

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, the interest (and original issue discount) on the Bonds is not excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, such interest (and original issue discount) is exempt from State of California personal income tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest with respect to, the Bonds. See “TAX MATTERS” herein.



\$432,165,000
CITY OF RIVERSIDE
TAXABLE PENSION OBLIGATION BONDS
2020 SERIES A

Dated: Date of Delivery

Due: June 1, as shown on the next page

The City of Riverside, California (the “City”) is issuing its Taxable Pension Obligation Bonds, 2020 Series A (the “Bonds”) pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3, Division 2 of Title 5 of the Government Code of the State of California and a Twelfth Supplemental Trust Agreement, dated as of June 1, 2020 (the “Twelfth Supplemental Trust Agreement”) between U.S. Bank National Association, as trustee (the “Trustee”) and the City, supplementing and amending a Trust Agreement, dated as of June 1, 2004, between the Trustee and the City (the “Original Trust Agreement”) as previously supplemented and amended (as supplemented and amended, the “Trust Agreement”).

The Bonds are delivered in book-entry form without coupons, and will be initially registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Purchasers of the Bonds will not receive instruments representing their interests in the Bonds purchased. The Bonds will be delivered initially in denominations of \$5,000 and any integral multiple thereof. The Bonds will bear interest at the rates set forth on the inside cover hereof.

Interest on the Bonds will be payable on each June 1 and December 1, commencing December 1, 2020.

The Bonds are being issued to pay a portion of the City’s unamortized, unfunded accrued actuarial liability (the “Unfunded Liability”) with respect to certain pension benefits of certain City employees under the Retirement Law (as defined herein) to the California Public Employees’ Retirement System (“PERS”). Pursuant to the Retirement Law, the City Council is required to make the appropriations to pay the amounts required to be paid by the City pursuant to the Retirement Law, including the Unfunded Liability which is evidenced by the Bonds. The Bonds are payable from legally available funds of the City.

The Bonds are subject to redemption prior to maturity. See “THE BONDS—Redemption.”

No debt service reserve fund has been established in connection with the Bonds.

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The purchase of the Bonds involves various investment risks discussed throughout this Official Statement, including the risks discussed in “RISK FACTORS” herein. The Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation. The Bonds do not constitute an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel and Disclosure Counsel. Certain matters will be passed on for the Underwriters by Orrick, Herrington & Sutcliffe, LLP, Los Angeles, California. The Bonds, in book-entry form, will be available through the facilities of the Depository Trust Company in New York, New York, on or about June 11, 2020.

BofA Securities

Raymond James

Dated: June 4, 2020

MATURITY SCHEDULE

BASE CUSIP[†] NO. 769036

\$432,165,000

**CITY OF RIVERSIDE
TAXABLE PENSION OBLIGATION BONDS
2020 SERIES A**

<i>Maturity (June 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>CUSIP[†]</i>
2021	\$ 3,370,000	1.646%	1.646%	BH6
2022	7,250,000	1.746	1.746	BJ2
2023	9,985,000	1.903	1.903	BK9
2024	12,795,000	2.107	2.107	BL7
2025	15,830,000	2.207	2.207	BM5
2026	16,045,000	2.490	2.490	BN3
2027	16,630,000	2.640	2.640	BP8
2028	16,525,000	2.773	2.773	BQ6
2029	16,425,000	2.823	2.823	BR4
2030	16,310,000	2.873	2.873	BS2

\$301,000,000 3.857% Bonds Due June 1, 2045; Yield – 3.857% (CUSIP[†]: 769036 BT0)

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright © 2020 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the City nor the Underwriters takes any responsibility for the accuracy of such numbers.

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 herein. If given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriters. 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 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The Underwriters have provided the following sentence for inclusion in this Official Statement:

“The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.”

The information and expression of opinion 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 or any other parties described herein since the date hereof. This Official Statement is being submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a “plan,” “expect,” “estimate,” “project,” “budget” or similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which 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. As described herein under the caption “INTRODUCTION—COVID-19 Pandemic,” the COVID-19 pandemic is expected to materially adversely affect the City’s financial condition. Historical information set forth in this Official Statement is not intended to be predictive of future results. While the City has agreed to provide certain on-going financial and operating data on an annual basis, it 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 statements are based change. See “CONTINUING DISCLOSURE” and Appendix F herein.

All information material to the making of an informed investment decision with respect to the Bonds is contained in this Official Statement. While the City maintains an internet website for various purposes, none of the information on its website is incorporated by reference into this Official Statement. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

WITH RESPECT TO THIS OFFERING, THE UNDERWRITERS MAY ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 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 BONDS DESCRIBED HEREIN TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED IN THIS OFFICIAL STATEMENT AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The City maintains a website and certain social media accounts for various purposes. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

TABLE OF CONTENTS

INTRODUCTION 1

General..... 1

Purpose 1

The City 1

COVID-19 Pandemic..... 2

The Bonds..... 3

Forward-Looking Statements 4

Changes to Preliminary Official Statement. 4

Summaries Not Definitive 4

ESTIMATED SOURCES AND USES OF FUNDS 5

PLAN OF REFINANCING..... 5

ANNUAL DEBT SERVICE REQUIREMENTS..... 6

THE BONDS 6

General..... 6

Redemption..... 7

Selection of Bonds to be Redeemed 8

Book Entry System..... 8

SECURITY FOR THE BONDS 9

General..... 9

No Reserve Fund 9

Issuance of Additional Bonds 9

RISK FACTORS 11

No Tax Pledge 11

COVID-19 Pandemic..... 11

Certain Risks Associated with Sales Tax and Other Local Tax Revenues 11

No Limit on Additional General Fund Obligations 12

Pension Benefit Liability 12

Assessed Value of Taxable Property 12

Potential Impact of State of California Financial Condition and Budgets on the City 13

Litigation 15

Limitations on Remedies Available; Bankruptcy 15

State Law Limitations on Appropriations..... 16

Change in Law..... 16

Secondary Market Risk..... 17

Natural Disasters..... 17

Hazardous Substances 18

Dependence on State for Certain Revenues..... 18

Cybersecurity..... 18

Legislative Changes..... 19

Split Roll Initiative 19

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS 19

Article XIII A of the State Constitution..... 19

Article XIII B of the State Constitution..... 20

Articles XIII C and XIII D of the State Constitution..... 20

Revenue Transfer from Electric Utility 23

Proposition 1A 25

Proposition 22 26

Proposition 26 26

Unitary Property	26
Future Initiatives.....	27
VALIDATION.....	27
THE CITY	27
NO LITIGATION.....	27
FINANCIAL STATEMENTS	27
CONTINUING DISCLOSURE.....	27
TAX MATTERS.....	28
APPROVAL OF LEGALITY.....	28
RATINGS	29
MUNICIPAL ADVISOR	29
UNDERWRITING	29
APPENDIX A CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION	A-1
APPENDIX B COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2019	B-1
APPENDIX C SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT	C-1
APPENDIX D FORM OF APPROVING OPINION OF BOND COUNSEL.....	D-1
APPENDIX E BOOK ENTRY PROVISIONS	E-1
APPENDIX F FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	F-1

CITY OF RIVERSIDE, CALIFORNIA

CITY COUNCIL

Rusty Bailey, Mayor
Erin Edwards, Councilmember
Andy Melendrez, Councilmember
Ronaldo Fierro, Councilmember
Chuck Conder, Councilmember
Gaby Plascencia, Councilmember
Jim Perry, Councilmember
Steve Hemenway, Councilmember

CITY STAFF

Al Zelinka, City Manager
Lea Deesing, Assistant City Manager
Rafael Guzman, Assistant City Manager
Carlie Myers, Deputy City Manager
Moises Lopez, Deputy City Manager
Colleen J. Nicol, City Clerk
Edward Enriquez, Chief Financial Officer/City Treasurer
Heidi Schrader, Debt & Treasury Manager
Gary Geuss, City Attorney

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

Municipal Advisor

NHA Advisors
San Rafael, California

Trustee

U.S. Bank National Association
Los Angeles, California

[THIS PAGE INTENTIONALLY LEFT BLANK]

\$432,165,000
CITY OF RIVERSIDE
TAXABLE PENSION OBLIGATION BONDS
2020 SERIES A

INTRODUCTION

General

This Official Statement, including the cover and the attached appendices (this “Official Statement”), provides certain information concerning the above captioned bonds (the “Bonds”) issued by the City of Riverside, California (the “City”). The Bonds will be issued pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California and a Trust Agreement, dated as of June 1, 2004 (the “Original Trust Agreement”) between U.S. Bank National Association, as trustee (the “Trustee”) and the City, as previously amended and supplemented, and as amended and supplemented by a Twelfth Supplemental Trust Agreement, dated as of June 1, 2020 (collectively, the “Trust Agreement”).

Purpose

The City is issuing the Bonds to (i) pay a portion of the City’s unamortized, unfunded accrued actuarial liability (the “Unfunded Liability”) with respect to certain pension benefits of certain City employees under the Retirement Law (as defined herein) to the California Public Employees’ Retirement System (“PERS”) and (ii) pay the costs of issuing the Bonds.

The City is a member of PERS and, as such, is obligated by the Public Employees’ Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code (the “Retirement Law”), and the contract between the Board of Administration of PERS and the City Council of the City, dated July 1, 1945, as amended to date (the “PERS Contract”), to make contributions to PERS to (a) fund pension benefits for City employees who are members of PERS, (b) amortize the unfunded accrued actuarial liability with respect to such pension benefits, and (c) appropriate funds for the purposes described in (a) and (b).

Pursuant to the Retirement Law, the City Council is required to make the appropriations to pay the amounts required to be paid by the City pursuant to the Retirement Law, including the Unfunded Liability that is evidenced by the Bonds. See “SECURITY FOR THE BONDS.”

On March 8, 2004, the City, acting pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure and Government Code Sections 53511 and 53589.5, filed a complaint in the Superior Court of the State of California for the County of Riverside seeking judicial validation of the proceedings and transactions relating to the issuance of the 2004 Bonds (as defined below), additional bonds (such as the Bonds) and obligations issued to refund such bonds and certain other matters. On May 3, 2004, the court entered a default judgment (the “Validation Judgment”) to the effect, among other things, that the 2004 Bonds are, and any additional bonds and refunding obligations will be, valid, legal and binding obligations of the City and in conformity with all applicable provisions of law. See the section entitled “VALIDATION” for additional information regarding the legal effects of the Validation Judgment.

The City

The City was incorporated in 1883 and operates under a charter adopted in 1953. The City operates under a council-manager form of government, and is governed by a seven-member City Council elected by wards with four-year staggered terms. The Mayor is elected at large for a four-year term. The positions of City Clerk, City Manager and City Attorney are filled by appointment of the City Council. The City

encompasses approximately 81.5 square miles in the western portion of Riverside County (the “County”), about 60 miles east of downtown Los Angeles and approximately 90 miles north of San Diego. The City is the county seat of the County. The current population of the City is approximately 330,000. For other selected information concerning the City, see APPENDIX A—“CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION.”

COVID-19 Pandemic

The spread of the novel strain of coronavirus called SARS-CoV-2 that causes the disease known as COVID-19 (“COVID-19”), and local, state and federal actions in response to COVID-19, are having a significant impact on the City’s operations and finances. In response to the increasing number of cases of COVID-19 and fatalities, health officials and experts are recommending, and some governments are mandating, a variety of responses ranging from travel bans and social distancing practices, to complete shut-downs of certain services and facilities. On March 4, 2020, as part of the State’s response to address the outbreak, the Governor declared a state of emergency. On March 13, President Donald Trump declared a national emergency, freeing up funding for federal assistance to state and local governments. Many school districts across the state have temporarily closed some or all school campuses in response to local and state directives or guidance. On March 19, 2020, the Governor issued Executive Order N-33-20, a mandatory statewide shelter-in-place order applicable to all non-essential services.

While the effects of COVID-19 may be temporary, the outbreak and governmental actions responsive to it are altering the behavior of businesses and people in a manner that is having significant negative impacts on global and local economies. In addition, stock markets in the U.S. and globally have seen significant declines attributed to coronavirus concerns. PERS has reportedly lost significant value in its investments as a result of declines in the stock market and elsewhere, which could result in a significant increase in the City’s unfunded pension liability and future pension costs, commencing in Fiscal Year 2022-23. See APPENDIX A—“CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION—Pension Plans—PERS Plan Actuarial Methods.” The outbreak has resulted in increased pressure on State finances, as budgetary resources are directed towards containing the pandemic and tax revenues sharply decline. Identified cases of COVID-19 and deaths attributable to the COVID-19 outbreak are continuing to increase throughout the United States, including the City. The COVID-19 outbreak is expected to result in material declines in major General Fund revenues, including in sales tax, business license taxes and transient occupancy taxes. In addition, Governor Newsom extended the deadline to file and pay first quarter sales and use tax returns by 90 days for all but the very largest taxpayers, and up to 361,000 California businesses with less than \$5 million in taxable annual sales will be allowed to defer up to \$50,000 in sales tax and enter into 12-month payment plans at zero interest. This will result in delays in the receipt by the City of its portion of the delayed payments.

On March 27, Congress passed and the President signed the \$2.2 trillion Coronavirus Aid, Relief, and Economic Stabilization Act (“CARES Act”) that provides, among other measures, \$150 billion in financial assistance to states, tribal governments and local governments to provide emergency assistance to those most significantly impacted by COVID-19. Under the CARES Act, local government are eligible for reimbursement of certain costs expended to address the impacts of the pandemic, although the City cannot predict what state and/or federal funding or other relief it will ultimately receive. Any funds received by the City under the CARES Act are not available for payment of debt service on the Bonds, and cannot be used to backfill City revenue losses related to COVID-19.

In response to the pandemic, the City has taken a variety of actions, including temporarily closing all non-essential City services, keeping staffing at a minimum, splitting work shifts between employees, encouraging the use of telecommuting for those employees able to do so, and splitting up City operations into multiple locations. In addition, on March 17, 2020, the City Council authorized the suspension of utility shutoffs and general City fee collection deferrals until April 30, 2020. Since April 21, 2020, the City Council has extended the suspension of utility shutoffs and general City fee collection deferrals multiple times, with the latest suspension running through at least June 5, 2020.

The City's General Fund Budget is not as heavily reliant on transient occupancy taxes or tourist driven sales tax revenues as other communities in the State and is projecting an approximately 5% reduction in General Fund revenues in Fiscal Year 2019-20 as result of the COVID-19 Pandemic. Accordingly the City believes it will be able to offset revenue losses in Fiscal Year 2019-20 through expenditure reductions. The City cannot currently predict the extent or duration of the outbreak or what ultimate impact it may have on the City's financial condition or operations, although the City believes it will be material and adverse. See "APPENDIX A - CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION" for a discussion of the COVID-19 impacts on projected Fiscal Year 2019-20 operating results and on the City's projected budget for Fiscal Year 2020-21.

Regardless of the financial challenges caused by COVID-19, the obligations of the City under the Bonds, including the obligation to make all payments of principal, premium, if any, and interest when due, are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim.

The Bonds

The Bonds will bear interest from their date of initial delivery until their stated maturity at the rates of interest set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable semiannually on each June 1 and December 1 (each, an "Interest Payment Date"), commencing December 1, 2020.

The Bonds, when delivered, will be in book-entry form and registered in the name of CEDE & CO., as nominee of The Depository Trust Company ("DTC"). The Bonds will be delivered initially in denominations of \$5,000 and any integral multiple thereof. See APPENDIX E—"BOOK ENTRY PROVISIONS."

Security for the Bonds

The obligation of the City to make payments with respect to the Bonds is an absolute and unconditional obligation of the City imposed upon the City by the Retirement Law, the PERS Contract and the Trust Agreement, as confirmed by the Validation Judgment, and payment of principal of and interest on the Bonds is payable from any legally available funds of the City, and is expected to be paid from amounts on deposit in the City's General Fund including certain interfund transfers. The Bonds are not voter-approved debt backed by the taxing power of the City, and the full faith and credit of the City is not pledged to the repayment of the Bonds. **The City has not established a debt service reserve fund for the Bonds.**

Payment of the Bonds is on parity with the obligation of the City pursuant to its City of Riverside Taxable Pension Obligation Bonds, 2004 Series A (the "2004 Bonds"), issued pursuant to the Original Trust Agreement in the aggregate principal amount of \$89,540,000, of which \$29,260,000 currently remains outstanding, and the City of Riverside Taxable Pension Obligation Refunding Bonds, 2017 Series A (the "2017 Bonds") issued pursuant to the Trust Agreement, as supplemented by the Eleventh Supplemental Trust Agreement in the aggregate principal amount of \$31,960,000, of which \$23,100,000 currently remains outstanding. The Trust Agreement provides that in order to meet its obligations thereunder, the City will deposit or cause to be deposited with the Trustee on or before August 1 of each fiscal year the amount which, together with any moneys transferred pursuant to the Trust Agreement, is sufficient to pay debt service on the Bonds, the 2004 Bonds, the 2017 Bonds and any additional bonds and refunding obligations as may be issued on a parity basis in accordance with the Trust Agreement. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT."

The City has other obligations payable from its General Fund, and the Trust Agreement does not impose any limit on other obligations the City may incur that are payable from its General Fund or other Enterprise Funds of the City.

THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS ARE OBLIGATIONS IMPOSED BY LAW PAYABLE FROM ANY LEGALLY AVAILABLE FUNDS IN THE CITY'S GENERAL FUND, INCLUDING CERTAIN INTERFUND TRANSFERS TO BE APPROPRIATED BY THE CITY PURSUANT TO THE RETIREMENT LAW, THE PERS CONTRACT AND THE VALIDATION JUDGMENT. PURSUANT TO THE RETIREMENT LAW, THE CITY COUNCIL IS OBLIGATED TO MAKE APPROPRIATIONS TO PAY THE UNFUNDED LIABILITY. THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The assets of PERS will not secure or be available to pay principal of or interest on the Bonds.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words (collectively, the "Forward-Looking Statements"). All statements other than statements of historical facts included in this Official Statement regarding the financial position, capital resources and status of the City are Forward-Looking Statements. Although the City believes that the expectations reflected in such Forward-Looking Statements are reasonable, no assurance can be given that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from expectations of the City (collectively, the "Cautionary Statements") are disclosed in this Official Statement. All Forward-Looking Statements attributable to the City are expressly qualified in their entirety by the Cautionary Statements. **As described above under the caption "COVID-19 Pandemic" the COVID-19 Pandemic is expected to materially adversely impact the City's financial condition. Historical information set forth in the Official Statement, including Appendix A hereto, is not intended to be predictive of future results.**

Changes to Preliminary Official Statement.

This Official Statement contains changes since the date of the Preliminary Official Statement dated May 26, 2020, under the caption "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Revenue Transfer from Electric Utility—Litigation—*Parada II*" to reflect that at the June 5, 2020, hearing on the *Parada II* case the Court asked for further briefing on the issue of failure to exhaust administrative remedies. All briefs are due by June 25, 2020, after which the Court is expected to take the case under submission. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Revenue Transfer from Electric Utility—Litigation—*Parada II*."

Summaries Not Definitive

Brief descriptions and summaries of the Bonds, the Trust Agreement and Validation Judgment (as defined in this Official Statement) are contained in this Official Statement and in the Appendices hereto. These descriptions and summaries do not purport to be complete and are subject to and qualified by reference to the provisions of the complete documents, copies of which are available at the offices of the Trustee and, during the offering period, from the Underwriters (as hereinafter defined). Copies of the documents described herein will also be available at the office of the Chief Financial Officer, City of Riverside, 3900 Main St. 6th Floor, Riverside, California 92501. The capitalization of any word not conventionally capitalized, or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT" for certain of such definitions.

ESTIMATED SOURCES AND USES OF FUNDS

Proceeds to be received from the sale of the Bonds will be applied as estimated in the following table:

Sources:

Principal Amount of Bonds	\$ 432,165,000.00
TOTAL SOURCES:	<u>\$ 432,165,000.00</u>

Uses:

Funding of the Unfunded Liability ⁽¹⁾	
Safety Employees	\$ 230,231,058.00
Miscellaneous Employees	200,330,920.00
Costs of Issuance ⁽²⁾	<u>1,603,022.00</u>
TOTAL USES:	<u>\$ 432,165,000.00</u>

⁽¹⁾ Deposit to PERS Payment Fund. See "PLAN OF REFINANCING" herein.

⁽²⁾ Includes Underwriter's fee, legal, printing, trustee, consultant, rating and other miscellaneous fees, and other costs associated with the issuance and delivery of the Bonds.

PLAN OF REFINANCING

On May 3, 2004, the Superior Court of the State of California in and for the County of Riverside (the "County") entered a default judgment to the effect, among other things, that (i) the Trust Agreement will be a valid, legal and binding obligation of the City and the approval thereof was in conformity with applicable provisions of law and (ii) the City has the authority under California law to provide for the refunding of its Unfunded Liability and its normal annual contributions for a fiscal year by issuing bonds and applying the proceeds of bonds to the retirement of the its Unfunded Liability and payment of its current year normal annual contributions.

PERS has notified the City as to the amount of the Unfunded Liability based on the June 30, 2018 actuarial valuation, which is the most recent actuarial valuation performed by PERS for the City's Miscellaneous Plan and Safety Plan. Based on the June 30, 2018 actuarial valuation as reported by PERS to the City, PERS has projected the City's total Unfunded Liability under the PERS Contract to be \$642,133,567 as of June 30, 2020, consisting of \$313,349,904 with respect to the City's Miscellaneous Plans and \$328,783,663 with respect to the City's Safety Plan. The Bonds are being issued to finance a portion of the total Unfunded Liability as of June 30, 2020. Upon the issuance of the Bonds, the City will pay \$430,561,978.00 to PERS for deposit to the PERS Payment Fund. It is possible that PERS will determine at a future date that an additional unfunded liability exists that is attributable to the City, including in part with respect to that portion of the total Unfunded Liability being refunded, if actual plan experience differs from the current actuarial estimates, including any variance in projections caused by the COVID-19 outbreak. The City's 2004 Bonds and 2017 Bonds, which were also issued to refinance a portion of the City's Unfunded Liability, will be outstanding in the aggregate principal amount of \$52,360,000 as of June 2, 2020.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth the amounts required to be made available for the payment of principal of the Bonds, the 2004 Bonds and the 2017 Bonds, at maturity or by mandatory sinking fund redemption, for the payment of interest on such bonds, and for the total debt service on all of such bonds, assuming no optional redemption occurs prior to maturity.

CITY OF RIVERSIDE ANNUAL DEBT SERVICE ON THE BONDS, THE 2004 BONDS AND THE 2017 BONDS

<i>Year Ending June 1</i>	<i>Principal due on Bonds</i>	<i>Interest due on Bonds</i>	<i>Principal and Interest due on 2004 Bonds</i>	<i>Principal and Interest due on 2017 Bonds</i>	<i>Total</i>
2021	\$ 3,370,000.00	\$ 14,417,718.50	\$ 10,540,169.60	\$ 3,694,862.50	\$ 32,022,750.60
2022	7,250,000.00	14,774,183.12	10,935,437.20	3,694,837.50	36,654,457.82
2023	9,985,000.00	14,647,598.12	11,346,756.40	3,691,712.50	39,671,067.02
2024	12,795,000.00	14,457,583.56	0.00	3,692,712.50	30,945,296.06
2025	15,830,000.00	14,187,992.92	0.00	3,692,375.00	33,710,367.92
2026	16,045,000.00	13,838,624.80	0.00	3,691,125.00	33,574,749.80
2027	16,630,000.00	13,439,104.30	0.00	3,691,875.00	33,760,979.30
2028	16,525,000.00	13,000,072.30	0.00	0.00	29,525,072.30
2029	16,425,000.00	12,541,834.06	0.00	0.00	28,966,834.06
2030	16,310,000.00	12,078,156.30	0.00	0.00	28,388,156.30
2031	16,180,000.00	11,609,570.02	0.00	0.00	27,789,570.02
2032	20,840,000.00	10,985,507.42	0.00	0.00	31,825,507.42
2033	22,550,000.00	10,181,708.60	0.00	0.00	32,731,708.60
2034	24,385,000.00	9,311,955.10	0.00	0.00	33,696,955.10
2035	27,230,000.00	8,371,425.66	0.00	0.00	35,601,425.66
2036	28,310,000.00	7,321,164.56	0.00	0.00	35,631,164.56
2037	27,140,000.00	6,229,247.86	0.00	0.00	33,369,247.86
2038	26,090,000.00	5,182,458.06	0.00	0.00	31,272,458.06
2039	24,845,000.00	4,176,166.76	0.00	0.00	29,021,166.76
2040	23,410,000.00	3,217,895.10	0.00	0.00	26,627,895.10
2041	22,410,000.00	2,314,971.42	0.00	0.00	24,724,971.42
2042	15,000,000.00	1,450,617.72	0.00	0.00	16,450,617.72
2043	11,605,000.00	872,067.72	0.00	0.00	12,477,067.72
2044	8,085,000.00	424,462.86	0.00	0.00	8,509,462.86
2045	2,920,000.00	112,624.40	0.00	0.00	3,032,624.40
Total	<u>\$ 432,165,000.00</u>	<u>\$219,144,711.24</u>	<u>\$32,822,363.20</u>	<u>\$25,849,500.00</u>	<u>\$ 709,981,574.44</u>

THE BONDS

General

The Bonds will be dated the date of delivery thereof and delivered as fully registered Bonds. The Bonds will be delivered initially in denominations of \$5,000 and any integral multiple thereof. The Bonds will be transferable and exchangeable as set forth in the Trust Agreement and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book entry form only, in the denominations set forth above.

The Bonds will bear interest from the Closing Date, at the rates and mature in the amounts and years as set forth on the inside cover page hereof. Interest on the Bonds, computed on the basis of a 360-day year consisting of twelve (12) 30-day months, will be paid each Interest Payment Date. Interest on the Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it will bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the 15th day of the month next preceding such Interest Payment Date regardless of whether or not such day is a Business Day (the "Record Date"), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it will bear interest from their dated date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Interest on the Bonds (including the final interest payment upon maturity), is payable by check of the Trustee mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Trustee at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Trustee prior to the applicable Record Date. The principal of the Bonds is payable in lawful money of the United States of America upon surrender of the Bonds at the principal office of the Trustee in Los Angeles, California, or such other place as designated by the Trustee.

Redemption

Optional Redemption at Par. The Bonds maturing on or after June 1, 2045 may be redeemed at the option of the City from any source of funds on any date on or after June 1, 2030 in whole or in part by lot at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date of redemption, without premium.

Make Whole Optional Redemption. The Bonds are subject to redemption prior to June 1, 2030 at the option of the City, in whole or in part, at any time, at a redemption price equal to the greater of:

- (i) 100% of the principal amount of the Bonds to be redeemed; and
- (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Bonds to be redeemed discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate, plus 35 basis points, plus accrued and unpaid interest on the Bonds being redeemed to the date fixed for redemption.

"Treasury Rate" means, with respect to any redemption date for a particular Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 that has become publicly available at least two Business Days but not more than 45 calendar days prior to the redemption date (excluding inflation indexed securities), or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Mandatory Sinking Fund Redemption. The Bonds maturing June 1, 2045 are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium. The 2045 Term Bonds shall be so redeemed on the following dates and in the following amounts:

<i>Redemption Date (June 1)</i>	<i>Principal Amount</i>
2031	\$16,180,000
2032	20,840,000
2033	22,550,000
2034	24,385,000
2035	27,230,000
2036	28,310,000
2037	27,140,000
2038	26,090,000
2039	24,845,000
2040	23,410,000
2041	22,410,000
2042	15,000,000
2043	11,605,000
2044	8,085,000
2045*	2,920,000

* Final maturity.

Selection of Bonds to be Redeemed

If the Bonds are registered in book-entry form and so long as DTC or a successor securities depository is the sole registered owner of the Bond, notwithstanding the description below under “—Book Entry System,” if less than all of the Bonds are called for redemption prior to maturity, the particular Bonds or portions thereof to be redeemed shall be allocated on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Bonds are held in book-entry form, the selection for redemption of such Bonds shall be made in accordance with the operational arrangements of DTC then in effect. If the DTC operational arrangements do not allow for the redemption of the Bonds on a pro rata pass-through distribution of principal basis as described above, then the Bonds will be selected for redemption, in accordance with DTC procedures, by lot or in such other manner as is in accordance with the applicable DTC operational arrangements.

The City intends that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, none of the City, the Trustee or the Underwriters can provide any assurance that DTC, the DTC Participants or any other intermediary will allocate the redemption of Bonds on such basis.

Book Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX E—“BOOK ENTRY PROVISIONS.”

The City and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of or interest on the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do

so on a timely basis or will serve and act in the manner described in this Official Statement or the Trust Agreement. The City and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

SECURITY FOR THE BONDS

General

The obligation of the City to make payments with respect to the Bonds is an absolute and unconditional obligation of the City imposed upon the City by the Retirement Law, the PERS Contract and the Trust Agreement, as confirmed by the Validation Judgment, and payment of principal of and interest on the Bonds is payable from any legally available funds of the City, and is expected to be paid from amounts on deposit in the City's General Fund including certain interfund transfers. The Bonds are not voter-approved debt backed by the taxing power of the City, and the full faith and credit of the City is not pledged to the repayment of the Bonds. The City has other obligations payable from its General Fund, and the Trust Agreement does not impose any limit on other obligations the City may incur that are payable from its General Fund. The Trust Agreement provides that in order to meet its obligations thereunder (including with respect to the 2004 Bonds, the 2017 Bonds and the Bonds, and any additional bonds and refunding obligations as may be issued on a parity basis in accordance with the Trust Agreement), the City will deposit or cause to be deposited with the Trustee on or before August 1 of each fiscal year the amount that, together with any moneys transferred pursuant to the Trust Agreement, is sufficient to pay debt service on the Bonds, the 2004 Bonds, the 2017 Bonds and any Additional Bonds payable during such fiscal year. For other selected information concerning the City, see APPENDIX A—"CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION." See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT" for a description of the flow of funds under the Trust Agreement.

THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS ARE OBLIGATIONS IMPOSED BY LAW PAYABLE FROM ANY LEGALLY AVAILABLE FUNDS IN THE CITY'S GENERAL FUND, INCLUDING CERTAIN INTERFUND TRANSFERS TO BE APPROPRIATED BY THE CITY PURSUANT TO THE RETIREMENT LAW, THE PERS CONTRACT AND THE VALIDATION JUDGMENT. PURSUANT TO THE RETIREMENT LAW AND THE VALIDATION ACTION, THE CITY COUNCIL IS OBLIGATED TO MAKE APPROPRIATIONS TO PAY THE UNFUNDED LIABILITY. THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

No Reserve Fund

The City has not established a debt service reserve fund for the Bonds.

Issuance of Additional Bonds

Under the Trust Agreement, the City may at any time issue Additional Bonds, but only subject to the following conditions:

(i) The City will be in compliance with all agreements and covenants contained in the Trust Agreement; and

(ii) The issuance of such Additional Bonds will have been authorized pursuant to the Act and will have been provided for by a Supplemental Trust Agreement that will specify, among other requirements set forth in the Trust Agreement, the following:

(1) The purpose for which such Additional Bonds are to be issued; provided that such Additional Bonds will be applied solely for (i) the purpose of satisfying any obligation of the City to make payments to PERS relating to pension benefits accruing to PERS pursuant to the Retirement Law members, and/or for payment of all costs incidental to or connected with the issuance of Additional Bonds for such purpose, and/or (ii) the purpose of refunding any Bonds or Additional Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding;

(2) Whether such Additional Bonds are current interest fixed rate bonds, listed securities, index bonds, auction rate securities, variable rate bonds, tender option bonds, capital appreciation bonds or bonds bearing interest at such other interest rate modes as may be set forth in a Supplemental Trust Agreement;

(3) The authorized principal amount and designation of such Additional Bonds;

(4) The date and the maturity dates of and the sinking fund payment dates, if any, for such Additional Bonds;

(5) The interest payment dates for such Additional Bonds; and

(6) Such other provisions (including the requirements of a book-entry bond registration system, if any) as are necessary or appropriate and not inconsistent herewith.

At any time after the sale of any Additional Bonds in accordance with the Act, the City will execute such Additional Bonds for issuance pursuant to the Trust Agreement and will deliver them to the Trustee, and thereupon such Additional Bonds will be delivered by the Trustee to the purchaser thereof upon the Written Request of the City, but only upon receipt by the Trustee of the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Additional Bonds by the Trustee:

(i) An executed copy of the Supplemental Trust Agreement authorizing the issuance of such Additional Bonds;

(ii) A Written Request of the City as to the delivery of such Additional Bonds;

(iii) An Opinion of Counsel to the effect that (1) the City has executed and delivered the Supplemental Trust Agreement, and the Supplemental Trust Agreement is valid and binding upon the City, and (2) such Additional Bonds are valid and binding obligations of the City;

(iv) A Certificate of the City stating that all requirements of the provisions related to Additional Bonds under the Trust Agreement have been complied with and containing any other such statements as may be reasonably necessary to show compliance with the conditions for the issuance of such Additional Bonds contained in the Trust Agreement; and

(v) Such further documents, money or securities as are required by the provisions of the Supplemental Trust Agreement providing for the issuance of such Additional Bonds.

RISK FACTORS

The following factors, along with other information in this Official Statement, should be considered by potential investors in evaluating the risks in the purchase of the Bonds. However, the following does not purport to be an exhaustive listing of risk factors and other considerations which may be relevant to an investment in the Bonds. Additionally, there can be no assurance that other risk factors will not become evident at any future time.

