$4,398,013	$3,772,021	$17,862,267
Accounts payable and accrued liabilities	$402,428	$2,062,419	$833,442	$1,631,405
Refundable Deposits	1,269,741	165,417	138,237	1,296,921
Due to assessment district bondholders	15,564,106	2,170,177	2,800,342	14,933,941
Total Liabilities	$17,236,275	$4,398,013	$3,772,021	$17,862,267

CITY OF RICHMOND
JUNE 30, 2018

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
5. Utility Users Tax Collections
6. Utility Users Tax Direct Rates
7. Top Ten Utility Users Taxpayers

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, 2010A & 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. General Bonded Debt – Pension Obligation Bonds
5. Bonded Debt Pledged Revenue Coverage –Tax Allocation Bonds all Refunding 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.

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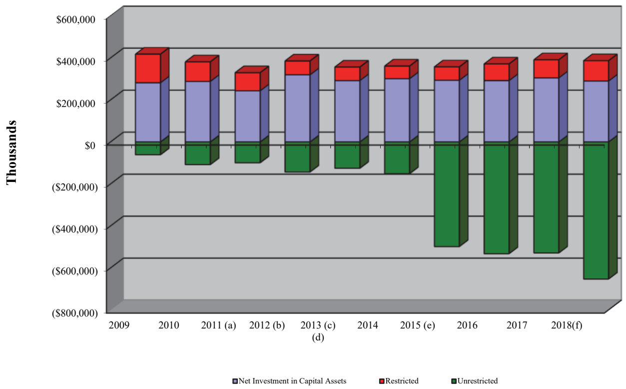
CITY OF RICHMOND
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)



	Fiscal Year Ended June 30				
	2009	2010	2011 (a)	2012 (b)	2013 (c) (d)
Governmental activities					
Net investment in capital assets	$201,607,368	$201,197,639	$164,739,567	$242,281,323	$214,572,546
Restricted	135,801,179	72,114,985	78,105,002	57,989,820	55,396,056
Unrestricted	(57,236,422)	(66,103,671)	(83,013,306)	(118,620,471)	(119,231,699)
Total governmental activities net position	$280,172,125	$207,208,953	$159,831,263	$181,650,672	$150,736,903
Business-type activities					
Net investment in capital assets	$79,540,643	$86,432,590	$78,162,970	$76,731,871	$76,966,448
Restricted	612,613	21,150,740	8,334,722	8,169,878	9,196,255
Unrestricted	(3,963,417)	(42,004,396)	(16,389,951)	(24,759,367)	(6,365,742)
Total business-type activities net position	$76,189,839	$65,578,934	$70,107,741	$60,142,382	$79,796,961
Primary government					
Net investment in capital assets	$281,148,011	$287,630,229	$242,902,537	$319,013,194	$291,538,994
Restricted	136,413,792	93,265,725	86,439,724	66,159,698	64,592,311
Unrestricted	(61,199,839)	(108,108,067)	(99,403,257)	(143,379,838)	(125,597,441)
Total primary government net position	$356,361,964	$272,787,887	$229,939,004	$241,793,054	$230,533,864

(a) Balance was restated in fiscal year 2012. Years prior to 2011 have not been restated.
(b) Balance was restated in fiscal year 2013. Years prior to 2012 have not been restated.
(c) The City implemented the provisions of GASB Statement 63 in fiscal year 2013,
which replaced the term "net assets" with the term "net position".
(d) Balance was restated in fiscal year 2014. Years prior to 2013 have not been restated.
(e) The City implemented the provisions of GASB Statement No. 68 in fiscal year 2015. Years prior to 2015 have not been restated.
(f) The City implemented the provisions of GASB Statement No. 75 in fiscal year 2018. Years prior to 2018 have not been restated.

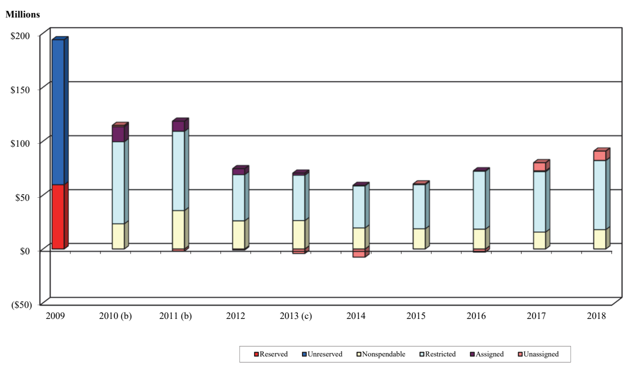
	Fiscal Year Ended June 30				
	2014	2015 (e)	2016	2017	2018(f)
Governmental activities					
Net investment in capital assets	$227,828,243	$218,144,811	$228,292,389	$233,619,046	$221,336,363
Restricted	50,461,923	54,578,939	70,322,707	76,810,440	87,380,363
Unrestricted	(148,161,106)	(479,961,080)	(508,981,299)	(504,602,583)	(625,067,289)
Total governmental activities net position	$130,129,060	($207,237,330)	($210,366,203)	($194,173,097)	($316,350,563)
Business-type activities					
Net investment in capital assets	$72,911,000	$74,922,303	$63,405,228	$71,000,240	$68,213,687
Restricted	9,793,767	9,408,237	9,008,038	9,441,288	9,514,522
Unrestricted	(3,096,845)	(18,432,590)	(23,382,659)	(24,096,174)	(27,908,968)
Total business-type activities net position	$79,607,922	$65,897,950	$49,030,607	$56,345,354	$49,819,241
Primary government					
Net investment in capital assets	$300,739,243	$293,067,114	$291,697,617	$304,619,286	$289,550,050
Restricted	60,255,690	63,987,176	79,330,745	86,251,728	96,894,885
Unrestricted	(151,257,951)	(498,393,670)	(532,363,958)	(528,698,757)	(652,976,257)
Total primary government net position	$209,736,982	($141,339,380)	($161,335,596)	($137,827,743)	($266,531,322)

CITY OF RICHMOND
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30					Fiscal Year Ended June 30				
	2009	2010	2011	2012	2013 (b)	2014	2015 (c)	2016	2017	2018 (d)
Expenses										
Governmental Activities:										
General Government	$18,745,594	$19,044,449	$17,127,696	$32,549,754	$35,272,517	$36,119,297	$28,879,074	$32,197,941	$34,851,005	$45,715,329
Public Safety	91,432,506	95,147,888	101,613,767	100,403,365	97,136,602	102,664,551	102,732,652	107,380,286	104,919,259	114,932,219
Public Works	43,289,943	43,342,529	41,004,033	42,747,958	46,011,618	46,403,830	43,363,799	44,410,102	41,558,084	48,617,290
Community Development	4,316,710	7,698,693	7,685,733	5,845,968	4,909,158	4,618,101	4,771,875	5,003,045	3,290,142	4,589,328
Cultural and Recreational	16,618,663	14,952,438	14,647,978	14,583,687	12,129,962	10,808,931	10,492,020	11,021,226	10,996,526	14,280,985
Housing and Redevelopment	19,209,243	18,014,624	15,524,912	19,768,765	2,816,094	1,984,908	2,751,290	2,051,898	7,449,423	3,442,239
Interest and Fiscal Charges	22,961,838	30,251,260	23,108,139	19,633,486	15,411,831	19,439,248	17,219,905	18,902,831	16,387,887	16,127,479
Total Governmental Activities Expenses	216,574,497	228,451,881	220,712,258	235,532,983	213,687,782	222,038,866	210,210,615	220,967,329	219,452,326	247,704,869
Business-Type Activities:										
Richmond Housing Authority	23,335,623	27,709,496	27,246,056	30,989,229	28,992,229	29,771,151	28,049,474	26,385,133	26,241,916	30,978,813
Port of Richmond	4,739,269	8,611,216	7,033,016	7,868,918	9,337,252	9,530,693	9,923,282	11,132,997	10,102,104	10,257,553
Richmond Marina	235,571	232,855	343,734	1,681,461	266,918	253,190	235,054	237,129	230,621	327,442
Municipal Sewer	14,290,536	13,611,098	14,193,822	14,655,752	16,964,175	16,298,623	15,965,608	16,446,626	17,720,735	21,696,370
Storm Sewer	4,466,645	2,527,838	2,670,397	2,744,775	2,815,541	3,210,678	3,282,406	2,465,929	2,320,723	1,661,808
Cable TV	898,370	991,506	961,059	1,037,142	990,802	890,846	948,426	2,114,436	1,028,185	1,697,155
Total Business-Type Activities Expenses	47,966,014	53,684,009	52,448,084	58,977,277	59,366,917	59,955,181	58,404,250	58,782,250	57,644,284	66,619,141
Total Primary Government Expenses	$264,540,511	$282,135,890	$273,160,342	$294,510,260	$273,054,699	$281,994,047	$268,614,865	$279,749,579	$277,096,610	$314,324,010
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	$7,813,724	$6,612,893	$8,155,496	$8,496,532	$11,596,612	$16,917,113	$11,107,654	$12,468,525	$15,543,381	$16,838,782
Public Safety	3,931,893	5,674,457	5,177,825	5,075,588	5,400,290	6,217,749	10,466,292	7,271,472	8,932,212	8,147,458
Public Works	1,669,681	1,656,353	3,741,601	2,596,312	3,090,211	4,160,804	3,609,577	3,936,242	4,796,586	6,529,172
Community Development	170,872	504,726	135,215	361,706	234,836	405,404	1,385,689	1,069,767	615,388	1,748,222
Cultural and Recreational	594,205	1,294,976	1,151,374	1,118,777	516,499	584,475	475,091	1,128,267	1,252,192	1,545,399
Housing and Redevelopment	7,000	222,459						42,040		1,878,958
Operating Grants and Contributions	8,402,636	12,286,127	17,934,341	11,259,829	9,703,416	8,434,018	9,231,039	20,994,534	16,083,370	20,556,989
Capital Grants and Contributions	6,997,666	9,685,942	20,016,974	17,238,057	11,360,153	34,530,908	21,097,186	17,534,992	14,008,833	10,471,376
Total Government Activities Program Revenues	29,587,677	37,937,933	56,312,826	46,146,801	41,902,017	71,250,471	57,372,528	64,445,839	61,231,962	67,716,356
Business-Type Activities:										
Charges for Services:										
Richmond Housing Authority	3,096,831	2,100,519	1,916,352	2,354,197	2,619,669	2,638,834	1,917,602	1,851,337	3,067,020	1,740,399
Port of Richmond	5,095,840	3,882,153	6,329,914	7,745,580	9,043,026	10,201,751	9,480,367	10,581,419	10,182,777	10,580,246
Richmond Marina	476,588	417,679	220,858	259,777	466,921	456,956	488,201	517,108	540,567	537,438
Municipal Sewer	14,432,849	15,991,488	17,342,276	17,565,632	17,733,454	18,569,191	19,033,406	19,757,863	20,767,925	22,447,439
Storm Sewer	1,579,698	1,593,792	1,697,475	1,800,536	1,842,001	1,869,064	1,845,648	1,966,537	1,992,758	2,068,110
Cable TV	1,084,389	1,157,502	1,099,919	1,022,100	1,320,552	1,228,864	1,376,194	1,320,486	1,339,104	1,281,952
Operating Grants and Contributions	18,683,329	21,549,967	23,332,167	22,742,102	22,323,336	21,953,401	22,112,391	21,951,328	22,636,922	26,098,804
Capital Grants and Contributions	50,027	2,429,709	2,685,479	3,775,002	10,087,538	1,673,398	2,189,724	2,155,686	969,910	1,155,536
Total Business-Type Activities Program Revenue	44,499,551	49,122,809	54,624,440	57,264,926	65,436,497	58,591,459	58,443,533	60,101,764	61,496,983	65,909,924
Total Primary Government Program Revenues	$74,087,228	$87,060,742	$110,937,266	$103,411,727	$107,338,514	$129,841,930	$115,816,061	$124,547,603	$122,728,945	$133,626,280
Net (Expense)/Revenue										
Governmental Activities	($186,986,820)	($190,513,948)	($164,399,432)	($189,386,182)	($171,785,765)	($150,788,395)	($152,838,087)	($156,521,490)	($158,220,364)	($179,988,513)
Business-Type Activities	(3,466,463)	(4,561,200)	2,176,356	(1,712,351)	6,069,580	(1,363,722)	39,283	1,319,514	3,852,699	(709,217)
Total Primary Government Net Expense	($190,453,283)	($195,075,148)	($162,223,076)	($191,098,533)	($165,716,185)	($152,152,117)	($152,798,804)	($155,201,976)	($154,367,665)	($180,697,730)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes:										
Current Collections	$78,279,818	$62,620,002	$61,155,694	$52,219,777	$47,207,734	$42,226,820	$45,129,392	$51,302,638	$56,588,547	59,441,796
Sales Taxes	27,922,698	25,000,182	23,025,923	27,788,339	29,865,548	29,627,711	33,155,376	40,877,125	41,620,189	44,474,973
Utility User Taxes	48,953,004	50,298,719	45,007,806	45,984,315	48,398,349	48,033,706	48,299,958	43,365,249	44,966,489	46,079,755
Documentary Transfer Taxes				2,765,842	2,957,834	3,461,473	4,818,936	6,187,096	7,452,985	6,486,347
Other Taxes	7,959,683	6,092,050	3,361,146	3,784,986	3,289,518	3,592,218	5,099,511	5,734,802	5,329,465	6,144,968
Use of Money and Property	6,851,266	(7,618,093)	8,877,982	(22,064,295)	11,331,823	(1,164,987)	(4,752,198)	1,198,266	12,230,256	7,000,785
Unrestricted Intergovernmental	2,197,148	957,140	2,427,575	4,752,245	44,814		1,806,532	43,312	49,448	58,842
Miscellaneous	9,220,595	5,465,467	6,723,228	7,917,715	3,461,402	3,229,898	2,151,042	4,258,061	5,138,724	4,195,794
Gain From Sale of Capital Assets	5,000,000					174,874	268,927	262,667	64,651	39,226
Pension Stabilization Revenue	5,292,746	2,728,314	2,728,314	2,544,175	2,549,922	998,839	954,202	915,860	885,938	
Developer Revenue Sharing	51,767	138,454	101,739	55,958						
Transfers	(692,391)	500,000	(85,629)	1,030,428	(590,394)		178,487	600,000	86,778	86,778
Special/Extraordinary Items:										
Swap Termination								(16,321,171)		
Transfer of Loans to Housing Successor										1,208,259
Assets Transferred To/Liabilities Assumed By								14,968,712		
Housing Successor/Successor Agency				84,426,106 (a)	(5,328,244)					
Total Government Activities	191,036,334	146,182,235	153,323,778	211,205,591	143,188,306	130,180,552	137,110,165	153,392,617	174,413,470	175,217,523
Business-Type Activities:										
Taxes:										
Property Taxes										
Use of Money and Property	390,189	(2,768,103)	1,657,791	(5,331,300)	4,054,073	(185,246)	(563,129)	(3,076,857)	3,548,826	3,431,293
Settlement		1,922,260								
Other	7,701	188,143	609,031							
Special Item								(14,510,000)		
Transfers	692,391	(500,000)	85,629	(1,030,428)	590,394		(178,487)	(600,000)	(86,778)	(86,778)
Extraordinary Items					9,023,704	1,359,929				
Total Business-Type Activities	1,090,281	(1,157,700)	2,352,451	(6,361,728)	13,668,171	1,174,683	(741,616)	(18,186,857)	3,462,048	3,344,515
Total Primary Government	$192,126,615	$145,024,535	$155,676,229	$204,843,863	$156,856,477	$131,355,235	$136,368,549	$135,205,760	$177,875,518	$178,562,038
Change in Net Position										
Governmental Activities	$4,049,514	($44,331,713)	($11,075,654)	$21,819,409	($28,597,459)	($20,607,843)	($15,727,922)	($3,128,873)	$16,193,106	($4,770,990)
Business-Type Activities	(2,376,182)	(5,718,900)	4,528,807	(8,074,079)	19,737,751	(189,039)	(702,333)	(16,867,343)	7,314,747	2,635,298
Total Primary Government	$1,673,332	($50,050,613)	($6,546,847)	$13,745,330	($8,859,708)	($20,796,882)	($16,430,255)	($19,996,216)	$23,507,853	($2,135,692)

(a) The Redevelopment Agency was dissolved effective January 31, 2012 and its net position 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".
(c) The City implemented the provisions of GASB Statement No. 68 in fiscal year 2015. Years prior to 2015 have not been restated.
(d) The City implemented the provisions of GASB Statement No. 75 in fiscal year 2018. Years prior to 2018 have not been restated.

CITY OF RICHMOND
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)



	Fiscal Year Ended June 30										
	2009	2010 (b)	2011 (b)	2012	2013 (c)	2014	2015	2016	2017	2018	
General Fund											
Reserved	$24,682,489										
Unreserved	20,855,189										
Nonspendable		$23,360,596	$28,021,103	$25,944,325	$26,366,829	$19,505,987	$18,708,682	$18,404,669	$15,697,680	$17,967,653	
Assigned		1,009,480	380,999	377,181	219,646	56,786	23,934	4,460	10,013	72,506	
Unassigned		14,836,337	12,077,471	11,036,847	10,238,862	7,979,055	9,949,120	10,988,266	19,709,197	17,590,764	
Total General Fund	$45,537,678	$39,206,413	$40,479,573	$37,358,353	$36,825,337	$27,541,828	$28,681,736	$29,397,395	$35,416,890	$35,630,923	(a)
All Other Governmental Funds											
Reserved	$34,982,192										
Unreserved, reported in:											
Special revenue funds	10,128,026										
Debt service funds	26,219,974										
Capital project funds	77,066,114										
Nonspendable		$19,160	$7,666,605	$174,067			$484	$550			
Restricted		76,120,393	73,538,765	42,888,150	$42,117,459	$39,066,351	41,017,602	53,752,247	$56,052,014	$64,125,353	
Assigned		12,925,706	8,925,705	5,147,506	1,734,260	428,766	430,083	431,867	782,617	43,906	
Unassigned		(13,673,750)	(13,944,936)	(11,929,833)	(14,357,112)	(15,499,990)	(9,755,130)	(13,824,433)	(12,190,388)	(8,939,781)	
Total all other governmental funds	$148,396,306	$75,391,509	$76,186,139	$36,279,890	$29,494,607	$23,995,127	$31,693,039	$40,360,231	$44,644,243	$55,229,478	(a)

(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 2010, and years prior to 2009 have not been restated to conform with the new regulations.
(c) Balance was restated in fiscal year 2014. Years prior to 2013 have not been restated.

