

## **City Manager's Weekly Report**

This is the weekly report for the week ending March 12<sup>th</sup>, 2010.

### 1. **Meeting Notes**

The next City Council meeting is scheduled for Tuesday, March 16th beginning with a Closed Session at 5:00 PM, a Housing Authority meeting at 6:25 PM, and with regular agenda items commencing at 6:30 PM.

### 2. **Richmond Receives CalGRIP Funding to Help Reduce Gun Violence**

Governor Arnold Schwarzenegger announced the awarding of more than \$9.2 million in competitive grants to provide local assistance funding to 24 cities throughout the state under the Governor's California Gang Reduction, Intervention and Prevention (CalGRIP) Initiative. As part of this program, the City of Richmond/Office of Neighborhood Safety (ONS), in partnership with a select group of community-based organizations, has been awarded \$382,689 over two years to expand outreach activities and services to youth and young adults most likely to be perpetrators or victims of gun violence.

This is the third successful CalGRIP proposal submitted by ONS, with each one involving new community partnerships. Of special significance, this particular grant involves a partnership with the City of San Pablo, which worked with ONS staff to prepare the grant application, and which plans to initiate a street outreach program in their community. Additional partners in this CalGRIP program include the City of Richmond's Employment & Training Department and the RYSE Center, to form the **West County Safe Communities Partnership**, and joining the **Richmond Community Wellness Collaborative**. The collaborative is intended to increase client assessment opportunities, strengthen case management support, and further job training, development and placement opportunities, thereby enhancing service delivery to those most likely to be confronted by gun violence.

The Glen Price Group also assisted the City of Richmond in the preparation of this successful CalGRIP grant proposal.

### 3. **Standard & Poor's Affirms Redevelopment Agency Credit Rating**

Standard & Poor's has reaffirmed the Richmond Community Redevelopment Agency's "A" rating with a "stable" outlook for the pending debt-reduction refunding of its 2007 A Redevelopment Bond. The reduction of over \$30 million in debt allows for the Agency to maintain an initial 1.40 income to debt ratio. While this is good news relative to the credit rating, and a credit to Redevelopment Agency

staff, Finance Department staff, and the bond financing team, it should be noted that maintenance of this income to debt ratio, and this credit rating, could only be achieved through significant operating cost reductions by the Redevelopment Agency, and that \$30 million in project funds are no longer available for what had been a strong and successful redevelopment program. On the bright side, I believe that the past work by the Redevelopment Agency has laid the groundwork so that we can go back up from where we are today.

#### 4. **San Francisco Chronicle Article on City's Interest Rate Swaps**

A March 9<sup>th</sup> *San Francisco Chronicle* article made specific reference to interest rate swaps entered into by Richmond and other cities, including Los Angeles, New York and Oakland. The article, which is entitled "Hedges on bond interest costing cities big", contains factual inaccuracies and somewhat provocative phrasing that can be taken to erroneously imply that the City's decision to enter into the interest rate swaps was imprudent.

Most significantly, the article effectively concludes that the City's rationale for entering into swaps was the expectation that the variable-rate based receipts from the swap would be equal to the fixed-rate payment obligations; in plain English, the City "bet" on interest rates. In actuality, each of the City's swaps has been executed as part of an overall financing plan, with variable-rate bonds also being issued. The swaps were designed to provide receipts that offset the variable rate payments made on the bonds, leaving the City with only the fixed rate payment obligation on the swap; thereby providing a lower cost of borrowing than was attainable through traditional fixed rate bonds at the time. The \$6 million loss quoted in the Chronicle assumed the City was paying the difference between the fixed swap rate and its variable rate receipts, as if this were an investment. The Chronicle reporter has since admitted he is not that familiar with how swaps work.

The City has, in fact, incurred higher than expected costs for the two swaps executed in 2007, but not for reasons related directly to swaps. Instead, the primary cause of the increased costs is that the City's variable rate bond issues, all of which carried bond insurance, became much more expensive when the bond insurers received numerous credit rating downgrades. City staff continuously monitored the situation, and kept the City Council aware of the issues at all times. Of the City's three variable-rate bond issues, the Civic Center and Wastewater Bonds have recently been refunded into new bond issues, and the City's exposure to the bond insurers has been permanently removed; the net savings to the City from the Civic Center refunding is over \$10 million. The 2007 RCRA Bonds are in the process of being refunded into fixed rate bonds, and will ultimately reduce the RCRA's overall debt by \$30 million. The refunding bond issue, which will be completed in early April, will also remove the bond insurer. The simple fact remains that any issuer of variable rate bonds incurred higher costs, whether the issues were hedged with swaps or not.

5. **Potential Municipal Derivatives Litigation**

Somewhat related to item (4) above, the City has received information regarding possible litigation against financial institutions and bond insurers related to interest rate swap and bond insurance pricing practices. Finance staff has begun gathering information regarding the City's debt and swap portfolios for the consultant's assessment of any possible damages that may be recovered by the City, and will alert the City Council if any action should be taken.

6. **Public Works Updates**

- The re-roofing of Richmond Fire Station #62 (1065 - 7<sup>th</sup> Street) is scheduled to begin next Monday, March 15<sup>th</sup>.
- The Bayview Library was badly flooded during the end of February. The abatement of the damaged walls and flooring is complete. The refinishing of the floors and walls will begin next week.
- The Electrical Department has continued to work on the series street light outages in the Parkview area (Campbell, Fallon, Creely and Fleming Avenues). Almost the entire system has been checked and the re-energizing of the system is scheduled for Monday, March 15<sup>th</sup> as weather permits.
- The paving crew will resurface Ponderosa Way and perform dig outs at the Fire Training Center next week.

7. **Maya's Spring Music Festival**

The Disabled Persons Recreation Center will host the 21<sup>st</sup> Annual Maya's Spring Music Festival with music, food, and fun at the Richmond Recreation Complex on Sunday, March 21<sup>st</sup>, from 2:00 PM to 4:30 PM to showcase the talents and accomplishments of the Maya's Music Therapy participants. Tickets are \$5 for adults and \$3 for children and disabled. Tickets will be sold at the door.

## 8. Website Redesign

The redesigned website is ready to launch on Monday, March 15<sup>th</sup>, 2010. You can preview the site here: <http://ca-richmond2.civicplus.com/>