No Tax Pledge

THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS ARE OBLIGATIONS IMPOSED BY LAW PAYABLE FROM ANY LEGALLY AVAILABLE FUNDS IN THE CITY'S GENERAL FUND, INCLUDING CERTAIN INTERFUND TRANSFERS TO BE APPROPRIATED BY THE CITY PURSUANT TO THE RETIREMENT LAW, THE PERS CONTRACT AND THE VALIDATION JUDGMENT. PURSUANT TO THE RETIREMENT LAW, THE CITY COUNCIL IS OBLIGATED TO MAKE APPROPRIATIONS TO PAY THE UNFUNDED LIABILITY. THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

COVID-19 Pandemic

The COVID-19 Pandemic is materially adversely affecting the local, state and world economies. The City cannot currently predict the extent or duration of the outbreak or what ultimate impact it may have on the City's financial condition or operations, although the City believes it will be material and adverse. See APPENDIX A—"CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION" for a discussion of the COVID-19 impacts on projected Fiscal Year 2019-20 operating results and on the City's projected budget for Fiscal Year 2020-21.

Certain Risks Associated with Sales Tax and Other Local Tax Revenues

For fiscal year 2018-19, sales tax revenues were the largest source of revenue to the City. In addition, Measure Z, which is a 1.0% transaction and use tax approved by the City's electorate in November 2016, has contributed a significant amount of revenue available for General Fund obligations of the City. Measure Z took effect on April 1, 2017, and is set to expire in 2036. See APPENDIX A—"MEASURE Z."

Sales and use tax revenues are based upon the gross receipts of retail sales of tangible goods and products by retailers with taxable transactions in the City, which could be impacted by a variety of factors. For example, before the final maturity of the Bonds, the City may enter into an economic recession. In times of economic recession, the gross receipts of retailers often decline, and such a decline would cause the sales tax revenues received by the City to also decline. In addition, other factors, such as global pandemics, may adversely impact the economy of the City. See "APPENDIX A – CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION-COVID-19 Pandemic Impacts on Fiscal Years 2020 and 2021 Budgets."

In addition, changes or amendments in the laws applicable to the City's receipt of sales tax revenues or other local taxes, whether implemented by State legislative action or voter initiative, including any initiative by City voters under Article XIIC of the California Constitution to repeal Measure Z, could have an adverse effect on sales tax revenues received by the City. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Articles XIIC and XIID of the State Constitution."

Finally, many categories of transactions are exempt from the statewide sales tax, and additional categories could be added in the future. Currently, most sales of food products for human consumption are exempt; this exemption, however, does not apply to liquor or to restaurant meals. The rate of sales tax levied on taxable transactions in the City or the fee charged by the State Board of Equalization for administering the City's sales tax could also be changed.

No Limit on Additional General Fund Obligations

The City has other obligations payable from its General Fund. The City has the ability to enter into other obligations which would constitute additional charges against its general revenues. To the extent that such additional obligations are incurred by the City, the funds available to make payments on the Bonds may be decreased.

Pension Benefit Liability

Many factors influence the amount of the City's pension benefit liability, including, without limitation, inflationary factors, changes in statutory provisions of applicable retirement system laws, changes in the levels of benefits provided or in the contribution rates of the City, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods, and differences between actual and anticipated investment experience of PERS. Any of these factors could give rise to additional liability of the City to its pension system as a result of which the City would be obligated to make additional payments to its pension system over the amortization schedule for full funding of its obligation to its pension system. As discussed under the caption "INTRODUCTION—COVID-19 Pandemic," financial markets have suffered severe dislocations and losses as a result of the COVID-19 Pandemic. Such losses likely will impact the funding status and contribution rates of the City's pension plans. See APPENDIX A—"CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION."

Assessed Value of Taxable Property

Property taxes account for a significant portion of the City's General Fund revenues. Natural and economic forces can affect the assessed value of taxable property within the City. The City is located in a seismically active region, and damage from an earthquake in or near the area could cause moderate to extensive damage to taxable property. Other natural or manmade disasters, such as flood, fire, wildfire, ongoing drought, toxic dumping, coastal erosion or acts of terrorism, could cause a reduction in the assessed value of taxable property within the City. Economic and market forces, such as a downturn in the regional economy generally, can also affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets as has been experienced in the past. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes). An extended recession caused by the COVID-19 Pandemic, could impact assessed values with the City and result in decreased property tax revenues. See "INTRODUCTION—COVID-19 Pandemic."

Reductions in the market values of taxable property may cause property owners to appeal assessed values and may also be associated with an increase in delinquency rates for property taxes. Section 2(b) of Article XIII A of the California Constitution and Section 51 of the Revenue and Taxation Code, which follow from "Proposition 8," require the County assessor to annually enroll either a property's adjusted base year value (its "Proposition 13 Value") or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 Value on the assessor's roll, that lower value is referred to as its "Proposition 8 Value."

Although the annual increase for a Proposition 13 Value is limited to no more than 2%, the same restriction does not apply to a Proposition 8 Value. The Proposition 8 Value of a property is reviewed annually as of January 1; the current market value must be enrolled as long as the Proposition 8 Value falls below the Proposition 13 Value. Thus, any subsequent increase or decrease in market value is enrolled regardless of any percentage increase or decrease. Only when a current Proposition 8 Value exceeds its Proposition 13 Value attributable to a piece of property (adjusted for inflation), the County assessor reinstates the Proposition 13 Value.

Decreases in the aggregate value of taxable property within the City resulting from natural disaster or other calamity, reclassification by ownership or use, or as a result of the implementation of Proposition 8 all may have an adverse impact on the General Fund revenues available to make debt service payments on the Bonds.

See “—Seismic, Topographic and Climatic Conditions” and APPENDIX A—“CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION—*Ad Valorem* Property Taxes.”

Potential Impact of State of California Financial Condition and Budgets on the City

The COVID-19 pandemic is materially adversely impacting the financial condition of the State. In addition, there are a number of other budget risks that threaten the financial condition of the State, including the onset of recession and the significant unfunded liabilities of the two main retirement systems managed by State entities, PERS and the California State Teachers’ Retirement System (“STRS”). The State also has a significant unfunded liability with respect to other post-employment benefits.

Fiscal Year 2020-21 May Revision. On May 14, 2020, the Governor released the May Revision (the “May Revision”) to his proposed State budget for Fiscal Year 2020-21 (the “Proposed 2020-21 Budget”), which was released on January 10, 2020, prior to the outbreak of the COVID-19 pandemic. The following information is drawn from a summary by the Legislative Analyst’s Office (the “LAO”) of the May Revision, as well as certain information from the LAO’s preliminary response to the May Revision.

The May Revision acknowledges that the rapid onset of COVID-19 has had an immediate and severe impact on the State’s economy, including nearly 4 million unemployment claims from mid-March through May 9, 2020. While job losses have occurred in nearly every sector, the May Revision indicates that losses have been most acute in leisure and hospitality, retail and personal services. Lower wage workers have also disproportionately borne the impact of job losses. The May Revision projects that the 2020 unemployment rate will peak at approximately 24.5% in the second quarter of 2020. Average wages in most sectors are also projected to decline as firms freeze hiring, postpone bonus and salary increases and cut work hours. The economic consequences of the pandemic are also expected to negatively impact other sources of income beyond wages and salaries. California personal income, which includes income from wages and salaries, businesses ownership, property ownership and government transfers is expected to decrease by 9 percent (or \$230 billion) in 2020, and is not projected to return to pre-pandemic levels until Fiscal Year 2022-23.

As compared to the projections included in the Proposed 2020-21 Budget, the State’s three main revenues sources are projected to decline as follows: (i) personal income taxes by \$33 billion, (ii) sales and use tax receipts by \$10 billion, and (iii) corporation taxes by \$5 billion. The May Revision projects that total State general fund revenues will decline by \$41.2 billion from the projected level included in the Proposed 2020-21 Budget, including \$9.7 billion allocable to Fiscal Year 2019-20 and \$32 billion allocable to Fiscal Year 2020-21. The May Revision also anticipates that the State budget will face higher direct costs associated with responding to the COVID-19 outbreak and higher caseload-related costs to State safety net programs in light of worsening economic conditions. Collectively, these revenue reductions and cost increases are projected to result in an overall State budget deficit of approximately \$54.3 billion, absent the implementation of the May Revision’s proposals.

The May Revision proposes a number of measures intended to address the projected deficit:

- *Baseline Adjustments* – The May Revision includes two “baseline” adjustments that do not require changes to current law in order to implement. Specifically, the May Revision would (i) recognize \$4.3 billion in State general fund budgetary solutions as a result of recent federal congressional approval for a temporary increase in the federal government’s share of State Medicaid costs, and (ii) removing or modifying \$2.1 billion in new spending proposals previously included in the Proposed 2020-21 Budget.
- *Draw Down of Reserves* – The May Revision would draw down \$16.2 billion of funds in the State’s Budget Stabilization Account (“BSA”) over three fiscal years, including \$7.8 billion in fiscal year 2020-21, and allocate the Safety Net Reserve Fund to offset increased health and human services costs.
- *Increase Revenues* – The May Revision would temporarily suspend corporate net operating loss tax deductions and limit business tax credits, with an estimated increase in tax revenues of \$4.4 billion in fiscal year 2020-21.
- *Adjust K-14 Spending* – As a result of the projected drop in State general fund revenues, the May Revision projects a resulting drop in the Proposition 98 minimum funding guarantee (as further discussed herein). The May Revision proposes to reduce K-14 funding accordingly, resulting in State general fund savings of approximately \$16.5 billion.
- *Reduced Spending* – The May Revision proposes a number of flat reductions across programs or rates in several areas, with an estimated \$4.9 billion in savings. Approximately \$3.6 billion of these cuts are subject to being “triggered” off if sufficient federal funding is received. The May Revision also proposes approximately \$5.6 billion of targeted reductions to certain programs or benefit levels, of which \$2.3 billion is subject to triggers.
- *Cost Shifts* – The May Revision proposes \$3.3 billion in loans and transfers from special funds. The May Revision also proposes approximately \$1.7 billion in pension-related proposals that would shift certain State PERS and STRS costs.
- *Federal Funds* – The United States Congress recently established the Coronavirus Relief Fund (“CRF”) to provide state, local, tribal and territorial governments money for necessary public health expenditures incurred in connection with the COVID-19 outbreak. California is eligible for approximately \$9.5 billion from the CRF, and the May Revision assumes that the State can use \$3.8 billion to offset underlying State costs. The May Revision proposes to remit the balance of these funds to local educational agencies (\$4 billion), counties (\$1.3 billion) and cities (\$450 million).

For Fiscal Year 2019-20, the May Revision projects total general fund revenues and transfers of \$136.8 billion and authorizes expenditures of \$146.5 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of \$17.1 billion, including \$16.2 billion in the BSA and \$900 million in the Safety Net Reserve Fund. For Fiscal Year 2020-21, the May Revision projects total general fund revenues and transfers of \$137.4 billion and authorizes expenditures of \$133.9 billion. The State is projected to end the 2020-21 Fiscal Year with total available general fund reserves of \$10.8 billion, including \$1.96 billion in the traditional general fund reserve, \$8.4 billion in the BSA and \$450 million in the Safety Net Reserve Fund.

The CARES Act provides a direct allocation of \$9.5 billion to California and \$5.8 billion to cities and counties with populations over 500,000. The May Revision allocates a portion of the State’s CARES Act funding to local governments—\$450 million to cities and \$1.3 billion to counties—to be used toward

homelessness, public health, public safety, and other services to combat the COVID-19 pandemic. Because of the size of the City's population, the City projects that it will receive approximately \$27.9 million from the State's CARES Act funding as a direct allocation if the State Legislature were to pass the Fiscal Year 2020-21 Budget with the terms contained in the Governor's May Revision. The City can make no assurance that the State's Fiscal Year 2020-21 Budget will be adopted with terms consistent with the May Revision. The City has not yet accounted for its anticipated receipt of these moneys, and there can be no assurances that the City will actually receive any or all of such moneys.

Other than as stated in the previous paragraph, the City does not expect the May Revision to have a material impact on the City's finances or its ability to pay debt service on the Bonds when due because it has already proposed a General Fund budget for Fiscal Year 2020-21 that reflects a significant decline in General Fund revenues. See APPENDIX A – "CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION—Budgetary Process and Administration – Fiscal Year 2018-20 Biennial Budget."

Current and future State budgets will be significantly affected by the COVID-19 pandemic and other factors over which the City has no control. The City cannot determine what actions will be taken in the future by the State Legislature and the Governor to deal with the COVID-19 pandemic and resulting changing State revenues and expenditures. There can be no assurance that, as a result of the COVID-19 pandemic or otherwise, the State will not significantly reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of its efforts to address State financial conditions. There can be no assurance that State actions to respond to the COVID-19 pandemic will not materially adversely affect the financial condition of the City.

Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the State Department of Finance (the "DOF"), <http://www.dof.ca.gov>, under the heading "California Budget." An impartial analysis of the budget is posted by the Legislative Analyst's Office (the "LAO") at <http://www.lao.ca.gov>. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on cities in the State, may be found at the website of the State Treasurer, <http://www.treasurer.ca.gov>. *The information referred to is prepared by the respective State agency maintaining each website and not by the City or the Underwriters, and neither the City nor the Underwriters takes any responsibility for the continued accuracy of these Internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.*

Litigation

The City may be or become a party to litigation that has an impact on the General Fund. Although the City maintains certain insurance policies that provide coverage under certain circumstances and with respect to certain types of incidents (see Appendix A for further information), the City cannot predict what types of liabilities may arise in the future. See "CONSTITUTIONAL AND STATUTORY LIMITATION ON TAXES AND APPROPRIATIONS—Revenue Transfer from Electric Utility" for a description of pending litigation challenging certain transfers from the City's electric utility to the City's General Fund.

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the City may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police

power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose.

In addition to the limitation on remedies contained in the Trust Agreement, the rights and remedies provided in the Trust Agreement may be limited by and are subject to the provisions of federal bankruptcy laws. The City is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the “Bankruptcy Code”). However, the City is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts. If the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Such a bankruptcy could adversely affect the payments under the Trust Agreement. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt that may have priority of payment superior to that of the Owners of the Bonds; and (iv) the possibility of the adoption of a plan (the “Plan”) for the adjustment of the City’s debt without the consent of the Trustee or all of the Owners of the Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable and in the best interests of creditors.

Previous bankruptcies in the City of Stockton, the City of San Bernardino and the City of Detroit have brought scrutiny to pension obligation securities. Specifically, in the Stockton bankruptcy the Court found that PERS was an unsecured creditor of the city with a claim on parity with those of other unsecured creditors. Additionally, in the San Bernardino bankruptcy, the Court held that in the event of a municipal bankruptcy, payments on pension obligation bonds, such as the Bonds, were unsecured obligations and not entitled to the same priority of payments made to PERS. A variety of events, including, but not limited to, additional rulings adverse to the interests of bond owners in the Stockton, San Bernardino and Detroit bankruptcy cases or additional municipal bankruptcies, could prevent or materially adversely affect the rights of Owners to receive payments on the Bonds in the event the City files for bankruptcy. Accordingly, in the event of bankruptcy, it is likely that Owners may not recover their principal and interest.

The opinions of counsel, including Bond Counsel, delivered in connection with the execution and delivery of the Bonds will be so qualified. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

State Law Limitations on Appropriations

Article XIII B of the California Constitution limits the amount that local governments can appropriate annually. The State may increase the appropriation limit of cities in the State by decreasing the State’s own appropriation limit. The City does not anticipate exceeding its appropriations limit. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII B of the State Constitution.”

Change in Law

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws of the State, or that the City Council (with voter approval) will not enact amendments to the City’s Charter, in a manner that could result in a reduction of the City’s revenues. See, for example, “CONSTITUTIONAL AND STATUTORY

LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII C and Article XIII D of the State Constitution.”

Secondary Market Risk

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

Natural Disasters

The occurrence of any natural disaster in the City, including, without limitation, fire, windstorm, drought, earthquake, landslide, mudslide or flood could have an adverse material impact on the economy within the City, its General Fund and the revenues available for the payments on the Bonds.

The City, like the rest of southern California, is located within a seismically active region. Faults and earthquakes present direct hazards from fault rupture and ground shaking as well as indirect hazards. The most significant known active fault zones that are capable of seismic ground shaking and can impact the City are the Elsinore Fault Zone, San Jacinto Fault Zone, Newport-Inglewood Fault Zone, and the San Andreas Fault Zone.

An earthquake on any of these faults, or in any other location near the City, would be particularly damaging to residential buildings, especially to those of older wooden or unreinforced masonry construction, or to mobile homes. An earthquake along one of the faults in the vicinity, either known or unknown, could cause a number of casualties and extensive property damage. The effects of such a quake could be aggravated by aftershocks and secondary effects such as fires, landslides, dam failure, liquefaction and other threats to public health, safety and welfare. The potential direct and indirect consequences of a major earthquake can easily exceed the resources of the City and would require a high level of self-help, coordination and cooperation.

The State, including the City, is periodically subject to wildfires. When wildfires scorch land, they destroy all vegetation on mountains and hillsides. As a result, when heavy rain falls in the winter, there is nothing to stop the rain from penetrating directly into the soil. In addition, waxy compounds in plants and soil that are released during fires create a natural barrier in the soil that prevents rainwater from seeping deep into the ground. The result is erosion, mudslides, and excess water running off the hillsides often causing flash flooding. The City is not located in a high risk fire zone.

Climate change caused in part by human activities may have adverse effects on the City. Climate change can also result in more variable weather patterns throughout the State, which can lead to longer and more severe droughts as well as increased risk of flooding. The City considers the potential effects of climate change in its planning. Projections of the impacts of global climate change on the City are complex and depend on many factors that are outside the City’s control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast with certainty when adverse impacts of climate change will occur or the extent of such impacts. While the impacts of climate change may be mitigated by the City’s past and future investment in adaptation strategies, the City can give no assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures.

Building codes require that some of these factors be taken into account, to a limited extent, in the design of improvements. Some of these factors may also be taken into account, to a limited extent, in the design of other infrastructure and public improvements neither designed nor subject to design approval by the City. Design criteria in any of these circumstances are established upon the basis of a variety of considerations

and may change, leaving previously-designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Conditions may occur and may result in damage to improvements of varying seriousness, such that the damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the actual value of public and private improvements within the City in general may well depreciate or disappear, notwithstanding the establishment of design criteria for any such condition.

The occurrence of natural disasters in the City could result in substantial damage to the City which, in turn, could substantially reduce General Fund revenues and affect the ability of the City to make the payments on the Bonds.

Hazardous Substances

An environmental condition that may result in the reduction in the assessed value of parcels would be the discovery of any hazardous substance that would limit the beneficial use of a property within the City. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any substantial amount of property within the City be affected by a hazardous substance, would be to reduce the marketability and value of the property by the costs of, and any liability incurred by, remedying the condition, since a purchaser, upon becoming an owner, will become obligated to remedy the condition just as is the seller. Such reduction could adversely impact the property tax revenues received by the City and deposited into the General Fund, which could significantly and adversely affect the operations and finances of the City.

Dependence on State for Certain Revenues

A number of the City’s revenues are collected and dispersed by the State (such as sales tax and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. In the event of a material economic downturn in the State, there can be no assurance that any resulting revenue shortfalls to the State will not reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of the State’s efforts to address any such related State financial difficulties. See “Potential Impact of State of California Financial Condition and Budgets on the City” above for a discussion of the potential impact of COVID-19 on future State Budgets.

Cybersecurity

The City relies on computers and technology to conduct its operations. The City and its departments face cyber threats from time to time including, but not limited to, hacking, viruses, malware and other forms of technology attacks. To date, there have been no significant, cyber-attacks on the City’s computers and technologies.

While the City is routinely maintaining its technology systems and continuously implementing new information security controls, no assurances can be given that the City's security and operational control measures will be successful in guarding against all cyber threats and attacks. The results of any attack on the City's computer and technology could negatively impact the City's operations, and the costs related to such attacks could be substantial. The City currently carries cyber security insurance in the event of a loss of City property as the result of a cyber security breach; however, the policy does not provide coverage for the loss of third party information or ransomware.

Legislative Changes

Legislative action could have an adverse effect on the City's revenues. For example, the method of apportioning Motor Vehicle License Fees among the State's cities and counties is established by statute and could be amended by future legislation. See APPENDIX A – "CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION – Taxes and Other Revenue." Although the City is not aware of any proposal to amend the applicable statute, it can provide no assurance that such legislation, or other legislation which could reduce revenues, will not be enacted in the future.

Split Roll Initiative

An initiative measure (the "Split Roll Initiative") to amend Article XIII A has qualified for the State's November 2020 ballot. If adopted, the Split Roll Initiative would base property taxes for commercial and industrial properties on market values beginning in tax year 2020-21. Such market values would be reassessed by the applicable county assessor's office at least once every three years. The Split Roll Initiative includes exceptions for businesses with a total market value of less than \$2 million (adjusted for inflation), which would continue to be subject to property taxes based on purchase price, and exempts from property tax assessments up to \$500,000 of the value of personal property, or all personal property for businesses with fewer than 50 employees. There can be no assurance that the Split Roll Initiative will be adopted. Moreover, if the Split Roll Initiative is adopted, the City is unable to predict how it would affect the level of commercial building activity within the City and the relationship of the assessed value between land use types (i.e. residential versus commercial) in the City, or what other impacts the Split Roll Initiative might have on the local economy or the City's financial condition.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

Article XIII A of the State Constitution, known as Proposition 13, was approved by the voters in June 1978 and has been amended on occasions, including most recently on November 7, 2000, to reduce the voting percentage required for the passage of school bonds. Section 1(a) of Article XIII A limits the maximum *ad valorem* tax on real property to 1% of "full cash value," and provides that such tax will be collected by the counties and apportioned according to State statutes. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest or redemption charges on any (1) indebtedness approved by the voters prior to July 1, 1978, (2) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition and (3) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition.

Section 2 of Article XIII A defines "full cash value" to mean the county assessor's valuation of real property as shown on the 1975-76 Fiscal Year tax bill, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price

index or comparable data for the taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation implementing Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIII A, which is \$1.00 per \$100 of assessed market value.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when it is purchased, newly constructed or undergoes a change in ownership. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

Both the State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Article XIII B of the State Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual “appropriations limit” imposed by Article XIII B that effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, approved by the voters in July 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to “proceeds of taxes,” which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service.” “Proceeds of taxes” excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds that are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Proposition 111 requires that each agency’s actual appropriations be tested against its limit every two years. If the aggregate “proceeds of taxes” for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency’s taxpayers through tax rate or fee reductions over the following two years. The City is subject to and believes is operating in conformity with Article XIII B.

Articles XIII C and XIII D of the State Constitution

General. On November 5, 1996, California voters 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 affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-

related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related “fee” or “charge,” which is defined as “any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by a [local government] upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service” (and referred to in this section as a “property-related fee or charge”).

On November 2, 2010, California voters approved Proposition 26, the so-called “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Proposition 26’s amendments to Article XIII C broadly define “tax,” but specifically exclude, among other things:

“(1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.

(2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.

...

(6) A charge imposed as a condition of property development.

(7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D.”

Property-Related Fees and Charges. Under Article XIII D, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIII D, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

Initiative Power. In addition, Article XIII C states that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

Judicial Interpretation of Articles XIII C and XIII D. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General’s opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not be

subject to the requirements of Article XIII D regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three recent cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIII D under certain circumstances.

In *Richmond v. Shasta Community Services District* (2004) 32 Cal. 4th 409, the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIII D to certain charges related to water service. In *Richmond*, the Court held that capacity charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIII D.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (2005) 127 Cal.App.4th 914, the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIII D before imposing or increasing such fees. The California Supreme Court denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006, the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (2006) 39 Cal.4th 205, addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIII D, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIII C's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIII C authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIII C and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was not determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

Risks Relating to Certain Special Assessments. With the exception of assessments levied in Street Lighting District No.1 of the City (see APPENDIX A—"CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION"), none of the property-related fees or assessments currently collected by the City are deposited into the General Fund.

Water Utility Revenue Transfer under the City Charter. Contributions to the City's General Fund of surplus funds of the Water System (after payment of Operating and Maintenance Expenses and debt service on the Bonds and Parity Debt) are limited by the City Charter, the amendment of which requires voter approval. Such transfers were approved by the voters and adopted by the City Council on November 15, 1977. On June 4, 2013, the voters approved a further amendment to the City Charter approving the transfer as a general tax pursuant to Article XIII C of the California Constitution. The Water Fund transfers are limited to twelve equal monthly installments during each fiscal year, comprising a total amount not to exceed 11.5% of the

Gross Operating Revenues, exclusive of any surcharges, for the last fiscal year ended and reported by an independent public auditor. The transfer to the City's General Fund for the fiscal year ended June 30, 2019, was \$6,584,300. The budgeted transfer for the fiscal year ending June 30, 2020, is \$6,693,000.

Transfers from the City's Electric Enterprise. The City also makes a revenue transfer to the City's General Fund from the City's electric utility. See "—Revenue Transfer from Electric Utility."

Reduction or Repeal of Taxes, Fees and Charges. Article XIII C also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives that reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund.

Revenue Transfer from Electric Utility

Effective December 1, 1977, transfers to the General Fund of the City of surplus funds of the City's electric utility (the "Electric Utility"), after payment of operating and maintenance expenses and debt service, are limited by Section 1204 of the Riverside City Charter, as approved by the voters and adopted by the City Council on November 15, 1977 (each, an "Electric Revenue Fund Transfer"). Such transfers are limited to 12 equal monthly installments during each fiscal year constituting a total amount not to exceed 11.5% of the gross operating revenues, exclusive of any surcharges, for the last fiscal year ended and reported by an independent public auditor.

The transfers to the General Fund of the City for the Fiscal Year ending June 30, 2019 were \$39,886,400. The budgeted transfer to the General Fund of the City for the Fiscal Year ending June 30, 2020 is projected to be \$40,200,700.

In general, California law (Government Code Section 50076) provides that any fee that exceeds the reasonable cost of providing the service or regulatory activity for which the fee is charged and which is levied for general revenue purposes is a special tax.

The statute of limitations for filing a claim is one year from the date that the City collected an electric service charge that was used to make the revenue transfer payments from the Electric Utility. The California Supreme Court held in *Ardon v. Los Angeles* 52 Cal 4th 241 (2011) that class action claims are permitted in local tax refund cases in the absence of a specific tax refund procedure set forth in an applicable governing claims statute. In 2003, the Riverside Municipal Code was amended to provide that no claim may be filed on behalf of a class of persons unless verified by every member of that class. To date, no court has ruled that this requirement is prohibited by California law, and the City has received no related class action claims for tax refunds.

If a court were to conclude that the General Fund transfer from the Electric Utility is not a cost of providing the service of the Electric Utility, then the Electric Utility might be required to revise its rates and charges to eliminate the revenues needed to pay the General Fund transfer, and the Electric Utility could be required to rebate to its customers the amount of any rates and charges in excess of the cost of service. In such an event, the challenged Revenue Fund transfer would likely be returned to the Electric Utility.

California Public Utilities Code 10004.5 provides for the following statute of limitations for any challenge to the validity of the Electric System's rates:

... [A]ny judicial action or proceeding against a municipal corporation that provides electric utility service, to attack, review, set aside, void, or annul an ordinance, resolution, or motion fixing or changing a rate or charge for an electric commodity or an electric service furnished

by a municipal corporation... shall be commenced within 120 days of the effective date of that ordinance, resolution, or motion.

The statute of limitations for filing a claim for a refund of electric service charges is one year from the date that the City collected an Electric System service charge that was used to make the revenue transfer payments from the Electric System.

See also “—Proposition 26” for a discussion of requirements imposed on local government taxes pursuant to Proposition 26.

Litigation.

Parada I. On October 19, 2017, a writ of mandate entitled *Parada v. City of Riverside* (Parada I) was filed against the City seeking to enjoin the City from levying its electric utility users tax on the portion of electric rates that are attributable to the General Fund transfer. On September 21, 2018, the trial court ruled in favor of the City, and on November 7, 2018, the court entered judgment in favor of the City. No appeal has been filed to that decision, and the time within which to file the appeal has expired.

Parada II. On September 12, 2018, a petition for writ of mandate entitled *Parada v. City of Riverside* (“*Parada II*”) was filed against the City seeking to invalidate, rescind and void under Proposition 26, the Electric System’s rates approved by City Council on May 22, 2018, which took effect on January 1, 2019, challenging the portion of the electric rates that are attributable to the General Fund. The petition did not seek any monetary relief from the General Fund. On April 17, 2020, the Court in the Parada II litigation entered a tentative ruling finding the City’s electric rates attributable to the General Fund transfer violate Article XIII C of the California Constitution. The formal hearing on the matter took place on June 5, 2020, but the Court asked for further briefing on the issue of whether or not the plaintiffs failed to exhaust their administrative remedies. The Court set a deadline of June 25, 2020, for the filing of all briefs and is expected to take the matter under submission thereafter. If the tentative ruling becomes the final order, the future impact on the General Fund would be material. A second phase of the trial would be scheduled to adjudicate the remedies available to plaintiffs. Currently, no date is set for the commencement of the second phase of the trial.

The General Fund receives approximately \$40 million annually (up to the maximum amount of 11.5% of Electric Fund revenues) from the Electric Fund. The tentative order determined that approximately \$19-25 million of the General Fund transfer is potentially attributable to rate payer revenue that was not approved by the voters. Additionally, the City may be required to refund rate payers for the portions of the rates that were determined to violate Article XIII C of the California Constitution from the date the writ of mandate was filed. However, the trial court has not issued any ruling as to what the amount of a refund would be. The trial court noted that “[g]iven that the General Fund transfer is in the range of \$39 to \$45 million per year, that would mean that \$19 to \$25 million of the General Fund transfer would be financed by rate revenue.” Based upon this statement in the tentative decision, the City estimates that the amount of a refund would be \$19 to \$25 million per year, beginning January 1, 2019 until date of settlement or issuance of a final, non-appealable judgment by the trial court after anticipated appeals are resolved. This amount could vary depending upon whether or not the City decides to repeal and replace the challenged rates pending appeal. The City believes that all or a portion of any refund, if owed, could be paid from rate payer revenues in the Electric Fund and that any judgment would likely be allowed by the Court to be paid over a multi-year period. As stated above, the Parada plaintiffs are not seeking any monetary relief from the General Fund in their case. If the electric rates attributable to the General Fund transfer are determined to be invalid or are otherwise repealed and replaced by the City, the City could seek voter approval for the General Fund transfer like it did for the Water Fund. See “—Articles XIIC and XIID of the California Constitution—Water Utility Revenue Transfer under the City Charter” herein. The City has a variety of revenue sources and expense reductions available to it to address any future budget deficits caused by the potential loss of the General Fund transfer, including but limited to the use of Measure Z revenues. See “APPENDIX A—“CITY OF RIVERSIDE

GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION—COVID-19 Pandemic Impacts on Fiscal Years 2020 and 2021 Budgets” for a discussion of Measure Z.

Simpson. On December 19, 2019, a class action complaint for damages entitled *Simpson v. City of Riverside* (“*Simpson*”) was filed against the City seeking a refund of all monies paid in excess of the cost to provide retail water service, including the amount of the water General Fund transfer and the capital investment and operating and maintenance costs of fire services such as fire hydrant/water pipe upgrade projects. Simpson filed an amended complaint on March 25, 2020, and the City has begun the meet and confer process for the filing of a demurrer to the complaint. No hearing date has been scheduled for the City’s demurrer.

Pending lawsuits and other claims against the City with respect to its Utility Systems are incidental to the ordinary course of operations of such Utility Systems and are largely covered by the City’s self-insurance program. In the opinion of the Riverside Public Utility’s management and the City Attorney, except for the *Parada II* litigation and the *Simpson* litigation, such lawsuits and claims will not have a materially adverse effect upon the financial position of the Electric System, the Water System or the General Fund.

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the State’s Fiscal Year 2004-05 Budget, approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature.

Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A also provides that if the State reduces the motor vehicle license fee rate currently in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in more stable City revenues, although the actual impact of Proposition 1A will depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other actions, some of which could be adverse to the City. See “—Proposition 22.”

See the section entitled “RISK FACTORS— Potential Impact of State of California Financial Condition and Budgets on the City” for information about the State’s budget.

Proposition 22

On November 2, 2010, the voters of the State approved Proposition 22, known as “The Local Taxpayer, Public Safety, and Transportation Protection Act” (“Proposition 22”). Proposition 22, among other things, broadens the restrictions established by Proposition 1A. While Proposition 1A permits the State to appropriate or borrow local property tax revenues on a temporary basis during times of severe financial hardship, Proposition 22 amends Article XIII of the State Constitution to prohibit the State from appropriating or borrowing local property tax revenues under any circumstances. The State can no longer borrow local property tax revenues on a temporary basis even during times of severe financial hardship. Proposition 22 also prohibits the State from appropriating or borrowing proceeds derived from any tax levied by a local government solely for the local government’s purposes. Furthermore, Proposition 22 restricts the State’s ability to redirect redevelopment agency property tax revenues to school districts and other local governments and limits uses of certain other funds although this provision no longer has any meaningful impact given the statewide dissolution of redevelopment agencies. Proposition 22 is intended to stabilize local government revenue sources by restricting the State government’s control over local revenues. The City cannot predict whether Proposition 22 will have a beneficial effect on the City’s financial condition.