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CITY OF RICHMOND
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,					Fiscal Year Ended June 30,				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Property taxes	$79,047,050	$63,858,143	$57,113,666	$51,964,005	$48,518,328	$43,559,305	$46,498,061	$52,714,540	$58,042,766	$60,963,189
Sales taxes	27,922,698	25,000,182	23,025,923	27,788,339	29,865,548	29,627,711	33,131,486	40,877,125	41,620,189	44,474,973
Utility user fees	48,953,004	40,298,719	50,007,806	50,984,315	48,398,349	48,033,706	48,299,958	43,365,249	44,966,489	46,079,755
Other taxes	7,959,683	6,092,050	7,824,181	6,550,828	6,247,352	7,053,691	9,918,447	11,628,519	12,566,579	12,413,127
Licenses, permits and fees	6,415,896	7,598,407	7,495,563	9,393,833	11,830,426	7,713,634	12,409,625	12,235,483	16,577,695	21,552,883
Developer revenue sharing	51,767	138,454	101,739	55,958						
Fines, forfeitures and penalties	359,870	481,264	474,889	536,510	617,509	821,411	1,353,518	901,838	1,065,421	1,001,927
Use of money and property	5,278,605	1,849,884	1,031,746	932,393	557,936	153,958	225,529	212,787	422,324	746,525
Intergovernmental	15,753,684	21,627,513	38,605,526	36,121,561	19,995,922	17,078,035	19,228,997	14,440,543	19,913,858	20,137,593
Private grants								12,971,138	5,000,000	9,000,000
Charges for services	5,585,383	8,517,238	9,425,484	9,204,016	9,350,051	20,022,968	13,607,840	13,462,270	15,947,909	17,045,201
Pension stabilization revenue	5,292,746	2,728,314	2,728,314	2,544,175	2,549,922	998,839	954,202	915,860	885,938	
Rent	312,096	766,017	960,661	793,144	681,141	708,626	809,113	768,753	839,821	852,940
Other	11,685,170	4,766,408	6,686,908	7,142,854	2,703,133	2,845,117	1,977,688	4,300,150	5,472,719	4,418,779
Total Revenues	214,617,652	183,722,593	205,482,406	204,011,931	181,315,617	178,617,001	188,414,464	208,794,255	223,321,708	238,686,892
Expenditures										
Current:										
General government	19,044,304	14,412,971	15,053,928	30,303,614	33,251,610	32,005,878	29,786,089	31,819,369	36,973,645	44,009,256
Public safety	93,507,626	95,989,053	94,269,101	87,286,248	87,573,539	91,676,955	90,219,981	94,774,545	95,479,682	96,546,035
Public works	20,513,373	20,997,847	23,144,011	25,555,928	26,065,996	26,363,885	25,806,437	25,690,663	30,327,553	35,016,495
Community development	4,334,599	7,692,545	7,655,697	5,643,542	4,709,478	4,357,885	4,586,333	4,843,687	6,374,607	8,057,638
Cultural and recreational	16,796,528	15,137,648	14,559,213	12,183,399	11,175,362	10,223,708	10,021,481	10,551,337	10,786,216	11,347,436
Housing and redevelopment	22,049,876	12,098,783	11,767,304	6,267,418	3,089,640	2,266,265	2,625,533	3,038,135	7,672,540	1,942,637
SERAF		10,118,826	2,083,288							
Capital outlay	80,466,151	25,142,692	27,189,722	28,721,772	15,704,486	14,365,888	8,178,649	8,566,563	3,667,134	10,000,595
Debt service:										
Principal repayment	9,684,582	171,714,191	14,879,506	14,312,544	8,691,629	6,775,769	7,842,830	9,148,909	9,966,416	11,032,933
Interest and fiscal charges	14,038,265	21,418,597	14,559,340	11,393,091	7,504,922	10,989,996	13,407,604	12,503,442	11,471,169	10,785,342
Swap termination payment								28,554,000		
Total Expenditures	280,435,304	394,723,153	225,161,110	221,667,556	197,766,662	199,026,229	192,474,937	229,490,650	212,718,962	228,738,367
Excess (deficiency) of revenues over (under) expenditures	(65,817,652)	(211,000,560)	(19,678,704)	(17,655,625)	(16,451,045)	(20,409,228)	(4,060,473)	(20,696,395)	10,602,746	9,948,525
Other Financing Sources (Uses)										
Transfers in	79,414,731	49,963,245	62,507,821	38,456,022	21,145,031	20,145,264	12,879,975	12,124,166	18,770,780	14,472,164
Transfers out	(80,148,188)	(43,560,606)	(55,482,457)	(33,437,663)	(19,666,470)	(20,859,344)	(13,815,569)	(12,091,206)	(19,251,041)	(14,868,906)
Sale of property	5,040,000	23,300		188,489	53,618	174,874	268,927	262,667	181,022	39,226
Payment to refund bond escrow agent										
Issuance of long-term debt		121,076,391	14,721,130	3,214,243	2,621,558	6,165,445	11,175,436	28,390,000		
Bond issuance premium				109,701	106,740		82,880	1,393,619		
Total other financing sources (uses)	4,306,543	127,502,330	21,746,494	8,530,792	4,260,477	5,626,239	10,591,649	30,079,246	(299,239)	(357,516)
Special and Extraordinary Items										
Assets transferred to/liabilities assumed by Housing Successor/Successor Agency				(33,902,636) (b)						
Transfer of loans to housing successor										1,208,259
Interfund advance restructuring					745,119					
Total Special and Extraordinary Items				(33,902,636)	745,119					1,208,259
Net Change in fund balances	($61,511,109)	($83,498,230)	$2,067,790	($43,027,469)	($11,445,449)	($14,782,989)	$6,531,176	$9,382,851	$10,303,507	$10,799,268
Debt service as a percentage of noncapital expenditures	11.1%	51.9%	14.5%	12.3%	8.7%	9.4%	11.4%	22.6%	10.3%	10.0%

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.

CITY OF RICHMOND
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

(In Thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
ASSESSED VALUE [1]										
Land	$4,498,812	$3,541,992	$3,427,021	$3,329,164	$3,216,147	$3,218,339	$3,781,609	$4,186,239	$4,520,312	$4,946,654
Improvements	8,995,536	8,071,718	6,721,515	7,413,276	9,268,934	7,181,567	8,187,280	8,683,770	9,216,704	9,400,903
Total Real Property	13,494,348	11,613,710	10,148,536	10,742,440	12,485,081	10,399,906	11,968,889	12,870,009	13,737,016	14,347,557
Personal Property	632,670	683,995	671,258	681,204	795,573	53,195	460,661	669,634	585,832	$589,457
TOTAL	$14,127,018	$12,297,705	$10,819,794	$11,423,644	$13,280,654	$10,453,101	$12,429,550	$13,539,643	$14,322,848	$14,937,014
EXEMPTIONS [2]										
Homeowners [a]	$113,296	$111,793	$110,280	$107,571	$104,144	$100,680	$98,456	$96,539	$95,052	$94,266
Other [b]	364,531	432,140	473,917	495,344	519,976	527,179	587,350	641,475	688,713	760,841
TOTAL	$477,827	$543,933	$584,197	$602,915	$624,120	$627,859	$685,806	$738,014	$783,765	$855,107
ASSESSED VALUE										
(Net of Exemptions)	$13,649,191	$11,753,772	$10,235,597	$10,820,729	$12,656,534	$9,825,242	$11,743,744	$12,801,629	$13,539,083	$14,081,907
Less: Redevelopment Tax Increments [3]	2,404,325	1,736,546	1,594,287	1,578,082	1,558,233	1,595,033	1,799,831	2,055,811	2,248,742	2,567,061
NET ASSESSED VALUE	$11,244,866	$10,017,226	$8,641,310	$9,242,647	$11,098,301	$8,230,209	$9,943,913	$10,745,818	$11,290,341	$11,514,846
NET INCREASE (DECREASE)	$787,429	($1,227,640)	($1,375,916)	$601,337	$1,855,654	($2,868,092)	$1,713,704	$801,905	$544,523	$224,505
% OF INCREASE (DECREASE)	7.53%	-10.92%	-13.74%	6.96%	20.08%	-25.84%	20.82%	8.06%	5.07%	1.99%
Total Direct Tax Rate [4]	0.43216%	0.40770%	0.41395%	0.40618%	0.38653%	0.41948%	0.41930%	0.43781%	0.43675%	0.43591%

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[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

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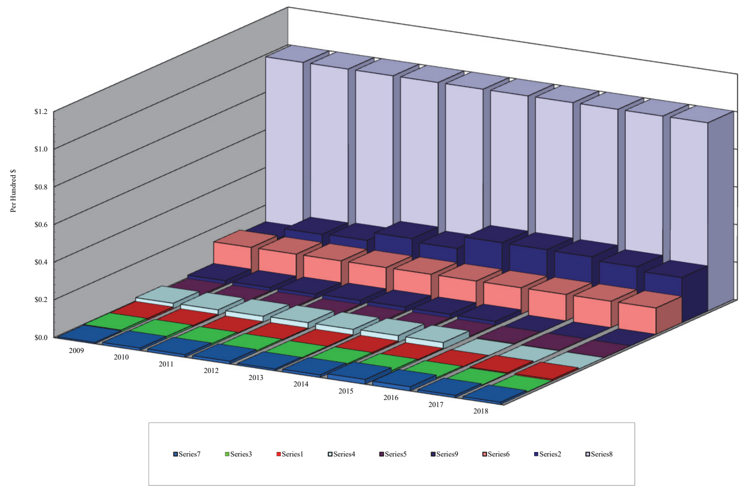
CITY OF RICHMOND
PROPERTY TAX RATES
ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS



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)	City's Share of 1% Levy Per Prop 13 (4)	General Obligation Debt Rate	Redevelopment Rate (5)	Total Direct Rate (6)
2009	$1.00000	$0.14000	$0.00900	$0.01000	$0.02890	$0.00640	$0.02470	$0.12300	$0.00660	$1.34860	$0.28784	$0.14000	$1.15000	$0.43216
2010	1.00000	0.14000	0.00570	0.01080	0.02980	0.00650	0.02360	0.18280	0.01260	1.41180	0.28784	0.14000	1.15080	0.40770
2011	1.00000	0.14000	0.00310	0.00840	0.03110	0.00670	0.02440	0.18690	0.01330	1.41390	0.28784	0.14000	1.14840	0.41395
2012	1.00000	0.14000	0.00410	0.00710	0.03330	0.00670	0.02740	0.23220	0.01440	1.46520	0.28784	0.14000	1.14710	0.40618
2013	1.00000	0.14000	0.00430	0.00510	0.03330	0.00680	0.02730	0.21570	0.00870	1.44120	0.28784	0.14000	0.00000	0.38653
2014	1.00000	0.14000	0.00750	0.00780	0.03610	0.00660	0.02550	0.28180	0.01330	1.51860	0.28784	0.14000	0.00000	0.41948
2015	1.00000	0.14000	0.00450	0.00850	0.03500	0.00470	0.02320	0.28030	0.02520	1.52140	0.28784	0.14000	0.00000	0.41930
2016	1.00000	0.14000	0.00260	0.00670	0.00000	0.00340	0.00000	0.27810	0.02200	1.45280	0.28784	0.14000	0.00000	0.43781
2017	1.00000	0.14000	0.00800	0.00320	0.00000	0.00280	0.00000	0.26040	0.01200	1.42640	0.28784	0.14000	0.00000	0.43675
2018	1.00000	0.14000	0.00840	0.00210	0.00000	0.00110	0.00000	0.23970	0.01140	1.40270	0.28784	0.14000	0.00000	0.43591

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 and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes the rates reported, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

Source: County of Contra Costa, Office of the Auditor-Controller

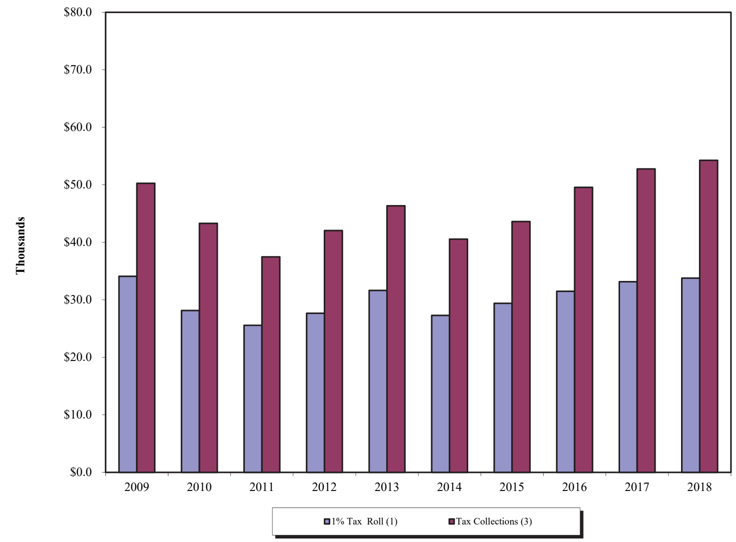
CITY OF RICHMOND
Principal Property Tax Payers
Current Year and Nine Years Ago
(In Thousands)

Taxpayer	Type of Business	2017-2018 Taxable Assessed Value	2017-2018 Rank	2017-2018 Percentage of Total City Taxable Assessed Value	2008-2009 Taxable Assessed Value	2008-2009 Rank	2008-2009 Percentage of Total City Taxable Assessed Value
Chevron USA Inc.	Industrial	$3,458,826,102	1	24.56%	$3,806,016,395	1	27.88%
Guardian KW Hilltop LLC	Residential	195,893,231	2	1.39%			
LIPT Giant Road Inc.	Industrial	85,200,000	3	0.61%			
Richmond Essex LP	Residential	77,070,899	4	0.55%	67,858,721	6	0.50%
Kaiser Foundation Hospitals	Industrial	71,371,353	5	0.51%			
Western B Northwest California LLC	Industrial	44,676,000	6	0.32%			
KM Phoenix Holdings LLC	Industrial	44,525,532	7	0.32%			
Dicon Fiberoptics INC	Industrial	43,349,741	8	0.31%			
Ford Point LLC	Residential	41,235,340	9	0.29%			
LBG Hilltop	Commercial	41,157,093	10	0.29%			
Lennar Emereald Marina Shores	Industrial				130,136,960	2	0.95%
Richmond Parkway Associates	Commercial				122,770,226	3	0.90%
Bayer healthcare Pharm INC	Industrial				114,423,602	4	0.84%
DDRM Hilltop Plaza LP	Commercial				88,858,116	5	0.65%
Richmond Associates	Commercial				63,726,624	7	0.47%
Crescent Park EAH LP	Residential				48,443,500	8	0.35%
Cherokee Simeon Venture I LLC	Residential				46,837,270	9	0.34%
Foss Maritime Company	Unsecured				45,888,847	10	0.34%
Subtotal		$4,103,305,291		29.14%	$4,534,960,261		33.23%

Total Net Assessed Valuation:	
Fiscal Year 2017-2018	$14,081,907,000
Fiscal Year 2008-2009	$13,649,191,000

Source: Contra Costa County Assessor Fiscal Year Combined Tax Rolls and the SBE Non Unitary Tax Roll

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
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%
2014	27,289	13,267	40,556	100%
2015	29,392	14,225	43,617	100%
2016	31,490	18,071	49,561	100%
2017	33,152	19,618	52,770	100%
2018	33,780	20,481	54,261	100%

Source: City of Richmond Records

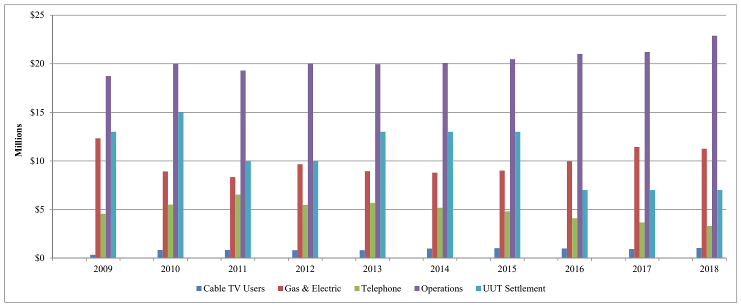
NOTES:

(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
UTILITY USERS TAX COLLECTIONS
LAST TEN FISCAL YEARS



	Fiscal Year Ended June 30									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Cable TV Users	$334,347	$835,226	$824,723	$810,755	$809,972	$983,465	$1,016,552	$988,547	$924,912	$1,036,854
Gas & Electric	12,326,977	8,919,561	8,336,362	9,660,557	8,943,183	8,787,715	9,003,928	9,966,642	11,433,006	11,250,415
Telephone	4,558,009	5,510,933	6,539,983	5,473,445	5,688,505	5,183,418	4,807,499	4,093,128	3,668,092	3,300,001
Operations	18,733,671	20,032,999	19,306,738	20,039,558	19,956,689	20,079,108	20,471,979	21,004,080	21,209,540	22,884,443
UUT Settlement	13,000,000	15,000,000	10,000,000	10,000,000	13,000,000	13,000,000	13,000,000	7,000,000	7,000,000	7,000,000
Prepaid Wireless Combined (A)								312,852	730,939	608,042
	$48,953,004	$50,298,719	$45,007,806	$45,984,315	$48,398,349	$48,033,706	$48,299,958	$43,365,249	$44,966,489	$46,079,755

NOTES:

(A) Components of collections by type are not available, therefore amount represents total UUT collections for the fiscal year, and these amounts have been excluded from the graph

SOURCE: City of Richmond, Finance Department (Revenue)

CITY OF RICHMOND
UTILITY USERS TAX DIRECT RATES
ON CHARGES FOR SERVICES
LAST TEN FISCAL YEARS (A)

	2015	**2016**	**2017**	**2018**
Cable TV Users	5%	5%	5%	5%
Gas & Electric	10%	10%	10%	10%
Telephone	9.50%	9.50%	9.50%	9.50%
Operations	(B)	(B)	(B)	(B)
UUT Settlement	(C)	(C)	(C)	(C)

NOTES:

(A) Historical information prior to 2015 is not available.