Proposition 26

On November 2, 2010, State voters also approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) a fine, penalty or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. The City does not believe that Proposition 26 will adversely affect its General Fund revenues.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization (“Unitary Property”), commencing with Fiscal Year 1988-89, will be allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (ii) if county-wide revenues generated from Unitary Property are less than the previous year’s revenues or greater than 102% of the previous year’s revenues, each jurisdiction will share the burden of the shortfall or benefit of the excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

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

Future Initiatives

Article XIII A, Article XIII B, XIII C, XIII D, Proposition 22 and Proposition IA were each adopted as measures that qualified for the ballot through California's initiative process. From time to time other initiative measures could be adopted, further affecting the City's revenues.

VALIDATION

On March 8, 2004, the City, acting pursuant to the provisions of Sections 860 *et seq.* of the California Code of Civil Procedure and Government Code Sections 53511 and 53589.5, filed a complaint in the Superior Court of the State of California for the County of Riverside seeking judicial validation of the proceedings and transactions relating to the issuance of the 2004 Bonds, additional bonds (such as the Bonds) and obligations issued to refund such bonds (such as the Bonds) and certain other matters. On May 3, 2004, the court entered a default judgment to the effect, among other things, that the 2004 Bonds are, and any additional bonds and refunding obligations will be, valid, legal and binding obligations of the City and in conformity with all applicable provisions of law. Pursuant to Section 870 of the California Code of Civil Procedure, the period during which a notice of appeal to this judgment could have been timely filed has expired and the judgment is binding and conclusive in accordance with California law. As with any judgment, there can be no assurance that this judgment will not be challenged. No such challenge has been filed, and the City is unaware of any pending challenge to this judgment. In issuing the opinion as to the validity of the Bonds, Bond Counsel will rely upon the entry of the foregoing default judgment.

THE CITY

For certain financial, demographic and statistical information on the City and the surrounding area, see APPENDIX A—"CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION."

NO LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds. The City is not aware of any litigation pending or threatened questioning the political existence of the City or contesting the City's ability to issue and pay the Bonds.

FINANCIAL STATEMENTS

The audited financial statements of the City for the Fiscal Year ended June 30, 2019, included in Appendix B to this Official Statement, have been audited by Lance, Soll & Lunghard LLP, Brea, California, independent certified public accountants, as stated in their report appearing in Appendix B. Copies of the audited financial statements for the City's other fiscal years can be obtained at the office of the Chief Financial Officer at City Hall located at 3900 Main Street, Riverside, California 92522.

CONTINUING DISCLOSURE

The City has covenanted in its continuing disclosure certificate for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and other operating data on an annual basis no later than nine months after the end of the City's fiscal year (currently March 31 based on the City's fiscal year end of June 30), commencing March 31, 2021, and to provide notice of certain enumerated events as required by Securities and Exchange Commission Rule 15c2-12(b)(5) under the Securities Exchange Act of 1934, as amended (the "Rule"). The specific nature of the information to be contained in the annual report or the notices of enumerated events is summarized under the caption APPENDIX F—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with the Rule.

The City and its related governmental entities – specifically those entities for whom City staff is responsible for undertaking compliance with continuing disclosure undertakings – have previously entered into numerous disclosure undertakings under the Rule in connection with the issuance of other obligations.

In the past, to assist the City and its related governmental entities in meeting their continuing disclosure obligations, the City retained certain corporate trust banks to act as dissemination agent. The City and its related governmental entities have not, on a handful of occasions during the past five years, fully complied, in all material respects, with their disclosure undertakings because on certain occasions in the last five years, the City did not timely file: (1) notice of rating changes to bond insurers and other credit and/or liquidity providers for City debt obligations; (2) certain financial information or operating data for Fiscal Year 2014-15 required to be filed with respect to debt obligations of the City or its related government entities; and (3) a notice of successor trustee for a prior City debt obligation. In addition, the City did not link certain Fiscal Year 2017-18 information with respect to bonds of its electric system to all applicable CUSIPs.

The City and its related governmental entities have made filings to correct all known instances of non-compliance during the last five years. The City believes that it has established internal processes to assist with compliance, including preparing a written continuing disclosure policy that will ensure that it and its related governmental entities will meet all material obligations under their respective continuing disclosure undertakings. The City also now handles dissemination of its and its related governmental entities' continuing disclosure obligations internally and no longer uses third-party dissemination agents for that purpose. The City conducts a regular audit of ratings changes in order to file any required disclosures within 10 days of a rating change. Additionally, the City is in the process of identifying and engaging a consultant to annually verify its continuing disclosure filings and identify any deficiencies, whether material or otherwise, so that any required corrective action can be taken.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulation, rulings and judicial decisions, interest due with respect to the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code (the "Code") but is exempt from State of California personal income tax.

The federal tax and State of California personal income tax discussion set forth above with respect to the Bonds is included for general information only and may not be applicable depending upon a Beneficial Owner's particular situation. The ownership and disposal of the Bonds and the accrual or receipt of interest with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. **BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR INDEPENDENT TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES RELATING TO THE BONDS AND THE TAXPAYER'S PARTICULAR CIRCUMSTANCES.**

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix D.

APPROVAL OF LEGALITY

Certain legal matters incident to the execution and delivery of the Bonds are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Bond Counsel. Except with respect to certain legal matters, Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. Bond Counsel's fee for delivery of its opinion is contingent on successful execution and delivery of the Bonds.

RATINGS

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") has assigned its municipal bond rating of "AA" and Fitch Ratings Group has assigned its municipal bond rating of "AA-" to the Bonds.

Each rating reflects only the view of the particular organization that assigned the rating, and an explanation of the significance of a particular rating may be obtained from S&P or Fitch Ratings Group, as applicable. There is no assurance that either such rating will continue for any given period of time or that either such rating will not be revised downward or withdrawn entirely by a rating agency, if, in the judgment of such rating agency, circumstances so warrant. The City undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of either such rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL ADVISOR

The City has retained the services of NHA Advisors of San Rafael, California as municipal advisor (the "Municipal Advisor") in connection with the authorization and delivery of the 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. The Municipal Advisor will receive compensation contingent on the sale of the Bonds.

UNDERWRITING

The Bonds are being purchased by BofA Securities, Inc. and Raymond James & Associates, Inc. (collectively, the "Underwriters") at a price of \$431,117,820.07 (being the principal amount of the Bonds, and less Underwriters' discount of \$1,047,179.93). The obligations of the Underwriters are subject to certain conditions precedent, and it will be obligated to purchase all such Bonds if any such Bonds are purchased. The public offering prices of the Bonds may be changed from time to time by the Underwriters without notice.

Each Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. Each Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers.

BofA Securities, Inc., an underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

MISCELLANEOUS

The summaries or descriptions of provisions of the Bonds, the Trust Agreement, the Validation Action, the PERS Contract, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is made to said documents for full and complete statements of provisions of such documents. The appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Trust Agreement may be obtained during the offering period from the Underwriters and thereafter upon request to the principal corporate trust office of the Trustee.

This Official Statement does not constitute a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement have been duly authorized by the City Council of the City.

CITY OF RIVERSIDE

By: Edward Enriquez
Chief Financial Officer/City Treasurer

APPENDIX A

CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION

As described above under the caption “INTRODUCTION—COVID-19 Pandemic,” the COVID-19 Pandemic is expected to materially adversely impact the City’s financial condition. Historical information set forth in the Official Statement, including Appendix A hereto, is not intended to be predictive of future results.

General

The City is the county seat of Riverside County (the “County”) and is located in the western portion of the County about 60 miles east of downtown Los Angeles and approximately 90 miles north of San Diego. Within 10 miles of the City are the cities of San Bernardino, Loma Linda, Corona, Norco, Fontana, Ontario, Rialto, Colton, Moreno Valley and Redlands, among others. These cities and the City are located in the County and the County of San Bernardino, and comprise the Riverside-San Bernardino Primary Metropolitan Statistical Area (the “PMSA”). The PMSA represents an important economic area of the State and of Southern California. It lies to the west and south, respectively, of the strategic San Geronio and Cajon Passes, from which three transcontinental railroads and interstate highways converge to connect the Los Angeles area with the other areas of the nation. The City is situated in close proximity to the metropolitan centers of Los Angeles and Orange Counties.

The County and the County of San Bernardino cover 27,400 square miles, a land area larger than the State of Virginia. As of 2019, the County had a population estimated at 2,440,124 and San Bernardino County had a population estimated at 2,192,203. With a population of over 4.5 million, the PMSA ranks as one of the largest Metropolitan Statistical Areas (“MSAs”) in the United States. The County alone is larger than the State of New Jersey. The PMSA, though small geographically in relation to the bi-county area, contains most of the two counties’ population.

Municipal Government

The City was incorporated in 1883 and covers 81.5 square miles. The City is a charter city and has a council-manager form of government with a seven-member council being elected by ward for four-year overlapping terms. The mayor is elected at large for a four-year term and is the presiding officer of the council, but does not have a vote except in case of a tie. The position of City Manager is filled by appointment of the council to serve as administrator of the staff and to carry out the policies of the council.

Functions of the City government are carried out by approximately 2,500 personnel. The City operates and maintains a sewer, water and electrical system. Other City services include diversified recreation programs, police, fire, airport, parks, a museum and libraries.

Services and Facilities

Public Safety. The City provides law enforcement and fire protection services. The Police Department currently employs 358 sworn officers and the Fire Department employs 216 sworn fire fighters operating out of 14 fire stations. Other services provided by the City include emergency medical aid, traffic safety maintenance, and building safety regulation and inspection.

Public Services. The City provides electric, water, sewer, refuse and transportation service to the City residents through municipal enterprises. The City also owns and operates a general aviation airport.

Public Works. Additional services include parkway and median maintenance improvements, refuse management, sewer and storm drain maintenance, zoning and development administration, environmental review, code enforcement and street tree maintenance.

Leisure and Community Services. Among the City’s cultural institutions and activities are a convention center, the Riverside Art Museum, a Riverside Metropolitan Museum, a number of libraries, the Municipal Auditorium, the Fox Performing Arts Center, the opera society and the symphony society. There are three major hospitals in the City: Parkview Community, Riverside Community and Kaiser Permanente.

Population

The following table offers population figures for the City, the County and the State as of January 1 for the years 2015 through 2019.

**Table 1
POPULATION
2015-2019**

<i>Area</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
City of Riverside	318,914	321,723	323,934	326,270	328,101
County of Riverside	2,321,837	2,350,992	2,384,660	2,412,536	2,440,124
State of California	38,952,462	39,214,803	39,504,609	39,740,508	39,927,315

Source: California State Department of Finance, Demographic Research Unit. 2010 Census Benchmark.

Accounting Policies and Financial Reporting

The accounts of the City are organized into separate funds to account for different activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The City’s General Fund and other governmental fund types use the modified accrual basis of accounting. All of the City’s other funds, including proprietary fund types and fiduciary fund types, use the accrual basis of accounting. The basis of accounting for all funds is more fully explained in the “Notes to the Basic Financial Statements” contained in APPENDIX B—“CITY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019.”

The City Council employs, at the conclusion of each fiscal year, an independent certified public accountant who, at such time or times as specified by the City Council, at least annually, and at such other times as he or she will determine, examines the combined financial statements of the City in accordance with generally accepted auditing standards, including such tests of the accounting records and such other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the City Council and a copy of the financial statements as of the close of the fiscal year is published.

The City General Fund finances the legally authorized activities of the City not provided for in other restricted funds. General Fund revenues are derived from such sources as taxes; licenses and permits, fines, forfeits and penalties; use of money and property; aid from other governmental agencies; charges for current services; and other revenue. General Fund expenditures are classified by the functions of general government, public safety, highways and streets, culture and recreation and community development.

City Financial Policies

The City has adopted several financial policies in order to provide financial stability.

Debt Policy. The City’s Debt Policy is intended to ensure issuance and administration of City debt in compliance with the State of California Constitution, City Charter, and other legislative guidelines and be in alignment with the City’s strategic goals, including providing transparency of the City’s debt practices and obligations. The policy was amended to comply with the Senate Bill 1029 Amendment to the California Government Code Section 8855(i), effective on January 1, 2017, and governs all debt undertaken by the City, including debt issued by the City on behalf of third parties. Third-party debt includes assessment districts and community facilities districts, as well as conduit debt.

Pension Funding Policy. The City’s Pension Funding Policy was approved by City Council on August 6, 2019 with the goal of mitigating a portion of the City’s long-term PERS liability. The policy established a Pension Stabilization Fund and a Section 115 Pension Trust that is managed by an outside investment advisor. The Pension Stabilization Fund is to be used to pre-pay the City’s annual UAL payment and to hold one-time revenues set aside to make PERS payments in accordance with the policy. The policy also recommends staff set aside a portion of any projected year-end increase in fund balance to offset pension contribution increases. City staff is directed to monitor General Fund debt obligations for savings opportunities per the City’s Debt Management Policy and redirect any savings to the Pension Stabilization Fund. Upon the retirement of any General Fund debt obligation, staff will also present a plan to reallocate all or a portion of prior debt service payments to the Pension Stabilization Fund.

Multi-Year Capital Planning Fiscal Policy. The City’s Capital Planning Fiscal Policy was approved by the City Council on March 20, 2018. It identifies the Capital Improvement Program as a multi-year financial plan that lists and describes the capital projects the City will undertake, indicates how the projects will be funded, and projects the effect of the plan on key financial variables. Per the policy the City adopts a multi-year Capital Plan spanning at least five years in conjunction with the biennial budget and five-year financial planning process. The policy identifies an asset or improvement as a capital project if it has a monetary value (cost) of at least \$20,000 and a useful life of at least 10 years.

The City has also adopted a Reserve Policy and an Investment Policy. See “—General Fund Reserves” and “City Investment Policy and Portfolio,” respectively.

City Financial Data

The following tables provide a five-year history of the City’s General Fund Balance Sheet (Table 2), and General Fund revenues, expenditures, transfers, and ending fund balances (Table 3).

Table 2
CITY OF RIVERSIDE
GENERAL FUND BALANCE SHEET
(As of June 30)
(Amounts Expressed in Thousands)

	<i>Fiscal Year</i> <i>2014-15</i>	<i>Fiscal Year</i> <i>2015-16</i>	<i>Fiscal Year</i> <i>2016-17</i>	<i>Fiscal Year</i> <i>2017-18</i>	<i>Fiscal Year</i> <i>2018-19</i>
ASSETS:					
Cash and Investments	\$ 46,747 ⁽²⁾	\$ 33,511	\$ 59,347	\$ 84,142	\$ 120,147
Cash and investments at fiscal agent	4,563	2,758	1,943	18	14
Receivables (net)					
Interest	30	19	23	193	346
Property taxes	3,874	4,524	4,274	3,876	4,113
Sales taxes	14,178	19,117	20,360	23,854	22,680
Utilities billed	1,226	1,123	1,210	1,226	1,295
Accounts	7,607	12,674	6,525	5,642	5,014
Intergovernmental	3,202	5,388	4,050	5,325	4,782
Notes	--	1,597	1	10	10
Prepaid items	659	1,455	2,599	1,947	774
Deposits	300	300	300	-	-
Due from other funds	6,934 ⁽²⁾	1,564	1,722	858	2,438
Advances to other funds	22,064	20,757	22,715	-	-
Advances to Successor Agency	619	582	554	-	-
Land & Improvements held for resale	675	1,341	175	175	175
Total Assets	<u>\$ 112,678</u>	<u>\$ 106,710</u>	<u>\$ 125,798</u>	<u>\$ 127,266</u>	<u>\$ 161,791</u>
LIABILITIES:					
Accounts Payable	\$ 8,328	\$ 7,640	\$ 9,291	\$ 7,463	\$ 7,664
Accrued payroll	11,697	14,985	19,072	16,442	19,261
Retainage payable	7	31	1	13	14
Intergovernmental	147	144	149	151	218
Deferred revenue	227	1,296 ⁽³⁾	273	330	29
Deposits	8,867	8,946	7,750	8,558	8,813
Due to other funds	--	-	-	-	-
Advances from other funds	72	-	-	-	-
Total Liabilities	<u>\$ 29,345</u>	<u>\$ 33,042</u>	<u>\$ 36,536</u>	<u>\$ 32,957</u>	<u>\$ 35,999</u>
DEFERRED INFLOWS OF REVENUE					
Unavailable revenue	<u>\$ 3,682</u>	<u>\$ 8,090</u>	<u>\$ 6,192</u>	<u>\$ 4,685</u>	<u>\$ 4,625</u>
Total Deferred Inflow of Revenue	<u>\$ 3,682</u>	<u>\$ 8,090</u>	<u>\$ 6,192</u>	<u>\$ 4,685</u>	<u>\$ 4,625</u>
FUND BALANCE:⁽¹⁾					
Nonspendable	\$ 23,642	\$ 23,094	\$ 26,168	\$ 1,947	\$ 949
Restricted	2,985	3,067	2,651	2,991	3,411
Committed				53,800	65,916
Assigned	13,965	9,922	14,968	23,242	26,984
Unassigned	39,059	29,495	39,283	7,644	23,907
Total fund balances	<u>\$ 79,651</u>	<u>\$ 65,578</u>	<u>\$ 83,070</u>	<u>\$ 89,624</u>	<u>\$ 121,167</u>
Total Liabilities and Fund Balances	<u>\$ 112,678</u>	<u>\$ 106,710</u>	<u>\$ 125,798</u>	<u>\$ 127,266</u>	<u>\$ 161,791</u>

⁽¹⁾ GASB Statement No. 54 modified the fund balance classifications to reflect a hierarchy based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the General Fund.

⁽²⁾ The decrease in cash and increase due from other funds relates to short-term borrowing by other funds to address negative cash positions in those funds.

⁽³⁾ The increase in Deferred revenue in Fiscal Year 2015-16 was due to an increase in accrued revenue related to public safety grants, receivable within the Deferred revenue measurement period of 60 days, that occurred and was recorded under Deferred revenue instead of Unavailable revenue.

Source: City Audited Financial Statements (except as noted).

Table 3
CITY OF RIVERSIDE
STATEMENT OF GENERAL FUND
REVENUES, EXPENDITURES AND FUND BALANCES (Fiscal Year Ending June 30)
(Amounts Expressed in Thousands)

	<i>Fiscal Year</i> <i>2014-15</i>	<i>Fiscal Year</i> <i>2015-16</i>	<i>Fiscal Year</i> <i>2016-17</i>	<i>Fiscal Year</i> <i>2017-18</i>	<i>Fiscal Year</i> <i>2018-19</i>
Revenues:					
Taxes	\$ 153,200	\$ 156,172	\$ 174,803	\$ 223,116	\$ 240,416
Licenses and permits	8,490	9,077	9,815	10,015	10,357
Intergovernmental ⁽¹⁾	10,454	10,006	7,318	10,513	3,466
Charges for services	24,737	26,443	31,384	17,438	16,291
Fines and forfeitures	3,957	1,937	1,975	3,699	2,078
Special assessments	4,480	4,424	4,443	402	535
Rental and Investment Income	2,854	1,868	2,768	2,318	3,389
Miscellaneous	<u>5,180</u>	<u>4,146</u>	<u>5,512</u>	<u>3,815</u>	<u>3,287</u>
Total Revenues	\$ 213,352	\$ 214,073	\$ 238,018	\$ 271,316	\$ 279,819
Expenditures					
Current:					
General Government	\$ 14,027	\$ 15,578	\$ 16,451	\$ 15,635	\$ 10,004
Public safety	156,648	163,837	162,868	184,608	186,863
Highways and streets	16,594	17,416	17,504	18,643	20,289
Culture and recreation	37,405	39,413	40,440	29,136	29,806
Capital Outlay	4,899	8,139	3,361	2,646	1,815
Debt service; principal ⁽²⁾	10,954	12,232	44,225	-	-
Debt service; interest	5,940	5,626	5,209	-	-
Bond issuance costs	<u>172</u>	<u>180</u>	<u>29</u>	<u>14</u>	<u>-</u>
Total Expenditures	\$ 246,639	\$ 262,421	\$ 290,087	\$ 250,682	\$ 248,777
Revenues over (under) expenditures	\$ (33,257)	\$ (48,348)	\$ (52,069)	\$ 20,634	\$ 31,042
Other Financing Sources (Uses)					
Transfers in	\$ 45,410	\$ 44,790	\$ 76,948	\$ 59,332	\$ 51,763
Transfers out	(16,024)	(16,747)	(13,497)	(50,738)	(51,262)
Proceeds from issuance of long-term debt	30,940	31,145	-	-	-
Payment to escrow account for advance refunding ⁽²⁾	(30,940)	(30,940)	-	-	-
Capital Lease Proceeds	4,450	5,846	2,109	-	-
Sales of capital assets	<u>242</u>	<u>181</u>	<u>4,001</u>	<u>422</u>	<u>-</u>
Total other financing sources (uses)	\$ 34,078	\$ 34,275	\$ 69,561	\$ 9,016	\$ 501
Net change in fund balances	<u>791</u>	<u>(14,073)</u>	<u>17,492</u>	<u>29,650</u>	<u>31,543</u>
Fund balances, July 1	<u>78,860</u>	<u>79,651</u>	<u>65,578</u>	<u>59,974</u>	<u>89,624</u>
Fund balances, June 30	\$ 79,651	\$ 65,578	\$ 83,070	\$ 89,624	\$ 121,167

⁽¹⁾ Reflects revenue received from grants and motor vehicle in-lieu fees.

⁽²⁾ For financial statement reporting, principal of the City's Taxable Pension Obligation Refunding Bond Anticipation Notes is reflected as Debt service; principal.

Source: City Audited Financial Statements (except as noted).

Budgetary Process and Administration

Consistent with the City Council's direction in 2018, City staff prepared a two-year budget for fiscal years 2018-19 and 2019-20. In addition, the budget has been developed within the context of a five-year plan, which provides a financial framework to guide future policy and programmatic recommendations by management and decisions by the City Council.

The City believes that moving to a two-year budget provides the City Council, departments and the public with greater certainty regarding ongoing funding and staffing for programs and services. It will eliminate the time required to produce, review, and approve the budget document every year. At the conclusion of the first year (i.e., the end of fiscal Year 2018-19), the City Council received a mid-cycle review of year-end financials. The mid-cycle review process provided the mechanism to ensure that revenue and expenses forecast at the beginning of the first year remained accurate and, only if necessary, amend the budget to address any significant revenues shortages and/or unknown and unforeseeable expenses. The City amended the budget based on the mid-cycle review. Notwithstanding the City's policy for a two-year budget, in light of economic uncertainty and upheaval caused by the COVID-19 pandemic, the City is proposing a one-year budget for Fiscal Year 2021

The City uses the following procedures when establishing the budgetary data reflected in its financial statements: During the period December through February of each fiscal year (now, every other fiscal year), department heads prepare estimates of required appropriations for the following fiscal year. These estimates are compiled into a proposed operating budget that includes a summary of proposed revenue and expenditures and historical data for the two preceding fiscal years. The operating budget is presented by the City Manager to the City Council for review. Public hearings are conducted to obtain citizen comments. The City Council generally adopts the budget during one of its June meetings. The City Manager is legally authorized to transfer budgeted amounts between divisions and accounts within the same department and fund. Transfer of appropriations between departments or funds and increased appropriations must be authorized by the City Council. Expenditures may not legally exceed budgeted appropriations at the departmental level within a fund.

Budgets for the funds are adopted on a basis consistent with generally accepted accounting principles. The budgeted tax revenues in Table 4 and Table 5 exclude Measure Z revenues which are accounted for separately than the General Fund but are available for General Fund expenses. See "-Measure Z" herein.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Fiscal Year 2018-19 Annual Budget. Table 4 summarizes the final budget and audited actual results of the General Fund of the City for Fiscal Year 2018-19.

Table 4
CITY OF RIVERSIDE
GENERAL FUND FINAL BUDGET VERSUS ACTUALS
(Fiscal Year 2018-19)
(Amounts Expressed in Thousands)

	<i>2018-19 Final Budget</i>	<i>2018-19 Actual</i>	<i>Variance</i>
Revenues			
Taxes	\$ 232,218	\$ 240,416	\$ 8,198
Licenses and permits	10,188	10,357	169
Intergovernmental	3,654	3,466	(188)
Charges for services	16,551	16,291	(260)
Fines and forfeitures	1,209	2,078	869
Special assessments	505	535	30
Rental and investment income	1,700	3,389	1,689
Miscellaneous	<u>3,799</u>	<u>3,287</u>	<u>(512)</u>
Total revenues	\$ 269,824	\$ 279,819	\$ 9,995
Expenditures			
General government	\$ 29,859	\$ 10,004	\$ 19,855
Public Safety	191,214	186,863	4,351
Highways and streets	22,122	20,289	1,833
Culture and recreation	33,218	29,806	3,412
Capital Outlay	3,414	1,815	1,599
Debt service: Principal	-	-	-
Debt service: Interest	-	-	-
Bond issuance costs	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	\$ 279,827	\$ 248,777	\$ 31,050
Deficiency of revenue under expenditures	<u>\$ (10,003)</u>	<u>\$ 31,042</u>	<u>\$ 41,045</u>
Other financing sources (uses)			
Transfers in	\$ 64,378	\$ 51,763	\$ (12,615)
Transfers out	(66,215)	(51,262)	14,953
Proceeds from issuance of long-term debt	-	-	-
Payment to Escrow for Advance Refunding	-	-	-
Capital Lease Proceeds	-	-	-
Sales of capital assets	<u>68</u>	<u>-</u>	<u>(68)</u>
Total other financing sources (uses)	<u>(1,769)</u>	<u>501</u>	<u>2,270</u>
Net change in fund balance	\$ (11,772)	\$ 31,543	\$ 43,315
Fund balance, beginning	<u>89,624</u>	<u>89,624</u>	<u>-</u>
Fund balance, ending	\$ 77,852	\$ 121,167	\$ 43,315

Source: City of Riverside.

Fiscal Year 2018-20 Biennial Budget. The adopted Fiscal Year 2018-20 biennial budget included General Fund revenues of approximately \$281.0 million for Fiscal Year 2019-20. The Fiscal Year 2019-20 year-end forecast of General Fund revenue as of January 31, 2020 is approximately \$279.1 million, which is slightly lower than budgeted.

If the revenue and expenditure forecast described above and detailed in Table 5 is realized, the General Fund reserve balance would decrease to approximately \$59.2 million at the end of Fiscal Year 2019-20.

The following table summarizes the Fiscal Year 2019-20 budgeted projections as stated in the 2018-20 biennial adopted budget and the Fiscal Year 2019-20 projected actual results as of January 31, 2020, as well as the proposed General Fund budget for Fiscal Year 2020-21. The proposed General Fund budget for Fiscal Year 2020-21 has not been approved by the City Council, and the City can provide no assurances that the ultimate General Fund budget for Fiscal Year 2020-21 will match the numbers set forth in the table below. The General Fund budget for Fiscal Year 2020-21 is scheduled to be approved in June, 2020.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 5
CITY OF RIVERSIDE
GENERAL FUND ADOPTED BUDGET (FISCAL YEAR 2019-20), PROJECTED
ACTUALS (FISCAL YEAR 2019-20) AND PROPOSED BUDGET (FISCAL YEAR 2020-21)
(Amounts Expressed in Thousands)

	<i>Adopted Budget 2019-20</i>	<i>Amended Mid-Cycle 2019-20⁽¹⁾</i>	<i>Proposed Budget 2020-21</i>
Revenues			
Sales & Use Taxes	\$ 66,159,534	\$ 66,159,534	\$ 59,644,285
Property Taxes	67,465,561	70,194,896	70,854,729
Utilities Users Tax	28,837,533	28,837,533	30,071,801
Charges for Services	17,825,452	17,229,311	15,380,916
Licenses and Permits	10,531,009	10,531,009	8,678,998
Fines and Forfeitures	1,831,885	1,190,334	1,659,390
Franchises	4,764,768	4,764,768	5,262,475
Special Assessments	504,727	504,727	512,980
Transient Occupancy Tax	7,592,465	7,158,960	2,709,840
Intergovernmental Revenues	2,085,079	2,199,173	1,144,668
One-Time Revenues	7,714,880	5,012,343	4,117,838
Transfers In	65,492,026	65,159,726	79,117,227
Use of Reserves	<u>194,101</u>	<u>194,101</u>	<u>0</u>
Total Revenues	\$ 280,999,020	\$ 279,136,415	\$ 271,400,277
Expenditures			
City Attorney	\$ 6,202,237	\$ 6,277,287	\$ 5,385,012
City Clerk	1,827,523	1,827,523	3,115,102
City Council	1,365,551	1,365,551	1,499,750
City Manager	5,785,540	5,785,540	4,539,670
Community Development	17,005,515	17,090,391	14,909,884
Finance	7,462,253	7,462,253	6,569,147
Fire	62,303,599	62,303,599	63,429,091
General Services	4,887,127	4,887,127	4,683,638
Human Resources	3,530,394	3,530,394	3,587,176
Innovation & Technology	13,972,234	13,972,234	11,689,476
Library	8,160,475	8,160,475	7,450,677
Mayor	931,448	936,448	849,443
Museum	2,160,303	2,160,303	1,949,646
Non-Departmental	8,906,813	6,818,686	8,042,711
Parks, Recreation & Community Services	23,179,796	23,179,796	21,648,475
Police	113,915,644	113,915,644	115,090,896
Public Works	16,924,695	16,924,695	14,843,481
Negotiated Labor Adjustments			
Net Allocations	(26,249,623)	(26,378,073)	(23,456,643)
Managed Savings			(7,000,000)
Transfers Out	<u>9,963,508</u>	<u>10,152,554</u>	<u>12,573,645</u>
Total Expenditures	\$ 282,235,032	\$ 280,372,427	\$ 271,400,277
Revenue over/(under) expenditures	(1,236,012)	(1,236,012)	0
Other financing sources (uses)			
Proceeds from issuance of long-term debt	\$ 0	\$ 0	\$ 0
Payment to escrow for refunding	\$ 0	\$ 0	\$ 0
Other financing sources (uses) cont.			
Measure Z -Transaction & Use Tax	55,085,400	59,100,000	56,200,000
Measure Z – appropriations	<u>57,528,914</u>	<u>59,139,201</u>	<u>70,667,740</u>
Total other financing sources (uses)	(2,443,514)	(39,201)	(14,467,740)
Net change in fund balance	\$ (1,236,012)	\$ (1,236,012)	0
Fund balance, beginning	<u>60,433,966</u>	<u>60,433,966</u>	<u>56,000,000</u>
Fund balance, ending	\$ 59,197,954	\$ 59,197,954	\$ 56,000,000

⁽¹⁾ As of January 31, 2020. Does not reflect the impact of COVID-19 Pandemic. See "COVID-19 Pandemic Impacts on Fiscal Years 2020 and 2021 Budgets" below.

Source: City of Riverside.

COVID-19 Pandemic Impacts on Fiscal Years 2020 and 2021 Budgets

As described above under the caption “INTRODUCTION—COVID-19 Pandemic,” the COVID-19 Pandemic is expected to materially adversely impact the City’s financial condition. The City’s General Fund Budget is not as heavily reliant on transient occupancy taxes or tourist driven sales tax revenues as other communities in the State. Based on current projections, the City expects a projected approximately 4% decrease in General Fund revenues (approximately \$11.9) for the remainder of Fiscal Year 2020 as a result of the COVID-19 Pandemic. Such projections include an approximately (i) 11.4% (\$7.2 million) reduction in sales tax revenues, including approximately \$2.2 million in sales tax revenues to be deferred until 2021 based on Governor Newsom’s Order, (ii) 31% (\$2.2 million) reduction in transient occupancy taxes and (iii) 17% (\$1.6 million) reduction in business license tax revenues. Additionally, prior to the COVID-19 Pandemic, the City was projecting \$800,000 less in General Fund transfers in. The City is not projecting any material decreases in property tax receipts, property transfer taxes, charges for services or utility user taxes in Fiscal Year 2020 from what was budgeted. Additionally, the City is expecting a reduction of Measure Z revenues of \$9.1 million for the remainder of Fiscal Year 2020.

Despite the foregoing, the City expects to balance its Fiscal Year 2020 Budget without the use of any reserve funds. As a result of the COVID-19 Pandemic, the City suspended recruitment of all vacant positions and froze all elective spending to only essential service related expenditures. The City expects cost savings will offset the loss of revenues for Fiscal Year 2020. Additionally, the City is expecting FEMA reimbursements for certain COVID-19 related costs it has incurred.

City staff presented to the City Council on May 19, 2020 a one-year budget rather than its historical two-year budget due to the uncertain impact of the COVID-19 Pandemic on City finances. Based on current projections, it is anticipated that the Fiscal Year 2021 Budget will assume a 11% (\$28 million) decrease in revenues from the Fiscal Year 2020 Budget in addition to a structural deficit of approximately \$10 million. Additionally, the City is projecting a decrease in Measure Z revenues of \$5 million (net of \$2.25 million deferred from Fiscal Year 2020 to Fiscal Year 2021) from its original estimate for Fiscal Year 2021 of \$63.5 million.

In order to balance the Fiscal Year 2021 Budget, the City plans to (i) continue the hiring freeze and suspension of recruitment for all employees (estimated \$15.7 million savings), (ii) restore approximately \$6.5 million of Measure Z funding to the General Fund (iii) apply \$6 million in Measure Z contingency funds to the General Fund, (iv) realize approximately \$7 million in PERS annual cost reductions resulting from the issuance of the Bonds and (v) apply up to \$9 million from the City’s Section 115 Trust to offset pension cost otherwise paid from the General Fund. The City is also analyzing the sale or other utilization of certain assets to generate one-time and ongoing revenues in the event that revenues are less than projected or expenditures exceed projections. The City is currently not planning any curtailment of City services but is considering reducing City subsidies for certain programs if additional budget savings are required. The Fiscal Year 2021 Budget is subject to City Council approval in June of 2020, and no assurances can be made the City Council will approve any or all of the measures discussed above or direct City Staff to pursue alternative options.

General Fund Reserves

The following chart illustrates the General Fund reserves of the City for Fiscal Years 2009-10 through 2018-19. The City’s policy is to maintain its General Fund reserves, at a minimum, in an amount equal to 15% of the next fiscal year’s expenditures, and as often as possible, in an amount equal to 20% of the next fiscal year’s expenditures; moneys in the fund are available for use at the City Council’s discretion.

Table 6
CITY OF RIVERSIDE
GENERAL FUND RESERVES
(As of June 30)
(Dollar Amounts Expressed in Thousands)

<u>Fiscal Year</u>	<u>Ending Reserves</u> ⁽¹⁾⁽²⁾⁽³⁾	<u>Percent Change</u>	<u>% of Following Fiscal Year Expenditures</u> ⁽³⁾	<u>Measure Z</u> ⁽⁴⁾
2009-10	\$32,023	(3.2)%	16.4%	--
2010-11	36,359	13.5	17.2	--
2011-12	39,347	8.2	17.8	--
2012-13	37,763	(4.0)	16.9	--
2013-14	37,732	(0.1)	15.7	--
2014-15	39,059	3.5	15.2	--
2015-16	29,495	(24.5) ⁽⁵⁾	11.1	--
2016-17	37,129	25.9 ⁽⁶⁾	13.7	\$ 2,154
2017-18	53,800	44.9 ⁽⁶⁾	20.0	7,644
2018-19	59,666	4.1	21.1 ⁽⁷⁾	25,241

- (1) Fiscal Year 2009-10 Ending Reserve was calculated using methodology prior to GASB Statement No. 54, which modified the fund balance classifications to reflect a hierarchy based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the General Fund. Ending Reserves for Fiscal Year 2009-10 include fund balance classified as unreserved, designated for economic contingency, and unreserved, undesignated.
- (2) In fiscal years 2009-10 through 2015-16, Ending Reserves represents the fund balance classified as Unassigned in the General Fund's balance sheet. In fiscal year 2016-17, the aggregate of Ending Reserves and Measure Z represents the fund balance classified as Unassigned in the General Fund's balance sheet. In Fiscal Year 2017-18, Ending Reserves represents the fund balance classified as Committed Contingency, and Measure Z represents the fund balance classified as Unassigned, in the General Fund balance sheet. See Table 2.
- (3) Measure Z fund balance is excluded from the Ending Reserves and % of Following Fiscal Year Expenditures.
- (4) Measure Z is a 1.0% Transaction and Use Tax approved on November 8, 2016, that expires in 2036. Funds are accounted for separately, but are available for General Fund obligations. See "—Measure Z."
- (5) Decrease in Fiscal Year 2015-16 was due to expenditures for the Riverside Avenue grade separation project (an approximately \$30 million project), which was completed in that fiscal year. A majority of the expenditures was reimbursed to the General Fund from non-General Fund funding sources in Fiscal Year 2016-17.
- (6) Increase in Fiscal Year 2017-18 was due to increased sales tax revenues from Measure Z and cost saving efforts by departments during that fiscal year.
- (7) Subsequent to the issuance of the certified audited financial reports for Fiscal Year 2018-19, the City Council committed General Fund reserves in excess of 20% to the City's Section 115 Pension Trust Fund.

Source: City of Riverside budgets and financial projections.

Taxes and Other Revenue

The General Fund receives the following local taxes and revenue. In the following sections, each of these sources of local tax revenue is described in greater detail.

Table 7
CITY OF RIVERSIDE
GENERAL FUND TAX REVENUES BY SOURCE
(Amounts Expressed in Thousands)

	<i>Fiscal Year</i>				
	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>	<i>2018-19</i>
Sales & Use Tax ⁽²⁾	\$ 59,437	\$ 60,976	\$ 75,883	\$120,338	\$130,645
Property Taxes ⁽¹⁾	54,864	55,545	59,526	63,515	69,343
Utility Users Tax	28,076	27,828	27,958	27,498	28,009
Other Taxes ⁽³⁾	<u>10,823</u>	<u>11,823</u>	<u>11,436</u>	<u>11,765</u>	<u>12,419</u>
Total Taxes	\$153,200	\$156,172	\$174,803	\$223,116	\$240,416

⁽¹⁾ Property Taxes include Property Transfer Tax and Library Operations Tax as well as the property tax received in lieu of vehicle license fees.

⁽²⁾ Sales & Use Tax includes the sales tax in lieu related to Proposition 57 (the “Triple Flip”) and revenues from Measure Z.

⁽³⁾ Other Taxes consists of Transient Occupancy Tax and Franchise Taxes. See “—Other Taxes—*Franchise Taxes*” herein for a description of these taxes.

Source: City of Riverside Annual Financial Reports.

The City’s receipt of taxes and other revenue will likely be impacted by the economic effects of the coronavirus. See “RISK FACTORS—COVID-19 Pandemic” and “COVID-19 Pandemic Impacts on Fiscal Years 2020 and 2021 Budgets” for a description of the projected impact that the coronavirus will have on the City’s finances.

Sales Taxes

Sales and use taxes represent the largest source of General Fund revenue to the City. This section describes the current system for levying, collecting and distributing sales and use tax revenues in the State. For a discussion of Measure Z, which is a 1% transactions and use tax that was approved by the City’s electorate in November 2016 and took effect on April 1, 2017, see “—Measure Z.”

Sales Tax Rates. The City’s sales tax revenue represents the City’s share of the sales and use tax imposed on taxable transactions occurring within the City’s boundaries. The sales tax is governed by the Bradley-Burns Uniform Local Sales and Use Tax Law (the “Sales Tax Law”).

Currently, taxable transactions in the City are subject to the following sales and use tax, of which the City's share is only a portion. The State collects and administers the tax, and makes distributions on taxes collected within the City, as follows:

Table 8
CITY OF RIVERSIDE
Sales Tax Rates
Effective January 1, 2020

State General Fund	6.00%
City	1.00
County	0.25
Special	<u>1.50</u>
Total	8.75%

Source: California Department of Tax and Fee Administration.

Sales and use taxes are complementary taxes; when one applies, the other does not. In general, the Statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property in the State. The use tax is imposed on the purchase, for storage, use or other consumption in the State of tangible personal property from any retailer. The use tax generally applies to purchases of personal property from a retailer outside the State where the use will occur within the State.

Certain transactions are exempt from tax under the Sales Tax Law, including sales of the following products:

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;
- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and
- gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the State Board of Equalization's July 2014 Publication No. 61 entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the California Department of Tax and Fee Administration's website at <http://cdtfa.ca.gov/>. Information on this website is not a part of this Official Statement.

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the California State Board of Equalization. Under the Sales Tax Law, all sales and use taxes collected by the State Board of Equalization under a contract with any local jurisdiction (like the City) are required to be transmitted by the Board of Equalization to such local jurisdiction periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter. According to the State Board of Equalization, it distributes quarterly tax revenues to local jurisdictions (like the City) using the following method:

Using the prior year's like quarterly tax allocation as a starting point, the State Board of Equalization first eliminates nonrecurring transactions such as fund transfers, audit payments and refunds, and then adjusts for growth, in order to establish the estimated base amount. The State Board of Equalization disburses 90% of the base amount to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each

represent 30% of the 90% distribution, while the third advance represents the remaining 40%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances and the current advance are provided with each quarterly clean-up payment. As discussed under the caption “INTRODUCTION—COVID-19 Pandemic,” Governor Newsom extended the deadline to file and pay first quarter sales and use tax returns by 90 days for all but the very largest taxpayers, and up to 361,000 California businesses with less than \$5 million in taxable annual sales will be allowed to defer up to \$50,000 in sales tax and enter into 12-month payment plans at zero interest. This will result in delays in the receipt by the City of its portion of the delayed payments. The City projects that approximately \$2.2 million in Fiscal Year 2020 sales tax revenues will be deferred into Fiscal Year 2021.

The Board of Equalization receives an administrative fee based on the cost of services provided by the Board to the City in administering the City’s sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

Taxable Sales by Category. Taxable sales by category for the past ten calendar years for which data is available is set forth in the following table.

Table 9
CITY OF RIVERSIDE
TAXABLE SALES BY CATEGORY
For Calendar Years 2009 Through 2018
(Dollars in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Apparel Stores	\$ 152,564	\$ 161,802	\$ 168,352	\$ 175,320	\$ 178,349	\$ 188,670	\$ 203,001	\$ 214,852	\$ 210,158	\$ 212,036
General Merchandise	435,230	432,303	444,125	450,988	463,355	475,147	477,903	478,538	465,490	470,386
Food Stores	170,151	167,259	169,380	181,719	193,368	209,022	217,902	168,854	169,922	184,278
Eating and Drinking Places	364,291	371,419	395,423	422,153	447,841	483,901	533,317	582,262	609,705	639,995
Building Materials	307,894	292,605	349,398	376,011	454,468	514,993	567,790	636,415	666,907	738,178
Auto Dealers and Supplies	786,012	847,986	965,529	1,118,907	1,280,633	1,461,217	1,548,385	1,608,231	1,588,854	1,621,311
Service Stations	301,654	350,904	419,497	430,322	418,110	413,128	370,257	338,762	360,830	432,991
Other Retail Stores	487,924	501,071	517,583	535,945	550,157	595,305	633,089	692,375	677,850	666,659
All Other Outlets	893,809	977,260	1,072,513	1,008,206	1,154,492	1,312,607	1,461,982	1,474,160	1,481,019	1,700,733
Total	\$ 3,899,529	\$ 4,102,609	\$ 4,501,800	\$ 4,699,571	\$ 5,140,773	\$ 5,653,990	\$ 6,013,625	\$ 6,196,465	\$ 6,232,752	\$ 6,668,585

Source: City of Riverside Annual Financial Reports.

Measure Z

Measure Z is a 1% transaction and use tax (similar to the sales tax) approved by the City’s electorate in November 2016. It was placed on the ballot by the Mayor and City Council to help restore as much as possible of the \$11 million in services eliminated by the City in June 2016, as well as to fund, in part, over \$40 million of estimated annual ongoing needs of the City, such as first responder staffing and vehicles, road and tree maintenance and building repair and maintenance. Measure Z took effect on April 1, 2017, raising the combined total sales tax rate in the City from 7.75% to 8.75%, and is scheduled to sunset in 2036. The City received approximately \$12,000,000, \$43,600,000 and \$62,000,000 in Fiscal Years 2016-17, 2017-18 and 2018-19, respectively, from Measure Z. As a result of the COVID-19 Pandemic, the City is projecting Fiscal Year Measure Z revenues to be approximately \$53.8 million which is approximately \$9.1 million (inclusive of approximately \$2.25 million deferred to Fiscal Year 2021) less than budgeted and is projecting Fiscal Year 2021 Measure Z revenues to be approximately \$58.5 million (inclusive of approximately \$2.25 million deferred from Fiscal Year 2020).

Measure Z’s 1% transaction and use tax is a general tax, meaning the City may use the funds for any governmental purpose. Measure Z funds will be deposited and tracked in a separate fund in the City budget and will be subject to an annual independent audit. However, Measure Z funds are available for General Fund

obligations, including payment of the Bonds. The City's receipt of taxes and other revenue will likely be impacted by the economic effects of the coronavirus. See "RISK FACTORS—COVID-19 Pandemic" and "COVID-19 Pandemic Impacts on Fiscal Years 2020 and 2021 Budgets" for a description of the projected impact that the coronavirus will have on the City's finances.

Ad Valorem Property Taxes

This section describes property tax levy and collection procedures and certain information regarding historical assessed values and major property tax payers in the City.

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

Property taxes on the secured roll are due in two installments, on November 1 and March 1. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. If such taxes remain unpaid as of June 30 of the fiscal year in which the taxes are levied, the property securing the taxes may only be redeemed by a payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of 1-1/2% per month from the original June 30th date to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted properties are thereafter subject to sale by the county tax collector as provided by law.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if unpaid by August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1-1/2% per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing of a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) secure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Assessed Value and Estimated Actual Value. Assessed value and estimated actual value of taxable property for the past ten calendar years for which data is available is set forth in the following table. An extended recession caused by the COVID-19 Pandemic, could impact assessed values with the City and result in decreased property tax revenues. See "INTRODUCTION—COVID-19 Pandemic."

Table 10
CITY OF RIVERSIDE
ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY
For Fiscal Years Ended June 30, 2011 Through June 30, 2020
(Dollars in thousands)

<i>Fiscal Year Ended June 30</i>	<i>Secured</i>	<i>Unsecured</i>	<i>Less: Exemptions</i>	<i>Taxable Assessed Value</i>
2011	\$22,056,793	\$1,260,923	\$(6,920,720)	\$16,396,996
2012	22,031,328	1,264,151	(6,952,649)	16,342,830
2013	22,313,665	1,244,448	(7,142,401)	16,415,712
2014	23,045,134	1,201,634	(7,394,982)	16,851,786
2015	24,482,621	1,329,391	(7,945,000)	17,867,012
2016	25,710,122	1,225,375	(8,432,984)	18,502,513
2017	26,927,989	1,311,356	(9,029,817)	19,209,528
2018	28,373,517	1,354,934	(9,791,810)	19,936,641
2019	30,196,815	1,420,597	(10,818,883)	20,798,529
2020	31,479,055	1,423,350	(11,227,728)	21,674,677

Source: City of Riverside Annual Financial Reports; City of Riverside.

Principal Property Taxpayers. Principal property taxpayers for Fiscal Year 2019-20 is set forth in the following table.

Table 11
CITY OF RIVERSIDE
PRINCIPAL PROPERTY TAXPAYERS
Fiscal Year 2019-20
(Dollars in thousands)

<i>Property Owner</i>	<i>Type of Business</i>	<i>Taxable Assessed Value</i>	<i>Rank</i>	<i>Percentage of Total Taxable Assessed Value</i>
Riverside Healthcare System	Health Care	\$ 319,988	1	1.0%
Tyler Mall	Retail Sales	223,823	2	0.7
Rohr Inc	Manufacturing	171,268	3	0.6
CPT Riverside Plaza, LLC	Retail Sales	162,354	4	0.5
La Sierra University	Student Housing	138,953	5	0.4
Advanced Group 13 107, LP	Residential	106,167	6	0.3
Smith's Food and Drug Centers Inc.	Retail Sales	103,115	7	0.3
1001 Columbia PT, LLC	Industrial Storage	103,028	8	0.3
Walmart Stores Inc./Sams	Retail Sales	83,862	9	0.3
Northrop Drive Apartments	Multi-family residential rental	83,841	10	0.3
Totals		\$1,496,399		4.7%

Source: Riverside County Assessor Fiscal Year 2019-20.

Property Tax Levies and Collections. Property tax levies and collections for the past ten calendar years for which data is available is set forth in the following table.

Table 12
CITY OF RIVERSIDE
PROPERTY TAX LEVIES AND COLLECTIONS
For Calendar Years 2010 through 2019
(Dollars in thousands)

<i>Fiscal Year Ended June 30</i>	<i>Taxes Levied for Fiscal Year</i>	<i>Collected within the Fiscal Year of the Levy</i>		<i>Collection in Subsequent Years</i>	<i>Total Collections to Date</i>	
		<i>Amount</i>	<i>Percentage of Levy</i>		<i>Amount</i>	<i>Percentage of Levy</i>
2010	\$77,228	\$74,491	96.46	\$2,737	\$77,228	100.00%
2011	74,608	72,327	96.94	2,281	74,608	100.00
2012	41,020	40,340	98.34	680	41,020	100.00
2013	43,333	42,447	97.96	886	43,333	100.00
2014	45,138	44,684	98.99	454	45,138	100.00
2015	48,846	48,427	99.14	419	48,846	100.00
2016	50,023	49,585	99.12	-	50,023	100.00
2017	53,655	53,252	99.25	-	53,655	100.00
2018	57,567	57,173	99.32	-	57,567	100.00
2019	63,303	62,557	98.82	-	62,557	98.82

Source: City of Riverside Annual Financial Reports; City of Riverside.

Teeter Plan. In 1949, the California Legislature enacted an alternative method for the distribution of property taxes to local agencies. This method, known as the “Teeter Plan,” is found in Sections 4701-4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county collects property taxes and certain other public agencies and taxing areas located in the county receive annually 100% of their shares of property taxes and other levies collected on the secured roll. While the county bears the risk of loss on unpaid delinquent taxes, it retains the penalties associated with 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.

Once adopted, a county’s Teeter Plan will remain in effect in perpetuity unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of a fiscal year, a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, decide to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a Fiscal Year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes levied on the secured roll by that agency.

The Board of Supervisors of the County has adopted the Teeter Plan, and the City elected to be included within the County’s Teeter Plan, effective for Fiscal Year 2013-14. To the extent that the County’s Teeter Plan continues in existence and is carried out as adopted with respect to the City, the City will receive 100% of its share of secured property tax levies.

Utility Users Taxes

Utility Users taxes represent the third largest source of General Fund revenue to the City. The City levies a tax equal to 6.5% of utility bills, which is collected by the companies providing the services and remitted monthly to the City. This tax was adopted by the City Council on July 7, 1970, and the approving

ordinance has no sunset provision. A five year history showing revenues collected from this tax is shown in Table 7 above.

Other Taxes

Franchise Taxes. The City levies a franchise tax on its cable television, trash collection, and ambulance service. For Fiscal Year 2018-19, these taxes produced \$5,526,478 of General Fund revenues.

Business License Taxes. The City levies a business license tax based principally on gross receipts and on number of employees. For Fiscal Year 2018-19, these taxes produced \$7,226,503 of General Fund revenues. Due to the economic impacts of the COVID-19 pandemic, Business License Taxes (which are less than 3% of the City’s General Fund Budget) are projected to be reduced approximately \$1.5 million, or approximately 20%, in Fiscal Year 2019-20.

Transient Occupancy Taxes. The City levies a 13% transient occupancy tax on hotel and motel bills. For Fiscal Year 2018-19, these taxes produced \$7,163,420 of General Fund revenues. Due to the economic impacts of the COVID-19 pandemic, Transient Occupancy Taxes (which are less than 3% of the General Fund Budget) are projected to be reduced by approximately \$2.25 million, or approximately 31%, in Fiscal Year 2019-20.

Property Transfer Taxes. A documentary stamp tax is assessed for recordation of real property transfers. For Fiscal Year 2018-19, these taxes produced \$2,638,224 of General Fund revenues.

Library Operations Taxes. The City levies a \$19 per year parcel tax for library operations, which was approved by voters in November 2001 and renewed in November 2011. The tax expires on June 30, 2022. For Fiscal Year 2018-19, these taxes produced \$1,376,310 of General Fund revenues.

Utility Payments and Transfers to General Fund

See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Articles XIIC and XIID of the State Constitution” and “—Revenue Transfer from Electric Utility” for a description of certain transfers to the General Fund from the City’s water utility (in the amount of approximately \$6,584,300 in Fiscal Year 2018-19) and the City’s electric utility (in the amount of approximately \$39,886,400 in Fiscal Year 2018-19).

Special Assessments

On an annual basis, the City deposits into the General Fund approximately \$3.5million of assessments levied and collected in Street Lighting District No. 1. Street Lighting District No. 1 was formed in 1988 for installation, construction, maintenance and operation of public lighting and related facilities. The City uses the assessments to pay for a portion of the costs incurred by the City for the authorized public lighting and related facilities.

Short-Term Obligations

The City has not entered into any short-term obligations for Fiscal Year 2019-20 and does not expect to enter into any such obligations for Fiscal Year 2020-21.

Long-Term Obligations

Set forth below is a summary of the City’s outstanding General Fund obligations.

Pension Obligation Bonds. In Fiscal Year 2003-04, the City issued pension obligation bonds (referred to in this Official Statement as the 2004 Bonds), in a single series, in the initial aggregate amount of \$89,540,000 to fund a portion of the unfunded actuarial accrued liability for public safety employees. Proceeds from the 2004 Bonds were deposited with PERS). As of June 30, 2019, the City had \$37,225,000 principal amount of 2004 Bonds outstanding.

In Fiscal Year 2016-17, the City issued the 2017 Bonds in the initial aggregate amount of \$31,960,000 to refund a portion of the unfunded actuarial accrued liability for Miscellaneous employees, and proceeds from the bonds were used to repay the latest in a series of pension obligation notes and bonds, the proceeds of the first series of which were deposited with PERS. As of June 30, 2019, the City had \$26,100,000 principal amount of 2017 Bonds outstanding.

Certificates of Participation & Lease Revenue Bonds. The City has made use of various lease arrangements to finance capital projects through the execution and delivery of certificates of participation and issuance of lease revenue bonds. As of June 30, 2019, the outstanding certificate of participation and lease revenue bond obligations and their outstanding principal balance were as set forth in the following table:

Table 13
CITY OF RIVERSIDE
SUMMARY OF LONG-TERM GENERAL FUND COP AND LRB OBLIGATIONS

	<i>Original Issue</i>	<i>Outstanding Principal⁽¹⁾</i>
2006 Certificates of Participation	\$ 19,945,000	\$ 5,000
2008 Certificates of Participation ⁽²⁾	128,300,000	98,200,000
2012 Lease Revenue Bonds	41,240,000	30,475,000
2013 Certificates of Participation	35,235,000	29,775,000
2019A Lease Revenue Refunding Bonds	15,980,000	15,980,000
2019B Lease Revenue Bonds	<u>33,505,000</u>	<u>33,505,000</u>
Subtotal	\$ 274,205,000	\$ 207,940,000

⁽¹⁾ As of June 30, 2019.

⁽²⁾ The City employed an interest rate swap with respect to the 2008 Certificates of Participation. See Note 6 (Derivative Instruments) to the City’s Fiscal Year 2018-19 audited financial statements. The City entered into a Direct Pay Letter of Credit with Bank of America, N.A., in connection with the 2008 Certificates of Participation that expires on March 31, 2021.

Bank Loan Financings. The City entered into a loan with City National Bank in 2011 to finance the construction of the Fox Entertainment Plaza, a mixed-use project adjacent to the Fox Performing Arts Center in downtown Riverside that contains a parking garage, museum exhibit space, restaurant/retail space, and a small black box theater. While the debt is recorded in the City’s Parking Fund (an enterprise fund) and the debt is to be primarily serviced by Parking Fund revenues, the debt is payable from the General Fund. Annual payments on this bank loan are approximately \$1,747,000 and the loan matures in Fiscal Year 2031-32. As of June 30, 2019, the total amount outstanding was \$17,202,000.

On July 19, 2012, the City entered into a Lease and Option to Purchase Agreement with Compass Mortgage Corporation for the purpose of financing expansion and renovation of the City’s Convention Center. The Lease and Option to Purchase Agreement establishes a variable rate interest component. A concurrent interest rate swap transaction with Compass Bank produces a long-term “synthetic fixed” interest rate.

The Lease and Option to Purchase Agreement establishes a LIBOR-based variable rate interest rate. During the 21-month construction period, the City paid interest-only payments from proceeds of the lease financing. At the end of the 21-month construction period, an interest rate swap agreement with Compass Bank commenced and the variable interest rate under the Lease and Option to Purchase Agreement was “swapped” to fixed for the remaining 20-year amortization, resulting in equal payments each year of

approximately \$2,850,000. The total approved loan amount is \$41,650,000; however under the terms of the loan agreement the City was only required to pay interest on the portion of the proceeds spent as of each monthly interest payment date.

On February 25, 2014, the City Council approved an increase in the loan amount of \$3,000,000, increasing the total amount of the loan to \$44,650,000. The additional funding is not included in the interest rate swap and will remain subject to the variable interest rate. All other terms of the additional financing are comparable to the original transaction including the term and interest rate. The additional principal will amortize proportionally to the amortization schedule of the original loan.

In order to enter into the swap transaction, the City waived certain of its Master Swap Policies relating to the requirements for ratings-based termination events and a credit support annex. The City mitigated the risks associated with this waiver by negotiating protections for the City if a credit event by Compass Bank were to occur, including the ability to offset swap payments due to it from Compass Bank pursuant to the swap agreement against current and future lease payments required to be made by the City to Compass Mortgage Corporation under the Lease and Option to Purchase Agreement.

Annual payments on this bank loan are approximately \$2,036,000 and the loan matures in Fiscal Year 2035-36. Payment of the loan commenced on May 1, 2014, and as of June 30, 2019, the total amount outstanding was approximately \$35,490,000.

Capital Lease Obligations. The City leases various equipment through capital leasing arrangements. The minimum lease obligations payable by the City as of June 30, 2019 are identified in Note 8 to the City's Fiscal Year 2018-19 audited financial statements. See Appendix B.

Pension Plans

*This caption contains certain information relating to PERS. The information is primarily derived from information produced by PERS, its independent accountants and actuaries. The City has not independently verified the information provided by PERS and neither makes any representations nor expresses any opinion as to the accuracy of the information provided by PERS. **The information under this caption is based on PERS reports prior to the impact of the COVID-19 Pandemic on the financial markets. The financial markets have suffered significant dislocations and losses since the date the information in this section which is likely to have a materially adverse impact on the funding status of the City's retirement plans and its required contributions to PERS.***

The comprehensive annual financial reports of PERS are available on its Internet website at www.calpers.ca.gov. The PERS website also contains PERS most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are forward-looking statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

Plan Description. The City contributes to PERS, an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State, including the City. Benefit provisions and all other requirements are established pursuant to State statute and City ordinance. Copies of PERS' annual financial report may be obtained from its executive office located at 400 Q Street, Sacramento, California 95811, or via <http://www.calpers.ca.gov>. The information on such website is not incorporated herein.

The City participates in a Miscellaneous Plan with three tiers within such plan: (i) a 2.5% at 55 Plan for employees hired prior to May 1, 2012; (ii) a 2.0% at 60 Plan for employees hired between May 1, 2012 and December 31, 2012; and (iii) a 2.0% at 62 Plan for employees hired after December 31, 2012. Participants in the 2.5% at 55 Plan are required to contribute 8% of their annual covered salary; participants in the 2.0% at 60 Plan are required to contribute 7.00% of their annual covered salary; and participants in the 2.0% at 62 Plan are required to contribute 6.25% of their annual covered salary.

The City also participates in a Safety Plan with three tiers within such plan: (i) a 3.0% at 55 Plan for employees hired prior to October 16, 2012; (ii) a 2.0% at 50 Plan for employees hired between October 16, 2012 and December 31, 2012, which is part of a larger risk pool containing other public agencies, and (iii) a 2.7% at 57 Plan for employees hired on or after December 31, 2012, which is part of a larger risk pool containing other public agencies. Participants in the 3.0% at 55 Plan and 2.0% at 50 Plan are required to contribute 9% of their annual covered salary and participants in the 2.7% at 57 Plan are required to contribute 12.25% of their annual covered salary.

Funding Policy. City employees' contribution rates in pension tiers 1 and 2 are 9% for Safety employees and 8% for Miscellaneous employees, calculated as a percentage of their monthly earnings. The City pays a portion of the employees' contribution to PERS for both Miscellaneous and Safety employees in pension tier 1 hired before specific dates as outlined in the following table. For any employee hired on or after those dates, the employee pays their full share of the employee contribution. This second tier of pension benefits also included a change in the number of years' salary utilized to compute the retirement benefit and, for certain bargaining units, a change to the formula used to calculate the benefit amount. For tier 3 employees, their contribution is set at 50% of the normal cost, not to exceed 8% of covered pay for Miscellaneous employees and 12% of covered pay for Safety employees, as required by PEPRA.

The following table details the three pension tiers applicable to the City's active employees.

**Table 14
CITY OF RIVERSIDE
PENSION TIERS FOR CITY EMPLOYEES**

<i>Pension Plan</i>	<i>Pension Formula</i>	<i>Benefit Calculation⁽³⁾</i>	<i>Effective Date – Formula and Benefit Calculation</i>	<i>Effective Date – Employees Paying Employee Share of Contribution</i>
Safety – Fire	Tier 1: 3.0% @ 50	Tier 1: 1 Year	--	January 1, 2019 ⁽⁴⁾
	Tier 2: 3.0% @ 55	Tier 2: 3 Years	June 11, 2011	June 11, 2011
	Tier 3: 2.7% @ 57	Tier 3: 3 Years	January 1, 2013	January 1, 2013
Safety – Police ⁽¹⁾	Tier 1: 3.0% @ 50	Tier 1: 1 Year	--	January 1, 2018 ⁽⁵⁾
	Tier 2: 3.0% @ 50	Tier 2: 3 Years	February 17, 2012	February 17, 2012
	Tier 3: 2.7% @ 57	Tier 3: 3 Years	January 1, 2013	January 1, 2013
Miscellaneous	Tier 1: 2.7% @ 55	Tier 1: 1 Year	--	January 1, 2019 ⁽⁶⁾
	Tier 2: 2.7% @ 55	Tier 2: 3 Years	December 16, 2011	October 19, 2011
	Tier 3: 2.5% @ 62 ⁽²⁾	Tier 3: 3 Years	January 1, 2013	January 1, 2013

⁽¹⁾ The dates shown apply to the Police Officer, Police Pilot, and Police Detective classifications. The Police Sergeants and Riverside Police Administrators Association (ranks of Lieutenant and above) negotiated separately at a subsequent date, but are now also subject to the provisions of the second tier.

⁽²⁾ The Miscellaneous plan mandated by PEPRA is commonly known as the “2.0% @ 62 Plan”, however the maximum benefit that can be earned under the plan is 2.5% at age 67.

⁽³⁾ The Benefit Calculation refers to the number of years of salary included in the calculation of the amount to which the retirement benefit is applied. In the case of one year, the highest year of salary is utilized. In the case of three years, the highest consecutive three years is utilized.

⁽⁴⁾ Tier 1 employees currently pay annually 5.0% of covered pay towards PERS normal cost, increasing to 8.0% in 2021.

⁽⁵⁾ Tier 1 employees currently pay annually 4.5% of covered pay towards PERS normal cost, increasing to 6.0% in 2021.

⁽⁶⁾ SEIU and SEIU Refuse employees currently pay annually 8.0% of covered pay towards PERS normal cost. IBEW employees currently pay annually 6.0% of covered pay towards PERS normal cost, increasing to 8.0% in November 2020. Certain unrepresented employees currently pay annually 6.0% of covered pay towards PERS normal cost, increasing to 8.0% in 2021.

Source: City of Riverside.

Approximately 68.8% of the payments made to the Miscellaneous Plan are made from the General Fund. All payments made to the Safety Plan are made from the General Fund.

The contribution requirements of plan members and the City are established and may be amended by PERS.

Funding Status. As of June 30, 2018, the date of the most recent PERS valuation report, the market value of assets in the Safety Plan was approximately \$794,903,449 and the accrued liability was approximately \$1,111,845,886. The Safety Plan was approximately 71.5% funded on a market value of assets as of June 30, 2018, with an Unfunded Liability of approximately \$316,942,437. As of June 30, 2018, the date of the most recent actuarial valuation report, the market value of assets in the Miscellaneous Plan was approximately \$1,090,728,598, and the accrued liability was approximately \$1,401,014,728. The Miscellaneous Plan was approximately 77.9% funded on a market value of assets basis as of June 30, 2018, with an Unfunded Liability of approximately \$310,286,130.

The following tables, for the Safety Plan and the Miscellaneous Plan respectively, set forth the market value of the plans' assets and funded status as of the valuation dates from June 30, 2014 through June 30, 2018 and the total employer contributions made by the City for such fiscal years. The two tables are based on PERS Actuarial Reports for those years:

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 15
CITY OF RIVERSIDE
HISTORICAL FUNDING STATUS
(Miscellaneous Plan)

<i>Valuation Date June 30</i>	<i>Accrued Liability</i>	<i>Market Value of Assets (MVA)</i>	<i>Unfunded Liability</i>	<i>MVA Funded Status</i>	<i>Affects City Contribution Rate for Fiscal Year</i>	<i>Annual Covered Payroll</i>	<i>UAL as a Percentage of Payroll</i>
2014	\$1,180,549,024	\$ 972,056,589	\$208,492,435	82.3%	2016-17	\$110,534,205	188.6%
2015	1,228,644,007	969,285,454	259,358,553	78.9	2017-18	111,185,202	233.3
2016	1,277,998,975	949,866,377	328,132,598	74.3	2018-19	113,072,729	290.2
2017	1,317,421,178	1,029,759,135	287,662,043	78.2	2019-20	118,644,799	242.5
2018	1,401,014,728	1,090,728,598	310,286,130	77.9	2020-21	119,987,924	258.6

Source: PERS Actuarial Reports for June 30, 2014 through June 30, 2018.

Table 16
CITY OF RIVERSIDE
HISTORICAL FUNDING STATUS
(Safety Plan)

<i>Valuation Date June 30</i>	<i>Accrued Liability</i>	<i>Market Value of Assets (MVA)</i>	<i>Unfunded Liability</i>	<i>MVA Funded Status</i>	<i>Affects City Contribution Rate for Fiscal Year</i>	<i>Annual Covered Payroll</i>	<i>UAL as a Percentage of Payroll</i>
2014	\$ 875,318,159	\$710,483,280	\$164,834,879	81.2%	2016-17	\$62,765,015	262.6%
2015	912,387,268	707,597,722	204,789,546	77.6	2017-18	68,722,520	297.9
2016	968,923,917	693,848,703	275,075,214	71.6	2018-19	66,464,764	413.9
2017	1,027,624,656	751,708,228	275,916,428	73.2	2019-20	64,312,108	429.0
2018	1,111,845,886	794,903,449	316,942,437	71.5	2020-21	67,797,235	467.5

Source: PERS Actuarial Reports for June 30, 2014 through June 30, 2018.