(B) Based on the Cap Provision in the City of Richmond Municipal Code
Section 13.52.100 - Maximum Tax Payable of the Richmond Municipal Code.

(C) Annual amount is per agreement signed by a Major Taxpayer and the City in 2010.

SOURCE: City of Richmond, Finance Department (Revenue)

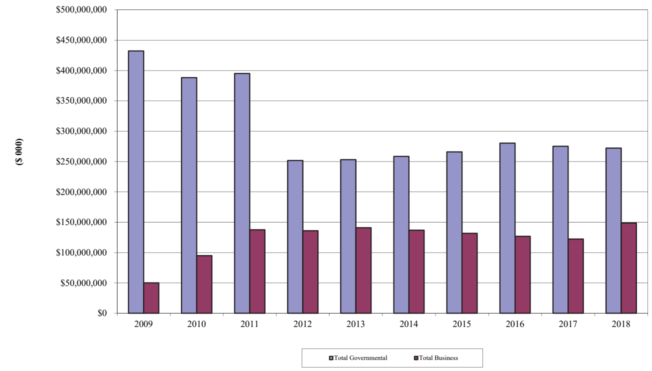
CITY OF RICHMOND
TOP TEN UTILITY USERS TAXPAYERS
(ALPHABETICAL ORDER)
Current Year (A)

Taxpayer	Type of Business (B)
Chevron	Industrial
PG&E	Utility
Marin Clean Energy	Utility
Comcast	Cable
New Cingular Wireless	Telecommunications
Pacific Bell Telephone Co	Telecommunications
GTE Mobilnet of California LTD	Telecommunications
T-Mobile	Telecommunications
MetroPCS California LLC	Telecommunications
Constellation new Energy	Gas

NOTES:
(A) Information for 2008 is not available.
(B) Revenue base information by taxpayer is confidential.

SOURCE: City of Richmond, Finance Department (Revenue)

CITY OF RICHMOND
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years



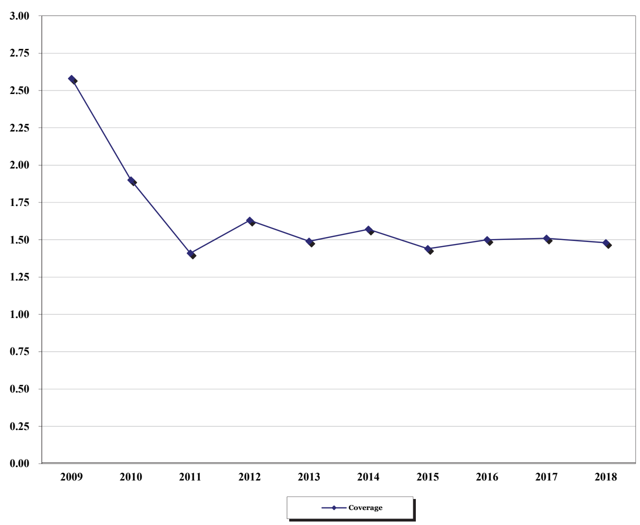
	Governmental Activities					
Fiscal Year	Tax Allocation Bonds	Pension Obligation Bonds	Revenue Bonds	Loans and Notes Payable	Capital Leases	Total
2009	$165,200,399	$150,493,392	$97,750,000	$10,544,185	$8,300,966	$432,288,942
2010	130,953,999	152,059,727	88,271,545	10,460,463	6,536,310	388,282,044
2011	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
2014	(B)	157,555,624	87,121,545	2,631,887	11,186,685	258,495,741
2015	(B)	156,491,679	87,121,545	12,970,813	9,295,123	265,879,160
2016	(B)	155,070,539	115,218,619	2,143,560	7,944,891	280,377,609
2017	(B)	153,058,033	113,275,266	1,993,820	6,872,843	275,199,962
2018	(B)	150,485,289	111,241,920	1,844,775	8,650,840	272,222,824

	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)
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
2014	89,012,056	44,944,399	2,935,889	136,892,344	395,388,085	14.54%	3,725
2015	86,867,520	41,984,610	2,861,189	131,713,319	397,592,479	14.68%	3,737
2016	84,637,983	39,354,875	2,783,127	126,775,985	407,153,594	14.84%	3,689
2017	82,313,447	36,588,791	3,401,553	122,303,791	397,503,753	14.21%	3,556
2018	111,698,772	33,587,707	3,316,308	148,602,787	420,825,611	14.41%	3,765

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 reported 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, 2010B and 2017A WASTEWATER REVENUE BONDS
LAST TEN FISCAL YEARS

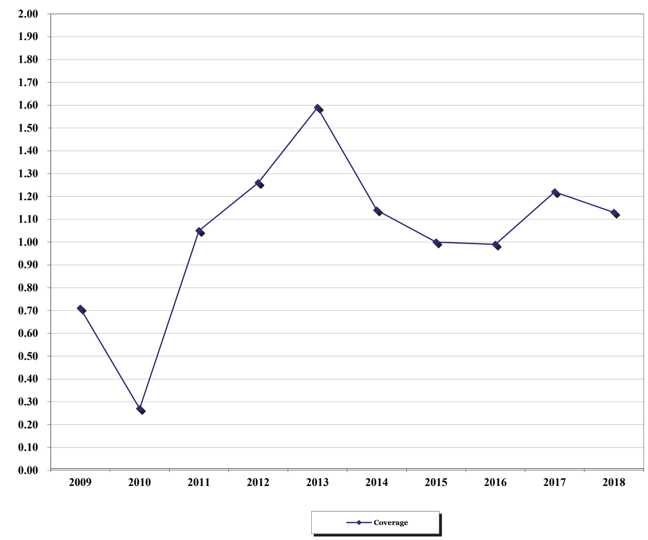


Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
2009	$14,498,712	$8,287,431	$6,211,281		$2,403,307	$2,403,307	2.58
2010	16,075,782	10,362,653	5,713,129	$865,000	2,146,974	3,011,974	1.90
2011	17,399,624	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
2014	18,569,191	9,734,277	8,834,914	1,055,000	4,560,528	5,615,528	1.57
2015	19,098,835	9,524,878	9,573,957	2,115,000	4,536,302	6,651,302	1.44
2016	19,843,677	9,954,037	9,889,640	2,200,000	4,393,375	6,593,375	1.50
2017	20,880,739	10,831,250	10,049,489	2,295,000	4,344,233	6,639,233	1.51
2018	23,752,946	11,885,819	11,867,127	2,400,000	5,599,008	7,999,008	1.48

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 and Pension Expense related to GASB Statement 68.

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

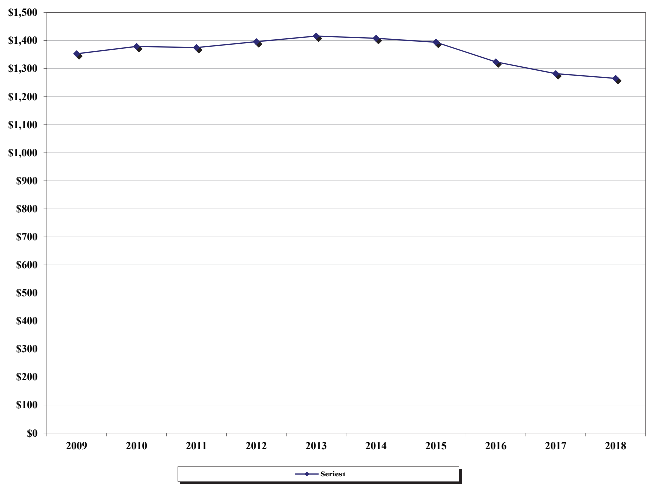


Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
2009	$5,292,289	$3,129,349	$2,162,940	$2,745,000	$292,367	$3,037,367	0.71
2010	4,334,422	3,007,455	1,326,967	3,270,000	1,671,265	4,941,265	0.27
2011	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
2014	10,280,894	3,189,866	7,091,028	2,955,000	3,255,221	6,210,221	1.14
2015	9,481,315	3,380,916	6,100,399	3,025,000	3,077,165	6,102,165	1.00
2016	10,081,074	4,533,796	5,547,278	2,723,455	2,869,343	5,592,798	0.99
2017	10,194,121	3,522,216	6,671,905	2,830,000	2,641,797	5,471,797	1.22
2018	10,633,233	4,450,592	6,182,641	3,065,000	2,393,977	5,458,977	1.13

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 and Pension Expense related to GASB Statement 68.

Source: City of Richmond Annual Financial Statements

CITY OF RICHMOND
GENERAL BONDED DEBT
PENSION OBLIGATION BONDS (1)
LAST TEN FISCAL YEARS

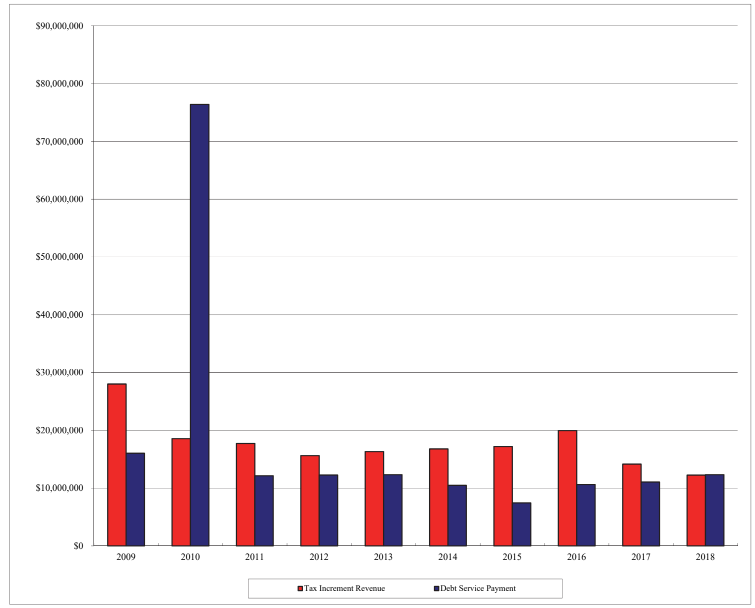


Fiscal Year	Bonds Outstanding	Restricted Cash and Investments (2)	Net Bonds Outstanding	Net Assessed Value of Property	Ratio of General Bonded Debt to Net Assessed Value of Property	Net General Bonded Debt per Capita
2009	$150,493,392	$9,916,755	$140,576,637	$11,244,866,000	1.25%	1,353
2010	152,059,727	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
2014	157,555,624	8,089,647	149,465,977	8,230,209,000	1.82%	1,408
2015	156,491,679	8,148,121	148,343,558	9,943,913,000	1.49%	1,394
2016	155,070,539	8,936,523	146,134,016	10,745,818,000	1.36%	1,324
2017	153,058,033	9,777,863	143,280,170	11,290,341,000	1.27%	1,282
2018	150,485,289	9,075,692	141,409,597	11,514,846,000	1.23%	1,265

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
BONDED DEBT PLEDGED REVENUE COVERAGE
TAX ALLOCATION BONDS AND REFUNDING BONDS (1)
LAST TEN FISCAL YEARS



Fiscal Year	Tax Revenue		Debt Service Requirements Principal		Interest	Total	Coverage
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
2014	16,776,169	(4)	5,030,000		5,461,989	10,491,989	1.60
2015	17,206,306	(4)	2,930,000		4,500,409	7,430,409	2.32
2016	19,953,198	(4)	6,180,000		4,445,674	10,625,674	1.88
2017	14,156,746	(4)	6,395,000		4,653,678	11,048,678	1.28
2018	12,255,069	(4)	7,575,000		4,746,564	12,321,564	0.99

Note: **(1)** Includes the 1991, 1998, 2000, 2003, 2004, 2007, 2010 and 2014 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
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2018

2017-2018 Assessed Valuation: $14,081,907,000

	Total Debt June 30, 2018	% Applicable (1)	City's Share of Debt June 30, 2018
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Bay Area Rapid Transit District	$837,820,000	2.038%	$17,074,772
Contra Costa Community College District	403,600,000	7.374%	29,761,464
West Contra Costa Unified School District	1,149,663,353	47.344%	544,296,618
West Contra Costa Healthcare District Parcel Tax Obligations	54,635,000	44.219%	24,159,051
East Bay Regional Park District	187,800,000	3.186%	5,983,308
City of Richmond Community Facilities District No. 1998-1	2,535,000	100%	2,535,000
City of Richmond 1915 Act Bonds	8,965,000	100%	8,965,000
California Statewide Community Development Authority 1915 Act Bonds	1,692,414	100%	1,692,414
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT			634,467,627
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Contra Costa County General Fund Obligations	$291,777,297	7.348%	$21,439,796
Contra Costa County Pension Obligation Bonds	155,880,000	7.348%	11,454,062
Alameda-Contra Costa Transit District Certificates of Participation	13,795,000	6.110%	842,875
Contra Costa Community College District Certificates of Participation	330,000	7.374%	24,334
West Contra Costa Unified School District Certificates of Participation	10,145,000	47.344%	4,803,049
City of Richmond General Fund Obligations	**143,725,000**	**100%**	**143,725,000**
City of Richmond Pension Obligations Bonds	**81,519,953**	**100%**	**81,519,953**
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			263,809,069
Less: Contra Costa County general fund obligations supported by revenue funds			8,449,424
City of Richmond obligations supported by port revenues			**33,750,000**
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			$221,609,645
OVERLAPPING TAX INCREMENT DEBT (Successor Agency)	$73,063,530	100%	$73,063,530
TOTAL GROSS DIRECT DEBT			**$225,244,953**
TOTAL NET DIRECT DEBT			**$191,494,953**
TOTAL GROSS OVERLAPPING DEBT			$746,095,273
TOTAL NET OVERLAPPING DEBT			$737,645,849
GROSS COMBINED TOTAL DEBT			$971,340,226 (2)
NET COMBINED TOTAL DEBT			$929,140,802

(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 2017-18 Assessed Valuation:	
Total Net Overlapping Tax and Assessment Debt	4.51%
Ratios to Adjusted Assessed Valuation:	
Gross Combined Direct Debt ($225,244,953)	**1.60%**
Net Combined Direct Debt ($191,494,953)	**1.36%**
Combined Total Debt	6.90%
Net Combined Total Debt	6.60%
Ratios to Successor Agency Redevelopment Incremental Valuation ($2,567,060,724):	
Total Overlapping Tax Increment Debt	2.85%

Source: HdL Coren & Cone, Contra Costa County Assessor and Auditor, City of Richmond Finance Department

CITY OF RICHMOND
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2018

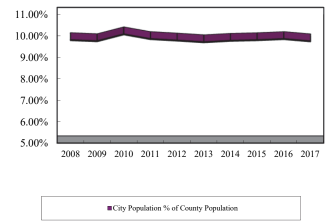
ASSESSED VALUATION:		
Secured property assessed value, net of exempt real property	$14,081,907,000	
BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)		$528,071,513
AMOUNT OF DEBT SUBJECT TO LIMIT:		
Total Bonded Debt	$0	
Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	0	
Amount of debt subject to limit		0
LEGAL BONDED DEBT MARGIN		$528,071,513

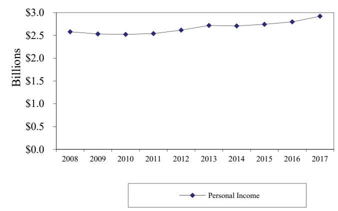
Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2009	$511,844,663	$0	$511,844,663	0.00%
2010	440,766,450	0	440,766,450	0.00%
2011	383,834,888	0	383,834,888	0.00%
2012	405,777,338	0	405,777,338	0.00%
2013	474,620,025	0	474,620,025	0.00%
2014	368,446,575	0	368,446,575	0.00%
2015	440,390,400	0	440,390,400	0.00%
2016	480,061,088	0	480,061,088	0.00%
2017	507,715,613	0	507,715,613	0.00%
2018	528,071,513	0	528,071,513	0.00%

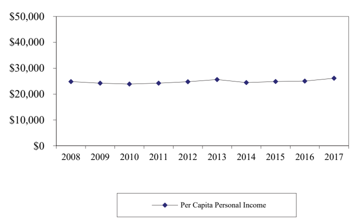
NOTE:

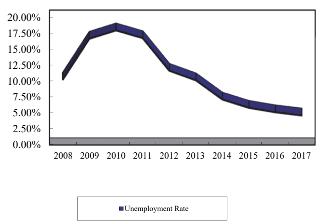
(a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of 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
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%
2013	106,138	2,718,619,000	25,614	10.1%	1,094,205	9.70%
2014	106,388	2,707,894,000	24,453	7.1%	1,089,291	9.77%
2015	110,378	2,743,560,000	24,856	5.8%	1,126,745	9.80%
2016	111,785	2,797,360,000	25,024	5.1%	1,135,127	9.85%
2017	111,785	2,920,370,000	26,124	4.6%	1,147,439	9.74%