Assuming a fixed annual return of 7.0% on future employer contributions, the following tables show the employer contribution for Fiscal Year 2020-21 and the projected future employer contributions for the Miscellaneous and Safety plans for the next five fiscal years:

Table 17
CITY OF RIVERSIDE
PRESENT AND FUTURE EMPLOYER CONTRIBUTIONS
(Miscellaneous Plan)

<i>Fiscal Year</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>	<i>2024-25</i>	<i>2025-26</i>
Normal Cost %	13.071%	13.100%	13.100%	13.100%	13.100%	13.100%
UAL Payment	\$24,338,697	\$26,633,000	\$28,251,000	\$28,704,000	\$30,021,000	\$30,846,000
Total as a % of Payroll	31.8%	33.0%	33.6%	33.4%	33.8%	33.8%
Projected Payroll	\$130,161,646	\$133,741,091	\$137,418,971	\$141,197,993	\$145,080,938	\$149,070,663
Total Employer Contribution⁽¹⁾	\$41,352,127	\$44,153,082	\$46,252,885	\$47,200,937	\$49,026,603	\$50,374,257

⁽¹⁾ Equal to the Normal Cost % multiplied by the Projected Payroll, and added to the UAL Payment.

Source: PERS Actuarial Report for June 30, 2018.

Table 18
CITY OF RIVERSIDE
PRESENT AND FUTURE EMPLOYER CONTRIBUTIONS
(Safety Plan)

<i>Fiscal Year</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>	<i>2024-25</i>	<i>2025-26</i>
Normal Cost %	22.501%	22.500%	22.500%	22.500%	22.500%	22.500%
UAL Payment	\$21,713,806	\$24,844,000	\$27,518,000	\$29,074,000	\$28,945,000	\$31,195,000
Total as a % of Payroll	52.0%	55.4%	57.9%	58.9%	57.8%	59.5%
Projected Payroll	\$73,545,732	\$75,568,240	\$77,646,366	\$79,781,641	\$81,975,637	\$84,229,967
Total Employer Contribution⁽¹⁾	\$38,262,331	\$41,846,854	\$44,988,432	\$47,024,869	\$47,389,518	\$50,146,743

⁽¹⁾ Equal to the Normal Cost % multiplied by the Projected Payroll, and added to the UAL Payment.

Source: PERS Actuarial Report for June 30, 2018.

Benefits Provided. PERS 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 five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit Level III, 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 Covered. At June 30, 2018, the following employees were covered by the benefit terms of each Plan: Inactive employees or beneficiaries currently receiving benefits are 2,184 and 776 for the Miscellaneous and Safety Plans, respectively. Inactive employees entitled to but not yet receiving benefits are 1,375 and 170 for Miscellaneous and Safety Plans, respectively. Active employees were 1,607 and 568 for Miscellaneous and Safety Plans, respectively.

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 PERS. 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.

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 of the Plans is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	<i>Miscellaneous</i>	<i>Safety</i>
Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions		
Discount Rate	7.00%	7.00%
Inflation	2.50%	2.50%
Projected Salary Increase	Depending on age, service, and type of employment.	
Mortality	The mortality table used was developed based on PERS specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.	

Discount Rate – The discount rate used to measure each plan’s total pension liability as of June 30, 2018 was 7.00%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, PERS 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 discount rates used to measure total pension liability are adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rates are applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the PERS website.

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.

In determining the long-term expected rate of return, PERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as followed:

<i>Asset Class</i> ⁽¹⁾	<i>Current Target Allocation</i>	<i>Real Return Years 1 - 10</i> ⁽²⁾	<i>Real Return Years 11+</i> ⁽³⁾
Global Equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	-	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	-	-0.92%

⁽¹⁾ In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

⁽²⁾ An expected inflation of 2.00% used for this period

⁽³⁾ An expected inflation of 2.92% used for this period

Changes of Assumptions – In 2018, demographic assumptions and inflation rate were changed in accordance to the PERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Changes in the Net Pension Liability. The changes in the Net Pension Liability for each Plan were as follows:

<i>Miscellaneous</i>	<i>Increase (Decrease) *</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability/(Asset)</i>
Balance at June 30, 2017	\$ 1,371,914	\$ 1,032,027	\$ 339,887
Changes in the year:			
Service Cost	25,117	-	25,117
Interest on Total Pension Liability	92,595	-	92,595
Changes of Assumptions	(37,885)	-	(37,885)
Differences between Expected and Actual Experience	(19,805)	-	(19,805)
Net Plan to Plan Resource Movement		(3)	3
Contribution - employer	-	29,920	(29,920)
Contribution - employee	-	9,749	(9,749)
Net Investment Income	-	86,307	(86,307)
Benefit Payments, including Refunds of Employee Contributions	(63,483)	(63,483)	-
Administrative Expenses	-	(1,608)	1,608
Other Misc. Income/(Expense)	-	(3,053)	3,053
Net Changes	<u>(3,461)</u>	<u>57,829</u>	<u>(61,290)</u>
Balance at June 30, 2018	<u>\$ 1,368,453</u>	<u>\$ 1,089,856</u>	<u>\$ 278,597</u>
	<i>Liability</i>	<i>Net Position</i>	<i>Liability/(Asset)</i>
<i>Safety</i>			
Balance at June 30, 2017	\$ 1,041,254	\$ 753,365	\$ 287,889
Changes in the year:			
Service Cost	20,390	-	20,390
Interest on Total Pension Liability	73,104	-	73,104
Changes of Assumptions	(4,644)	-	(4,644)
Differences between Expected and Actual Experience	868	-	868
Net Plan to Plan Resource Movement	-	(2)	2
Contribution - employer	-	25,451	(25,451)
Contribution - employee	-	6,401	(6,401)
Net Investment Income	-	62,933	(62,933)
Benefit Payments, including Refunds of Employee Contributions	(50,478)	(50,478)	-
Administrative Expenses	-	(1,174)	1,174
Other Misc. Income/(Expense)	-	(2,229)	2,229
Net Changes	<u>39,240</u>	<u>40,902</u>	<u>(1,662)</u>
Balance at June 30, 2018	<u>\$ 1,080,494</u>	<u>\$ 794,267</u>	<u>\$ 286,227</u>

* Stated in thousands.

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:

	<i>Discount Rate</i>	<i>Current Discount Rate</i>	<i>Discount Rate</i>
<i>Miscellaneous</i>	<i>-1% (6.15%)</i>	<i>(7.15%)</i>	<i>+1% (8.15%)</i>
Plan's Net Pension Liability/(Asset)	\$464,887	\$278,597	\$125,412
		<i>Current Discount Rate</i>	<i>Discount Rate</i>
<i>Safety</i>	<i>-1% (6.15%)</i>	<i>(7.15%)</i>	<i>+1% (8.15%)</i>
Plan's Net Pension Liability/(Asset)	\$434,647	\$286,228	\$164,551

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued PERS financial reports.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions. For the year ended June 30, 2019, the City recognized pension expense of \$74,940. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources *</i>	<i>Deferred Inflows of Resources *</i>
<i>Miscellaneous</i>		
Pension contributions subsequent to measurement date, net	\$ 34,486	\$ -
Changes of assumptions	35,127	(26,405)
Differences between expected and actual experience	-	(25,661)
Net differences between projected and actual earnings on plan investments	<u>3,939</u>	<u>-</u>
Total	<u>\$ 73,552</u>	<u>\$ (52,066)</u>
	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
<i>Safety</i>		
Pension contributions subsequent to measurement date, net	\$ 29,047	\$ -
Differences between actual and actuarial determined contributions	-	-
Changes of assumptions	32,601	(5,329)
Differences between expected and actual experience	661.00	(2,227)
Net differences between projected and actual earnings on plan investments	<u>2,994</u>	<u>-</u>
Total	<u>\$ 65,303</u>	<u>\$ (7,556)</u>

* Stated in thousands.

Approximately \$63,533,000 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 subsequent fiscal period rather than in the current fiscal period.

The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<i>Fiscal Year</i>	<i>Miscellaneous*</i>	<i>Safety*</i>
2019	\$ 10,613	\$19,221
2020	(5,323)	14,653
2021	(15,546)	(3,016)
2022	(2,744)	(2,158)

* Stated in thousands.

For additional information relating to the City’s PERS Plan, see Note 14 to the City’s financial statements set forth in Appendix B.

AB 340, Public Employee Pension Reform Act of 2013 (PEPRA). On September 12, 2012, the California Governor signed Assembly Bill 340 (“AB 340”), which implements pension reform in California. Effective January 1, 2013, AB 340: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from paying employer-paid member contributions to such retirement systems for employees hired after January 1, 2013; (iii) establishes a compulsory maximum non-safety benefit formula of 2.5% at age 67; (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36-month period; and (v) caps pensionable income at \$110,100 (\$132,120 for employees not enrolled in Social Security) subject to Consumer Price Index increases. Other provisions reduce the risk of the City incurring additional unfunded liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting purchases of additional non-qualified service credit.

Pursuant to AB 340, the City established a new pension tiers 2.0% at 62 for Miscellaneous and 2.7% at 57 for Safety) for employees hired on or after January 1, 2013 who were not previously PERS members. The City has established these additional tiers as described above.

PERS Plan Actuarial Methods. The staff actuaries at PERS prepare annually an actuarial valuation which is typically delivered in the time period from July through October of each year (thus, the actuarial valuation dated July 2019 (the most recent valuation provided to the City) covered PERS’ Fiscal Year ended June 30, 2018). The actuarial valuations express the City’s required contribution which the City must contribute in the Fiscal Year immediately following the Fiscal Year in which the actuarial valuation is prepared (thus, the City’s contribution requirement derived from the actuarial valuation as of June 30, 2018 affects the City’s Fiscal Year 2020-21 required contribution). PERS rules require the City to implement the actuary’s recommended rates.

The annual actuarially required contribution rates consist of two components: the normal cost and the unfunded accrued liability (“UAL”). The normal cost represents the actuarial present value of benefits that PERS will fund under the PERS plans that are attributed to the current year, and the accrued liability (the “AAL”) represents the actuarial present value of benefits that PERS will fund that are attributed to past years. The UAL represents an estimate of the actuarial shortfall between actuarial value of assets on deposit at PERS and the present value of the benefits that PERS will pay under the PERS plans to retirees and active employees upon their retirement. The UAL is based on several assumptions such as, among others, the expected rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAL may be considered an estimate of the unfunded actuarial present value of the benefits that PERS will pay under the PERS plans to retirees and active employees upon their retirement and not as a fixed expression of the liability the City owes to PERS under its PERS plans.

The PERS Chief Actuary considers various factors in determining the assumptions to be used in preparing the actuarial report. Demographic assumptions are based on a study of the actual history of retirement, rates of termination/separation of employment, years of life expectancy after retirement, disability, and other factors. This experience study is generally done once every four years. The most recent experience

study was completed in 2017 in connection with the preparation of actuarial recommendations by the PERS Chief Actuary as described below.

The following table sets forth certain economic actuarial assumptions of PERS annual valuations from June 30, 2016 through June 30, 2019 and the corresponding City’s contributions for Fiscal Years 2018-19 through 2021-22.

Valuation Date	6/30/16	6/30/17	6/30/18	6/30/19
	Contribution for Fiscal Year⁽¹⁾			
Assumption	2018-19	2019-20	2020-21	2021-22
Investment Returns	7.25%	7.00%	7.00%	7.00%
Inflation	2.625	2.50	2.50	2.50
Salary Increase (Total Payroll)	2.875	2.75	2.75	2.75

⁽¹⁾ The investment return assumptions for Fiscal Year 2018-19 and subsequent fiscal years were approved by the PERS Board at its December 2016 meeting, as a result of the Asset Liability Management Process completed at that time. The assumptions for inflation and salary increase for Fiscal Year 2018-19 and subsequent fiscal years were also approved by the PERS Board at its December 2017 meeting, as recommended by the 2017 experience study.

As of March 31, 2020, PERS estimated that the rate of return for its investment portfolio for the fiscal year-to-date was a negative 4%. There is no guarantee that PERS will achieve a better rate of return for the full fiscal year and it may be worse. Investment returns below 7% created additional liabilities for public agencies, including the City. Any increase in the unfunded actuarial liability created by the Fiscal Year 2019-20 rate of return will begin affecting the City’s UAL costs starting in Fiscal Year 2022-23. Pursuant to PERS’ methodology, the amounts payable will increase annually during the first five years and then level out for the remaining 15 years over which to amortize investment losses. See “INTRODUCTION—COVID-19 Pandemic” and “RISK FACTORS—COVID-19 Pandemic.”

On November 18, 2015, the PERS Board adopted a Funding Risk Mitigation Policy that seeks to reduce funding risk over time. It establishes a mechanism whereby PERS investment performance that significantly outperforms the discount rate triggers adjustments to the discount rate, expected investment return, and strategic asset allocation targets. Reducing the volatility of investment returns is expected to increase the long-term sustainability of PERS pension benefits for members. In February 2017, the PERS Board revised the Funding Risk Mitigation Policy. The revisions include suspension of the policy until Fiscal Year 2020-21, and a decrease of the required first excess investment return threshold from 4 to 2 percent.

On February 14, 2018, the PERS Board of Administration adopted revisions to its actuarial amortization policy. Major revisions that affect state plans were made to the amortization of investment gains and losses, as well as to actuarial surplus. For the amortization of investment gains and losses, the amortization period was reduced from 30 years to 20 years, and the 5-year direct smoothing process was removed from the end of the amortization period. Amortization of actuarial surplus was eliminated. These policy revisions will be applied to the amortization of investment gains and losses, and actuarial surplus, experienced on or after June 30, 2019. These revisions will affect contributions starting in Fiscal Year 2020-21.

On June 25, 2012, the Governmental Accounting Standards Board approved GASB Statement No. 68 (“GASB 68”) with respect to pension accounting and financial reporting standards for state and local governments and pension plans. GASB 68 states that, for pensions within the scope of the statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. While the new accounting standards change financial statement reporting requirements, they do not impact funding policies of the pension systems. The audited financial statements of the City for Fiscal Year 2017-18 attached

hereto as Appendix A reflects the application of the GASB 68. GASB 68 is a change in accounting reporting standards but it does not change the City’s PERS plan funding obligations.

Retirement Programs and Other Post-Employment Benefits

Plan description. The City’s defined benefit OPEB plan, Retiree Health Plan, provides continuation of medical (including prescription drugs) and dental coverage benefits to retirees and surviving spouses in the form of an implied rate subsidy. The Retiree Health Benefits plan is a single employer defined benefit OPEB plan administered by the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits provided. Eligibility for continuation of coverage requires retirement from the City and PERS with at least 5 years of City service. The retiree is responsible for 100% of the premium cost for coverage, which is based on the blended experience of both the active and retired employees. The City is not required by law or contractual agreement to provide funding other than the pay-as-you-go amount necessary to provide current benefits to eligible retirees and beneficiaries. Retiree and spousal coverage terminates when the retiree becomes covered under another employer health plan, or when the retiree reaches Medicare eligibility age, which is currently age 65. However, retiree benefit continues to the surviving spouse if the retiree elects the PERS survivor annuity.

Employees covered by benefit terms – At June 30, 2018, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	304
Active plan members	<u>2,121</u>
Total	<u>2,425</u>

Significant Actuarial Assumptions Used in Calculating the Total OPEB Liability. The total OPEB liability was determined by actuarial valuation as of June 30, 2018 using the following actuarial assumptions:

Valuation Date:	June 30, 2018
Measurement Date:	June 30, 2019
Funding Policy:	Pay-as-you-go for implicit rate subsidy
Discount Rate:	3.50% per annum. This discount rate is the average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO AA 20 Year Bond Index.
Inflation Rate:	2.75% per annum
Salary Inflation:	3.0% per annum
Salary Increases	The benefits are not payroll related but the City’s cost for each individual’s projected City contribution is allocated over their lifetime as a level-percentage of pay. For cost method purposes the merit increases from the most recent PERS pension plan valuation will be used
Mortality	PERS 2014 Experience Study

Sensitivity analysis of total OPEB liability for healthcare cost trend rates. The following presents the total net OPEB liability, calculating using the healthcare cost trend rate of 6.00%/HMO and 6.50%/PPO, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%/HMO and 5.50%/PPO) or 1-percentage-point higher (7.00%/HMO and 7.50%/PPO) than the current rate:

	<i>1% Decrease</i>	<i>Current healthcare cost trend rates</i>	<i>1% Increase</i>
Total Net OPEB liability	\$34,172,678	\$38,337,724	\$43,228,410

Sensitivity analysis of total net OPEB liability for discount rates. The following presents the total net OPEB liability, calculating using the discount rate of 3.50%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	<i>1% Decrease</i>	<i>Current discount rate</i>	<i>1% Increase</i>
Total Net OPEB liability	\$41,534,685	\$38,337,724	\$35,430,575

Change in total OPEB liability. For fiscal year 2018-19, the City recognized total OPEB expense of approximately \$3,457,000. The following table shows the change in the total OPEB liability for the year ended June 30, 2019:

	2018
Beginning total OPEB liability	\$ 36,785,009
Service cost	2,402,935
Interest	1,301,025
Changes of assumptions	(306,255)
Benefit of implied subsidy payments	<u>(1,844,990)</u>
Net changes	<u>1,552,715</u>
Ending total OPEB liability	<u>\$ 38,337,724</u>

The following table shows the City's Employer Contributions for Fiscal Years 2017-18 and 2018-19, and its projected employer contributions through Fiscal Year 2026-27:

<i>Fiscal Year</i>	<i>Employer Contribution</i>
2017-18	\$ 1,844,990
2018-19	2,003,432
2019-20	2,180,897 ⁽¹⁾
2020-21	2,342,639 ⁽¹⁾
2021-22	2,435,705 ⁽¹⁾
2022-23	2,551,261 ⁽¹⁾
2023-24	2,686,254 ⁽¹⁾
2024-25	2,892,503 ⁽¹⁾
2025-26	2,952,926 ⁽¹⁾
2026-27	3,071,803 ⁽¹⁾

⁽¹⁾ Projected.

Source: OPEB Actuarial Report for June 30, 2018.

Approximately 62.8% of the payments made to the OPEB Plan are made from the General Fund.

The City established a Section 115 Pension Trust to help fund its OPEB Plan contributions on August 6, 2019. As of March 31, 2020, there was \$8.7 million on deposit in the Section 115 Pension Trust.

For additional information relating to the City’s OPEB Plan, see Note 13 to the City’s financial statements set forth in Appendix B.

Employee Relations and Collective Bargaining

City employees are represented by nine labor union associations, the principal one being the Service Employees International Union, which represents approximately 37% of City full-time employees. Currently approximately 74% all City employees, including part-time employees, are covered by negotiated agreements. 74% of full-time employees are covered by these agreements, which have the following expiration dates:

Table 19
CITY OF RIVERSIDE
NEGOTIATED EMPLOYEE AGREEMENTS
(As of March 1, 2020)

<i>Bargaining Unit</i>	<i>Contract Expiration Date</i>	<i>Number of Employees</i>
Service Employees International Union (SEIU) – General	6/30/2020 ⁽¹⁾	752
Riverside Police Officers Association	12/31/2021	288
Riverside Police Officers Association – Supervisory	12/31/2021	47
Riverside Police Administrators Association	12/31/2021	23
International Brotherhood of Electrical Workers	9/30/2021	173
International Brotherhood of Electrical Workers - Supervisory	9/30/2021	28
Riverside City Firefighters Association	12/31/2021	205
Riverside City Fire Management	12/31/2021	11
Service Employees International Union (SEIU) – Refuse	6/30/2020 ⁽¹⁾	32

⁽¹⁾ The City is in negotiations with these bargaining units on new contracts.
Source: City of Riverside.

Since 1979 the City has not had an employee work stoppage.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. Internal service funds have been established to account for and finance the uninsured risks of loss of public liability claims and worker’s compensation.

Property insurance coverage has a limit of \$1 billion, with a \$100,000 deductible. Earthquake and flood insurance currently have a \$25 million limit, with a deductible of 5% for earthquake and \$100,000 for flood. Workers’ compensation insurance coverage has a limit of \$25 million with a self-insured retention of \$3 million per occurrence. As of July 1, 2016, the City carried commercial insurance in the amount of \$20 million for general and auto liability claims greater than \$3 million. There were no claims settled during Fiscal Years 2000 through 2019 above the self-insured amount.

The following tables summarize the working capital and cash balances in the Self-Insurance Fund for Fiscal Years 2014-15 through 2018-19. The decline in the cumulative balance in the Self-Insurance Fund in recent years was due to actual versus budgeted claims. In response, in Fiscal Year 2012-13 the City began contributing \$500,000 per year more than what was anticipated to fund claims for the fiscal year in an effort to

begin to increase the cash balance on hand to pre-recession levels over a reasonable period of time. Unfortunately, significant and sustained negative claims experienced in that fiscal year and after resulted in a continued decline in the balance. In Fiscal Year 2014-15, the \$500,000 contribution was increased to \$2,800,000. This adjustment reversed the trend and resulted in an increase in the cash balance by the end of fiscal year 2014-15 to approximately \$12,630,000. The additional funding contributions have been maintained annually since Fiscal Year 2014-15. Additionally, the City Council approved the Self-Insurance Trust Funds Reserve Policy on November 28, 2017, which establishes minimum cash balances for the City’s Self Insurance Trust Funds, which consist of the Workers’ Compensation and General Liability Funds. Due to the long-term nature of the majority of the liabilities of these funds, there is no expectation that cash would ever need to equal the total booked liabilities of the funds. The City does not carry insurance against cybersecurity attacks.

Table 20
CITY OF RIVERSIDE
SELF-INSURANCE FUND
(in thousands)

<i>Fund</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>	<i>2018-19</i>
Self-Insurance Fund Balance ⁽¹⁾	\$ (27,551)	\$ (31,763)	\$ (31,653)	\$ (30,624)	\$ (24,436)
Self-Insurance Fund Cash ⁽²⁾	12,630	13,115	14,674	17,202	25,749

⁽¹⁾ Reflects the consolidated obligations of the Liability Workers Compensation, and Unemployment Liability trust funds, less current resources available to pay those obligations shown as “Self-Insurance Fund Cash” in the table.

⁽²⁾ Reflects the consolidated cash balances for the liability, workers’ compensation, and unemployment insurance trust funds, including interfund advances receivable, which are considered liquid by the City due to their ability to be moved to other funds when cash is needed for other purposes.

Source: City of Riverside.

City Investment Policy and Portfolio

The City administers a pooled investment program, except for those funds that are managed separately by trustees appointed under bond indentures. This program enables the City to combine available cash from all funds and to invest cash that exceeds current needs. The City’s investment policy is reviewed at least annually with the Investment Committee to ensure its consistency with the overall objectives of preservation of principal, liquidity, and yield as well as its relevance to current law and financial and economic trends. Any amendments to the policy are forwarded to City Council for approval. The amended investment policy can be readopted by resolution of the City Council as needed. The most recently revised Investment Policy for the City was adopted on April 21, 2020 by the City Council.

In accordance with the Government Code, the City requires certain collateralization for public deposits in banks and savings and loans and has long-established safekeeping and custody procedures. The City Treasurer submits a monthly report to the City Council that contains a statement that the City’s portfolio is invested in conformance with state law and the Investment Policy, and that there is sufficient liquidity to meet estimated expenditures.

The City's pooled investment portfolio as of December 31, 2019, had a market value of \$699 million. The following table illustrates the investments as of December 31, 2019.

Table 21
CITY OF RIVERSIDE
INVESTMENT PORTFOLIO
(As of December 31, 2019)

<i>Type</i>	<i>Amortized Cost</i>	<i>Market Value</i>
Deposit Accounts	\$ 40,670,392.68	\$ 40,670,392.68
Joint Powers Authority Pool	100,608,755.25	100,608,755.25
Local Agency Investment Fund (LAIF)	130,000,000.00	130,000,000.00
Certificates of Deposit	4,193,493.40	4,260,175.54
Medium Term Notes	65,102,159.85	66,538,477.06
U.S. Government Mortgage-Backed Securities	32,023,616.75	32,351,543.38
U.S. Government Agency Securities	17,187,128.07	17,552,255.82
U.S. Treasury Notes/Bonds	<u>273,862,279.12</u>	<u>276,637,215.97</u>
TOTAL POOLED INVESTMENT PORTFOLIO	\$ 663,647,825.12	\$ 668,618,815.70
INVESTMENTS HELD BY SCPPA ⁽¹⁾	4,256.97	4,256.97
INVESTMENTS HELD BY FISCAL AGENT	<u>269,406,635.56</u>	<u>270,271,893.42</u>
TOTAL CASH & INVESTMENTS	<u>\$ 933,058,717.65</u>	<u>\$ 938,894,966.09</u>

⁽¹⁾ SCPPA stands for the Southern California Public Power Authority.
Source: City of Riverside.

As of December 31, 2019, the average maturity of the City's investment portfolio was 1.20 years.

Personal Income

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

Total personal income in Riverside County increased by 52% between 2007 and 2018. The following tables summarize personal income for Riverside County for 2007 through 2018.

PERSONAL INCOME
Riverside County
2007-2018
(Dollars in Thousands)

<i>Year</i>	<i>Riverside County</i>	<i>Annual Percent Change</i>
2007	\$65,561,491	5.1%
2008	66,718,107	1.8
2009	65,363,159	(2.0)
2010	67,585,240	3.4
2011	71,936,625	6.4
2012	74,050,799	2.9
2013	76,511,910	3.3
2014	80,555,648	5.3
2015	86,033,655	6.8
2016	90,385,180	5.1
2017	94,210,345	4.2
2018	99,591,680	5.7

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

The following table summarizes per capita personal income for Riverside County, California and the United States for 2007-2018. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

PER CAPITA PERSONAL INCOME
Riverside County, State of California and the United States
2007-2018

<i>Year</i>	<i>Riverside County</i>	<i>California</i>	<i>United States</i>
2007	\$31,593	\$43,629	\$39,844
2008	31,624	43,890	40,904
2009	30,448	42,044	39,284
2010	30,698	43,634	40,546
2011	32,196	46,170	42,735
2012	32,737	48,798	44,599
2013	33,440	49,277	44,851
2014	34,753	52,324	47,058
2015	36,642	55,758	48,978
2016	37,936	57,739	49,870
2017	38,975	60,156	51,885
2018	40,637	63,557	54,446

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Education

The City is included within the boundaries of the Riverside Unified School District and the Alvord Unified School District, which also serves the County area southwest of the City. These two districts include 65 elementary and middle schools and high schools. There are also approximately 50 private or parochial schools for kindergarten through twelfth grade. Higher education is available at four institutions: Riverside

Community College, University of California at Riverside, California Baptist University and La Sierra University at Riverside. Also located in the City are the California School for the Deaf and the Sherman Indian High School, a federally-run school for Native Americans.

Employment

The table below shows the 10 largest employers in the City.

Table 22
CITY OF RIVERSIDE
LARGEST EMPLOYERS
(As of June 30, 2019)

<i>Name of Business</i>	<i>Employees</i>	<i>Type of Business</i>
County of Riverside	22,000	Government
University of California	8,735	Education
March Air Force Reserve	7,000	Government
Kaiser	4,346	Medical and Health
Riverside Unified School District	4,313	Education
City of Riverside	4,313	Government
Riverside Community Hospital	2,200	Medical Center
Riverside Community College District	2,100	Education
Alvord Unified School District	1,898	Education
California Baptist University	1,442	Education

Source: City of Riverside Comprehensive Annual Financial Report for the year ending June 30, 2019.

Building Activity

The following tables provide summaries of the building permit valuations and the number of new dwelling units authorized in the City from 2014 through 2018. The City estimates that building permit valuations were approximately \$375,000,000 in 2019.

Table 23
BUILDING PERMIT VALUATIONS
City of Riverside
2014-2018

	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Valuation (\$000):					
Residential	\$80,368	\$86,165	\$80,222	\$120,080	\$109,885
Non-residential	<u>70,046</u>	<u>124,254</u>	<u>148,267</u>	<u>162,195</u>	<u>173,305</u>
Total*	\$150,414	\$210,419	\$228,489	\$282,275	\$283,190
Residential Units:					
Single family	230	222	219	172	171
Multiple family	<u>85</u>	<u>218</u>	<u>254</u>	<u>535</u>	<u>504</u>
Total	315	440	473	707	675

* Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

Transportation

The City is served by a variety of land and air transportation facilities. Light rail commuter service is provided by Metrolink to Los Angeles and Orange Counties. Interstate bus service is available via Greyhound, and local bus service is provided by the Riverside Transit Agency. Most major trucking firms serve the City in addition to numerous local carriers. Overnight delivery can be scheduled to San Francisco, Los Angeles, San Diego and Sacramento.

Freight rail service to the City is provided by two major transcontinental railroads: the Santa Fe and Union Pacific. Amtrak-operated passenger train service is available at San Bernardino, approximately 15 miles north of the City.

Scheduled air transportation is available from the Ontario International Airport, approximately 18 miles to the west. The City-operated Riverside Municipal Airport is a general aviation facility.

The City is served by the Riverside Freeway (State Route 91), which provides access to Orange County; Interstate 215, which connects the City to San Diego, San Bernardino and points beyond; and the Pomona Freeway (U.S. Highway 60), an east-west route.

To support transportation improvements, in November 1988 Riverside County voters approved Measure A, a one-half cent sales tax increase. Measure A was to expire in 2009, but in 2002, Riverside County voters approved extending Measure A until 2039. Measure A is expected to generate \$4.6 billion between 2009 and 2039.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019**

[THIS PAGE INTENTIONALLY LEFT BLANK]

COMPREHENSIVE ANNUAL FINANCIAL REPORT



YEAR ENDED JUNE 30, 2019



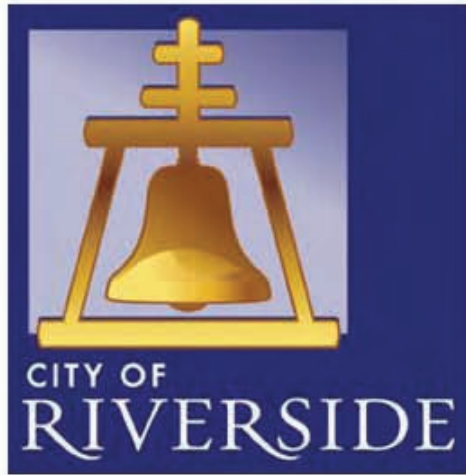
RIVERSIDE, CALIFORNIA

**CITY OF RIVERSIDE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2019**

**Prepared by the Finance Department
Edward Enriquez, Chief Financial Officer/Treasurer**

3900 Main Street, Riverside, California 92522 (951) 826-5660

This report was printed on recycled stock



**CITY OF RIVERSIDE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2019**

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal.....	i
GFOA Certificate of Achievement.....	ix
Legislative and City Officials.....	x
Organization Chart.....	x
FINANCIAL SECTION	
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	20
Statement of Activities.....	21
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	22
Reconciliation of the Balance Sheet of Governmental Funds to Statement of Net Position.....	23
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	25
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	26
Statement of Net Position – Proprietary Funds.....	27
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	29
Statement of Cash Flows – Proprietary Funds.....	30
Statement of Net Position/(Deficit) Fiduciary Funds.....	32
Statement of Changes in Net Position/(Deficit) Fiduciary Fund – Private-Purpose Trust.....	33
Notes to Basic Financial Statements.....	34
Required Supplementary Information (Unaudited):	
Schedule of Changes in Net Pension Liability and Related Ratios During Measurement Period.....	73
Schedule of Plan Contributions.....	74
Other Post-Employment Benefits (OPEB) Schedule of Changes in Total OPEB Liability and Related Ratio.....	75
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	77
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	79
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Nonmajor Governmental Funds.....	81
Combining Statement of Net Position – Nonmajor Enterprise Funds.....	85
Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Enterprise Funds.....	87

**CITY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019**

TABLE OF CONTENTS

FINANCIAL SECTION (CONT.)

Combining Statement of Cash Flows – Nonmajor Enterprise Funds.....	88
Combining Statement of Net Position – Internal Service Funds.....	91
Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds.....	92
Combining Statement of Cash Flows – Internal Service Funds.....	93
Combining Statement of Changes in Assets and Liabilities – Agency Fund.....	96
Balance Sheet – Combining General Fund Schedule.....	98
Statement of Revenues, Expenditures and Changes in Fund Balances – Combining General Fund Schedule.....	99
Balance Sheet – Combining Capital Outlay Fund Schedule.....	100
Statement of Revenues, Expenditures and Changes in Fund Balances – Combining Capital Outlay Fund Schedule.....	101

STATISTICAL SECTION

Table

1	Net Position by Component – Last Ten Fiscal Years.....	103
2	Changes in Net Position – Last Ten Fiscal Years.....	104
3	Fund Balances of Governmental Funds – Last Six Fiscal Years.....	106
4	Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	107
5	Business-Type Activities Electricity Revenues By Source – Last Ten Fiscal Years.....	109
6	Governmental Activities Tax Revenues By Source – Last Ten Fiscal Years.....	110
7	Taxable Sales by Category – Last Ten Calendar Years.....	111
8	Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years.....	112
9	Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years.....	113
10	Principal Property Taxpayers – Current Year and Nine Years Ago.....	114
11	Property Tax Levies and Collections – Last Ten Fiscal Years.....	115
12	Electricity Sold by Type of Customer – Last Ten Fiscal Years.....	116
13	Electricity Rates – Last Ten Fiscal Years.....	117
14	Top 10 Electricity Customers – Current Year and Nine Years Ago.....	118
15	Ratios of Outstanding Debt by Type – Last Ten Fiscal Years.....	119
16	Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years.....	120
17	Direct and Overlapping Governmental Activities Debt.....	121
18	Legal Debt Margin Information – Last Ten Fiscal Years.....	123
19	Pledged-Revenue Coverage Business Type Activity Debt – Last Ten Fiscal Years.....	124
20	Demographic and Economic Statistics – Last Ten Calendar Years.....	125
21	Principal Employers – Current Year and Nine Years Ago.....	126
22	Full-Time Equivalent City Government Employees by Function – Last Ten Fiscal Years.....	127
23	Operating Indicators by Function – Last Ten Fiscal Years.....	128
24	Capital Asset Statistics by Function – Last Ten Fiscal Years.....	129



November 7, 2019

To the Honorable Mayor, Members of the City Council and Citizens of the City of Riverside:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Riverside (the City) for the fiscal year ended June 30, 2019.

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 rational basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City'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 accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, internal controls have 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 respects.

The City's financial statements have been audited by Lance, Soll & Lunghard, LLP a firm of certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion on the City's financial statements for the fiscal year ended June 30, 2019. The independent auditor's report is presented as the first component of the financial section of this CAFR.

The independent audit of the financial statements of the City was part of the federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on internal controls and compliance with legal requirements, with emphasis on those involving the administration of federal awards/grants. These reports are available in the City's separately issued Single Audit Report.

Management has provided an overall analysis of the 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 this section. The City's MD&A can be found immediately following the independent auditor's report.

Profile of the City of Riverside

The City of Riverside, incorporated on October 11, 1883, is located in the western portion of Riverside County, about 60 miles east of Los Angeles. The City currently occupies a land area of 81.507 square miles.

The City operates under the council-manager form of government, with a seven-member council elected by ward for four-year overlapping terms. The mayor is elected at large for a four-year term and is the presiding officer of the Council, but does not have a vote except in the case of a tie. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing the heads of various departments. The Council is elected on a non-partisan basis.

The City provides a full range of services which include general government, public safety (police, fire, disaster preparedness and building inspection), construction and maintenance of highways and streets, economic development, culture and recreation, electric, water, airport, refuse, sewer, and senior citizen/handicap transportation. In addition to general City activities, the Council is financially accountable for the Riverside Housing Authority, Riverside Public Financing Authority, Riverside Municipal Improvements Corporation and the Successor Agency, which was formed to hold the assets of the former Redevelopment Agency; therefore, these entities are included as an integral part of the City's financial statements. Additional information on these legally separate entities can be found in note 1 in the Notes to Basic Financial Statements.

The biennial budget serves as the foundation for the City's financial planning and control. Consistent with the City's Charter, the City Manager presents the proposed budget to the City Council for review at least thirty-five calendar days prior to the beginning of the fiscal year. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, which is the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 26 as part of the basic financial statements for the governmental funds. For governmental funds other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which begins on page 81.

Local economy: The City is located in Inland Southern California, which consists of Riverside and San Bernardino Counties (the "MSA"). The population of Inland Southern California, at approximately 4.5 million, is larger than 24 states. The City leads the Inland Southern California in most measures of economic power, including population, income, employment, bank deposits, assessed valuation, office space and college enrollment. The population of the City is 328,101 which places it as the 12th largest in California. The Inland Empire—consisting of Riverside and San Bernardino Counties—continues a slow rebound from the trough of the Great Recession in terms of employment, income, and population growth. Gains in population have been due in part to the ongoing quest for affordable housing—the Inland Empire is one of the most affordable regions in the state.

The industry driving the most growth in the Inland Empire from May 2018 to May 2019 was Education and Healthcare, with an addition of 11,400 positions. The number two and three growth industries, Government (+5,400 positions) and Leisure and Hospitality (+4,100 positions) saw significantly less growth.

Home prices continue their climb with a combination of space, amenities, and affordability has helped drive continued home price gains in the Inland Empire. The median price for an existing single-family home is \$358,900 as of the first quarter of 2019, a 2.0% annual increase and a greater gain than occurred in Los Angeles (0.8%), San Diego County (1.8%), or Orange County, where prices fell (-0.1%). Still, the Inland Empire's median home price remains 9% below its pre-recession peak of \$393,400.

Rental market demands are strong, and renters still enjoy affordability advantage in the Inland Empire compared to surrounding regions. The average asking rent is \$1,370/month as of the first quarter of 2019, compared to \$2,029 in Los Angeles, \$1,961 in Orange County, and \$1,830 in San Diego County. The rental vacancy rate, however, is lower in the Inland Empire than in any of these other regions.

Warehousing stock added as demand continues. The Inland Empire's expanding Logistics sector is driving demand for warehouse and distribution space. Despite recent increases in new stock, and a resulting rise in the vacancy rate to 8.0%, asking rents increased 4.2% year-to-year in the first quarter of 2019.

Goals and Vision: In 2017, Council approved a revision to the Riverside 2.0 Strategic Plan, which established City Council Strategic Goals that aligned with the four pillars of "Seizing our Destiny". After more than a year of working towards Riverside 2.0 goals, the plan was re-examined and updated to remove goals that were accomplished, revise existing goals to better reflect priorities, and add goals consistent with new priorities. The new Riverside 2.1 strategic goals reflected seven areas of strategic priority along with five effective government principles. Through various strategic planning workshops the City Council identified the following seven strategic priorities for the City:

- **Enhanced Customer Service – Improved quality of life**
- **Economic Development – Continue to develop an economically vibrant City**
- **Community Services – Provide appealing, accessible and safe venues**
- **City Transportation Program – Continue to develop efficient transportation systems and provide affordable options for community mobility**
- **Improve Housing Diversity and Options**
- **Improve Teamwork and Communication**
- **Reduce Taxpayer Liability and Reduce Costs Wherever Possible**

As a result of the development of the seven strategic priorities, the Riverside 2.1 Strategic Plan was formed to implement the vision. The purpose of the Riverside 2.1 Strategic Plan is to advance the City of Riverside's mission statement: *The City of Riverside is committed to providing high quality municipal services to ensure safe, inclusive, and livable community.* Additionally, the Riverside 2.1 Strategic Plan is intended to advance *Seizing Our Destiny* which is Riverside's community-driven campaign that builds on the city's existing strengths to create an even better place to live, work and play for future generations. The Seizing Our Destiny Campaign was developed by City officials and civic leaders and encompasses a 20-year strategic vision that mobilizes the skills and resources of a

broad cross-section of Riverside toward one common goal – a better community for us all. The goal, or Vision, has four primary aspects for Riverside:

- **Nurture Intelligent Growth**
- **Catalyst for Innovation**
- **Location of Choice**
- **Evolve as a Unified City**

Riverside 2.1 also includes five effective government principles that are reinforced through management's actions:

- **Accountability**
- **Transparency**
- **Responsiveness**
- **Financial Prudence**
- **Decisiveness**

The City provides the City Council with quarterly updates until the goals of the Strategic Plan have been fully implemented which is anticipated to be in several years. Visit the City's Strategic Performance Reports website to view the most current performance measure update.

Long-term financial planning: For the fiscal year (FY) 2018-19 and 2019-20 Budget Cycle, the City's second two-year budget in the context of a five-year financial plan was presented. It is a process designed to bring continued transparency to the City's finances, operations and strategic goals both internally with employees and departments, and externally with the residents and businesses. For the second time, the City's budget included a comprehensive Five-Year Capital Improvement Program (CIP) document as a separate section which serves as a framework for policy decisions on the two-year budget as well as in the future. Among other things, the five-year plan allows the City to illustrate fiscal impacts of budget decisions on the General Fund Reserves through June 30, 2023.

The CIP provides funding for the City's critical and essential infrastructure projects in the amount of \$82 million for Fiscal Year (FY) 2018/19 and an additional \$73 million for FY 2019/20. Over the course of five years (FY 2018/19 through FY 2022/23), the City anticipates investing a total of \$408 million in our essential assets.

The CIP responds to the needs of our residents to ensure the streets, public buildings, sewer, water, and electric infrastructure, and parks are well maintained and operated for optimum health and safety, added value, increased efficiency and functionality, enhanced attractiveness and beautification, and compliance to legal mandates. The CIP document places equal emphasis on planning for new projects as well as improving and preserving existing capital assets.

The City's CIP document includes a list of Unfunded CIP Projects. This is an attempt to identify and quantify the City's true CIP needs - not only in the short term, but also in the long term. Although the list is comprehensive and reflects a good assessment of the City's needs, it is by no means a complete list as more work needs to be done in the coming years to refine this list, create guidelines to prioritize projects, and prepare a strategic approach to fund and complete these unfunded projects.

Additionally, the City has embarked on formulating a 10-year financial forecast model as part of providing a longer-term outlook on City finances.

Major initiatives: The City effectively utilizes its resources to provide quality services to the community and grow its contingency reserve. The following strategic goals set priorities for City operations.

- Maintain essential services, including public safety, community aesthetics, infrastructure, and human service programs;
- Increase the City's contingency reserve to 20 percent of General Fund adopted operating budget over the next year;
- Address the Homeless situation;
- Fund infrastructure rehabilitation;
- Create an Innovation District to provide for entrepreneurship, employment, entertainment and housing, all in one place; and
- Reduce the City's unfunded pension liability.

The City established the Office of Homeless Solutions (OHS) to address what is seemingly a national epidemic. OHS develops public and private partnerships and provides direct outreach services that coordinates services directed towards reducing and preventing homelessness by providing a wide-range of services and resources for homeless persons and increasing permanent supportive housing opportunities for very low income and long-term homeless persons to end their homelessness in the City of Riverside. As the City embarks on addressing those who are homeless, our Public Safety Engagement Team (PSET) within OHS was developed and plays a vital role in addressing the complexity of this issue. PSET is working collaboratively with other agencies and community-based organizations in a multi-pronged approach to mitigate the impacts of homelessness and promote solutions to finding long-term, supportive housing for the homeless population in Riverside.

Measure Z: Measure Z is a one-cent transaction and use tax, with revenues going directly to the City of Riverside. The collection of an additional one-cent sales tax authorized by voters through Measure Z began on April 1, 2017. After hearing recommended Measure Z spending options from City staff and the Budget Engagement Commission, on May 16, 2017, the City Council approved a five-year Measure Z Spending Plan for 33 initiatives that has since increased to 39 initiatives covering public safety, financial discipline/responsibility, critical operating needs, facility capital needs, quality of life, and technology. For the purposes of this Measure Z Five-Year Financial Plan, the tenets of the original spending plan have been carried through two additional years, FY 2021/22 and FY 2022/23. The one-cent increase in sales tax was estimated to generate between \$48 million and \$52 million annually; however, at the end of fiscal June 30, 2019, the second full year of Measure Z revenue, the revenue continues to outperform expectations and was approximately \$62 million.

General Fund Restructuring: The Grants and Restricted Programs Fund was created in 2018-19 to account for grants and programs that have historically been recorded in the General Fund. This fund was created as part of the City's General Fund Restructuring Plan to provide for greater transparency between true General Fund activity and other financial activity. Grants, by their very nature, are self-supporting activities

In addition to the creation of the new Grants Fund, the City completed the allocation of the remaining non-General Fund debt to the appropriate funds to properly reflect their proportional share of the obligations. The intent and impact of the restructuring was to right

size the General Fund to include only true operating activity of the City within the fund while creating better transparency of City finances.

Financial policies: Fiscal policies establish framework for managing the City's financial resources and safeguarding the City's assets in compliance with relevant regulatory mandates, industry standards, and best practices. Maintaining healthy reserves in the General Fund, and other Funds as well, is a critical component of the City's sound financial management practices.

In February 2018, the City adopted a Long-Term Financial Planning Policy to assist City leaders (elected officials and City management) in making prudent and informed financial decisions regarding economic development, tax policy and labor negotiations. Credit rating agencies encourage long-term financial planning, and generally favor government entities with such plans when assigning bond ratings.

The policy requires the City to adopt long-term financial plans spanning at least five years for all major City funds (e.g., General, Electric, Water, Sewer, etc.) in conjunction with the biennial (two-year) budget. The long-term financial plan should incorporate the following elements as relevant and appropriate:

- An analysis of economic and demographic data at the national, state and local level;
- Past revenue and expenditure trends;
- Forecast assumptions;
- Forecasts of major revenues and expenditures based on known data, documented assumptions, and input from subject matter experts, and various internal and external stakeholders; and
- Compliance with existing City fiscal policies.

The City's key budgetary themes include financial accuracy, financial responsibility/discipline, maintaining essential services/infrastructure, and ensuring a transparent/participatory budget process. This CIP document builds on the City's recent financial successes, by incorporating best practices offered by the Government Finance Officers Association (GFOA) and the California Society of Municipal Financial Officers (CSMFO). Based on recommendations developed by the City Manager's Office and Finance Department, the City Council adopted two new policies to establish the framework for future capital budgets. The first policy, Multi-Year Capital Planning, establishes guidelines that help the City identify and prioritize expected capital needs based on strategic priorities and operational needs, establish project scope and cost, detail estimated amounts of funding from various sources, and project future operating and maintenance costs. The second policy, Prioritization of CIP, establishes an objective process of prioritizing capital improvement projects to ensure consistency with the General Plan, in conjunction with the biennial budget process, or otherwise as capital funding becomes available.

The City's General Fund Reserve Policy, adopted by the City Council on September 6, 2016, requires maintaining the General Fund reserve at 15%. The City Council set an aspiration goal of the General Fund Reserve at 20%; this goal was recently reaffirmed through adoption of the "Responsible Spending Vision Pledge" on October 4, 2016. As of June 30, 2019 the General Fund reserve is currently at its aspirational goal of 20% or \$56 million.

In a continued effort of fiscal discipline and accountability, the City established a Measure Z reserve policy which was adopted by the City Council on April 2, 2019. The policy requires maintaining a Measure Z reserve of \$5 million. With the Measure Z revenue continuing

to outperform expectations this reserve requirement has been satisfied.

One of the biggest challenges to the City's long-term financial sustainability is the long-term unfunded pension obligations for City employees under CalPERS. Pension costs make up 8% of the City's total budget and 16% of the operating budget, and to a large extent are outside staff's direct control. Recent projections indicate that pension costs are expected to rise by as much as 73% by FY 2029/30. The City has consistently taken steps to mitigate the impacts of increases in pension costs including adopting a two-tier retirement system, pre-paying the annual unfunded accrued liability payment, and increasing employee contributions towards their pensions. In an effort to address the growing pension challenges facing states and local governments nationwide, the City adopted a Pension Funding Policy

The City will create a Pension Stabilization Fund that will deploy resources in the following manner:

- Establish a Section 115 Pension Trust to realize greater investment returns than what is currently available through the City's cash pool investments. An outside investment advisor shall be hired to administer the trust.
- Pre-pay the City's annual Unfunded Accrued Liability (UAL) payment to save on interest costs. On July 1 of each year, the City receives its annual CalPERS UAL invoice. By pre-paying the entire balance due by July 31 the City can save over a million dollars annually. As such, every effort should be made to pre-pay the UAL upon receipt of the annual invoice.
- Unanticipated one-time revenues or settlements shall be prioritized at a rate of 50% of the revenue alongside other critical needs to make a one-time payments to CalPERS to pay-off a portion of the City's UAL to save on interest payments, reduce annual payments, and lower annual operating expenses. Payments would be incorporated into the City's annual budget for City Council consideration and will only be utilized if the general fund is not projected to end the year at a deficit.

In addition to establishing a Pension Stabilization Fund, this policy provides the following guidance:

- As part of the annual budget process, City staff shall set aside a portion of any projected year-end increase in fund balance to manage increases in pension contributions. Actual one-time transfers made to the Pension Stabilization Fund will vary on a year-to-year basis depending upon the actual fiscal year end audited reserve balance.
- City staff shall work with its financial and other advisors to refinance its debt obligation bonds when it can achieve savings consistent with the City's Debt Management Policy and redirect any savings to the Pension Stabilization Fund.
- Upon maturity of General Fund Debt Obligation, staff will present a plan to reallocate all or a portion of debt service payments that have matured to the Pension Stabilization program as long as there is no general fund deficit at the time of debt maturity.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (Program) to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This was the thirtieth consecutive year that the City has received this prestigious award. The City received this award for publishing an easily readable and efficiently organized CAFR that satisfied both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements. This award is valid for a period of one year only. We believe that our current CAFR continues to meet the Program's requirements and we are submitting it to the GFOA again this year.

The Government Finance Officers Association (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City for its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2018. The City received the award for the second time for the June 30, 2018 report and has continued to prepare an award-winning report. This is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. The Award is for a period of one year only. The City will continue to participate in the program.

Budget Presentation Award: The City received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2018. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department and oversight from the City Manager's Office. We would like to express our appreciation to all members of the department who assisted and contributed to its preparation. Credit also must be given to the Budget Engagement Commission and Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Edward Enriquez', is written over a light blue circular stamp.

Edward Enriquez
Chief Financial Officer/City Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Riverside
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Riverside for our Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ORGANIZATION CHART



LEGISLATIVE OFFICIALS

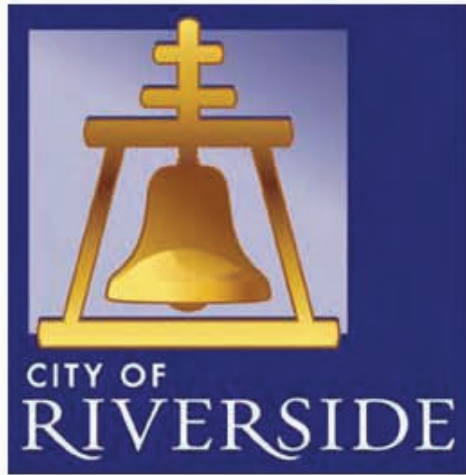
Rusty Bailey Mayor
 Mike Gardner Councilmember – Ward 1
 Andy Melendrez Councilmember – Ward 2
 Mike Soubirous Councilmember – Ward 3
 Chuck Conder Councilmember – Ward 4
 Chris Mac Arthur Councilmember – Ward 5
 Jim Perry Councilmember – Ward 6
 Steve Adams Councilmember – Ward 7

CITY OFFICIALS

Al Zelinka City Manager*
 Rafael Guzman Assistant City Manager
 Lea Deesing Assistant City Manager

Colleen J. Nicol City Clerk*
 Gary Geuss City Attorney*
 Sergio G. Diaz Chief of Police
 George Khalil Chief Innovation Officer
 David Welch Community & Economic Development Director
 Edward Enriquez Chief Financial Officer/Treasurer
 Michael Moore Fire Chief
 Kris Martinez Public Works Director
 Stephanie Holloman Human Resources Director
 Erin Christmas Library Director
 Robyn Peterson Museum & Cultural Affairs Director
 Adolfo Cruz Parks, Recreation & Community Svcs. Director
 Todd Corbin General Manager - Public Utilities
 Carl Carey General Services Director

*Appointed by City Council





CPAs AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Riverside, California

Report on the 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 City of Riverside, California, (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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.

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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.





To the Honorable Mayor and Members of the City Council
City of Riverside, California

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 business-type activities, each major fund, and the aggregate remaining fund information of the City of Riverside, California, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of plan contributions, and the schedule of changes in total OPEB liability and related ratios 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, combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements and schedules are 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.



To the Honorable Mayor and Members of the City Council
City of Riverside, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 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 solely 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 the effectiveness of the City's 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.

Lance, Soll & Luyhard, LLP

Brea, California
November 7, 2019

Management's Discussion and Analysis (Unaudited)

As management of the City, we offer this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on page i of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars (0,000).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains certain supplementary information.

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 a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in the City's 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 City's net position changed during the most recent 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 related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, and culture and recreation. The business-type activities of the City include Electric, Water, Sewer, Civic Entertainment, Refuse, Public Parking, Airport and Transportation services.

The government-wide financial statements include the activities of the City and three blended component units, which consist of the Riverside Housing Authority, Riverside Public Financing Authority, and the Riverside Municipal Improvements Corporation. Although legally separate, these entities function for all practical purposes as departments of the City and therefore have been blended as part of the primary government. The Successor Agency to the Redevelopment Agency of the City of Riverside (Successor Agency) is also included as a fiduciary component unit since it would be misleading to exclude the Successor Agency due to the nature and significance of the relationship between the City and the Successor Agency. The activity of the Successor Agency is reported with the City's fiduciary

funds, which is not included in the government-wide statements since the resources of those funds are *not* available to support the City's own programs.

Both the Governmental Activities and the Business-Type Activities are presented on the accrual basis of accounting, a basis of accounting that differs from the modified accrual basis of accounting used in presenting governmental fund financial statements. Note 1 of the Notes to Basic Financial Statements fully describe these bases of accounting. Proprietary funds, discussed below, also follow the accrual basis of accounting.

The government-wide financial statements can be found on pages 20-21 of this report.

Fund financial statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental, proprietary, and fiduciary.

Governmental funds *Governmental funds* are used to account for the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on balances of spendable resources available at the end of the fiscal year.

It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Reconciliations to facilitate this comparison are provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. The major reconciling items relate to capital assets and debt. In the Governmental Funds, acquisitions of capital assets are treated as "expenditures" because upon purchase of a capital asset, cash used for the acquisition is no longer available for other purposes. The issuance of debt provides cash, which is now available for specified purposes. Accordingly, at the end of the fiscal year, the unrestricted fund balances of the Governmental Funds reflect spendable resources available for appropriation by the City Council. Spendable balances are not presented on the face of the government-wide financial statements.

The City maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Outlay Fund, and General Debt Service Fund which are major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* and can be found on pages 77-83 in this report.

The City adopted an annual appropriated budget for its General Fund for the Year ended June 30, 2019. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 22-26 of this report.

Proprietary funds The City maintains two different types of proprietary funds, enterprise and internal service funds. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for Electric, Water, Sewer, Civic Entertainment, Airport, Refuse, Transportation, and Public Parking services. *Internal service* funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for self-insured insurance programs, central stores and its fleet of vehicles. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. Internal service funds are presented as proprietary funds because both enterprise and internal service funds follow the accrual basis of accounting.

Proprietary funds provide the same type of information as the government-wide financial statements (*business-type activities*), only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water and Sewer operations, all of which are considered to be major funds of the City. The five remaining proprietary funds noted above are combined into a single, aggregated presentation. All internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major proprietary funds and the internal service funds is provided in the form of *combining statements* and can be found on pages 85-94 in this report.

The basic proprietary fund financial statements can be found on pages 27-31 of this report.

Fiduciary funds Fiduciary funds are used to account for situations where the City's role is purely custodial. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on page 32-33 of this report, and the combining statement for the agency fund can be found on page 96.

Notes to Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to Basic Financial Statements begin on page 34 of this report.

Government-wide Financial Analysis

The following table presents a summarization of the City's assets, liabilities, deferred inflows and outflows, and net position for its governmental and business-type activities. As noted earlier, a government's net position may serve over time as a useful indicator of its financial position.

(Amounts presented in Thousands)

	Governmental Activities		Business type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 377,554	\$ 284,312	\$ 786,344	\$ 698,172	\$ 1,163,898	\$ 982,484
Capital assets, net	1,254,650	1,305,799	1,975,974	1,914,775	3,230,624	3,220,574
Total assets	1,632,204	1,590,111	2,762,318	2,612,947	4,394,522	4,203,058
Deferred Outflows of Resources	114,079	139,335	77,646	84,789	191,725	224,124
Current liabilities	59,495	54,472	86,463	125,417	145,958	179,889
Long-term liabilities	780,068	817,358	1,619,227	1,462,028	2,399,295	2,279,386
Total liabilities	839,563	871,830	1,705,690	1,587,445	2,545,253	2,459,275
Deferred Inflows of Resources	33,672	16,037	44,543	30,204	78,215	46,241
Net position:						
Net investment in capital assets	1,102,837	1,093,896	867,206	800,227	1,970,043	1,894,123
Restricted	126,551	112,183	67,057	80,717	193,608	192,900
Unrestricted	(356,340)	(364,500)	155,468	199,143	(200,872)	(165,357)
Total net position	\$ 873,048	\$ 841,579	\$ 1,089,731	\$ 1,080,087	\$ 1,962,779	\$ 1,921,666

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,962,779 at June 30, 2019, an increase of \$41,113 from June 30, 2018.

The City's net position reflects its investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure), net of any related debt that is still outstanding used to acquire those assets and net of unspent bond proceeds and cash held in bond reserve accounts. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

An additional portion of the City's net position 10% represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, \$155,468 is held by the business-type activities and \$(356,340) net deficit is held by the governmental activities.

Unrestricted net position in the amount of \$(200,872), a net position decrease of 21% from prior year, is the change in resources available to fund City programs to citizens and debt obligations to creditors. The negative unrestricted net position is primarily the result of the reporting of the City's net pension liability in accordance with an accounting standard issued by the Government Accounting Standards

Board (GASB) that relates to pension activity; Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27."

Governmental activities increased the City's net position by \$31,469 to \$873,048 for the year ended June 30, 2019.

On the following page is a condensed summary of activities of the City's governmental and business-type operations for the period ended June 30, 2019 with the prior fiscal year presented for comparative purposes. Also included in the following analysis are revenue and expense graphs to aid in understanding the results of the current year's activities.

(Balance of page intentionally left blank)

(Amount presented in Thousands)

	Governmental		Business type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charge for services	\$ 45,225	\$ 38,117	\$ 539,676	\$ 544,164	\$ 584,901	\$ 582,281
Operating Grants and Contributions	23,966	22,548	3,093	3,374	27,059	25,922
Capital Grants and Contributions	27,450	18,039	10,607	26,957	38,057	44,996
General Revenues:						
Sales taxes	130,645	120,338	-	-	130,645	120,338
Property taxes	69,478	63,515	-	-	69,478	63,515
Other taxes and fees	40,428	39,263	-	-	40,428	39,263
Investment income	7,500	5,187	19,488	3,939	26,988	9,126
Other	156	4,450	10,322	12,901	10,478	17,351
Total Revenues	<u>344,848</u>	<u>311,457</u>	<u>583,186</u>	<u>591,335</u>	<u>928,034</u>	<u>902,792</u>
Expenses:						
General government	51,139	45,360	-	-	51,139	45,360
Public safety	201,942	216,772	-	-	201,942	216,772
Highways and streets	43,770	42,544	-	-	43,770	42,544
Culture and recreation	31,200	38,362	-	-	31,200	38,362
Interest on long-term debt	10,045	12,414	-	-	10,045	12,414
Electric	-	-	347,804	333,061	347,804	333,061
Water	-	-	70,912	68,281	70,912	68,281
Sewer	-	-	70,137	54,136	70,137	54,136
Entertainment	-	-	24,151	19,995	24,151	19,995
Airport	-	-	1,972	2,179	1,972	2,179
Refuse	-	-	24,205	22,082	24,205	22,082
Transportation	-	-	4,493	4,782	4,493	4,782
Public parking	-	-	5,151	6,186	5,151	6,186
Total expenses	<u>338,096</u>	<u>355,452</u>	<u>548,825</u>	<u>510,702</u>	<u>886,921</u>	<u>866,154</u>
Increase (decrease) in net position	6,752	(43,995)	34,361	80,633	41,113	36,638
Transfers, net	37,115	41,459	(37,115)	(41,459)	-	-
Total changes in net position	<u>43,867</u>	<u>(2,536)</u>	<u>(2,754)</u>	<u>39,174</u>	<u>41,113</u>	<u>36,638</u>
Net position - beginning, as previously stated	<u>841,579</u>	<u>845,116</u>	<u>1,080,087</u>	<u>1,041,530</u>	<u>1,921,666</u>	<u>1,886,646</u>
Prior period adjustment	(12,398)	(1,001)	12,398	(617)	-	(1,618)
Net position - beginning, as restated	<u>829,181</u>	<u>844,115</u>	<u>1,092,485</u>	<u>1,040,913</u>	<u>1,921,666</u>	<u>1,885,028</u>
Net position - ending	<u>\$ 873,048</u>	<u>\$ 841,579</u>	<u>\$ 1,089,731</u>	<u>\$ 1,080,087</u>	<u>\$ 1,962,779</u>	<u>\$ 1,921,666</u>

Governmental activities. Total change in net position for governmental activities increased by \$31,469 while prior fiscal year decreased by \$(2,536). Key elements of this year's activity in relation to the prior year are as follows:

Revenues:

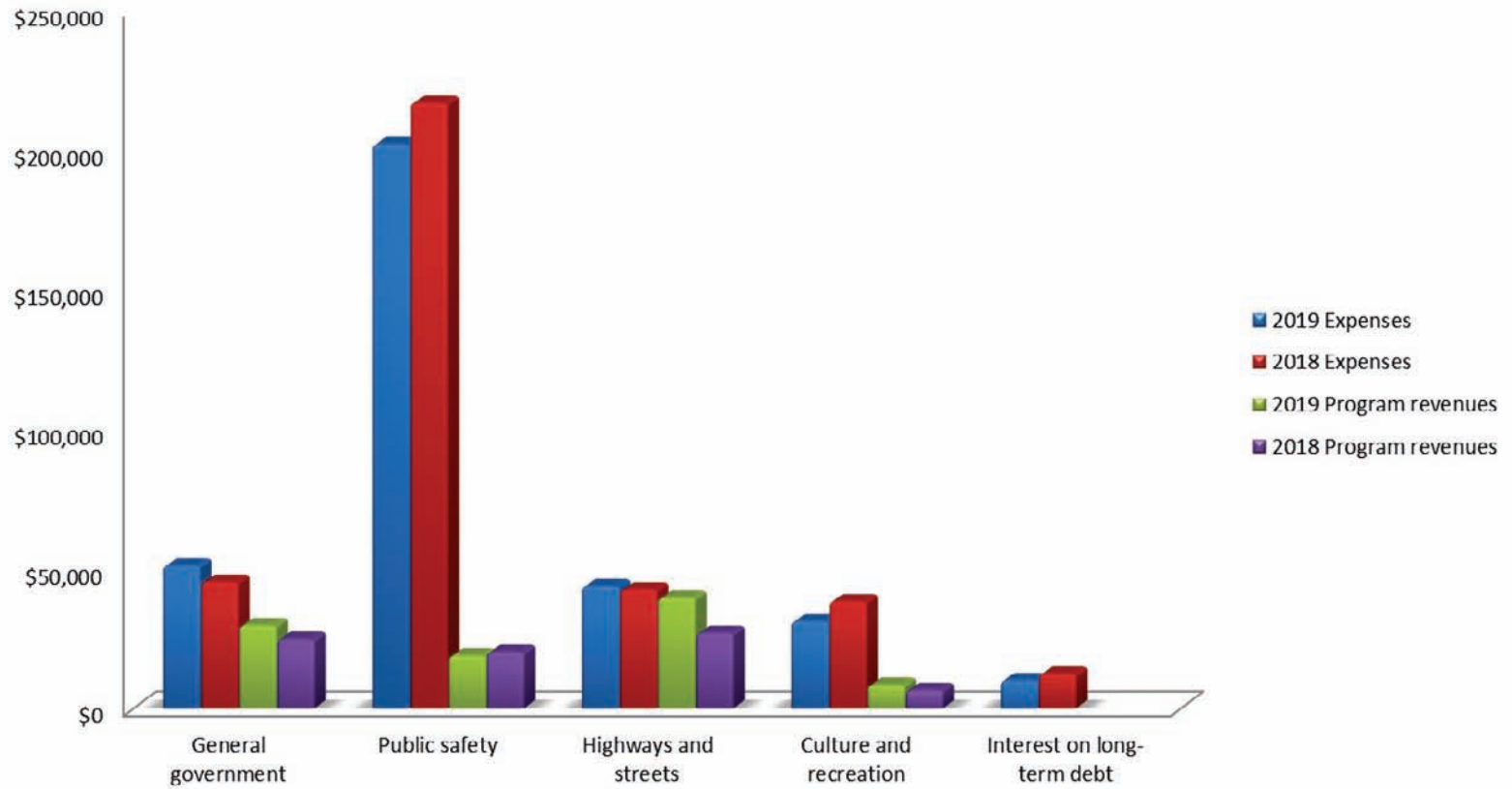
- While variances between years exist for the various revenue categories, the total net increase was approximately \$33.4 million or 11%, which is largely attributable to an increase in capital grants and contributions as well as significant increases in sales tax, property taxes, and charges for services. The increase in capital grants and contributions of 52% is due largely to the City's allocation of Road Maintenance and Rehabilitation funds from the State of California (SB1) with an increase of approximately \$5 million over prior year. These funds are used for local street and road repairs throughout the City.

Expenses:

- While variances between years exist for the various expense functions, the total net decrease was approximately \$(17.4) million or (5%). This is primarily related to a decrease of approximately \$28 million in pension expense related to the annual recording of the City's pension liability; \$21.2 million of the decrease in pension expense was related to public safety.