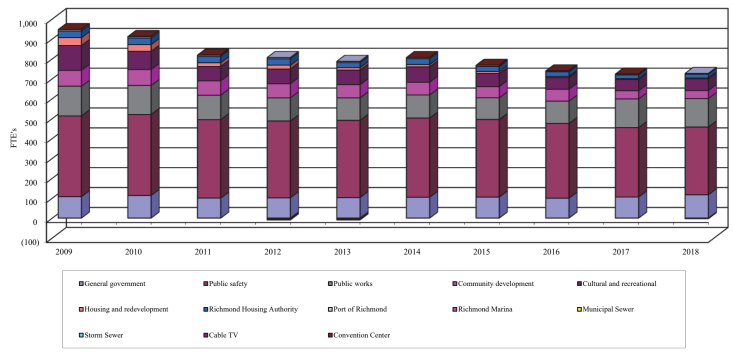
Source: HdL, Coren & Cone

CITY OF RICHMOND
Principal Employers
Current Year and Nine Years Ago

	2017-2018			2008-2009		
Employer	**Number of Employees**	**Rank**	**Percentage of Total City Employment**	**Number of Employees**	**Rank**	**Percentage of Total City Employment**
Chevron Refinery	3,510	1	3.6%	2,461	1	2.5%
West Contra Costa Unified School District	1,658	2	1.7%			
Social Security Administration	1,259	3	1.3%			
Blue Apron, Inc.	1,200	4	1.2%			
U.S. Postal Service	1,047	5	1.1%			
City of Richmond	888	6	0.9%			
Contra Costa County	844	7	0.9%			
Kaiser Foundation Hospitals	805	8	0.8%			
Costco Wholesale #482	431	9	0.4%	278	4	0.3%
Sunpower Corporation	291	10	0.3%			
The Permanente Medical Group				786	2	0.8%
Wal-Mart Store 3455				350	3	0.4%
California Autism Foundation, Inc.				250	5	0.3%
Macy's Hilltop				242	6	0.2%
The Home Depot #643				209	7	0.2%
Veriflo Division				185	8	0.2%
Sealy Mattress Co.				184	9	0.2%
TPMG Regional Laboratory				176	10	0.2%
Subtotal	11,933		12.1%	5,121		5.3%
Total City Day Population	98,760			97,391		

Source: City of Richmond Community Development Department

CITY OF RICHMOND
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years



	Adopted for Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function										
General government	107.2	113.2	100.2	101.7	102.9	104.4	105.2	99.8	105.4	116.5
Public safety	406.0	407.0	394.0	386.0	388.0	398.0	390.0	375.5	349.0	341.0
Public works	149.0	146.0	123.0	116.0	113.0	116.0	109.0	112.0	144.0	143.0
Community development	80.0	80.0	72.0	71.0	66.0	64.0	56.0	59.5	41.0	40.0
Cultural and recreational	124.4	91.2	72.2	73.8	73.2	76.8	66.0	59.0	57.0	59.1
Housing and redevelopment	40.0	34.0	19.0	19.6	13.0	12.0	10.0	5.9	3.8	3.8
Richmond Housing Authority and RHA Properties	33.0	33.0	32.0	32.0	25.0	29.0	25.0	23.0	19.0	19.0
Port of Richmond	7.0	7.0	6.0	6.0	6.0	6.0	6.0	4.0	4.0	4.0
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)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Convention Center	(2)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Total	946.6	911.4	818.4	806.1	787.1	806.2	767.2	738.7	723.2	726.4

Source: City of Richmond Budget
Notes:
(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 Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function/Program										
Public safety:										
Fire:										
Fire calls for service	9,861	11,723	12,237	12,770	12,868	12,988	13,670	14,497	14,372	14,375
Primary fire inspections conducted	6,201	5,752	5,055	1,071	2,716	3,000	1,569	1,134	1,160	5,378
Number of firefighters	98	109	83	85	93	85	94	91	90	91
Number of firefighters and civilians per thousand population	1.1	1.0	1.2	0.8	0.8	0.8	0.8	0.8	0.8	0.1
Police:										
Number of police officers per thousand population	1.7	1.9	1.7	1.8	1.8	1.7	1.8	1.7	1.6	1.6
Number of sworn officers	176	200	188	191	195	186	196	185	182	178
Water										
Daily average consumption in gallons per family	250	250	250	250	250	250	250	250	250	250

Source: City of Richmond

CITY OF RICHMOND
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety:										
Fire stations	7	7	7	7	7	7	7	7	7	7
Police stations	6	6	4	4	4	4	4	4	4	4
Library (#) of Locations	3	3	3	3	3	3	3	3	3	3
Public works										
Miles of streets	280	280	280	280	280	280	280	280	280	280
Street lights	7,000	7,000	7,000	7,000	7,000	6,543	8,343	8,543	9,000	9,000
Urban Forest (trees) (a)	40,200	40,757	41,293	41,562	26,000	21,609	22,009	35,620	35,782	36,231
Culture and recreation:										
Community services:										
City parks	55	55	55	55	55	55	55	55	55	55
City parks acreage	336.6	336.6	336.6	336.6	336.6	336.6	336.6	336.6	336.6	336.6
Open Space & Public Landscapes acreage	510.0	510.0	510.0	510.0	510.0	510.0	510.0	510.0	510.0	510.0
Lawn bowling	1	1	1	1	1	1	1	1	1	1
Recreation centers	8	8	8	8	8	8	8	8	8	8
Auditorium/Theater	1	1	1	1	1	1	1	1	1	1
Gymnasiums	3	3	3	3	3	3	3	3	3	3
Senior centers	2	2	2	2	2	2	2	2	2	2
Headstart centers/day cares	6	6	6	6	6	6	6	6	6	6
Putting green	1	1	1	1	1	1	1	1	1	1
Basketball courts	28	28	28	28	28	28	28	28	28	28
Swimming pools	1	1	2	2	2	2	2	2	2	2
Tennis courts	20	20	20	20	20	20	20	20	20	20
Baseball/softball diamonds	26	26	26	26	26	26	26	26	26	26
Soccer/football fields	17	17	17	17	17	17	17	17	17	17
Cricket fields	2	2	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	3,153	3,153
Wastewater										
Miles of sanitary sewers	183	183	183	183	183	183	183	183	183	183
Miles of storm sewers	310	310	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	33.7	33.7
Miles of waterfront	32	32	32	32	32	32	32	32	32	32

Source: City of Richmond

(a) Trees managed by the City for 2013 to present.
Data Prior to 2013 includes trees managed by other entities, such as East Bay Regional Park District, National Parks and Privately owned.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture. Reference is directed to the Indenture for the complete text thereof. Copies of the Indenture are available from the City Clerk of the City of Richmond.

Definitions

"**Accreted Value**" means, with respect to any Capital Appreciation Indebtedness, the principal amount thereof plus the interest accrued thereon, compounded at the interest rate thereon on each date as specified therein.

"**Annual Debt Service**" means, for any Bond Year, the aggregate amount of principal and interest on all Bonds and Parity Debt becoming due and payable during such Bond Year calculated using the principles and assumptions set forth under the definition of Debt Service.

"**Applicable Credit Provider**" means the Credit Provider providing a Credit Facility for a particular Series of Bonds.

"**Average Annual Debt Service**" means, as of any date of calculation, an amount equal to (i) the Annual Debt Service remaining to be paid on all Bonds and Parity Debt on the date of calculation, divided by (ii) the number of Bond Years (or partial years) commencing with the Bond Year of the date of calculation to and including the Bond Year which includes the first date on which none of such Bonds or Parity Debt remains Outstanding. Such interest and principal will be calculated on the assumption that no Bonds or Parity Debt at the date of calculation will cease to be Outstanding except by reason of the payment when due of each principal installment (including mandatory sinking account payments).

"**Balloon Indebtedness**" means any Series of Bonds or Parity Debt 50% or more of the principal of which matures or is payable on the same date and which is not required by the instrument pursuant to which such Bonds or Parity Debt were issued to be amortized by payment or redemption prior to such date.

"**Bond Obligation**" means, as of any given date of calculation, (1) with respect to any Current Interest Indebtedness, the principal amount thereof, and (2) with respect to any Capital Appreciation Indebtedness, the Accreted Value thereof.

"**Bond Year**" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period thereafter selected and designated as the official fiscal year period of the City which designation will be provided to the Trustee in a Certificate of the City.

"**Bonds**" means the City of Richmond, California Wastewater Revenue Bonds authorized by, and at any time Outstanding pursuant to, the Indenture, including Credit Provider Bonds.

"**Business Day**" means any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State or the State of New York or California are authorized or obligated by law or executive order to be closed, and (2) for purposes of payments and other actions relating to Bonds secured by a letter of credit or supported by a liquidity facility, a day upon which commercial banks in the city in which is located the office of the issuing bank at which demands for payment under such letter of credit or liquidity facility are to be presented are authorized or obligated by law or executive order to be closed.

"**Capital Appreciation Indebtedness**" means Bonds and Parity Debt on which interest is compounded and paid less frequently than annually.

"**Certificate**," "**Statement**," "**Request**," "**Requisition**" or "**Order**" of the City mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the City by its City Manager, Finance Director or any other person authorized by the City Manager or Finance Director to execute such instruments. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined will be read and construed as a single instrument. If and to the extent required by the Indenture, certificates and opinions will include the statements provided for in the Indenture.

"**Charter**" means the City Charter of the City, as amended from time to time.

"**City**" means the City of Richmond, California.

"**City Council**" means the City Council of the City or any other legislative body of the City thereafter provided for pursuant to law.

"**Code**" means the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

"**Continuing Disclosure Agreement**" means any Continuing Disclosure Agreement executed and delivered by the City relating to any Series of Bonds.

"**Corporate Trust Office**" or "corporate trust office" means the corporate trust office of the Trustee at 400 South Hope Street, Suite 500, Los Angeles, California 90071, Attention: Corporate Trust Services, or such other or additional offices as may be designated by the Trustee.

"**Costs of Issuance**" means all items of expense directly or indirectly payable by or reimbursable to the City and related to the authorization, execution, sale and delivery of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, travel expenses and costs relating to rating agency meetings and other meetings concerning the Bonds, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of the Bonds, surety, insurance and credit enhancement costs, and any other cost, charge or fee in connection with the delivery of the Bonds.

"**Credit Agreement**" means, with respect to a Credit Facility, the agreement among the City, and the Applicable Credit Provider, as originally executed or as it may from time to time be replaced, supplemented or amended in accordance with the provisions of the Indenture, providing for the issuance of the Credit Facility and the reimbursement of the Credit Provider for drawings thereunder, and any subsequent agreement pursuant to which a substitute Credit Facility is provided, together with any related pledge agreement, security agreement or other security document.

"**Credit Facility**" means any letter of credit, guarantee, standby purchase agreement, bond insurance or other support arrangement or security or any combination of the foregoing, if any, provided by the Credit Provider pursuant to any Supplemental Indenture.

"**Credit Provider**" means the issuer or other provider of a Credit Facility with respect any series of the Bonds as provided for in any Supplemental Indenture, and the respective successors and assigns of the business thereof and any surviving, resulting or transferee entity with or into which it may be consolidated or merged or to which it may transfer all or substantially all of its business.

"**Credit Provider Bonds**" means any Bonds purchased pursuant to a Credit Facility as provided in any Supplemental Indenture for so long as such Bonds are held by or for the account of, or are pledged to, the Applicable Credit Provider in accordance with such Supplemental Indenture.

"**Current Interest Indebtedness**" means Bonds and Parity Debt on which interest is paid at least annually.

"**Debt Service**" means, during any period of computation, the amount of principal and interest becoming due and payable on all Bonds and Parity Debt for such period, determined by totaling the following amounts:

(a) The Bond Obligation of all Outstanding Serial Bonds and all Parity Debt coming due and payable by their terms in such period;

(b) The minimum Bond Obligation of all Outstanding Term Bonds and all Parity Debt scheduled to be redeemed by operation of mandatory sinking fund deposits in such period, together with any premium thereon; and

(c) The interest which would be due during such period on the aggregate principal amount of Bonds and Parity Debt which would be Outstanding in such period if the Bonds or Parity Debt are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Bonds or Parity Debt no longer Outstanding;

provided, that for the purposes of determining compliance with the requirements for issuance of additional Bonds or Parity Debt, the rate covenant contained in the Indenture and the amount of the Reserve Fund Requirement, the following provisions apply:

(i) Generally. Except as otherwise provided in subparagraph (ii) below with respect to Variable Interest Rate Indebtedness, in subparagraph (iii) below with respect to Bonds or Parity Debt with respect to which a Public Finance Contract is in force, and in subparagraph (iv) below with respect to Balloon Indebtedness, interest on any Bond or Parity Debt will be calculated based on the actual amount of interest that is payable under such Bond or Parity Debt;

(ii) Interest on Variable Interest Rate Indebtedness. Interest deemed to be payable on any Variable Interest Rate Indebtedness for periods when the actual interest rate can be determined will be the actual Variable Interest Rates and for periods when the actual interest rate cannot yet be determined will be calculated on the assumption that the interest rate on such Variable Interest Rate Indebtedness would be equal to (a) the average rate that accrued on such Variable Interest Rate Indebtedness over the preceding twelve (12) months, or (b) if the Variable Interest Rate Indebtedness has not been accruing interest at a variable rate for twelve (12) months, the average interest rate that accrued on any outstanding Variable Interest Rate Indebtedness for which interest is computed on substantially the same basis during the preceding twelve (12) month period, or (c) if no such comparable Variable Interest Rate Indebtedness was outstanding during the twelve (12) months preceding the date of calculation, then (x) if the interest on such Variable Interest Rate Indebtedness is excluded from gross income for purposes of Federal income taxation, 90% of the average rate of interest for The Bond Buyer Revenue Bond Index over the preceding twelve (12) months, or, if that index is no longer published, an interest rate equal to 80% of the yield for outstanding United States Treasury Bonds having an equivalent maturity as the Variable Rate Interest Indebtedness, or if there are no such Treasury Bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets, and (y) if interest on such Variable Interest Rate Indebtedness is not excluded from gross income for purposes of Federal income taxation, 110% of the yield for outstanding United States Treasury Bonds having an equivalent maturity as the Variable Rate Interest Indebtedness, or if there are no such United States Treasury Bonds having equivalent maturities, 110% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

(iii) Interest on Bonds or Parity Debt With Respect to Which a Public Finance Contract Is in Force. Interest deemed to be payable on any Bonds or Parity Debt with respect to which a Public Finance Contract is in force will be based on the net economic effect on the City expected to be produced by the terms of such Bonds or Parity Debt and such Public Finance Contract, including but not limited to the effects that (a) such Bonds or Parity Debt would, but for such Public Finance Contract, be treated as an obligation bearing interest at a Variable Interest Rate instead will be treated as an obligation bearing interest at a fixed interest rate, and (b) such Bonds or Parity Debt would, but for such Public Finance Contract, be treated as an obligation bearing interest at a fixed interest rate instead will be treated as an obligation bearing interest at a Variable Interest Rate; and accordingly, the amount of interest deemed to be payable on any Bonds or Parity Debt with respect to which a Public Finance Contract is in force will be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Bonds or Parity Debt plus the Public Finance Contract Payments minus the Public Finance Contract Receipts, and for the purpose of calculating as nearly as practicable the Public Finance Contract Receipts and the Public Finance Contract Payments under such Bonds or Parity Debt, the following assumptions will be made:

(1) City Obligated to Pay Net Variable Payments. If a Public Finance Contract has been entered into by the City with respect to Bonds or Parity Debt resulting in the payment of a net variable interest rate with respect to such Bonds or Parity Debt and Public Finance Contract by the City, the interest rate on such Bonds or Parity Debt for future periods when the actual interest rate cannot yet be determined will be assumed (but only during the period the Public Finance Contract is in effect) to be equal to the sum of (x) the fixed rate or rates stated in such Bonds or Parity Debt, minus (y) the fixed rate paid by the Qualified Counterparty to the City, plus (z) the lesser of (A) the interest rate cap, if any, provided by a Qualified Counterparty with respect to such Public Finance Contract (but only during the period that such interest rate cap is in effect) and (B) the applicable Variable Interest Rate calculated in accordance with subparagraph (ii) above; and

(2) City Obligated to Pay Net Fixed Payments. If a Public Finance Contract has been entered into by the City with respect to Bonds or Parity Debt resulting in the payment of a net fixed interest rate with respect to such Bonds or Parity Debt and Public Finance Contract by the City, the interest on such Bonds or Parity Debt will be included in the calculation of Debt Service (but only during the period the Public Finance Contract is in effect) by including for each Bond Year or twelve (12) calendar month period an amount equal to the amount of interest payable at the fixed interest rate pursuant to such Public Finance Contract;

(iv) Interest on Balloon Indebtedness. If any outstanding Bonds or Parity Debt constitute Balloon Indebtedness (and such Bonds or Parity Debt do not constitute Short-Term Indebtedness excluded from the calculation of the Debt Service pursuant to clause (v), below) or if Bonds or Parity Debt proposed to be incurred would constitute Balloon Indebtedness (and such Bonds or Parity Debt would not constitute Short-Term Indebtedness excluded from the calculation of the Debt Service pursuant to clause (v), below), then such Balloon Indebtedness will be treated as if the principal amount of such Bonds or Parity Debt were amortized from the date originally incurred in substantially equal installments of principal and interest over a term of thirty (30) years; provided, however, that the full principal amount of such Balloon Indebtedness will be included in making such calculation if such principal amount is due within ninety (90) days of the date such calculation is being made); and, if interest accrues under such Balloon Indebtedness at other than a fixed rate, the interest rate used for such computation will be (x) if the interest on such Bonds or Parity Debt is excluded from gross income for purposes of Federal income taxation, 90% of the average rate of interest for The Bond Buyer Revenue Bond Index over the preceding twelve (12) months, or if that index is no longer published, an interest rate equal to 80% of the yield for outstanding United States Treasury Bonds having an equivalent maturity as the Bonds or Parity Debt on the date incurred, or if there are no such United States Treasury Bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets, and (y) if the interest on such Bonds or Parity Debt is not excluded from gross income for purposes of Federal income taxation, the rate equal to 110% of the yield for outstanding United States Treasury Bonds having an equivalent maturity as the Balloon Indebtedness, or, if there are no such United States Treasury Bonds having equivalent maturities, 110% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

(v) Exclusion of Certain Short-Term Indebtedness. If any outstanding Bonds or Parity Debt constitute Short-Term Indebtedness or if the Bonds or Parity Debt proposed to be issued would constitute Short-Term Indebtedness, and such Short-Term Indebtedness are or will be payable only out of Net Revenues of the Fiscal Year in which such Short-Term Indebtedness are incurred, then such Short-Term Indebtedness will be disregarded and not included in calculating Debt Service;

(vi) Credit for Accrued and Capitalized Interest. If amounts constituting accrued interest or capitalized interest have been deposited with a trustee for such Bonds or Parity Debt, then the interest payable from such amounts with respect to such Bonds or Parity Debt will be disregarded and not included in calculating Debt Service.

"**Debt Service Coverage Ratio**" means, for any period, the ratio determined by dividing Net Revenues by Debt Service for such period.

"**Defeasance Securities**" means:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation),

(2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- U.S. treasury obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date). Any reinvestment of any security used for defeasance must be reinvested in Defeasance Securities.

"**Enterprise**" means any and all facilities of the City for the disposal or reuse of wastewater, including sewage treatment plants, intercepting and collecting sewers, outfall sewers, force mains, pumping stations, ejector stations, pipes, valves, machinery and all other appurtenances necessary, useful or convenient for the collection, treatment, purification or disposal of sewage, and any necessary lands, rights or way and other real or personal property useful in connection therewith.

"**Event of Default**" means any of the events specified as such in the Indenture as described under the caption "Events of Default" below.

"**Fiscal Year**" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period thereafter selected and designated as the official fiscal year period of the City which designation will be provided to the Trustee in a Certificate of the City.

"**Fitch**" means FitchRatings, its successors and their assigns, and, if it will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, "Fitch" will be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, at the written direction of the City.

"**Generally Accepted Accounting Principles Applicable to Governments**" means generally accepted accounting principles applicable to governments as promulgated by the Governmental Accounting Standards Board or its successor.

"**Gross Revenues**" means all gross income and revenue received by the City from the ownership and operation of the Enterprise, including (a) all fees and charges received by the City for the services of the Enterprise, (b) all other income and revenue howsoever derived by the City from the ownership and operation of the Enterprise or arising from the Enterprise, (c) all sums deposited, or required under the Indenture to be deposited, in the Wastewater Fund, including Subsidy Receipts, and (d) amounts transferred to the Wastewater Fund from the Rate Stabilization Fund pursuant to the Indenture; but excluding (x) the proceeds of any ad valorem property taxes received by the City to pay debt service on any outstanding obligations of the City, and (y) any contributed capital (other than connection fees)

"**Indenture**" means the Master Indenture, as originally executed and as it may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions thereof.

"**Independent Accountant**" means any accountant or firm of such accountants appointed and paid by the City, and who, or each of whom-

(a) is in fact independent and not under domination of the City;

(b) does not have any substantial interest, direct or indirect, with the City; and

(c) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make annual or other audits of the books of or reports to the City.

"**Information Services**" means national information services that disseminate securities redemption notices; or, in accordance with then current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds, or no such services as the City may designate in a written request delivered to the Trustee.

"Interest Fund" means the fund by that name established with the Trustee pursuant to the Indenture.

"**Interest Payment Date**" means, with respect to the Series 2019 Bonds, each August 1 and February 1, commencing February 1, 2020.

"**Investment Securities**" means the following:

(A)(1) Cash (insured at all times by the Federal Deposit Insurance Corporation),

(2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- U.S. treasury obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

(B)(1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

-Export-Import Bank
-Rural Economic Community Development Administration
-U.S. Maritime Administration
-Small Business Administration
-U.S. Department of Housing & Urban Development (PHAs)
-Federal Housing Administration
-Federal Financing Bank

(2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

-Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
-Obligations of the Resolution Funding Corporation (REFCORP)
-Senior debt obligations of the Federal Home Loan Bank System
-Senior debt obligations of other Government Sponsored Agencies approved by the Applicable Credit Provider

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(6) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(7) Municipal Obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P.

(8) Investment Agreements approved in writing by the Applicable Credit Provider (supported by appropriate opinions of counsel); and

(9) other forms of investments (including repurchase agreements) approved in writing by the Applicable Credit Provider.

(C) The value of the above investments will be determined as follows:

a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund will be valued at fair market value. The Trustee will determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers will include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Citigroup Global Markets Inc., Bear Stearns, or Lehman Brothers.

b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus. accrued interest thereon; and

c) As to any investment not specified above: the value thereof established by prior agreement among the Issuer, the Trustee, and the Applicable Credit Provider.

"**Master Indenture**" means the Indenture, dated as of October 1, 2006, by and between the City and the Trustee.

"**Maximum Annual Debt Service**" means the greatest amount of principal and interest becoming due and payable on all Bonds and Parity Debt in the Bond Year in which the calculation is made or any subsequent Bond Year using the principles and assumptions set forth under the definition of Debt Service.

"**Moody's**" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, then the term "Moody's" will be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"**Net Revenues**" means, with respect to any period, the amount of Gross Revenues received during such period less the amount of Operating Expenses becoming payable during such period.

"**Operating Expenses**" means for the then current fiscal year, the reasonable and necessary costs of maintaining and operating the Enterprise, calculated on the basis of generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Enterprise in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, but excluding (a) depreciation, replacement and obsolescence charges or reserves therefor or other bookkeeping entries of a similar nature, and (b) Debt Service.

"**Opinion of Bond Counsel**" means a written opinion of a law firm of national standing in the field of public finance selected by the City.

"**Outstanding**," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the City will have been discharged in accordance with the Indenture, including Bonds (or portions of Bonds) for which money has been set aside for the payment of the interest, principal or Redemption Price due as provided in the Indenture; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds will have been authenticated and delivered by the Trustee pursuant to the Indenture.

"**Owner**" or "**Bondholder**" or "**Bondowner**," whenever used in the Indenture with respect to a Bond, means the person in whose name such Bond is registered.

"**Parity Debt**" means any indebtedness, installment sale obligation, lease obligation or other obligation of the City for borrowed money or certain designated payments under a Parity Public Finance Contract having an equal lien and charge upon the Net Revenues, therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding).

"**Parity Public Finance Contract**" means a Public Finance Contract which is designated as Parity Debt.

"**Parity Reserve Fund**" means the fund by that name established with the Trustee pursuant to the Indenture.

"**Person**" means an individual, a corporation, a partnership, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

"**Principal Fund**" means the fund by that name established with the Trustee pursuant to the Indenture.

"**Public Finance Contract**" means a written agreement for the purpose of managing or reducing the City's exposure to fluctuations in interest rates or for any other interest rate, investment, asset or liability managing purposes, entered into either on a current or forward basis by the City and a Qualified Counterparty as authorized under any applicable laws of the State in connection with, or incidental to, the issuance of Bonds or Parity Debt, that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, options on such payments or any combination thereof, or any similar device.

"**Public Finance Contract Insurance Policy**" means a surety bond or insurance policy issued by an insurance company for the account of the City, as principal, and for the benefit of such insurance company, as beneficiary, relating to a Public Finance Contract.

"**Public Finance Contract Payments**" means the regularly scheduled amounts periodically required to be paid by the City (excluding termination payments) to all Qualified Counterparties under all Parity Public Finance Contracts.

"**Public Finance Contract Receipts**" means the amounts periodically required to be paid by all Qualified Counterparties to the City under all Parity Public Finance Contracts.

"**Qualified Counterparty**" means a party (other than the City or a party related to the City) who is the other party to a Public Finance Contract and (1) (A) who is rated at least "A2" from Moody's and "A" from Standard & Poor's, or (B) whose senior debt obligations are rated at least "A2" from Moody's and "A" from Standard & Poor's, or guaranteed by an entity so rated, or (C) whose obligations under the Public Finance Contract are guaranteed for the entire term of the Public Finance Contract by a bond insurer or other institution which has been assigned a credit rating at least equal to "A2" from Moody's and "A" from Standard & Poor's, or (D) whose obligations under the Public Finance Contract are collateralized in such a manner as to obtain a rating at least equal to the ratings assigned by each of the Rating Agencies to the Bonds or Parity Debt to which such Public Finance Contract relates, and (2) who is otherwise qualified to act as the other party to a Public Finance Contract under all applicable laws of the State.

"**Rate Stabilization Fund**" means the fund by that name established and maintained by the City pursuant to the Indenture.

"**Rating Agency**" means S&P Global Ratings ("S&P"), or in the event that S&P no longer maintains a rating on the Series 2019 Bonds, any other nationally recognized rating agency then maintaining a rating on such Series 2019 Bonds.

"**Rating Category**" means (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"**Rebate Fund**" means the fund by that name established with the Trustee pursuant to the Indenture.

"Record Date" means, with respect to the Series 2019 Bonds, the fifteenth day of the month preceding an Interest Payment Date.

"**Redemption Fund**" means the fund by that name established with the Trustee pursuant to the Indenture.

"**Redemption Price**" means, with respect to any Bond (or portion thereof) the Bond Obligation of such Bond (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

"**Reserve Fund Requirement**" means, as of any date of determination and excluding any Parity Debt for which no reserve fund is to be maintained or for which a separate reserve fund is to be maintained, the lesser of (a) the Maximum Annual Debt Service on all Bonds and Parity Debt to be secured by the Parity Reserve Fund, or (b) one hundred twenty-five percent (125%) of the Average Annual Debt Service on all Bonds and Parity Debt to be secured by the Parity Reserve Fund; provided that in no event will the deposit to the Parity Reserve Fund with respect to any Series of Bonds or Parity Debt to be secured by the Parity Reserve Fund be an amount greater than ten percent (10%) of the initial offering price to the public of each Series of Bonds and any Parity Debt to be secured by the Parity Reserve Fund as determined under the Code, all as computed and determined by the City and specified in writing to the Trustee.

"**Serial Bonds**" means Bonds, maturing in specified years, for which no mandatory sinking fund payments are provided.

"**Series**" whenever used in the Indenture with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture.

“**Series 2008 Public Finance Contract**” means the ISDA Master Agreement, together with the schedule and confirmation thereto, dated November 19, 2009, by and between the City and the Series 2008A Counterparty, as amended by that certain amendment, dated May 30, 2017, by and between the City and the Series 2008A Counterparty.

“**Series 2008A Bonds**” means the City’s outstanding Variable Rate Wastewater Revenue Refunding Bonds, Series 2008A.

“**Series 2008A Credit Facility**” means that certain Irrevocable Transferable Letter of Credit delivered by the Series 2008A Credit Provider in connection with the Series 2008A Bonds.

“**Series 2008A Credit Facility Reimbursement Fund**” means the fund by that name established pursuant the terms of the Indenture described under the caption “Establishment and Application of the Series 2008A Credit Facility Reimbursement Fund”.

“**Series 2008A Credit Provider**” means Barclays Bank PLC.

“**Series 2008A Counterparty**” means Royal Bank of Canada.

“**Series 2019 Bonds**” means, collectively, the Series 2019A Bonds and the Series 2019B Bonds.

“**Series 2019A Bonds**” means the City of Richmond, California Wastewater Revenue Bonds, Series 2019A Bonds, as described in the Seventh Supplemental Indenture.

“**Series 2019B Bonds**” means the City of Richmond, California Wastewater Revenue Refunding Bonds, Series 2019B Bonds, as described in the Seventh Supplemental Indenture.

“**Series 2019 Continuing Disclosure Agreement**” means that certain Continuing Disclosure Agreement entered into by the City, the Trustee and Willdan Financial Services, as dissemination agent, on the date of issuance and delivery of the Series 2019 Bonds, as originally executed and as it may be amended or supplemented from time to time in accordance with the terms thereof.

“**Series 2019 Costs of Issuance Fund**” means the fund by that name established pursuant to the Seventh Supplemental Indenture.

“**Series 2019 Project Fund**” means the fund by that name established pursuant to the Seventh Supplemental Indenture.

“**Short-Term Indebtedness**” means Bonds or Parity Debt having an original maturity of less than or equal to one year and which are not renewable at the option of the City for a term greater than one year beyond the date of original incurrence.

“**Standard & Poor’s**” means Standard & Poor’s, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, then the term “Standard & Poor’s” will be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“**State**” means the State of California

“**Seventh Supplemental Indenture**” means the Seventh Supplemental Wastewater Revenue Bond Indenture, dated as of June 1, 2019, by and between the City and the Trustee.

“**Supplemental Indenture**” means any indenture thereafter duly executed and delivered, supplementing, modifying or amending the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“**Tax Certificate**” means the Tax Certificate delivered by the City at the time of issuance and delivery of any Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

“**Term Bonds**” means Bonds payable at or before their specified maturity date or dates from mandatory sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

“**Termination Payment**” means the Termination Payment associated with the termination of the Series 2008 Public Finance Contract.

“**Termination Fund**” means the fund by that name established pursuant the terms of the Indenture described under the caption “Establishment and Application of the Termination Fund”.

“**Trustee**” means The Bank of New York Mellon Trust Company, N.A., acting as trustee under the Indenture, or its successor, as Trustee, as provided in the Indenture.

“**Variable Interest Rate**” means any variable interest rate or rates to be paid under any Bonds or Parity Debt, the method of computing which variable interest rate will be as specified in the Supplemental Indenture providing for the issuance of the applicable Bonds or the instrument providing for the issuance of the Parity Debt, which Supplemental Indenture or other instrument will also specify either (i) the payment period or periods or time or manner of determining such period or periods or time for which each value of such variable interest rate will remain in effect, and (ii) the time or times based upon which any change in such variable interest rate will become effective, and which variable interest rate may, without limitation, be based on the interest rate on certain bonds or may be based on interest rate, currency, commodity or other indices.

“**Variable Interest Rate Indebtedness**” means, for any period of time, any Bonds or Parity Debt that bear a Variable Interest Rate during such period, except that no Bonds or Parity Debt will be treated as a Variable Interest Rate Indebtedness if the net economic effect of a Public Finance Contract with respect to any particular Bonds or Parity Debt is to produce obligations that bear interest at a fixed interest rate, and any Bonds or Parity Debt with respect to which a Public Finance Contract is in force will be treated as a Variable Interest Rate Indebtedness if the net economic effect of the Public Finance Contract is to produce obligations that bear interest at a Variable Interest Rate.

“**Wastewater Fund**” means the existing fund by that name established and held by the City with respect to the Enterprise.

Issuance of Bonds and Parity Debt

Issuance of Bonds. The City may by Supplemental Indenture establish one or more Series of Bonds payable from Net Revenues and secured by the pledge made under the Indenture equally and ratably with Bonds previously issued, and the City may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as will be determined by the City, but only, with respect to each Series of Bonds, upon compliance by the City with the provisions of the Indenture described under the caption "Issuance of Bonds and Parity Debt–Proceedings for Issuance of Additional Series of Bonds" (except any Series of Bonds delivered under a Supplemental Indenture of even date therewith may be issued upon compliance by the City with the requirements of provision (c) of the Indenture described under the caption "Issuance of Bonds and Parity Debt–Proceedings for Issuance of Additional Series of Bonds" and without further condition) and any additional requirements set forth in said Supplemental Indenture and subject to the following specific conditions, which are thereby made conditions precedent to the issuance of any such additional Series of Bonds:

(a) no Event of Default will have occurred and then be continuing;

(b) the aggregate principal amount of Bonds issued thereunder will not exceed any limitation imposed by law or otherwise;

(c) there will be deposited in the Parity Reserve Fund an amount of money so as to increase the amount on deposit therein to the Reserve Fund Requirement; and

(d) As demonstrated in a Certificate of the City delivered to the Trustee, either (i) the Debt Service Coverage Ratio for the most recent Fiscal Year for which audited financial statements for the Enterprise are available (based on the Debt Service payable during the Bond Year which commenced in such Fiscal Year), calculated as of the date of sale of such additional Series of Bonds and including the Bonds and Parity Debt then Outstanding and such additional Series of Bonds, will not be less than 1.25:1.0; provided that in calculating the Debt Service Coverage Ratio:

(1) if rates, fees and charges fixed and prescribed for the Enterprise in effect on the date upon which such additional Series of Bonds will become Outstanding will be greater than those in effect during the most recent Fiscal Year for which audited financial statements are available, then the Net Revenues for said Fiscal Year may be augmented by 100% of the estimated increase in Net Revenues computed to accrue to the Enterprise in the first twelve months during which such rates, fees and charges will be in effect; and

(2) Net Revenues may be augmented by 100% of the projected increase in annual Net Revenues to be provided by additional facilities under construction (financed from any source) or to be acquired with the proceeds of the additional Series of Bonds then being issued;

or (ii):

(1) the Debt Service Coverage Ratio for the most recent Fiscal Year for which audited financial statements are available (based on the Debt Service payable during the Bond Year which commenced in such Fiscal Year), including the Bonds and Parity Debt then Outstanding but not such additional Series of Bonds, was at least equal to 1.25:1.0; and

(2) the Debt Service Coverage Ratio for each of the three (3) full Fiscal Years (based on the Debt Service payable during the Bond Year which commenced in each such Fiscal Year) beginning with the first full Fiscal Year in which such additional Series of Bonds are issued (or, if later, the first full Fiscal

Year in which less than ten percent (10%) of the interest coming due on such additional Series of Bonds is to be paid from the proceeds of such additional Series of Bonds) is projected (based on approved rates, fees and charges) to be at least equal to 1.25:1.0.

Proceedings for Issuance of Additional Series of Bonds. Whenever the City will determine to issue a Series of Bonds pursuant to the provisions of the Indenture described under the caption "Issuance of Bonds and Parity Debt–Issuance of Bonds," the City will authorize the execution of a Supplemental Indenture specifying the principal amount, and prescribing the form or forms of Bonds of such additional Series and providing the terms, conditions, distinctive designation, denominations, date, maturity date or dates, interest rate or rates (or the manner of determining the same), redemption provisions and place or places of payment of principal, Accreted Value or Redemption Price, if any, of and interest on such Bonds, and any other provisions respecting the Bonds of such Series not inconsistent with the terms of the Indenture.