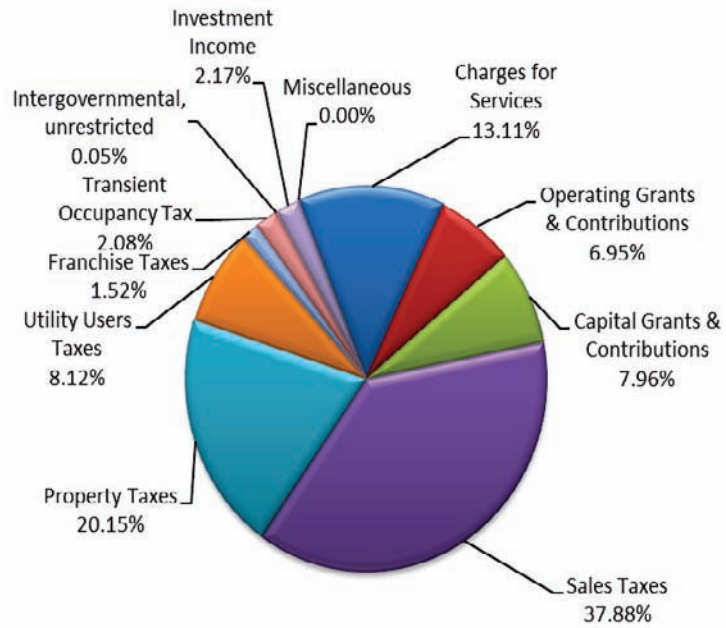
(Balance of page intentionally left blank)

Program Revenues and Expenses – Governmental Activities – Fiscal Year Comparison 2019 vs. 2018

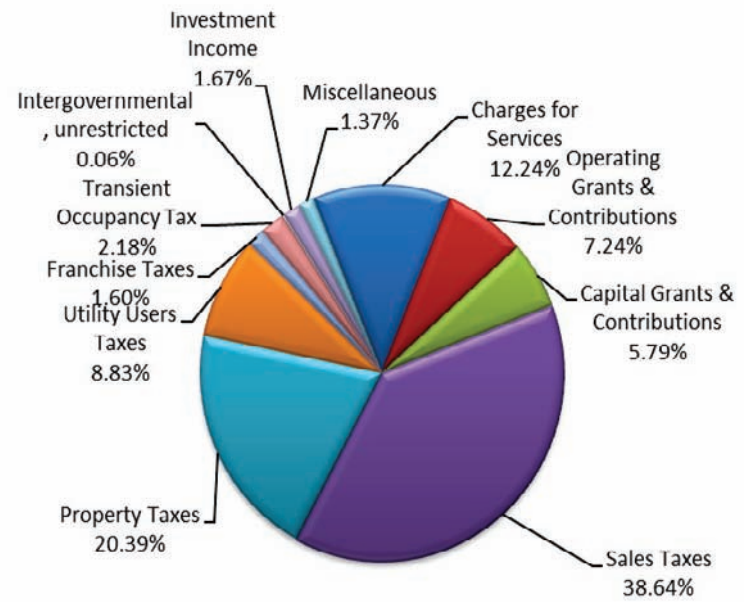


Revenues by Source – Governmental Activities – Fiscal Year Comparison 2019 vs. 2018

2019



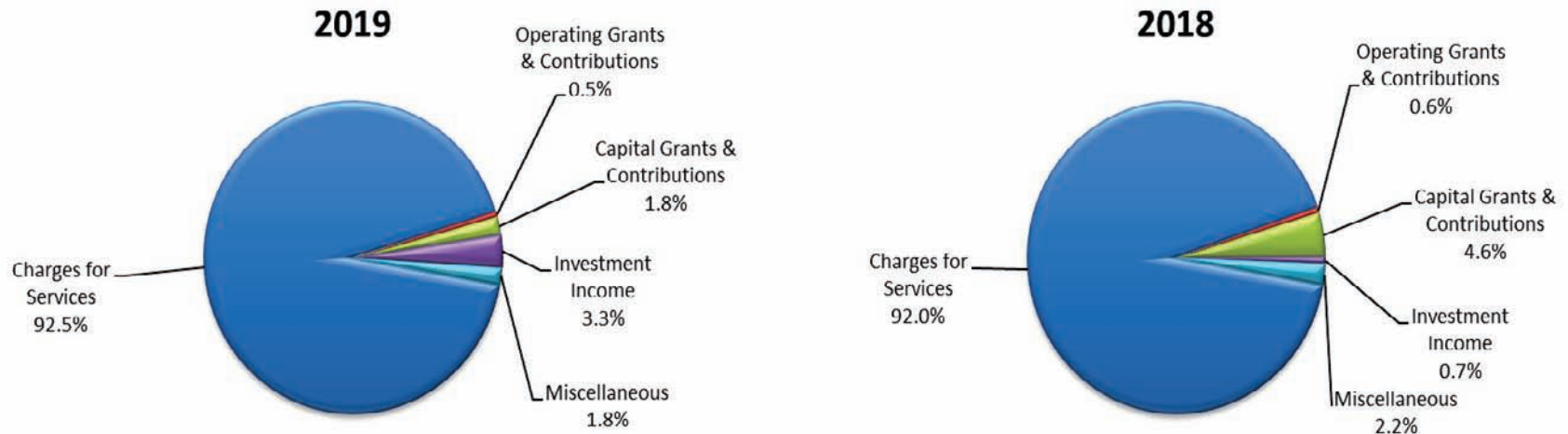
2018



Business-type activities. Total net position for business-type activities increased by \$9,644 while prior fiscal year increased by \$39,174. Key elements of this year's activity in relation to the prior year are as follows:

- Charges for services slightly decreased from prior year along all service lines resulting in a decrease of \$(4,488) or .8%. Water charges for services decreased \$1,651 due to decreases in consumption and water conveyance revenue and Public Parking Fund charges for services decreased by \$1,654 primarily due to a reduction in parking fines for unplanned street sweeping sign replacement project that began in August 2018.
- Overall expenses increased by \$38,123 or 7.5%. The Electric, Water and Sewer Funds had increased operating expenses of \$13,819, \$654 and \$2,662 respectively. The majority of the increase is due to interest expense on bond debt.

Revenues by Source – Business-Type Activities – Fiscal Year Comparison



Financial Analysis of the City's Funds

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 financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The following table summarizes the balance sheet of the City's General, Capital Outlay, and Other Governmental Funds. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

(Amounts presented in Thousands)

	General Fund		Capital Outlay Fund		General Debt Service		Other Governmental Funds		Total Governmental Funds	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Total assets	\$ 161,791	\$ 127,266	\$ 73,977	\$ 27,688	\$ 10,856	\$ 14,307	\$ 95,673	\$ 89,501	\$ 342,297	\$ 258,762
Total liabilities	\$ 35,999	\$ 32,957	\$ 3,383	\$ 1,159	\$ 3,997	\$ 2,781	\$ 7,130	\$ 6,565	\$ 50,509	\$ 43,462
Deferred inflows of resources										
Unavailable revenue	4,625	4,685	117	81	34	17	43,908	38,752	48,684	43,535
Fund balances										
Nonspendable	949	1,947	-	-	-	-	1,560	4,855	2,509	6,802
Restricted	3,411	2,991	70,477	26,448	6,825	11,509	43,075	39,329	123,788	80,277
Committed	65,916	53,800	-	-	-	-	-	-	65,916	53,800
Assigned	26,984	23,242	-	-	-	-	-	-	26,984	23,242
Unassigned	23,907	7,644	-	-	-	-	-	-	23,907	7,644
Total fund balance	121,167	89,624	70,477	26,448	6,825	11,509	44,635	44,184	243,104	171,765
Total liabilities, deferred inflows and fund balances	\$ 161,791	\$ 127,266	\$ 73,977	\$ 27,688	\$ 10,856	\$ 14,307	\$ 95,673	\$ 89,501	\$ 342,297	\$ 258,762

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$243,104 an increase of \$71,339 compared to the prior year. Additionally, 1% of the fund balance \$2,509 is *nonspendable*, which comprises the portion of fund balance that cannot be spent due to form. \$123,788 or 51% of fund balance is *restricted*, which represents the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors. *Committed* fund balance of \$65,916 or 27% of the fund balance was set aside for economic contingencies (\$61,000) and for unfunded accrued liabilities (\$4,916). Committed for economic contingencies consists of 20% of the 2019-20 General Fund adopted expenditure budget of \$280,000 or \$56,000 and \$5,000 for General Fund – Measure Z. \$26,984 or 11% of fund balance is constrained by the City's intent to utilize fund balance for specific purposes, which is reported within the fund balance classification *assigned*. The remainder of the fund balance \$23,907 or 10% is *unassigned*, meaning it is available for spending at the City's discretion. The City's governmental funds

reported combined total assets of \$342,297 at June 30, 2019, an increase of \$83,535 compared to the prior year. Liabilities and deferred inflows of resources amounted to \$99,193, an increase of \$12,196.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, total fund balance equaled \$121,167, in comparison to \$89,624 in the prior year. The increase in fund balance is due to increased sales tax revenues, property tax revenues, utility users tax revenue, and the cost saving efforts by departments during the current year.

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

Unrestricted net position of the Electric, Water and Sewer Funds at the end of the year amounted to \$206,963, \$1,358, and \$42,101 respectively. The unrestricted net position for the Electric, Water and Sewer Funds in the prior year was \$189,276, \$5,349, and \$46,821, respectively. The increase in unrestricted net position of the Electric Fund was primarily attributable to the use of bond proceeds to fund capital projects and positive operating results. The decrease in unrestricted net position of the Water Fund was primarily attributable to a decrease in cash provided by operating activities, offset by use of bond proceeds to fund capital projects. The decrease in unrestricted net position for the Sewer Fund is primarily a result of operating activities as described below.

Electric Fund operating results experienced a decrease in charges for services of \$946 due to a slight decrease in consumption and investment income increased by \$10,805 due to an increase in cash balances as a result of the 2019 Electric Revenue Refunding Bonds and a higher overall interest rate in the current fiscal year.

The Water Fund operating results experienced a decrease of \$613 in Retail Sales. Retail sales (residential, commercial, industrial, and other sales) represent 88.5% of total revenues. Retail sales, net of reserve/recovery were \$57,603 and \$58,216 for the years ended June 30, 2019 and 2018, respectively. The decrease in retail sales was primarily due to a decrease in consumption. Overall expenses were higher due to an increase in interest and fiscal charges as a result of the 2019 Water Revenue Refunding Bonds issue, an increase in depreciation and an increase in general operations and maintenance costs.

Net position of the Sewer Fund increased by \$3,390 for the year ended June 30, 2019 and increased \$12,655 for the year ended June 30, 2018. Operating revenues decreased slightly during the year partially due to refunds owed to Jurupa, Rubidoux, Edgemont Community Service Districts for overpayments on wastewater service agreements.

Interest expense and fiscal charges increased by \$13,339 as a result of the current year issuance of refunding sewer bonds.

General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Total Revenues	<u>262,924</u>	<u>269,824</u>	<u>279,819</u>	<u>\$9,995</u>
Expenditures:				
General Government	20,327	29,859	10,004	19,855
Public Safety	184,654	191,214	186,863	4,351
Highways & Streets	20,242	22,122	20,289	1,833
Culture & Recreation	30,397	33,218	29,806	3,412
Capital Outlay	231	3,414	1,815	1,599
Debt Service	0	-	0	0
Total Expenditures	<u>255,851</u>	<u>279,827</u>	<u>248,777</u>	<u>31,050</u>
Excess (deficiency) of revenues over (under) expenditures	7,073	(10,003)	31,042	41,045
Other financing sources	<u>(591)</u>	<u>(1,769)</u>	<u>501</u>	<u>2,270</u>
Net change in fund balances	6,482	(11,772)	31,543	43,315
Fund balance - beginning, as previously stated	<u>89,624</u>	<u>89,624</u>	<u>89,624</u>	<u>0</u>
Prior period adjustment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance - ending	<u>96,106</u>	<u>77,852</u>	<u>121,167</u>	<u>\$43,315</u>

The primary reason for final budgeted revenues and expenditures increasing from the Original Budget is a result of grant and project related appropriations.

Actual amounts differed from the final fund budget are as follows:

Actual expenditures were less than final budgeted amounts by approximately \$31.0 million. This is primarily associated with unspent appropriations for grants, capital projects and other special programs that were not completed during the year (which are carried over to the next fiscal year) as well as the cost saving efforts by City Departments.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for governmental and business-type activities as of June 30, 2019 amounted to \$3,230,624 (net of accumulated depreciation). This investment includes land, intangibles, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City's net investment in capital assets for the current fiscal year was \$10,050 (a decrease of \$51,149 for governmental activities and an increase of \$61,199 for business-type activities).

Major capital improvements during the current fiscal year included ongoing projects: consisting primarily of roads of \$19 million; fire equipment and vehicles of \$12 million; sewer tertiary treatment plant of \$8 million; \$27 million in Water Utility upgrades primarily related to system expansion and improvements, and continued pipeline replacement programs; and \$36 million in Electric Utility capital improvements primarily related to improvements to the Electric system in the form of substations, transformers, underground conduit and conductors, neighborhood streetlights, and distribution line extensions and replacements to serve customers.

City of Riverside's Capital Assets (net of depreciation)

(Amount presented in Thousands)

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$336,997	\$343,022	\$98,601	\$94,900	\$435,598	\$437,922
Construction in progress	49,288	68,894	114,904	102,579	164,192	171,473
Buildings	76,046	110,802	493,581	466,259	569,627	577,061
Improvements other than Buildings	128,288	146,343	1,199,740	1,177,665	1,328,028	1,324,008
Machinery and equipment	34,655	23,170	32,362	33,888	67,017	57,058
Intangibles	43	87	36,786	39,484	36,829	39,571
Infrastructure	629,333	613,481	-	-	629,333	613,481
Total	\$1,254,650	\$1,305,799	\$1,975,974	\$1,914,775	\$3,230,624	\$3,220,574

Additional information on the City's capital assets can be found in note 5 on page 45 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$1,731,598 which includes bonded debt of \$1,533,335.

City of Riverside's Long-Term Debt

(Amounts presented in Thousands)

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$9,179	\$10,388	\$ -	\$ -	\$9,179	\$10,388
Pension Obligation Bonds	50,486	60,883	14,775	18,324	65,261	79,207
Certificates of Participation	99,178	150,800	29,692	-	128,870	150,800
Lease Revenue Bonds	80,416	36,246	7,867	-	88,283	36,246
Revenue Bonds	-	-	1,241,743	1,139,864	1,241,743	1,139,864
Loans Payable	1,329	1,746	-	-	1,329	1,746
Notes Payable	-	-	73,673	78,583	73,673	78,583
Capital Leases	21,422	25,647	5,192	6,821	26,614	32,468
Landfill Capping	-	-	11,136	4,770	11,136	4,770
Water Acquisition Rights	-	-	937	937	937	937
Compensated Absences	27,072	24,985	9,042	8,596	36,114	33,581
Claims liability	48,459	46,232	-	-	48,459	46,232
Total	<u>\$337,541</u>	<u>\$356,927</u>	<u>\$1,394,057</u>	<u>\$1,257,895</u>	<u>\$1,731,598</u>	<u>\$1,614,822</u>

The City's total debt increased by \$116,776 or 7.23% during the current fiscal year. The net increase is primarily related to the issuance of the 2018A Sewer Bonds, 2019A Electric and Water Bonds, 2019A Bonds for Galleria at Tyler for public improvements and the 2019B Bonds for the Main Library Construction project.

The City's Water Utility maintains "AAA" and "AA+" ratings, from Standard & Poors and Fitch, respectively, for their revenue bonds, while the Electric Utility maintains "AA-" ratings from both rating agencies for fixed rate bonds and "A" and "AA-" ratings for the variable rate bond from Standard & Poors and Fitch, respectively. The City's general obligation bond ratings are "AA" and "AA," respectively.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total adjusted assessed valuation. The legal debt limit was \$779,945 at June 30, 2019, which applies only to general obligation debt. At June 30, 2019, the City had \$9,179 of general obligation debt, resulting in available legal debt capacity of \$770,766.

Additional information on the City's long-term debt can be found in note 8 beginning on page 48 of this report.

Economic Factors and Next Year's Budget and Rates

- Unemployment in the City of Riverside is 3.9% as compared to 4.4% for the prior year.
- The largest impact to the City's long-term financial stability relates to pension costs from CalPERS. Over the next five years, the City's total unfunded accrued liability payments will increase 48% from \$42 million in FY 2019-20 to approximately \$62 million in FY 2025-26.

The cost increases are mainly due to investment losses by CalPERS during the Great Recession, which impacted all of the California agencies' retirement plans managed by CalPERS. Additional factors causing cost increases, which impact all or many agencies include:

- Retroactive retirement benefit enhancements for City employees between 2001 and 2006.
- Long-term investment returns not meeting expectations (e.g. CalPERS reported a 6.7% net return on investments for the 12-month period ending June 30, 2019 from an estimated 7%. This year's return brings total fund performance to 5.8% for the five-year time period, 9.1% for the 10-year time period, and 5.8% for the 20-year time period. Over the past 30 years, the CalPERS fund has returned an average of 8.1% annually)
- Increased contributions resulting from the CalPERS anticipated return-on-investment rate over the past 15 years, which was decreased from 8.25% to 7%.
- CalPERS expects retirees to live longer.

CalPERS began to collect employer contributions toward the plan's unfunded liability as dollar amounts instead of prior method of a contribution rate combined with the normal cost rate effective July 1, 2018. As a result, the following lists the two required contribution components per plan for FY 2019/20:

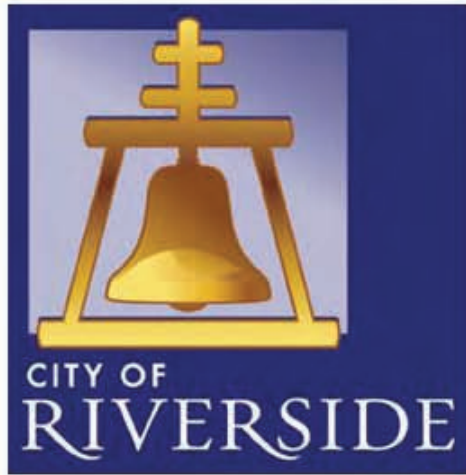
- Miscellaneous Plan – 12.866%. Unfunded Liability Payment of \$21,970
- Safety Plan – 21.363%. Unfunded Liability Payment of \$18,476

At the time of the two-year budget preparation for the fiscal year 2018-19 and 2019-20 budget cycle, the economic outlook for the City was considered to be stable. However, there are significant challenges in the next five years due to pension costs as outlined above. The City will continue to implement operational efficiencies, where possible, to minimize costs and impact to service levels as CalPERS costs increase.

The General Fund Budget for fiscal year 2019/20 of approximately \$282 million was adopted. It represents an increase from the prior year of approximately 4.8%. Expenditure growth is expected to outpace revenue growth due to the rising costs of PERS.

Request for information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 3900 Main Street City of Riverside, CA 92522.



City of Riverside
Statement of Net Position
June 30, 2019
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 230,445	\$ 430,704	\$ 661,149
Receivables, net	94,364	52,523	146,887
Inventory	6,811	2,976	9,787
Prepaid items	837	17,824	18,661
Deposits	-	1,613	1,613
Other	-	300	-
Internal balances	(3,470)	3,470	-
Restricted assets:			
Cash and cash equivalents	-	61,013	61,013
Cash and investments at fiscal agent	45,544	191,699	237,243
Other	-	4,768	4,768
Advances to Successor Agency Trust Fund	-	3,803	3,803
Land and improvements held for resale	3,023	-	3,023
Regulatory assets	-	15,651	15,651
Land and other capital assets not being depreciated	386,285	234,997	621,282
Capital assets (net of accumulated depreciation)	<u>868,365</u>	<u>1,740,977</u>	<u>2,609,342</u>
Total assets	<u>1,632,204</u>	<u>2,762,318</u>	<u>4,394,522</u>
Deferred Outflows of Resources			
Changes in derivative values	10,473	23,256	33,729
Charge on refunding	2,741	16,400	19,141
Pension related items	<u>100,865</u>	<u>37,990</u>	<u>138,855</u>
Total deferred outflows of resources	<u>114,079</u>	<u>77,646</u>	<u>191,725</u>
Liabilities			
Accounts payable and other current liabilities	35,540	27,766	63,306
Accrued interest payable	1,342	16,950	18,292
Unearned revenue	802	1,961	2,763
Deposits	8,813	8,622	17,435
Derivative instruments	12,998	31,164	44,162
Noncurrent liabilities:			
Due within one year			
Long-term obligations	23,822	34,337	58,159
Compensated absences	16,424	7,929	24,353
Claims liability	9,543	-	9,543
Landfill capping	-	559	559
Decommissioning liability	-	5,335	5,335
Due in more than one year			
Long-term obligations	238,188	1,339,542	1,577,730
Compensated absences	10,648	1,113	11,761
Claims liability	38,916	-	38,916
Landfill capping	-	10,577	10,577
Decommissioning liability	-	52,864	52,864
Regulatory liability	-	6,336	6,336
Net OPEB liability	21,590	16,748	38,338
Net pension liability	<u>420,937</u>	<u>143,887</u>	<u>564,824</u>
Total liabilities	<u>839,563</u>	<u>1,705,690</u>	<u>2,545,253</u>
Deferred Inflows of Resources			
Regulatory charges	-	16,361	16,361
Deferred charges on refunding	-	712	712
OPEB related items	942	578	1,520
Pension related items	<u>32,730</u>	<u>26,892</u>	<u>59,622</u>
Total deferred inflows of resources	<u>33,672</u>	<u>44,543</u>	<u>78,215</u>
Net Position			
Net investment in capital assets	1,102,837	867,206	1,970,043
Restricted for:			
Expendable:			
Capital projects	41,889	-	41,889
Debt service	1,636	25,906	27,542
Economic development	18,619	-	18,619
Landfill capping	-	2,500	2,500
Public works	21,303	-	21,303
Housing	41,607	-	41,607
Programs and regulatory requirements	-	38,651	38,651
Nonexpendable	1,497	-	1,497
Unrestricted	<u>(356,340)</u>	<u>155,468</u>	<u>(200,872)</u>
Total net position	<u>\$ 873,048</u>	<u>\$ 1,089,731</u>	<u>\$ 1,962,779</u>

The notes to basic financial statements are an integral part of this statement.

City of Riverside
Statement of Activities
For the fiscal year ended June 30, 2019
(amounts expressed in thousands)

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total
Governmental activities:								
General government	\$ 51,139	\$ (25,363)	\$ 29,281	\$ 17	\$ 459	\$ 3,981	\$ -	\$ 3,981
Public safety	201,942	10,888	2,443	14,543	1,906	(193,938)	-	(193,938)
Highways and streets	43,770	3,804	6,036	8,549	25,008	(7,981)	-	(7,981)
Culture and recreation	31,200	10,671	7,465	857	77	(33,472)	-	(33,472)
Interest on long-term debt	10,045	-	-	-	-	(10,045)	-	(10,045)
Total governmental activities	<u>338,096</u>	<u>-</u>	<u>45,225</u>	<u>23,966</u>	<u>27,450</u>	<u>(241,455)</u>	<u>-</u>	<u>(241,455)</u>
Business type activities:								
Electric	347,804	-	363,570	-	6,383	-	22,149	22,149
Water	70,912	-	65,177	-	3,119	-	(2,616)	(2,616)
Sewer	70,137	-	64,282	-	730	-	(5,125)	(5,125)
Civic Entertainment	24,151	-	16,977	-	-	-	(7,174)	(7,174)
Airport	1,972	-	1,618	-	-	-	(354)	(354)
Refuse	24,205	-	23,004	-	-	-	(1,201)	(1,201)
Transportation	4,493	-	444	3,093	375	-	(581)	(581)
Public parking	5,151	-	4,604	-	-	-	(547)	(547)
Total business type activities	<u>548,825</u>	<u>-</u>	<u>539,676</u>	<u>3,093</u>	<u>10,607</u>	<u>-</u>	<u>4,551</u>	<u>4,551</u>
Total	<u>\$ 886,921</u>	<u>-</u>	<u>\$ 584,901</u>	<u>\$ 27,059</u>	<u>\$ 38,057</u>	<u>\$ (241,455)</u>	<u>\$ 4,551</u>	<u>\$ (236,904)</u>
General revenues:								
Taxes:								
Sales						130,645	-	130,645
Property						69,478	-	69,478
Utility users						28,009	-	28,009
Franchise						5,256	-	5,256
Transient occupancy tax						7,163	-	7,163
Intergovernmental, unrestricted						156	-	156
Investment income						7,500	19,488	26,988
Miscellaneous						-	10,322	10,322
Subtotal						<u>248,207</u>	<u>29,810</u>	<u>278,017</u>
Transfers, net						<u>37,115</u>	<u>(37,115)</u>	<u>-</u>
Total general revenues and transfers						<u>285,322</u>	<u>(7,305)</u>	<u>278,017</u>
Change in net position						<u>43,867</u>	<u>(2,754)</u>	<u>41,113</u>
Net position - beginning, as previously stated								
Prior period adjustment						<u>(12,398)</u>	<u>12,398</u>	<u>-</u>
Net position - beginning, as restated						<u>829,181</u>	<u>1,092,485</u>	<u>1,921,666</u>
Net position - ending						<u>\$ 873,048</u>	<u>\$ 1,089,731</u>	<u>\$ 1,962,779</u>

The notes to basic financial statements are an integral part of this statement.

City of Riverside
Balance Sheet
Governmental Funds
June 30, 2019
(amounts expressed in thousands)

Assets	General Fund	Capital Outlay Fund	General Debt Service	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$ 120,147	\$ 35,435	\$ -	\$ 40,710	\$ 196,292
Cash and investments at fiscal agent	14	34,222	10,644	664	45,544
Receivables (net of allowance for uncollectibles)					
Interest	346	121	40	147	654
Property taxes	4,113	-	141	96	4,350
Sales tax	22,680	-	-	-	22,680
Utility billed	1,295	-	-	-	1,295
Accounts	5,017	387	31	4	5,439
Intergovernmental	4,782	3,812	-	8,089	16,683
Notes	10	-	-	43,052	43,062
Prepaid items	774	-	-	63	837
Deposits	-	-	-	-	-
Due from other funds	2,438	-	-	-	2,438
Land & improvements held for resale	175	-	-	2,848	3,023
Total assets	\$ 161,791	\$ 73,977	\$ 10,856	\$ 95,673	\$ 342,297
Liabilities					
Accounts payable	\$ 7,664	\$ 3,012	\$ 115	\$ 2,779	\$ 13,570
Accrued payroll	19,261	-	-	6	19,267
Retainage payable	14	280	-	727	1,021
Intergovernmental	218	-	-	1	219
Unearned revenue	29	91	-	682	802
Deposits	8,813	-	-	-	8,813
Due to other funds	-	-	1,513	925	2,438
Advances from other funds	-	-	2,369	2,010	4,379
Total liabilities	35,999	3,383	3,997	7,130	50,509
Deferred Inflows of Resources					
Unavailable revenue	4,625	117	34	43,908	48,684
Total deferred inflows of resources	4,625	117	34	43,908	48,684
Fund Balances					
Nonspendable:					
Inventories, prepaids and deposits	774	-	-	63	837
Land & improvements held for resale	175	-	-	-	175
Permanent fund principal	-	-	-	1,497	1,497
Restricted for:					
Housing and redevelopment	-	-	-	16,668	16,668
Debt service	2,226	-	6,825	-	9,051
Transportation and public works	-	70,477	-	20,902	91,379
Other purposes	1,185	-	-	5,505	6,690
Committed for:					
Economic contingency	61,000	-	-	-	61,000
Unfunded accrued liability	4,916	-	-	-	4,916
Assigned to:					
General government	2,525	-	-	-	2,525
Public safety	2,952	-	-	-	2,952
Highways and streets	351	-	-	-	351
Culture and recreation	611	-	-	-	611
Continuing projects	20,545	-	-	-	20,545
Unassigned	23,907	-	-	-	23,907
Total fund balances	121,167	70,477	6,825	44,635	243,104
Total liabilities, deferred inflows of resources, and fund balances	\$ 161,791	\$ 73,977	\$ 10,856	\$ 95,673	\$ 342,297

The notes to basic financial statements are an integral part of this statement.

City of Riverside
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2019
(amounts expressed in thousands)

Total fund balances - governmental funds \$ 243,104

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets net of accumulated depreciation used in governmental activities that are not current financial resources and, therefore, are not reported in the funds. 1,247,735

Deferred refunding charges are not available resources and, therefore, are not reported in the funds. 2,741

Deferred outflows on pensions related items 99,076

Deferred inflows on pensions related items (31,463)

Deferred inflows on OPEB related items (906)

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. 48,684

Accrued interest payable for the current portion of interest due on various debt issues has not been reported in the governmental funds. (1,342)

Long-term liabilities, as listed below, are not due and payable in the current period and therefore are not reported in the funds.

Bonds	\$ (131,364)	
Certificates of participation	(98,288)	
Capital leases	(21,422)	
Loan payable	(1,329)	
Bond premiums	(9,002)	
Net OPEB liability	(20,608)	
Net pension liability	(414,162)	
Compensated absences	(26,638)	
		(722,813)

The City uses derivative instruments to hedge its exposure to changing interest rates through the use of interest rate swaps. The following related items have been reflected in the Statement of Net Position.

Net fair value of interest rate swaps	\$ (12,998)	
Deferred amount related to the hedgeable portion of the derivative instrument	<u>10,473</u>	
		(2,525)

Internal service funds are used by management to charge the costs of insurance, centralized purchasing and fleet management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position. (9,243)

Net position of governmental activities \$873,048

The notes to basic financial statements are an integral part of this statement.

City of Riverside
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2019
(amounts expressed in thousands)

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>General Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 240,416	\$ -	\$ -	\$ -	\$ 240,416
Licenses and permits	10,357	-	-	3,960	14,317
Intergovernmental	3,466	13,904	-	27,580	44,950
Charges for services	16,291	-	-	636	16,927
Fines and forfeitures	2,078	-	-	-	2,078
Special assessments	535	1,000	1,333	5,105	7,973
Rental and investment income	3,389	943	891	1,325	6,548
Miscellaneous	3,287	871	40	1,172	5,370
Total revenues	<u>279,819</u>	<u>16,718</u>	<u>2,264</u>	<u>39,778</u>	<u>338,579</u>
Expenditures					
Current:					
General government	10,004	-	509	8,367	18,880
Public safety	186,863	-	-	11,500	198,363
Highways and streets	20,289	-	-	638	20,927
Culture and recreation	29,806	251	-	471	30,528
Capital outlay	1,815	20,144	-	19,626	41,585
Debt service:					
Principal	-	-	37,839	28	37,867
Interest	-	1	10,427	65	10,493
Bond issuance costs	-	411	443	-	854
Total expenditures	<u>248,777</u>	<u>20,807</u>	<u>49,218</u>	<u>40,695</u>	<u>359,497</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,042</u>	<u>(4,089)</u>	<u>(46,954)</u>	<u>(917)</u>	<u>(20,918)</u>
Other financing sources (uses)					
Transfers in	51,763	10,747	30,855	1,406	94,771
Transfers out	(51,262)	(3,199)	(4,189)	(38)	(58,688)
Issuance of long-term debt	-	33,505	15,980	-	49,485
Other finance sources - bond premium/(discount)	-	6,916	(376)	-	6,540
Proceeds from the sale of capital assets	-	149	-	-	149
Total other financing sources (uses)	<u>501</u>	<u>48,118</u>	<u>42,270</u>	<u>1,368</u>	<u>92,257</u>
Net change in fund balances	31,543	44,029	(4,684)	451	71,339
Fund balances - beginning	89,624	26,448	11,509	44,184	171,765
Fund balances - ending	<u>\$ 121,167</u>	<u>\$ 70,477</u>	<u>\$ 6,825</u>	<u>\$ 44,635</u>	<u>\$ 243,104</u>

The notes to basic financial statements are an integral part of this statement.

City of Riverside
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the fiscal year ended June 30, 2019
(amounts expressed in thousands)

Net change in fund balances - total governmental funds \$ 71,339

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current year, depreciation exceeded capital asset additions, as listed below:

Capital asset additions	\$ 40,143	
Depreciation expense	<u>(46,307)</u>	(6,164)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position. (3,947)

The net effect of transferring assets and liabilities as part of the debt restructuring. 761

Revenues related to prior years that are available in the current fiscal year are reported as revenue in the governmental funds. In contrast, revenues that are earned but unavailable in the current year are deferred in the governmental funds. For government-wide reporting, revenue is recognized when earned, regardless of availability. The amount reflects the timing differences for revenue recognition. 5,149

The issuance of long-term debt (e.g., bonds, leases, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds immediately report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is listed below:

Principal repayments	\$ 37,867	
Net pension liability	(10,685)	
Net OPEB liability	(1,011)	
Compensated absences	(2,085)	
Interest	1,087	
Premium/discount amortization	304	
Premiums on the issuance of long-term debt	(6,540)	
Issuance of long-term debt	<u>(49,485)</u>	(30,548)

Internal service funds are used by management to charge the costs of insurance, centralized purchasing and fleet management to individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities. 7,277

Change in net position of governmental activities \$ 43,867

The notes to basic financial statements are an integral part of this statement.