Before such additional Series of Bonds will be issued and delivered, the City will file the following documents with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Bonds have been satisfied):

(a) an executed copy of the Supplemental Indenture authorizing such Series;

(b) a Certificate of the City stating that no Event of Default has occurred and is then continuing;

(c) an Opinion of Bond Counsel to the effect that the execution of the Supplemental Indenture has been duly authorized by the City in accordance with the Indenture; that such Series, when duly executed by the City and authenticated and delivered by the Trustee, will be valid and binding limited obligations of the City, and that upon the delivery of such Series the aggregate principal amount of Bonds then Outstanding will not exceed the amount permitted by law or otherwise; and

(d) the Certificate of the City required by provision (d) of the Indenture described under the caption "Issuance of Bonds and Parity Debt–Issuance of Bonds."

Issuance of Refunding Bonds. Notwithstanding any provisions in the Indenture, there will be no limitation on the ability of the City to issue any Bonds at any time to refund any outstanding Bonds or Parity Debt; provided, however, that the Maximum Annual Debt Service with respect to any such refunding Bonds will not exceed 1.10 times the Maximum Annual Debt Service with respect to the Bonds or Parity Debt being refunded.

Limitations on the Issuance of Obligations. The City will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, howsoever denominated, payable in whole or in part from Net Revenues, except the following:

(a) Bonds of any Series authorized pursuant to the Indenture as described under the captions "Issuance of Bonds and Parity Debt-Issuance of Bonds" and "Issuance of Bonds and Parity Debt-Proceedings for Issuance of Additional Series of Bonds" above;

(b) refunding Bonds authorized pursuant to the Indenture as described under "Issuance of Refunding Bonds" above.

(c) Parity Debt payable on a parity with the Bonds and which will have, when issued, an equal lien and charge upon the Net Revenues, provided that the following conditions to the issuance of such Parity Debt are satisfied:

(1) such Parity Debt has been duly and legally authorized for any lawful purpose;

(2) no Event of Default will have occurred and then be continuing, as evidenced in a Certificate of the City filed with the Trustee;

(3) unless such Parity Debt is for the refunding purposes, the City will have obtained and placed on file with the Trustee a Certificate of the City that (on the basis of calculations as of the date of delivery of such Parity Debt) the requirements of provision (d) of the Indenture as described under the caption "Issuance of Bonds and Parity Debt–Issuance of Bonds" with respect to additional Bonds have been met with respect to such Parity Debt;

(4) the City will have filed with the Trustee an Opinion of Bond Counsel to the effect that such Parity Debt has been duly authorized in accordance with law and constitutes a valid and binding obligation of the City payable from Net Revenues on a parity with the Bonds; and

(5) the Trustee will be designated as paying agent or trustee for such Parity Debt and the City will deliver to the Trustee a transcript of the proceedings providing for the issuance of such Parity Debt (but the Trustee will not be responsible for the validity or sufficiency of such proceedings or such Parity Debt); or

(d) Obligations which are junior and subordinate to the payment of the principal, Accreted Value, premium, interest and reserve fund requirements for the Bonds and all Parity Debt and which subordinated obligations are payable as to principal, Accreted Value, premium, interest and reserve fund requirements, if any, only out of Net Revenues, after the prior payment of all amounts then required to be paid under the Indenture from Net Revenues, for principal, Accreted Value, premium, interest and reserve fund requirements for the Bonds and all Parity Debt, as the same become due and payable and at the times and in the manner as required in the Indenture.

Net Revenues

Application of Interest Fund. All amounts in the Interest Fund will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it will become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture). In addition if so directed by the City, the Trustee may deposit into the Interest Fund, Public Finance Contract Receipts of the City and may pay from the Interest Fund, Public Finance Contract Payments on behalf of the City.

Application of Principal Fund. (A) All amounts in the Principal Fund will be used and withdrawn by the Trustee solely for the purposes of paying the Bond Obligation of the Bonds when due and payable, except that all amounts in the Sinking Accounts will be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, as provided in the Indenture.

(B) The Trustee will establish and maintain within the Principal Fund a separate sinking account for the Term Bonds of each Series and maturity. On or before the Business Day prior to any date upon which a mandatory sinking fund payment is due, the Trustee will transfer the amount of such mandatory sinking fund payment (being the principal thereof, in the case of Current Interest Bonds and the Accreted Value, in the case of Capital Appreciation Bonds from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each mandatory sinking fund payment date established for such Sinking Account, the Trustee will apply the mandatory sinking fund payment required on that date to the redemption of Term Bonds of such Series and maturity for which such Sinking Account was established, in the manner provided in the Supplemental Indenture pursuant to which such Series of Bonds was created; provided that, at any time prior to giving such notice of such redemption, the Trustee will, upon receipt of a Request of the City, apply moneys in such Sinking Account to the purchase of Term Bonds of such Series and maturity 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 Interest Fund) as is directed by the City, except that the purchase price (excluding accrued interest, in the case of Current Interest Bonds) will not exceed the principal amount or Accreted Value thereof. If the Trustee has purchased Term Bonds of such Series and maturity with moneys in such Sinking Account, or purchased or redeemed Term Bonds of such Series and maturity at any time from the Redemption Fund and allocable to said mandatory sinking fund payment, or if the City has purchased or otherwise acquired Term Bonds and deposited such Term Bonds with the Trustee, such Term Bonds so purchased or deposited or redeemed by the Trustee or the City will be applied, to the extent of the full principal amount thereof, to reduce said mandatory sinking fund payment. All Term Bonds so purchased or deposited as described in the Indenture will be cancelled and destroyed by the Trustee. Any amounts remaining in a Sinking Account when all of the Term Bonds for which such account was established are no longer Outstanding will be withdrawn by the Trustee and transferred to the City to be deposited in the Wastewater Fund. All Term Bonds so purchased will be allocated first to the next succeeding mandatory sinking fund payment for such Series and maturity of Term Bonds, then as a credit against such future mandatory sinking fund payment for such Series and maturity of Term Bonds as may be specified in a Request of the City. All Term Bonds redeemed from the Redemption Fund will be credited to such future mandatory sinking fund payment for such Series and maturity of Term Bonds as may be specified in a Request of the City.

Application of Redemption Fund. The Trustee will establish, maintain and hold in trust a special fund designated as the "Redemption Fund" when required. All moneys deposited by the City with the Trustee for the purpose of redeeming Bonds of any Series pursuant to optional redemption or special mandatory redemption provisions applicable to such Series of Bonds will, unless otherwise directed by the City, be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund will be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds of such Series, in the manner, at the times and upon the terms and conditions specified in the Supplemental Indenture pursuant to which such Series of Bonds was created; provided that, at any time prior to giving notice of such redemption, the Trustee will, upon receipt of a Request of the City, apply such amounts to the purchase of Bonds of such Series at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding, in the case of Current Interest Bonds, accrued interest, which is payable from the Interest Account) as is directed by the City, except that the purchase price (exclusive of such accrued interest) may not exceed the Redemption Price then applicable to such Bonds. All Term Bonds purchased or redeemed from the Redemption Fund will be allocated to mandatory sinking fund payments applicable to such Series and maturity of Term Bonds as may be specified in a Request of the City.

Parity Reserve Fund. (A) The Trustee will establish and maintain and hold in trust so long as Bonds or Parity Debt to be secured thereby remain outstanding, a special fund designated as the "Parity Reserve Fund." Amounts on deposit in the Parity Reserve Fund are pledged to the payment of the Bonds and any Parity Debt to be secured by the Parity Reserve Fund and will be applied only for such purposes as permitted in the Indenture. The Trustee will deposit in the Parity Reserve Fund, upon the direction of the City, the Reserve Fund Requirement and such other amounts transferred to the Trustee by the City pursuant to the Indenture. No deposit need be made in the Parity Reserve Fund so long as there will be on deposit therein a sum equal to at least the amount to be on deposit therein as described in this paragraph. Whenever the amount on deposit in the Parity Reserve Fund is less than the Reserve Fund Requirement, notice thereof will be provided by the City to the insurer of the Bonds, if any, and such amount will be increased by the City to the Reserve Fund Requirement as described in this paragraph not later than twelve months thereafter. Moneys on deposit in the Parity Reserve Fund (including all amounts that may be obtained from letters of credit and surety bonds and insurance policies, as provided below, on deposit in the Parity Reserve Fund) will be transferred by the Trustee to the Principal Fund and Interest Fund to pay principal of and interest on the Bonds on any interest payment date in the event amounts on deposit therein are insufficient for such purposes. The Trustee will also, from such amounts on deposit in the Parity Reserve Fund, transfer or cause to be transferred to any applicable debt service fund for any Parity Debt to be secured by the Parity Reserve Fund, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without discrimination or preference, that sum or sums, if any, equal to the amount required to be deposited therein pursuant to the documents under which any such Parity Debt to be secured by the Parity Reserve Fund is issued or incurred. Amounts on deposit in the Parity Reserve Fund in excess of the Reserve Fund Requirement will, at the written Request of the City, be withdrawn from the Parity Reserve Fund and transferred to the City.

(B) The City may provide for all or any part of the Reserve Fund Requirement by delivering to the Trustee an irrevocable letter of credit issued by a financial institution having unsecured debt obligations rated in one of the two highest Rating Categories of Moody's and Standard & Poor's, securing an amount, together with moneys, Investment Securities or surety bonds or insurance policies (as described in the succeeding paragraph under this caption "Net Revenues–Parity Reserve Fund" on deposit in the Parity Reserve Fund, equal to the Reserve Fund Requirement. Such letter of credit will have an original term of no less than three (3) years or, if less, the final maturity of the Bonds and such letter of credit will provide by its terms that it may be drawn upon as provided in the Indenture. At least one year prior to the stated expiration of such letter of credit, the City will either (i) deliver a replacement letter of credit, (ii) deliver an extension of the letter of credit for at least an additional year or, if less, the maturity of the Bonds or (iii) deliver to the Trustee a surety bond or an insurance policy satisfying the requirements described in the succeeding paragraph under this caption "Net Revenues–Parity Reserve Fund". Upon delivery of such replacement letter of credit, extended letter of credit, or surety bond or insurance policy, the Trustee will deliver the then effective letter of credit to or upon the order of the City. If the City fails to deposit a replacement letter of credit, extended letter of credit, surety bond or insurance policy with the Trustee, the City will immediately commence to make monthly deposits with the Trustee so that an amount equal to the Reserve Fund Requirement will be on deposit in the Parity Reserve Fund no later than the stated expiration date of the letter of credit. If an amount equal to the Reserve Fund Requirement, calculated as of the date following the expiration of the letter of credit, is not on deposit in the Parity Reserve Fund one week prior to the stated expiration date of the letter of credit (excluding from such determination the letter of credit), the Trustee will draw on the letter of credit to fund the amount of any such deficiency in the Parity Reserve Fund.

(C) The City may also provide for all or any part of the Parity Reserve Fund by delivering to the Trustee a surety bond or an insurance policy securing an amount, together with moneys, Investment Securities or letters of credit on deposit in the Parity Reserve Fund, equal to the Reserve Fund Requirement. Such surety bond or insurance policy will be issued by an insurance company whose unsecured debt obligations (or obligations secured by such insurance company's insurance policies) are rated in one of the two highest Rating Categories of Moody's and Standard & Poor's. Such surety bond or insurance policy will have a term of no less than the final maturity of the Bonds. In the event that such surety bond or insurance policy for any reason lapses or expires, the City will immediately implement the actions described in clause (i) or (iii) of the immediately preceding paragraph under this caption "Net Revenues–Parity Reserve Fund" above or make the required deposits to the Parity Reserve Fund. Repayment of any draw under any such surety bond or insurance policy, and any expenses and accrued interest related to such draw (collectively the "Policy Costs") will commence in the first month following each such draw, and will be paid at the time specified in the first paragraph under this caption "Net Revenues–Parity Reserve Fund" above in an amount not less than one-twelfth (1/12th) of the aggregate of the Policy Costs related to such draw. If and to the extent that cash has also been deposited in the Parity Reserve Fund, all such cash will be used (including investments purchased with such cash, which will be liquidated and the proceeds thereof applied as required under the Indenture) prior to any drawing under surety bond or insurance policy, and repayment of any Policy Costs will be made prior to any replenishment of any such cash amounts. If the City fails to repay any Policy Costs in accordance with the Indenture, the insurance company issuing such surety bond or insurance policy will be entitled to exercise any and all remedies available at law or under the Indenture other than (i) an acceleration of the interest on or principal of the Bonds as provided in the Indenture or (ii) any other remedy that would adversely affect Bondholders. The Trustee will ascertain the necessity for a claim upon any surety bond or insurance policy provided pursuant to the provisions of the Indenture described under this caption "Net Revenues–Parity Reserve Fund" and provide notice to the insurance company issuing such bond or policy in accordance with the terms and conditions of such bond or insurance policy not less than two (2) Business Days prior to any interest payment date upon which such a claim should be paid.

(D) In the event of any deficiency in the Principal Fund or Interest Fund for the payment of principal and interest payments for the Bonds pursuant to clause (A) above, the Trustee will, after first applying all cash and Investment Securities held in the Parity Reserve Fund to pay the Bond Obligation of, any mandatory sinking fund payments with respect to, and interest on, the Bonds when due, on a pro rata basis with respect to the portion of the Parity Reserve Fund held in the form of letters of credit and amounts held in the form of surety bonds and insurance policies (calculated by reference to the maximum amounts of such letters of credit and surety bonds and insurance policies), draw under each letter of credit or surety bond or insurance policy issued with respect to the Parity Reserve Fund, in a timely manner and pursuant to the terms of such letter of credit or surety bond or insurance policy to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bond Obligation of, any mandatory sinking fund payments with respect to, and interest on, the Bonds when due. In the event that the Trustee has written notice from the City or any Bondholder that any payment of principal of, or interest on, a Bond has been recovered from a Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to and provided that the terms of the letter of credit or surety bond or insurance policy, if any, credited to the Parity Reserve Fund so provide, will so notify the issuer thereof and draw on such letter of credit or surety bond or insurance policy to the lesser of the extent required or the maximum amount of such letter of credit or surety bond or insurance policy in order to pay to such Bondholder the principal of and interest so recovered. All amounts in the Parity Reserve Fund (other than amounts that may be obtained from letters of credit and surety bonds and insurance policies on deposit in the Parity Reserve Fund) may be used and withdrawn by the Trustee, if so directed by the City, for the payment or redemption of all Bonds then Outstanding, or for the payment of the final principal and interest payments of the Bonds.

Investment of Moneys in Funds and Accounts. All moneys in any of the funds and accounts held by the Trustee and established pursuant to the Indenture will be invested, as directed by the City, solely in Investment Securities; provided, however, that Investment Securities (other than those described in clauses (B)(8) or (B)(9) of the definition thereof) purchased with moneys held by the Trustee in the Parity Reserve Fund will have an average weighted term to maturity not greater than five years. All Investment Securities will, as directed by the City in writing or by telephone, promptly confirmed in writing, be acquired subject to the limitations as to maturities set forth in the Indenture and such additional limitations or requirements consistent with the foregoing as may be established by Request of the City. The Trustee may conclusively rely upon any investment direction from the City as a certification to the Trustee that such investment constitutes an Investment Security. If and to the extent the Trustee does not receive investment instructions from the City with respect to the moneys in the funds and accounts held by the Trustee pursuant to the Indenture, such moneys will be invested in Investment Securities described in clause (B)(5) of the definition thereof and the Trustee will thereupon request investment instructions from the City for such moneys.

Unless otherwise provided in the Indenture or in a Supplemental Indenture, all interest, profits and other income received from the investment of moneys in any fund or account, other than the Rebate Fund, will be transferred by the Trustee to the City for deposit in the Wastewater Fund when received. All interest, profits and other income received from the investment of moneys in the Rebate Fund will be deposited in the Rebate Fund, except as otherwise provided in the Indenture. Notwithstanding anything to the contrary contained in the Indenture, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security will be credited to the fund or account from which such accrued interest was paid.

The Trustee may commingle any of the funds or accounts established pursuant to the Indenture into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee under the Indenture will be accounted for separately as required by the Indenture. The Trustee may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the City, may impose its customary charge therefor. The Trustee may sell or present for redemption, any Investment Securities so purchased whenever it will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and the Trustee will not be liable or responsible for any loss resulting from such investment.

The Trustee may make any investments under the Indenture through its own bond or investment department or trust investment department, or those of its parent or any affiliate.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture.

Covenants

Pursuant to the Indenture, the City has covenanted as follows:

Punctual Payment. The City will punctually pay or cause to be paid the principal, Accreted Value or Redemption Price of and interest on all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, and will punctually pay or cause to be paid all mandatory sinking fund payments, but in each case only out of Net Revenues, as provided in the Indenture.

Operation of Enterprise in Efficient and Economical Manner. The City covenants and agrees to operate the Enterprise in an efficient and economical manner and to operate, maintain and preserve the Enterprise in good repair and working order.

Waiver of Laws. The City will not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time thereafter in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the City to the extent permitted by law.

Further Assurances. The City will make, execute and deliver any and all such instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

Discharge of Claims. The City covenants that in order to fully preserve and protect the priority and security of the Bonds, the City will pay from the Gross Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with Enterprise which, if unpaid, may become a lien or charge upon the Gross Revenues or the Net Revenues prior or superior to the lien of the Bonds and impair the security of the Bonds. The City will also pay from the Gross Revenues all taxes and assessments or other governmental charges lawfully levied or assessed upon or in respect of the Enterprise or upon any part thereof or upon any of the Gross Revenues or the Net Revenues therefrom.

Against Sale, Eminent Domain. Except as provided in the Indenture or in any documents relating to Parity Debt, the City covenants that the property, facilities and improvements of the Enterprise will not be mortgaged or otherwise encumbered, sold, leased, pledged, any charge placed thereon, or disposed of as a whole or substantially as a whole unless: (a) the City will cause to be filed with the Trustee written evidence from each Rating Agency that such sale or other disposition will not cause a reduction or withdrawal of the rating then assigned to the Bonds by each such Rating Agency; (b) such sale or other disposition will be so arranged as to provide for a continuance of payments into the Wastewater Fund sufficient in amount to permit payment therefrom of the principal, Accreted Value and interest on and premiums, if any, due upon the call and redemption. thereof, of the Outstanding Bonds, and also to provide for such payments into the funds as are required under the terms of the Indenture and any Supplemental Indenture; and (c) the City will have filed with the Trustee an opinion of nationally-recognized bond counsel to the effect that such sale or other disposition will not adversely affect the exemption from federal income taxation of interest on the Bonds. The City further covenants that the Net Revenues or any other funds pledged or otherwise made available to secure payment of the principal, Accreted Value and interest on the Outstanding Bonds will not be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed of or used except as authorized by the terms of the Indenture. The City further covenants that it will not enter into any agreement which impairs the operation of the Enterprise or any part of it necessary to secure adequate Net Revenues to pay the principal, Accreted Value and interest of the Bonds or which otherwise would impair the rights of the Bond Owners with respect to the Net Revenues. If any substantial part of the Enterprise is sold the payment therefor will either be used for the acquisition and/or construction of improvements and extensions of the Enterprise or will be deposited with the Trustee and will be used to redeem the Outstanding Bonds and Parity Debt in respective amounts and on the respective dates identified by the City in writing.

The City covenants that any amounts received as awards as a result of the taking of all or any part of the Enterprise by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the City, will either (a) be used for the acquisition and or construction of improvements and extension of the Enterprise, or (b) be deposited with the Trustee (in an amount required to redeem the maximum amount of Outstanding Bonds and Parity Debt) to be used to pay or redeem the Outstanding Bonds and Parity Debt in respective amounts and on the respective dates identified by the City in writing.

Insurance. The City covenants that it will at all times maintain with responsible insurers all such insurance on the Enterprise as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any useful part of the Enterprise is damaged or destroyed, such part will be restored to use. The money collected from insurance against accident to or destruction of the physical Enterprise will either (a) be used for repairing or rebuilding the damaged or destroyed Enterprise, and to the extent not so applied will be deposited with the Trustee (in an amount required to redeem the maximum amount of Outstanding Bonds and Parity Debt) to be used to pay or redeem the Outstanding Bonds and Parity Debt in respective amounts and on the respective dates identified by the City in writing.

Any such insurance will be in the form of policies or contracts for insurance with insurers of good standing and will be payable to the City, or may in the form of self-insurance by the City. The City will establish such fund or funds or reserves as are necessary to provide for its share of any such self-insurance. The City will file or cause to be filed with the Trustee, annually within one hundred twenty (120) days after the close of each Fiscal Year, a Certificate of the City (a) stating that the City is then in compliance with the requirements of the Indenture described under this caption "Covenants–Insurance", and (b) stating whether during the preceding Bond Year any loss has been incurred with respect to the Enterprise and, it so, the amount of insurance proceeds, including the proceeds of any self-insurance fund covering such loss and specifying the reasonable and necessary costs of repair, reconstruction or replacement thereof.

Records and Accounts. The City covenants that it will keep proper books of record and accounts of the Enterprise, separate from all other records and accounts, in which complete and correct entries will be made of all transactions relating to the Enterprise. Said books will, upon reasonable request, be subject to the inspection of the Owners of not less than ten percent (10%) of the Outstanding Bonds or their representatives authorized in writing.

The City covenants that it will cause the books and accounts of the Enterprise to be audited annually by an Independent Accountant and will make available for inspection by the Bond Owners at the Trust Office of the Trustee, upon reasonable request, a copy of the report of such Independent Accountant.

No Priority for Additional Obligations. The City covenants that no additional bonds, notes or other indebtedness will be issued or incurred having any priority in payment of principal, Accreted Value or interest out of the Net Revenues over the Bonds. Nothing in the Indenture will prohibit or impair the authority of the City to issue bonds or other obligations which are unsecured or which are secured by a lien on Net Revenues which is subordinate to the lien established under the Indenture, upon such terms and in such principal amount as the City may determine.

Tax Covenants. In the Indenture, the City covenants with the Owners of the Bonds that, notwithstanding any other provisions of the Indenture, it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code. The City will not, directly or indirectly, use or permit the use of proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on the Bonds.

Events of Default and Remedies of Bondholders

Events of Default. The following events will be Events of Default under the Indenture:

(a) default in the due and punctual payment of the principal, Accreted Value or Redemption Price of any Bond when and as the same will become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise in the amounts and at the times provided therefor;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment will become due and payable;

(c) failure by the City to observe or perform any covenant, condition, agreement or provision in the Indenture on its part to be observed or performed, other than as referred to in (a) or (b) under this caption "Events of Default and Remedies of Bondholders-Events of Default", for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, has been given to the City by the Trustee; except that, if such failure can be remedied but not within such thirty (30) day period and if the City has taken all action reasonably possible to remedy such failure within such thirty (30) day period, such failure will not become an Event of Default for so long as the City will diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee or any insurer of the Bonds;

(d) default by the City under any agreement governing any Parity Debt and the continuance of such default beyond the therein stated grace period, if any, with respect to such default;

(e) the filing by the City of a petition in voluntary bankruptcy for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or an assignment by the City for the benefit of creditors, or the admission by the City in writing to its insolvency or inability to pay debts as they mature, or the consent by the City in writing to the appointment of a trustee or receiver for itself;

(f) the entering by a court of competent jurisdiction of an order, judgment or decree declaring the City insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the City, or approving a petition filed against the City seeking reorganization of the City under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree will not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof; or

(g) the assumption, under the provisions of any other law for the relief or aid of debtors, by any court of competent jurisdiction of custody or control of the City or of the Net Revenues and such custody or control will not be terminated within sixty (60) days from the date of assumption of such custody or control.

Application of Net Revenues and Other Funds After Default; Acceleration. If an Event of Default will occur and be continuing, the City will immediately transfer to the Trustee all Net Revenues held by it and received thereafter and the Trustee will apply all Net Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (except as otherwise provided in the Indenture) as follows and in the following order:

(1) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and Parity Debt, including the costs and expenses of the Trustee and the Bondholders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Indenture;

(2) To the payment of the whole amount of Bond Obligation then due on the Bonds and Parity Debt (upon presentation of the Bonds and Parity Debt to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, with interest on such Bond Obligation at the rate or rates of interest borne by the respective Bonds and Parity Debt, to the payment to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price of any Bonds and Parity Debt which will have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue Bond Obligation and Parity Debt at the rate borne by the respective Bonds and Parity Debt, and, if the amount available will not be sufficient to pay in full all the Bonds and Parity Debt due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or interest or Accreted Value (plus accrued interest) due on such date to the persons entitled thereto, without any discrimination or preference.

(3) To the payment of the payment of fees and other amounts owed to any Credit Providers relating to Credit Facilities and any providers of any Public Finance Contract Insurance Policies.

In each and every such case during the continuance of such Event of Default (and subject to any rights granted to any insurer of the Bonds with respect to the enforcement of remedies upon an Event of Default pursuant to a Supplemental Indenture), the Owners of not less than a majority in aggregate amount of Bond Obligation of the Bonds at the time Outstanding will be entitled, upon notice in writing to the City, to declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and will be immediately due and payable, including accrued interest to the date of such payment, anything in the Indenture or in the Bonds contained to the contrary notwithstanding.

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds will have been so declared due and payable, the City will pay to or will deposit with the Trustee a sum sufficient to pay all principal on such Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) will have been made good or cured to the satisfaction of the Trustee, or provision deemed by the Trustee to be adequate will have been made therefor, then, and in every such case, the Owners of not less than a majority in aggregate amount of Bond Obligation of the Bonds at the time Outstanding, by written notice to the City and to the Trustee, may, on behalf of the Owners of all the Bonds, rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default, or will impair or exhaust any right or power consequent thereon.

Trustee to Represent Bondholders. The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, will be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, the Indenture and applicable provisions of any other law.

Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and upon the written request of the Owners of not less than twenty-five percent (25%) in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, will, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it will deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power in the Indenture granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Indenture or any other law; and upon instituting such proceeding, the Trustee will be entitled, as a matter of right, to the appointment of a receiver of the Net Revenues, and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

Bondholders' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding will have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction will not be otherwise than in accordance with law and the provisions of the Indenture, that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and that the Trustee will have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders or holders of Parity Debt not parties to such direction.

Limitation on Bondholders' Right to Sue. No Owner of any Bond will have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture or any other applicable law with respect to such Bond, unless (1) such Owner will have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Owners of not less than twenty-five percent (25%) in aggregate amount of Bond Obligation of the Bonds then Outstanding will have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (3) such Owner or said Owners will have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Trustee will have refused or omitted to comply with such request for a period of sixty (60) days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee; and (5) the Trustee will not have received contrary directions from the Owners of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Bonds will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Indenture or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right will be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Absolute Obligation of the City. Nothing in any other provision of the Indenture or in the Bonds contained will affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal, Accreted Value or Redemption Price of and interest on the Bonds to the respective Owners of the Bonds at their respective due dates therefor or upon call for redemption, as provided in the Indenture, but only out of the Net Revenues and other assets pledged in the Indenture therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Bondholders on account of any Event of Default will have been discontinued or abandoned for any reason or will have been determined adversely to the Trustee or the Bondholders, then in every such case the City, the Trustee and the Bondholders, subject to any determination in such proceedings, will be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the City, the Trustee and the Bondholders will continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy conferred in the Indenture upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, will be cumulative and in addition to any other remedy given under the Indenture or now or thereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default will impair any such right or power or will be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

The Trustee

Appointment; Duties, Immunities and Liabilities of Trustee. The Bank of New York Mellon Trust Company, N.A., is appointed as Trustee under the Indenture and accepts the trust imposed upon it as Trustee under the Indenture and to perform all the functions and duties of the Trustee under the Indenture, subject to the terms and conditions set forth in the Indenture. The Trustee will, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants will be read into the Indenture against the Trustee. The Trustee will, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it is a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company will be eligible under the Indenture, will be the successor to such Trustee without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Liability of Trustee. (A) The recitals of facts in the Indenture and in the Bonds contained will be taken as statements of the City, and the Trustee assumes no responsibility for the correctness of the same (other than the certificate of authentication of the Trustee on each Bond), and makes no representations as to the validity or sufficiency of the Indenture or of the Bonds or of any Investment Security, as to the sufficiency of the Net Revenues, or the priority of the lien of the Indenture thereon, or as to the financial or technical feasibility of the Enterprise and will not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly in the Indenture or in the Bonds assigned to or imposed upon it. The Trustee will, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee will not be liable in connection with the performance of its duties under the Indenture, except for its own negligence, willful misconduct or breach of the express terms and conditions of the Indenture. The Trustee and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner of a Bond may be entitled to take, with like effect as if the Trustee was not the Trustee under the Indenture. The Trustee may in good faith hold any other form of indebtedness of the City, own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the City and make disbursements for the City and enter into any commercial or business arrangement therewith, without limitation.

(B) The Trustee will not be liable for any error of judgment made in good faith by a responsible officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts. The Trustee may execute any of the trusts or powers of the Indenture and perform the duties required of it under the Indenture by or through attorneys, agents, or receivers, and will be entitled to advice of counsel concerning all matters of trust and its duty under the Indenture, but the Trustee will be answerable for the negligence or misconduct of any such attorney, agent, or receiver selected by it; provided, however, that the Trustee will not be answerable for the negligence or misconduct of any attorney or certified public accountant selected by it with due care.

(C) The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than twenty-five percent (25%) in aggregate amount of Bond Obligation of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under the Indenture.

(D) The Trustee is under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request, order or direction of any of the Bondholders pursuant to the provisions of the Indenture, including, without limitation, the provisions of the Indenture (other than acceleration as provided in the Indenture under the caption "Events of Default and Remedies of Bondholders-Application of Net Revenues and Other Funds After Default; Acceleration"), unless such Bondholders have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby.

(E) No provision of the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties under the Indenture.

(F) The Trustee is not to be deemed to have knowledge of and is not to be required to take any action with respect to, any Event of Default (other than an Event of Default described under (a) or (b) under the paragraph "Events of Default" above) or event which would, with the giving of notice, the passage of time or both, constitute an Event of Default, unless the Trustee has actual knowledge of such event or has been notified in writing of such event by the City, the Owners of twenty-five percent (25%) in aggregate amount of Bond Obligation of the Bonds at the time Outstanding or the Applicable Credit Provider. Without limiting the generality of the foregoing, the Trustee will not be required to ascertain, monitor or inquire as to the performance or observance by the City of the terms, conditions, covenants or agreements set forth in the Indenture (including, without limitation, the covenants of the City set forth in the Indenture), other than the covenants of the City to make payments with respect to the Bonds when due as set forth in the Indenture and to file with the Trustee when due, such reports and certifications as the City is required to file with the Trustee under the Indenture.

(G) No permissive power, right or remedy conferred upon the Trustee under the Indenture will be construed to impose a duty to exercise such power, right or remedy.

(H) The Trustee will not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee will determine to make such further inquiry or investigation, it will be entitled to examine the books, records and premises of the City, personally or by agent or attorney.

(I) The Trustee will not be responsible for:

(1) the application or handling by the City of any Net Revenues or other moneys transferred to or pursuant to any Requisition or Request of the City in accordance with the terms and conditions of the Indenture;

(2) the application and handling by the City of any other fund or account designated to be held by the City under the Indenture;

(3) any error or omission by the City in making any computation or giving any instruction pursuant to the Indenture and may rely conclusively on any computations or instructions furnished to it by the City in connection with the requirements of the Indenture and the Tax Certificate; or

(4) the construction, operation or maintenance of the Enterprise by the City.

(J) Whether or not therein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee will be subject to the provisions of the Indenture described under this caption "The Trustee".

(K) The Trustee will have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

Modification or Amendment of the Indenture

Amendments Permitted. (A)(1) The Indenture and the rights and obligations of the City, the Owners of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the City and the Trustee may enter into with the written consent of the Owners of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Indenture is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding has been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding described under this caption "Modification or Amendment of the Indenture".

(2) For any Series of Bonds for which there is a letter of credit or policy of bond insurance in place securing such Series of Bonds, the written consents of each provider of a letter of credit or a policy of bond insurance, as well as the consent of any provider of a liquidity facility then in effect if the rights and security of such provider will be materially adversely affected, for such Series of Bonds filed with the Trustee will be accepted in lieu of consent of the Owners of such Series of Bonds and will be deemed to be the consent of all of the Owners of such Series of Bonds for purposes of satisfying the requirements described in the preceding paragraph, provided that, for all Outstanding Bonds of such Series that are insured by a policy or policies of municipal bond insurance, at the time such consent is given the provider of such policy or policies of municipal bond insurance will be a financial institution or association having unsecured debt obligations rated, or insuring or securing other debt obligations rated on the basis of such insurance, in one of the two highest Rating Categories of Moody's or Standard & Poor's.

(3) No such modification or amendment will (a) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any mandatory sinking fund payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof exclusively, without the consent of the Owner of each Bond so affected, or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Net Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Owners of the Bonds of the lien created by the Indenture on such Net Revenues and other assets (in each case, except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It will not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it will be sufficient if such consent will approve the substance thereof. Promptly after the execution and delivery by the Trustee and the City of any Supplemental Indenture under the provisions of the Indenture described under this caption "Modification or Amendment of the Indenture-Amendments Permitted", the Trustee will mail a notice, setting forth in general terms the substance of such Supplemental Indenture to the Owners of the Bonds at the addresses shown on the registration books of the Trustee. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(4) A copy of each Supplemental Indenture entered into by the City and the Trustee pursuant to the provisions described under this caption "Modification or Amendment of the Indenture-Amendments Permitted" will be sent by the City to Moody's and Standard & Poor's.

(B) The Indenture and the rights and obligations of the City, of the Trustee and of the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the City may adopt without the consent of any Bondholders but only to the extent permitted by law and only for any one or more of the following purposes:

> (1) to add to the covenants and agreements of the City in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved in the Indenture to or conferred upon the City;
>
> (2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the City may deem necessary or desirable, and which will not materially and adversely affect the interests of the Owners of the Bonds;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute thereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said Act or similar federal statute, and which will not materially and adversely affect the interests of the Owners of the Bonds;

(4) to make modifications or adjustments necessary, appropriate or desirable to provide for the issuance of Variable Rate Indebtedness, Capital Appreciation Indebtedness or Parity Debt with such interest rate, payment, maturity and other terms as the City may deem desirable; subject to the provisions of the Indenture;

(5) to provide for the issuance of Bonds in book-entry form or bearer form, provided that no such provision will materially and adversely affect the interests of the Owners of the Bonds;

(6) if the City agrees in a Supplemental Indenture to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion;

(7) to provide for the issuance of an additional Series of Bonds pursuant to provisions of the Indenture; and

(8) for any other purpose that does not materially and adversely affect the interests of the Owners of the Bonds.

Defeasance

Discharge of Indenture. Bonds of any Series or a portion thereof may be paid by the City in any of the following ways:

(a) by paying or causing to be paid the Bond Obligation of and interest on such Outstanding Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount and subject to the conditions as described under the caption "Defeasance-Deposit of Moneys or Securities with Trustee" to pay or redeem such Outstanding Bonds; or

(c) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

If the City pays all Series for which any Bonds are Outstanding and also pay or cause to be paid all other sums payable under the Indenture by the City, as well as any amounts due and owing under any Credit Agreement then in effect, then and in that case (but subject to any additional requirements in connection therewith as may be imposed by any insurer of the Bonds and set forth in a Supplemental Indenture), at the election of the City (evidenced by a Certificate of the City filed with the Trustee signifying the intention of the City to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds have not been surrendered for payment, the Indenture and the pledge of Net Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the City under the Indenture will cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the City, the Trustee will cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and will execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it pursuant to the Indenture which, as evidenced by a verification report, upon which the Trustee may conclusively rely, from a firm of certified public accountants, are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount and subject to the conditions as described under the caption "Defeasance-Deposit of Moneys or Securities with Trustee" to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption has been given as in the Indenture provided or provision satisfactory to the Trustee have been made for the giving of such notice, then (but subject to any additional requirements with respect thereto as may be imposed by any insurer of the Bonds and set forth in a Supplemental Indenture) all liability of the City in respect of such Bond will cease, terminate and be completely discharged, provided that the Owner thereof will thereafter be entitled to the payment of the principal, Accreted Value and premium, if any, and interest on the Bonds, and the City will remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture and the continuing duties of the Trustee under the Indenture.

The City may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the City may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, will be deemed to be paid and retired.

Deposit of Money or Securities With Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and will be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption has been given as in the Indenture provided or provision satisfactory to the Trustee has been made for the giving of such notice, the amount to be deposited or held will be the principal amount, Accreted Value or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Defeasance Securities, the principal of and interest on which when due will, in the opinion of an independent certified public accountant delivered to the Trustee (upon which opinion the Trustee may conclusively rely), provide money sufficient to pay the principal, Accreted Value or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal, Accreted Value or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been given as in the Indenture provided or provision satisfactory to the Trustee has been made for the giving of such notice;

provided, in each case, that the Trustee has been irrevocably instructed (by the terms of the Indenture or by Request of the City) to apply such money to the payment of such principal, Accreted Value or Redemption Price and interest with respect to such Bonds.

Miscellaneous

Liability of City Limited to Net Revenues. Notwithstanding anything in the Indenture or in the Bonds contained, the City will not be required to advance any moneys derived from any source other than the Net Revenues and other assets pledged under the Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal, Accreted Value or Redemption Price of or interest on the Bonds or for any other purpose of the Indenture.

The Bonds are special, limited obligations of the City. The Bonds will not be deemed to constitute a debt or liability of the City, the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory provision, or a pledge of the faith and credit of the City, the State of California or of any political subdivision thereof, but will be payable, except to the extent of certain amounts held under the Indenture pledged therefor, solely from Net Revenues. Neither the faith and credit nor the taxing power of the City, the State of California or of any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or the interest on the Bonds. The issuance of the Bonds will not directly or indirectly or contingently obligate the City, the State of California or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment.

The Series 2019 Bonds

Establishment and Application of Series 2019 Costs of Issuance Fund. The Trustee will establish, maintain and hold in trust a separate fund designated as the "Series 2019 Costs of Issuance Fund," until such time as required under the Seventh Supplemental Indenture. The Trustee will deposit to the Series 2019 Costs of Issuance Fund, the applicable amounts specified in the provisions of the Indenture regarding the Application of Proceeds of the Series 2019 Bonds and Certain Funds Held under the Indenture. All money in the Series 2019 Costs of Issuance Fund will be used and withdrawn by the Trustee to pay the Costs of Issuance of the Series 2019 Bonds upon receipt of Requisition(s) of the City filed with the Trustee, each of which will be sequentially numbered and will state the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. Each such Request of the City will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts. At the date designated in the Seventh Supplemental Indenture or upon the earlier Request of the City, any remaining balance in the Series 2019 Costs of Issuance Fund will be transferred to the Series 2019 Project Fund.

Establishment and Application of the Series 2019 Project Fund. The Trustee will establish, maintain and hold in trust a separate fund designated as the "Series 2019 Project Fund." All money in the Series 2019 Project Fund will be disbursed, upon the Request of the City, for the payment of the costs of the design, acquisition and construction of capital improvements to the Enterprise as determined by the City and the incidental costs and expenses related thereto (including reimbursement to the City for any such costs or expenses paid by it). Each such Request of the City will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

When the design, acquisition and construction of all capital improvements determined by the City to be funded from the Series 2019 Project Fund have been completed (as evidenced by a Certificate of the City filed with the Trustee), the Trustee will transfer any balance remaining in the Series 2019 Project Fund for deposit in the Wastewater Fund, unless the City provides an opinion of counsel to the effect that another use of such moneys will not cause the interest represented by the Series 2019 Bonds to be included in the gross income of the Owners thereof for federal income tax purposes, in which case such money may be expended by the City as provided in such opinion.

Establishment and Application of the Series 2008A Credit Facility Reimbursement Fund. The Trustee will establish, maintain and hold in trust a separate fund designated as the "Series 2008A Credit Facility Reimbursement Fund." Upon Written Request of the City, the Trustee will transfer such money in the Series 2008A Credit Facility Reimbursement Fund to the Series 2008A Credit Provider to reimburse the Series 2008A Credit Provider for a draw on the Series 2008A Credit Facility and to pay the draw fee associated with such draw. Upon making the deposit and transfer set forth in the Seventh Supplemental Indenture, the Trustee will close the Series 2008A Credit Facility Reimbursement Fund.

Establishment and Application of the Termination Fund. The Trustee will establish, maintain and hold in trust a separate fund designated as the "Termination Fund." Upon Written Request of the City, the Trustee will transfer such money in the Termination Fund to the Series 2008A Counterparty as a payment of the Termination Payment. Upon making the deposit and transfer set forth in the Seventh Supplemental Indenture, the Trustee will close the Termination Fund.

Terms of Series 2019 Bonds Subject to the Indenture. Except as in the Seventh Supplemental Indenture expressly provided, every term and condition contained in the Indenture will apply to the Seventh Supplemental Indenture and to the Series 2019 Bonds with the same force and effect as if the same were therein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to the Seventh Supplemental Indenture.

The Seventh Supplemental Indenture and all the terms and provisions therein contained will form part of the Indenture as fully and with the same effect as if all such terms and provisions had been set forth in the Indenture. The Indenture is thereby ratified and confirmed and will continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended thereby.

Continuing Disclosure. Under the Seventh Supplemental Indenture, the City covenants and agrees to comply with the Series 2019 Continuing Disclosure Agreement as it may from time to time thereafter be amended or supplemented. Notwithstanding any other provision of the Indenture, failure of the City to comply with the requirements of the Series 2019 Continuing Disclosure Agreement, as it may from time to time thereafter be amended or supplemented, will not be considered an Event of Default and the Trustee will have no right to accelerate amounts due under the Indenture as a result thereof; provided, however, that the Trustee and the Owners of not less than 25% in principal amount of the Outstanding Series 2019 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations in this paragraph with respect to the Series 2019 Continuing Disclosure Agreement.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

City of Richmond
Richmond, California

City of Richmond, California
Wastewater Revenue Bonds, Series 2019A

City of Richmond, California
Wastewater Revenue Refunding Bonds, Series 2019B
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Richmond, California (the "Issuer") in connection with the issuance of $22,510,000 aggregate principal amount of City of Richmond, California Wastewater Revenue Bonds, Series 2019A (the "Series 2019A Bonds"), and the issuance of $66,075,000 aggregate principal amount of City of Richmond, California Wastewater Revenue Refunding Bonds, Series 2019B (the "Series 2019B Bonds" and, together with the Series 2019A Bonds, collectively, the "Bonds") issued pursuant to Charter of the City of Richmond and Chapter 13.56 of Article 13 of the Richmond Municipal Code (the "Bond Law") and pursuant to the Master Indenture dated as of October 1, 2006, as previously supplemented and amended (the "Master Indenture"), and as supplemented by a Seventh Supplemental Indenture dated as of June 1, 2019 (the "Seventh Supplemental Indenture" and collectively with the Master Indenture, the "Indenture") between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate, dated the date hereof (the "Tax Certificate"), certificates of the Issuer, the Trustee, and others, opinions of counsel to the Issuer and the Trustee 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 Issuer. 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 Indenture 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 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 Indenture 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 a municipal corporation and chartered city 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, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. 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 the valid and binding special, limited obligations of the Issuer.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Net Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. 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 E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the City of Richmond (the "City"), The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee") and Willdan Financial Services, as dissemination agent (the "Dissemination Agent") in connection with the issuance by the City of $22,510,000 principal amount of City of Richmond Wastewater Revenue Bonds, Series 2019A and $66,075,000 principal amount of Wastewater Revenue Refunding Bonds, Series 2019B Bonds (collectively, the "Series 2019 Bonds"). The Series 2019 Bonds are being issued pursuant to the terms of an Indenture of Trust, dated as of October 1, 2006 (the "Master Indenture"), as previously amended and supplemented, including as supplemented by the Seventh Supplemental Wastewater Revenue Bond Indenture, dated as of June 1, 2019 (collectively, the "Indenture"), each by and between the City and the Trustee. The City, the Trustee and the Dissemination Agent hereby covenant and agree as follows:

SECTION 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City, the Trustee, and Dissemination Agent for the benefit of the Owners and Beneficial Owners of the Series 2019 Bonds and in order to assist the Participating Underwriters (as defined below) in complying with the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms have the following meanings:

"Annual Report" means any Annual Report of the City provided pursuant to, and as described in, Section 3 and Section 4 of this Disclosure Agreement.

"Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2019 Bonds (including persons holding Series 2019 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2019 Bonds for federal income tax purposes.

"Commission" means the Securities and Exchange Commission.

"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 Trustee and 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 and the Trustee.

"*Filing Date*" means March 26 of each year, commencing March 26, 2020.

"Financial Obligation" means a debt obligation; derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or a guarantee of a debt obligation or derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation. The term financial obligation excludes municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule.

"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 June 13, 2019 relating to the Series 2019 Bonds.

"*Owners*" shall mean either the registered owners of the Series 2019 Bonds, or, if the Series 2019 Bonds are registered in the name of Depository Trust Company or another recognized depository, any applicable participant in its depository system.

"Participating Underwriters" collectively means the original underwriters of the Series 2019 Bonds required to comply with the Rule in connection with the offering of the Series 2019 Bonds.

"Repository" means the Electronic Municipal Market Access website 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.

"Specified Events" means any of the events listed in Section 5(a) of this Disclosure Agreement.

"*State*" means the State of California.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Filing Date following the end of the City's Fiscal Year (currently June 30), commencing with the report for the City's Fiscal Year ended June 30, 2019, provide to the Repository copies of an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report shall be submitted in electronic format, accompanied by such identifying information as is prescribed by the Repository, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City 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 City's Fiscal Year changes, the City shall give notice of such change in the same manner as for a Specified 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 City shall provide such Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent); provided, however, that the City may distribute the Annual Report to the Repository itself after providing written notice to the Dissemination Agent. If by said date, the Trustee and the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the City of such failure to receive the Annual Report.

(c) If the City is unable to provide to the Dissemination Agent an Annual Report by the date required in Section 3(a), the Dissemination Agent is irrevocably instructed to file a notice, in electronic format, to the Repository in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided.

SECTION 4. Content of Annual Reports. The Annual Report of the City shall contain or incorporate by reference the following:

(a) The audited financial statements of the City, 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 City's audited financial statements 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 Series 2019 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 City and the Wastewater Enterprise for preceding Fiscal Year, substantially similar to that provided in the tables and charts in the statement, as follows:

(i) A maturity schedule for the outstanding Series 2019 Bonds, and a listing of Series 2019 Bonds redeemed prior to maturity during the prior Fiscal Year.

(ii) Information for the preceding Fiscal Year to update the following tables presented in the Official Statement:

(A) Table 3–Customers Served and Total Revenues;

(B) Table 4–Principal Wastewater Customers;

(C) Table 5–Average Monthly Dry Weather Flow;

(D) Table 6–Average Monthly Wet Weather Flow; and

(E) Table 9–Summary of Revenues, Expenses and Changes in Fund Net Position; and

(F) the balance in the Project Fund.

Any or all of the items listed above may be included by specific reference to other documents, including official statements or other disclosure documents of debt issues of the City or related public entities, which have been filed with the Repository or the Commission. If the document included by reference is a final official statement, it must be available from the Repository. The City shall clearly identify each such other document so included by reference.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the City to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the City or to reflect changes in the business, structure, operations, legal form of the City or any mergers, consolidations, acquisitions or dispositions made by or affecting the City; provided that any such modifications shall comply with the requirements of the Rule.

SECTION 5. Reporting of Specified Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2019 Bonds:

(i) Principal and interest payment delinquencies on the Series 2019 Bonds;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed (Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2019 Bonds, or other material events affecting the tax status of the Series 2019 Bonds;

(vii) Modifications to rights of the Series 2019 Bondholders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property, if any, securing repayment of the Series 2019 Bonds, if material; and

(xi) Rating changes.

(xii) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.

(xiii) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an 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, if material.

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(xv) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The Trustee shall, promptly upon obtaining actual knowledge at its principal corporate trust office as specified in Section 12 hereof of the occurrence of any of the Specified Events, and notify the City of such Specified Events; *provided*, that failure by the Trustee to so notify the City shall not relieve the City of its duty to report Specified Events as required in this Section 5. For the purpose of this Disclosure Agreement "actual knowledge" means actual knowledge at the corporate trust office of the Trustee by an officer of the Trustee with responsibility for matters related to the administration of the Indenture.

(c) Wherever the City obtains knowledge of the occurrence of Specified Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Specified Event.

(d) The City acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(x), (a)(xiii), (a)(xiv), (a)(xiv), and (a)(xv) of this Section 5 contain the qualifier "if material". The City shall cause a notice to be filed as set forth in this Section 5 with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Specified Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in Section 5(c).

(e) If in response to a request under Section 5(b), the City determines that the Specified Event would not be material under applicable federal securities laws, the City shall so notify the Trustee in writing and instruct the Dissemination Agent not to report the occurrence.

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Specified Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Specified 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 Series 2019 Bonds pursuant to the Indenture.

(g) For purposes of this Disclosure Agreement, any event described in Section 5(a)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States 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 City, or if such jurisdiction has been assumed by leaving the existing governing 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 City.

(h) The Dissemination Agent may conclusively rely on an opinion of counsel that the City'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 City under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2019 Bonds. If such termination occurs prior to the final maturity of the Series 2019 Bonds, the City shall give notice of such termination in the same manner as for a Specified Event under Section 5(c).

SECTION 7. Dissemination Agent. The City 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 City. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent.

The initial Dissemination Agent shall be Willdan Financial Services.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement (and the Trustee and the Dissemination Agent shall consent to any amendment so requested by the City provided such amendment does not impose any greater duties, or risk of liability on the Trustee, as the case may be) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), Section 4, or Section 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, or change in the identity, nature or status of an obligated person with respect to the Series 2019 Bonds, or the type of business conducted;

(b) The undertakings, 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 Series 2019 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 Owners of the Series 2019 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners of the Series 2019 Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Series 2019 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in its 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 or operating data being presented by the City. 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 Specified Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made shall 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 this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, including the information then contained in the City's official statements or other disclosure documents relating to debt issuances, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Specified Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Specified Event in addition to that which is specifically required by the Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Specified Event.

SECTION 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Agreement, the Trustee may (and upon written request of at least 25% aggregate principal amount of Outstanding Series 2019 Bonds, with indemnification satisfactory to the Trustee, shall) or any Owner or Beneficial Owner of the Series 2019 Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City, the Trustee or the Dissemination Agent, as the Case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture with respect to the Series 2019 Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the City, the Trustee or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance and no person or entity shall be entitled to recover monetary damages under this Disclosure Agreement.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent and the Trustee, 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 City under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Series 2019 Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the City:	City of Richmond Richmond City Hall 450 Civic Center Plaza Richmond, California 94804 Attention: Finance Director Telephone: 510-620-6512 Fax: 510-620-6542
If to the Trustee:	The Bank of New York Mellon Trust Company, N.A. 400 South Hope Street, Suite 500 Los Angeles, California 90071 Attention: Corporate Trust Services Phone: 213-630-6400 Fax: 213-630-6480
If to the Dissemination Agent:	Willdan Financial Services 27368 Via Industria, Suite 200 Temecula, California 92590 Attention: Manager Phone: 951-587-3500 Fax: 951-587-3510

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters, the Owners and Beneficial Owners from time to time of the Series 2019 Bonds, and shall create no rights in any other person or entity.

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: ______________, 2019

CITY OF RICHMOND

By:______________________________
Finance Director

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By:________________________________
Authorized Officer

WILLDAN FINANCIAL SERVICES,
as Dissemination Agent

By:______________________________
Authorized Officer

EXHIBIT A

FORM OF NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	City of Richmond, California
Name of Bond Issue:	City of Richmond, California Wastewater Revenue Bonds, Series 2019A City of Richmond, California Wastewater Revenue Refunding Bonds, Series 2019B
Date of Issuance:	June 26, 2019

NOTICE IS HEREBY GIVEN that the City of Richmond, California (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by an Indenture of Trust, dated as of October 1, 2006, as previously supplemented and amended, as further supplemented and amended, by a Seventh Supplemental Wastewater Revenue Bond Indenture, dated as of June 1, 2019, each by and between the City and the Trustee. [The City anticipates the Annual Report will be filed by ____________________]

Dated:_______________

[WILLDAN FINANCIAL SERVICES, as Dissemination Agent]

By:___________________________________
Authorized Officer

cc: City of Richmond

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APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Series 2019 Bonds, payment of principal, interest and other payments on the Series 2019 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Series 2019 Bonds and other related transactions between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the City (the "Issuer") nor the Trustee appointed with respect to the Series 2019 Bonds (the "Trustee") takes any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2019 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2019 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2019 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.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2019 Bonds. The Series 2019 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 certificate will be issued for the Series 2019 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. 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, 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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.

3. Purchases of Series 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2019 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 Series 2019 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 Series 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2019 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 Series 2019 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019 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.

5. 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 Series 2019 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2019 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2019 Bonds may wish to ascertain that the nominee holding the Series 2019 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 the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Series 2019 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 Series 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal and interest payments on the Series 2019 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, 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 Issuer or Agent 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 nor its nominee, Agent, or 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 to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, 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.

9. DTC may discontinue providing its services as securities depository with respect to the Series 2019 Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, security certificates are required to be printed and delivered.

10. The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, security certificates will be printed and delivered to DTC.

11. 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.