City of Riverside
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the fiscal year ended June 30, 2019
(amounts expressed in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes	\$ 225,439	\$ 232,218	\$ 240,416	\$ 8,198
Licenses and permits	10,188	10,188	10,357	169
Intergovernmental	1,856	3,654	3,466	(188)
Charges for services	17,395	16,551	16,291	(260)
Fines and forfeitures	1,809	1,209	2,078	869
Special assessments	505	505	535	30
Rental and investment income	1,700	1,700	3,389	1,689
Miscellaneous	4,032	3,799	3,287	(512)
Total revenues	<u>262,924</u>	<u>269,824</u>	<u>279,819</u>	<u>9,995</u>
Expenditures				
Current:				
General government	20,327	29,859	10,004	19,855
Public safety	184,654	191,214	186,863	4,351
Highways and streets	20,242	22,122	20,289	1,833
Culture and recreation	30,397	33,218	29,806	3,412
Capital outlay	231	3,414	1,815	1,599
Total expenditures	<u>255,851</u>	<u>279,827</u>	<u>248,777</u>	<u>31,050</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,073</u>	<u>(10,003)</u>	<u>31,042</u>	<u>41,045</u>
Other financing sources (uses)				
Transfers in	61,428	64,378	51,763	(12,615)
Transfers out	(62,087)	(66,215)	(51,262)	14,953
Proceeds from the sale of capital assets	68	68	-	(68)
Total other financing sources (uses)	<u>(591)</u>	<u>(1,769)</u>	<u>501</u>	<u>2,270</u>
Net change in fund balances	6,482	(11,772)	31,543	43,315
Fund balances - beginning	89,624	89,624	89,624	-
Fund balances - ending	<u>\$ 96,106</u>	<u>\$ 77,852</u>	<u>\$ 121,167</u>	<u>\$ 43,315</u>

City of Riverside
Statement of Net Position
Proprietary Funds
June 30, 2019
(amounts expressed in thousands)

Business-type Activities - Enterprise Funds							Governmental Activities-Internal Service Funds
Assets	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds		
Current assets:							
Cash and investments	\$ 293,449	\$ 41,038	\$ 84,895	\$ 11,322	\$ 430,704	\$	34,153
Receivables (net allowances for uncollectibles)							
Interest	976	138	311	50	1,475		112
Utility billed	14,168	3,290	3,499	1,230	22,187		-
Utility unbilled	13,220	3,006	2,397	1,003	19,626		-
Accounts	3,746	1,833	485	980	7,044		34
Property tax receivable	-	-	-	18	18		-
Intergovernmental	88	521	1,156	408	2,173		55
Inventory	971	-	1,929	76	2,976		6,811
Prepaid items	4,526	227	15	44	4,812		-
Deposits	1,313	-	-	300	1,613		-
Other		300			300		-
Due from other funds	325	139	-	-	464		-
Restricted assets:							
Cash and cash equivalents:							
Rate stabilization cash and cash equivalents	-	-	1,000	-	1,000		-
Other restricted cash and cash equivalents	47,838	9,675	-	2,500	60,013		-
Public benefit programs receivable	841	102	-	-	943		-
Total current assets	<u>381,461</u>	<u>60,269</u>	<u>95,687</u>	<u>17,931</u>	<u>555,348</u>		<u>41,165</u>
Non-current assets:							
Restricted assets:							
Cash and investments at fiscal agent	125,372	40,474	25,853	-	191,699		-
Regulatory assets	1,939	1,055	1,377	11,280	15,651		-
Prepaid items - non-current	13,012	-	-	-	13,012		-
Advances to other funds	-	-	3,006	-	3,006		1,373
Advances to Successor Agency Trust Fund	3,803	-	-	-	3,803		-
Other	-	3,825	-	-	3,825		-
Capital assets:							
Land	53,028	20,841	3,419	21,313	98,601		458
Intangible assets, non-depreciable	10,651	10,841	-	-	21,492		-
Intangible assets, depreciable	21,758	4,162	119	-	26,039		219
Accumulated depreciation - intangible assets, depreciable	(8,482)	(2,198)	(65)	-	(10,745)		(176)
Buildings	64,475	20,515	504,842	73,403	663,235		4,092
Accumulated depreciation - buildings	(11,500)	(7,032)	(134,286)	(16,835)	(169,653)		(839)
Improvements other than buildings	974,503	649,336	152,887	86,637	1,863,363		1,315
Accumulated depreciation - improvements other than buildings	(391,642)	(223,614)	(25,277)	(23,089)	(663,622)		(571)
Machinery and equipment	43,395	15,602	17,219	22,802	99,018		11,230
Accumulated depreciation - machinery and equipment	(26,781)	(12,494)	(9,608)	(17,775)	(66,658)		(9,227)
Construction in progress	65,307	19,392	29,485	720	114,904		414
Total non-current assets	<u>938,838</u>	<u>540,705</u>	<u>568,971</u>	<u>158,456</u>	<u>2,206,970</u>		<u>8,288</u>
Total assets	<u>1,320,299</u>	<u>600,974</u>	<u>664,658</u>	<u>176,387</u>	<u>2,762,318</u>		<u>49,453</u>
Deferred Outflows of Resources							
Changes in derivative values	14,740	2,753	-	5,763	23,256		-
Deferred charges on refunding	9,623	5,918	-	859	16,400		-
Pension related items	22,300	8,115	4,738	2,837	37,990		1,789
Total deferred outflows of resources	<u>46,663</u>	<u>16,786</u>	<u>4,738</u>	<u>9,459</u>	<u>77,646</u>		<u>1,789</u>

Continued

City of Riverside
Statement of Net Position
Proprietary Funds
June 30, 2019
(amounts expressed in thousands)

Business-type Activities - Enterprise Funds						
Liabilities	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Current liabilities:						
Accounts payable	19,311	2,404	2,158	2,340	26,213	1,434
Accrued payroll	205	74	44	34	357	19
Retainage payable	344	376	471	5	1,196	10
Unearned revenue	62	39	4	1,856	1,961	-
Deposits	7,255	789	3	575	8,622	-
Due to other funds	-	-	-	-	-	464
Accrued interest	5,854	2,733	8,295	68	16,950	-
Total current liabilities	33,031	6,415	10,975	4,878	55,299	1,927
Noncurrent liabilities:						
Due within one year						
Long-term obligations	12,483	7,785	8,635	5,434	34,337	124
Compensated absences	4,563	1,728	1,114	524	7,929	389
Claims liability	-	-	-	-	-	9,543
Landfill capping	-	-	-	559	559	-
Decommissioning liability	5,335	-	-	-	5,335	-
Due in more than one year						
Long-term obligations	616,130	250,026	386,115	87,271	1,339,542	481
Compensated absences	750	299	43	21	1,113	45
Claims liability	-	-	-	-	-	38,916
Landfill capping	-	-	-	10,577	10,577	-
Decommissioning liability	52,864	-	-	-	52,864	-
Regulatory liability	2,904	3,427	-	5	6,336	-
Net OPEB liability	8,572	3,524	2,489	2,163	16,748	982
Net pension liability	84,468	30,737	17,943	10,739	143,887	6,775
Derivative instruments	19,037	5,257	-	6,870	31,164	-
Total non-current liabilities	807,106	302,783	416,339	124,163	1,650,391	57,255
Total liabilities	840,137	309,198	427,314	129,041	1,705,690	59,182
Deferred Inflows of Resources						
Regulatory charges	-	-	16,361	-	16,361	-
Deferred charges on refunding	-	-	712	-	712	-
OPEB related items	307	117	79	75	578	36
Pension related items	15,786	5,744	3,354	2,008	26,892	1,267
Total deferred inflows of resources	16,093	5,861	20,506	2,083	44,543	1,303
Net Position						
Net investment in capital assets	255,893	292,394	171,743	147,176	867,206	6,915
Restricted for debt service	13,396	6,710	5,800	-	25,906	-
Restricted for landfill capping	-	-	-	2,500	2,500	-
Restricted for programs and regulatory requirements	34,480	2,239	1,932	-	38,651	-
Unrestricted	206,963	1,358	42,101	(94,954)	155,468	(16,158)
Total net position (deficit)	\$ 510,732	\$ 302,701	\$ 221,576	\$ 54,722	\$ 1,089,731	\$ (9,243)

The notes to basic financial statements are an integral part of this statement.

City of Riverside
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the fiscal year ended June 30, 2019
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Operating revenues:						
Charges for services	\$ 363,570	\$ 65,177	\$ 64,282	\$ 46,647	\$ 539,676	\$ 29,811
Operating expenses:						
Personnel services	46,491	14,246	10,768	8,401	79,906	5,223
Contractual services	8,420	2,888	1,239	13,871	26,418	1,127
Maintenance and operation	217,699	9,871	8,953	8,015	244,538	2,982
General	13,062	16,714	8,939	17,975	56,690	4,373
Materials and supplies	1,041	675	3,671	1,634	7,021	182
Claims/Insurance	1,567	656	514	612	3,349	10,875
Depreciation and amortization	34,471	15,450	13,712	6,056	69,689	1,127
Total operating expenses	<u>322,751</u>	<u>60,500</u>	<u>47,796</u>	<u>56,564</u>	<u>487,611</u>	<u>25,889</u>
Operating income (loss)	<u>40,819</u>	<u>4,677</u>	<u>16,486</u>	<u>(9,917)</u>	<u>52,065</u>	<u>3,922</u>
Non-operating revenues (expenses):						
Operating grants	-	-	-	3,093	3,093	-
Interest income	13,372	2,044	3,681	391	19,488	860
Other	3,989	2,888	29	442	7,348	(2)
Gain (loss) on retirement of capital assets	287	155	(3)	(289)	150	20
Capital improvement fees	-	-	2,824	-	2,824	-
Interest expense and fiscal charges	(25,053)	(10,412)	(22,341)	(3,408)	(61,214)	(23)
Total non-operating revenues (expenses)	<u>(7,405)</u>	<u>(5,325)</u>	<u>(15,810)</u>	<u>229</u>	<u>(28,311)</u>	<u>855</u>
Income (loss) before capital contributions and transfers	33,414	(648)	676	(9,688)	23,754	4,777
Cash capital contributions	3,496	2,489	80	375	6,440	-
Noncash capital contributions	2,887	630	650	-	4,167	-
Transfers in	-	-	-	18,537	18,537	2,500
Transfers out	(39,886)	(6,584)	(900)	(8,282)	(55,652)	-
Change in net position	(89)	(4,113)	506	942	(2,754)	7,277
Net position (deficit) - beginning	505,412	305,078	218,186	51,411	1,080,087	(16,670)
Prior period adjustment	5,409	1,736	2,884	2,369	12,398	150
Net position - beginning	<u>510,821</u>	<u>306,814</u>	<u>221,070</u>	<u>53,780</u>	<u>1,092,485</u>	<u>(16,520)</u>
Net position (deficit) - ending	<u>\$ 510,732</u>	<u>\$ 302,701</u>	<u>\$ 221,576</u>	<u>\$ 54,722</u>	<u>\$ 1,089,731</u>	<u>\$ (9,243)</u>

The notes to basic financial statements are an integral part of this statement.

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2019
(amounts expressed in thousands)

	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Cash flows from operating activities:						
Cash received from customers and users	\$ 365,134	\$ 65,239	\$ 64,262	\$ 41,736	\$ 536,371	\$ 30,190
Cash paid to employees for services	(59,030)	(22,170)	(10,969)	(8,482)	(100,651)	(3,069)
Cash paid to other suppliers of goods or services	(225,961)	(24,020)	(23,181)	(34,761)	(307,923)	(19,912)
Other receipts (payments)	-	1,132	-	-	1,132	-
Net cash (used) provided by operating activities	80,143	20,181	30,112	(1,507)	128,929	7,209
Cash flows from noncapital financing activities:						
Transfers in	-	-	-	17,086	17,086	2,500
Transfers out	(39,886)	(6,584)	(900)	(8,298)	(55,668)	-
Operating grants	-	-	-	3,093	3,093	-
Receipts (payments) on interfund advances	404	(8)	986	(225)	1,157	717
Payments on pension obligation bonds	(2,018)	(728)	(461)	(343)	(3,550)	(138)
Other receipts (payments) from non-operating revenue	3,989	-	29	1,125	5,143	(2)
Net cash (used) provided by noncapital financing activities	(37,511)	(7,320)	(346)	12,438	(32,739)	3,077
Cash flows from capital and related financing activities:						
Purchase of capital assets	(43,160)	(21,670)	(16,246)	(2,054)	(83,130)	(737)
Proceeds from the sale of capital assets	369	183	-	24	576	20
Principal paid on long-term obligations	(15,269)	(5,841)	(28,514)	(4,050)	(53,674)	-
Interest paid on long-term obligations	(27,149)	(9,710)	(21,342)	(4,189)	(62,390)	(23)
Capital improvement fees	-	-	2,824	-	2,824	-
Proceeds from revenue bonds, including premium/discount	103,303	53,566	-	-	156,869	-
Contributions	3,497	2,489	730	375	7,091	-
Bond issuance and refunding costs	(3,069)	(1,286)	-	-	(4,355)	-
Net cash (used) for capital and related financing activities	18,522	17,731	(62,548)	(9,894)	(36,189)	(740)
Cash flows from investing activities:						
Sale and (purchase) of investments	2,707	268	(15)	(659)	2,301	(37)
Interest from investments	13,412	2,097	3,681	391	19,581	860
Net cash (used) provided by investing activities	16,119	2,365	3,666	(268)	21,882	823
Net change in cash and cash equivalents	77,273	32,957	(29,116)	769	81,883	10,369
Cash and cash equivalents, beginning (including \$48,359 for Electric, \$10,766 for Water, \$51,488 for Sewer and \$1,118 for Other Enterprise Funds in restricted accounts.)						
	323,046	58,230	140,864	13,053	535,193	23,784
Cash and cash equivalents, ending (including \$106,870 for Electric, \$49,881 for Water, \$26,853 for Sewer and \$2,500 for Other Enterprise Funds in restricted accounts.)						
	\$ 400,319	\$ 91,187	\$ 111,748	\$ 13,822	\$ 617,076	\$ 34,153

Continued

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2019
(amounts expressed in thousands)

	Continued					
						Governmental Activities- Internal Service Funds
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	
Reconciliation of operating income (loss) to net cash (used) provided by operating activities:						
Operating income (loss)	\$ 40,819	\$ 4,677	\$ 16,486	\$ (9,917)	\$ 52,065	\$ 3,922
Other receipts	-	1,132	-	-	1,132	-
Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities:						
Depreciation and amortization	34,471	15,450	13,712	6,056	69,689	1,127
Changes in assets, liabilities and deferred inflows/outflows of resources:						
Utility billed receivable	(265)	220	116	(130)	(59)	-
Utility unbilled receivable	1,638	174	10	(219)	1,603	-
Accounts receivable	265	(557)	(332)	1,939	1,315	16
Property tax receivable	-	-	-	(18)	(18)	-
Intergovernmental receivable	(61)	354	38	(54)	277	363
Inventory	126	-	(236)	(24)	(134)	(527)
Prepaid and deposit items	(7,485)	11	(4)	275	(7,203)	-
Benefit programs receivable	40	7	-	-	47	-
Regulatory asset	(208)	(1,055)	148	(6,406)	(7,521)	-
Accounts payable	7,693	(984)	323	156	7,188	157
Accrued payroll	4	(2)	(1)	1	2	(1)
Retainage payable	121	(57)	48	(10)	102	(3)
Other payables	246	(2,230)	7	605	(1,372)	2
Deposits payable	858	(24)	3	(4)	833	-
Claims liability	-	-	-	-	-	2,227
Landfill capping	-	-	-	6,366	6,366	-
Regulatory liability	2,904	3,427	-	(23)	6,308	-
Net OPEB liability and related changes in deferred outflows and inflows of resources	300	119	75	70	564	32
Net pension liability and related changes in deferred outflows and inflows of resources	(1,323)	(481)	(281)	(170)	(2,255)	(106)
Net cash (used) provided by operating activities	<u>\$ 80,143</u>	<u>\$ 20,181</u>	<u>\$ 30,112</u>	<u>\$ (1,507)</u>	<u>\$ 128,929</u>	<u>\$ 7,209</u>
Schedule of noncash financing and investing activities:						
Gain/(loss) on retirement of capital assets	\$ -	\$ -	\$ (3)	\$ (289)	\$ (292)	\$ 20
Capital contributions	2,887	630	650	-	4,167	-
Principal balance of revenue bonds refunded	195,090	68,800	-	-	263,890	-
Payment on note payable including interest offset by rent credit	-	1,756	-	-	1,756	-
Decrease in fair value of investments	935	-	-	-	935	-
Capital assets - transfer (from)/to governmental activities	-	-	-	40,646	40,646	-
Long-term obligations - transfer (from)/to governmental activities	-	-	-	(39,178)	(39,178)	-

The notes to basic financial statements are an integral part of this statement.

City of Riverside
Statement of Net Position/(Deficit)
Fiduciary Funds
June 30, 2019
(amounts expressed in thousands)

	Successor Agency Private-Purpose Trust Fund	Agency Fund
	<u> </u>	<u> </u>
Assets		
Cash and investments	\$ 25,911	\$ 3,500
Cash and investments at fiscal agent	6,718	4,588
Receivables:		
Interest	109	11
Accounts	25	-
Notes	2,565	-
Direct financing lease receivable	13,490	-
Deposits	2	-
Property tax receivables	-	87
Land and improvements held for resale	8,992	-
Capital assets:		
Land	185	-
Total assets	<u>57,997</u>	<u>\$ 8,186</u>
Liabilities		
Accounts payable	714	-
Retainage payable	159	-
Accrued interest	2,760	-
Advances from other funds	3,803	-
Noncurrent liabilities		
Due within one year		
Long-term obligations	6,323	-
Due in more than one year		
Long-term obligations	196,678	-
Held for bond holders	-	8,186
Total liabilities	<u>210,437</u>	<u>\$ 8,186</u>
Deferred Inflows of Resources		
Deferred charge on refunding	1,035	
Total deferred inflows of resources	<u>1,035</u>	
Net Position/(Deficit)		
Held by Successor Agency	(153,475)	
Total net position/(deficit)	<u>\$ (153,475)</u>	

The notes to basic financial statements are an integral part of this statement

City of Riverside
Statement of Changes in Net Position/(Deficit)
Fiduciary Fund - Private-Purpose Trust Fund
For the fiscal year ended June 30, 2019
(amounts expressed in thousands)

	Successor Agency Private-Purpose Trust Fund
	<u> </u>
Additions	
Property tax revenue	\$ 10,738
Rental and investment income	1,557
Total additions	<u>12,295</u>
Deductions	
Professional services and other deductions	2,697
Redevelopment projects	5,789
Interest expense	5,211
Long-term obligation transfer from the City	2,415
Total deductions	<u>16,112</u>
Change in Net Position/(Deficit)	(3,817)
Net position/(deficit) - beginning	<u>(149,658)</u>
Net position/(deficit) - ending	<u>\$ (153,475)</u>

The notes to basic financial statements are an integral part of this statement

1. Summary of Significant Accounting Policies

The City of Riverside (City) was incorporated on October 11, 1883 as a Charter City and operates under a Council-Manager form of Government. The more significant accounting policies reflected in the financial statements are summarized as follows:

A. Reporting Entity

The financial statements present the City and its component units, entities for which the City is financially accountable. Blended component units are legally separate entities, but in substance are part of the City's operations and their data is combined with that of the City's. The City has no component units that meet the criteria for discrete presentation. All of the City's component units have a June 30 year end.

Blended Component Units

Riverside Housing Authority (Housing Authority) was established in 2006 by the City. The Housing Authority's primary purpose is to provide safe and sanitary housing accommodations for persons with low or moderate income. The Housing Authority's activity has been combined with that of the primary government because City Council members serve as the Housing Authority's commissioners and because the City is financially accountable and operationally responsible for all matters.

Riverside Public Financing Authority (Public Financing Authority) was organized in December 1987 by the City and the Redevelopment Agency. Pursuant to Assembly Bill 1X 26 (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies were dissolved effective February 1, 2012. Subsequently, the City became the Successor Agency to the Redevelopment Agency. The Parking Authority of the City of Riverside was added as an additional member of the Public Financing Authority on August 14, 2012. The Public Financing Authority's activity has been combined with that of the primary government because City Council members serve as the Public Financing Authority's board members and because the Public Financing Authority exclusively provides financing assistance to the primary government. The City is also financially accountable and operationally responsible for all matters.

Riverside Municipal Improvements Corporation (Municipal Improvements Corporation) was created in 1978 and operates under provisions of the Nonprofit Public Benefit Corporation Law of the State of California. The

Municipal Improvements Corporation's primary purpose is to provide financing assistance by obtaining land, property and equipment on behalf of the City. The activity of the Municipal Improvements Corporation has been combined with that of the primary government because three members of the City Council serve as the Municipal Improvements Corporation's directors and because the Municipal Improvements Corporation exists to serve exclusively the primary government. The City is financially accountable and operationally responsible for all matters.

Fiduciary Component Unit

Successor Agency to the Redevelopment Agency of the City of Riverside (Successor Agency) is a separate legal entity, which was formed to hold the assets and liabilities of the former Redevelopment Agency pursuant to City Council actions taken on March 15, 2011 and January 10, 2012. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies and the City of Riverside as Successor Agency of the former Redevelopment Agency. The nature and significance of the relationship between the City and the Successor Agency is such that it would be misleading to exclude the Successor Agency from the City's financial statements. The Successor Agency is presented herein in the City's fiduciary funds as a private-purpose trust fund.

Complete financial statements are prepared for the Riverside Public Financing Authority and the Successor Agency to the Redevelopment Agency of the City of Riverside, which can be obtained from the City's Finance Department, 3900 Main Street, Riverside, California, 92522 or online at www.riversideca.gov.

B. Government-wide and Fund Financial Statements

The government-wide financial statements report information on all of the non-fiduciary activities of the City and its component units. Interfund activity has been removed from these statements except for utility charges, as this would distort the presentation of function costs and program revenues. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Indirect expenses are allocated to the various functions based on a proportionate utilization of the services rendered. Such allocations consist of charges for accounting, human resources, information technology and other similar support services.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide, proprietary and private-purpose trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds report only assets and liabilities and therefore have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied on the property. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. An allowance for doubtful accounts is maintained for the utility and other miscellaneous receivables.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues are considered to be available if they are generally collected within 60 days after year end, except for revenue associated with neglected property abatement which is eleven (11) months and except for grant revenue, including reimbursement received from

Transportation Uniform Mitigation Fees, which is six (6) months. Grant revenue is recognized if received within six (6) months of year end to enable the matching of revenue with applicable expenditures. Expenditures generally are recorded when a liability is incurred under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, special assessments, sales taxes, franchise taxes, licenses, charges for services, amounts due from other governments and interest associated with the current fiscal period are all considered to be susceptible to accrual. Other revenue items such as fines and permits are considered to be measurable and available only when the government receives cash, and are therefore not susceptible to accrual.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Outlay fund accounts for the construction and installation of street and highway capital improvements for the City, including improvements funded by the ½ % sales tax approved by Riverside County in 1988.

The General Debt Service fund accounts for the accumulation of resources and payment of long-term debt obligations of the City and related entities.

The government reports the following major proprietary funds:

The Electric fund accounts for the activities of the City's electric distribution operations.

The Water fund accounts for the activities of the City's water distribution operations.

The Sewer fund accounts for the activities of the City's sewer systems.

Additionally, the government reports the following fund types:

Internal Service funds account for self-insurance, central stores and central garage on a cost reimbursement basis.

Fiduciary funds include private-purpose trust and agency funds. The private-purpose trust fund accounts for assets and activities of the dissolved Redevelopment Agency, which is accounted for in the Successor Agency Trust. The agency fund is used to account for special assessments that service no-commitment debt.

The Permanent fund is a governmental fund that is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's Library programs. Non-expendable net position on the Statement of Net Position includes \$1.5 million of permanent fund principal which are considered nonexpendable.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The Sewer fund also recognizes, as operating revenue, the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Investments

The City values its cash and investments in accordance with the provisions of Governmental Accounting Standards Board Statement No. 72 (GASB 72), *Fair Value Measurement and Application*, which requires governmental entities to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach or the income approach.

Cash accounts of all funds are pooled for investment purposes to enhance safety and liquidity while maximizing interest earnings. Investments are stated at fair value except for investments in investment contracts which are recorded at contract value. All highly liquid investments (including restricted assets) with

a maturity of 90 days or less when purchased are considered cash equivalents. Cash and investments held on behalf of proprietary funds by the City Treasurer are considered highly liquid and are classified as cash equivalents for the purpose of presentation in the statement of cash flows.

E. Restricted Cash and Investments

Certain proceeds of long-term indebtedness, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. Restricted cash and investments also include cash set aside for nuclear decommissioning, public benefit programs, regulatory requirements and rate stabilization because their use is legally restricted to a specific purpose. Unspent proceeds received from the City's landfill capping surcharge are also recorded as restricted assets.

F. Allowance for Doubtful Accounts

Management determines the allowance for doubtful accounts by analyzing customer accounts for all balances over 60 days old. The allowance for doubtful accounts is then adjusted at fiscal year-end based on the amount equal to the annual uncollectible accounts. Utility customer closed accounts are written off when deemed uncollectible. Recoveries to utility customer receivables previously written off are recorded when received. For non-utility accounts receivables, delinquent notices after 60 days are sent to customers with outstanding balances. After 120 days, accounts still outstanding are referred to the City's collection agency. As of June 30, 2019, the City had an allowance for doubtful account balance of \$2,958.

G. Land and Improvements Held for Resale

Land and improvements held for resale were generally acquired for future development projects. The properties are carried at the lower of cost or net realizable value.

H. Inventory

Supplies are valued at cost using the average-cost method. Costs are charged to user departments when consumed rather than when purchased.

I. Prepaid Items

Payments to vendors for services benefiting future periods are recorded as prepaid items and expenditures are recognized when items are consumed.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, right of way, and similar items), are reported in the applicable governmental activities and business-type activities of the government-wide financial statements and in the proprietary funds and the fiduciary private-purpose trust fund statements of net position. The government defines capital assets as assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Costs include: labor; materials; interest during construction; allocated indirect charges such as engineering, construction and transportation equipment, retirement plan contributions and other fringe benefits. Donated capital assets are recorded at estimated fair market value at the date of donation. Intangible assets that cost more than one hundred thousand dollars with useful lives of at least three years are capitalized and are recorded at cost.

Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed for proprietary funds. For the year ended June 30, 2019, business-type activities capitalized net interest costs of \$2,775 in the government-wide financial statements. Total interest expense incurred by the business-type activities before capitalization was \$63,989.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets other than land are depreciated using the straight-line method. Estimated useful lives used to compute depreciation are as follows:

Buildings and Improvements	30-50 years
Improvements other than Buildings	20-99 years
Intangibles - Depreciable	3-15 years
Machinery and Equipment	3-15 years
Infrastructure	20-100 years

K. Compensated Absences

City employees receive 10 to 25 vacation days a year based upon length of service. A maximum of two years' vacation accrual may be accumulated, any excess vacation must be used in accordance to policy, and unused vacation is paid in cash upon separation.

City employees generally receive one day of sick leave for each month of employment with unlimited accumulation. Upon retirement or death, certain employees or their estates receive a percentage of unused sick leave paid in a lump sum based on longevity. The General, Electric and Water funds have been primarily used to liquidate such balances.

The liability associated with these benefits is reported in the government-wide statements. Vacation and sick leave of proprietary funds is recorded as an expense and as a liability of those funds as the benefits accrue to employees.

L. Derivative Instruments

The City's derivative instruments are accounted for in accordance with Government Accounting Standards Board Statement No. 53 (GASB 53), *Accounting and Financial Reporting for Derivative Instruments*, which requires the City to report its derivative instruments at fair value. Changes in fair value for effective hedges that are achieved with derivative instruments are reported as deferrals in the statements of net position.

The City uses derivative instruments to hedge its exposure to changing interest rates through the use of interest rate swaps. The City had debt that was layered with "synthetic fixed rate" swaps, which was refunded in 2008 and 2011. The balance of the deferral account for each swap is included as part of the deferred charge on refunding associated with the new bonds. The swaps were also employed as a hedge against the new debt. Hedge accounting was applied to that portion of the hedging relationship, which was determined to be effective. The negative fair value of the interest rate swaps related to the new hedging relationship has been recorded and deferred on the statement of net position. See Note 6 for further discussion related to the City's interest rate swaps.

Various transactions permitted in the Utility's Power Resources Risk Management Policies may be considered derivatives, including energy and/or gas transactions for swaps, options, forward arrangements and congestion revenue rights. The City has determined that all of its contracts including

congestion revenue rights fall under the scope of “normal purchases and normal sales” and are exempt from GASB 53.

M. Long-Term Obligations

Long-Term Debt

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities columns in the government-wide financial statements and in the proprietary funds and fiduciary private-purpose trust fund statements of net position. 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.

In the fund financial statements, government fund types recognize bond issuance costs as expenditures during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

Decommissioning

Federal regulations require the Electric Utility to provide for the future decommissioning of its ownership share of the nuclear units at San Onofre. The Electric Utility has established trust accounts to accumulate resources for the decommissioning of the nuclear power plant and restoration of the beachfront at San Onofre. Based on the most recent site specific cost estimate as of September 2014, submitted by Southern California Edison (SCE) and accepted by the Nuclear Regulatory Commission (NRC), the Electric Utility has fully funded the San Onofre Nuclear Generating Station (“SONGS”) decommissioning liability.

The Electric Utility has set aside \$55,519 in cash investments with the trustee and \$9,935 in an internally designated decommissioning reserve as the Electric Utility’s estimated share of the decommissioning cost of SONGS as of June 30, 2019. With the recent retirement of SONGS units 2 and 3, there is much uncertainty as to future unknown costs to decommission SONGS. Although management believes the current cost estimate is the upper bound of decommissioning obligations, the Electric Utility has conservatively decided to continue to set aside \$1,581 per year in an unrestricted designated cash reserve for unexpected costs not contemplated in the current estimates.

On February 23, 2016, the City Council adopted a resolution authorizing the commencement of SONGS decommissioning effective June 7, 2013. This resolution allows the Electric Utility to access the decommissioning trust funds to pay for its share of decommissioning costs. As of June 30, 2019, the Electric Utility has paid to date \$27,117 in decommissioning obligations, all of which have been reimbursed by the trust funds.

The plant site easement at San Onofre terminates May 2024. The plant must be decommissioned and the site restored by the time the easement terminates.

N. Claims and Judgments Payable

Claims and judgments payable are recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Such claims, including an estimate for claims incurred but not reported at year end, are recorded as liabilities in the self-insurance internal service fund. As of June 30, 2019, the City had an obligation related to claims and judgments which is reflected as a liability on the government-wide statements and is more fully described in Note 10.

O. Fund Equity

In the fund financial statements, governmental fund balance is made up of the following components:

- Nonspendable fund balance is the portion of fund balance that cannot be spent due to form. Examples include inventories, prepaid amounts, long-term loans, and notes receivable, unless the proceeds are restricted, committed or assigned. Also, amounts that must be maintained intact legally or contractually, such as the principal of a permanent fund are reported within the nonspendable category.
- Restricted fund balance is the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors.
- Committed fund balance is the portion of fund balance that can only be used for specific purposes due to formal action of the City Council through adoption of a resolution prior to the end of the fiscal year. Once adopted, the limitation imposed by resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The City Council approved the General Fund

Reserve Policy setting a 10% minimum in the Emergency Reserve and 5% in the Contingency Reserve with an aspirational goal of 15% in the Emergency Reserve. The Emergency Reserve was established for the purpose of addressing any extremely unusual and infrequent occurrences, such as a major natural disaster or a major unforeseen settlement. Utilization of the Emergency Reserve requires declaration of an emergency by a two-thirds majority of the City Council, and specification of the maximum dollar amount to be used. The Contingency Reserve was established for the purpose of providing a "bridge" to facilitate a measured and thoughtful reduction in expenditures during times of economic downturn, rather than making immediate and drastic budget reductions without the time for proper evaluation. Utilization of the Contingency Reserve, including specification of the maximum dollar amount to be used, requires approval by a two-thirds majority of the City Council. The reserves committed at June 30, 2019 were calculated utilizing fiscal year 2018-2019 adopted General Fund expenditure budget of \$280,000.

On April 2, 2019, the City Council approved the General Fund - Measure Z Contingency Reserve Policy setting a required \$5,000 in the Contingency Reserve. The Contingency Reserve was established to cover necessary expenses in order to provide time for a measured and thoughtful reduction in expenditures during times of economic downturn, rather than making immediate and drastic budget reductions without the time for proper evaluation. Utilization of the Contingency Reserve, including specification of the maximum dollar amount to be used, requires the affirmative votes of at least five members of the City Council.

- Assigned fund balance reflects the City's intended use of resources. Intent can be expressed by the City Council or by an official to which the City Council delegates the authority. On February 22, 2011, the City Council approved a policy whereby the authority to assign fund balance was delegated to the City's chief financial officer, which authorized the assignment of fund balance for specific programs or purposes in accordance with City Council directives. The City also uses budget and finance policy to authorize the assignment of fund balance, which is done through the adoption of the budget and subsequent budget amendments throughout the year.
- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the City's policy is to use restricted amounts before unrestricted amounts. Within unrestricted resources, committed resources are used first followed by assigned resources, and finally unassigned resources.

P. Net Position

Net position represents the difference between assets and deferred outflows less liabilities and deferred inflows. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the related acquisition, construction or improvement of those assets excluding unspent debt proceeds. Restricted net position represents restricted assets less liabilities and deferred inflows related to those assets. Restricted assets are recorded when there are limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriations.

Q. Interfund Transactions

Interfund transactions are accounted for as revenues and expenditures or expenses. Transactions, which constitute reimbursements, are eliminated in the reimbursed fund and accounted for as expenditures or expenses in the fund to which the transaction is applicable.

During the year, transactions occur between individual funds for goods provided or services rendered. Related receivables and payables are classified as "due from/to other funds" on the accompanying fund level statements. The noncurrent portion of long-term interfund loans receivable are reported as advances and, for governmental fund types, are equally offset by nonspendable fund balance to indicate that the receivable is not in spendable form.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

R. Unearned Revenue

Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to meeting

all eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized.

S. Unavailable Revenue

Unavailable revenue arises only under a modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources (revenue) in the period that the amounts become available.

T. Deferred Outflows and Deferred Inflows of Resources

When applicable, the statement of net position and the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore will not be recognized as an expense or expenditure until that time.

Conversely, deferred inflows of resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are *not* recognized as an inflow of resources (revenue) until that time.

U. Regulatory Assets and Deferred Regulatory Charges

In accordance with GASB Statement No. 62, enterprise funds that are used to account for rate-regulated activities are permitted to defer certain expenses and revenues that would otherwise be recognized when incurred, provided that the City is recovering or expects to recover or refund such amounts in rates charged to its customers. Accordingly, regulatory assets and/or deferred regulatory charges have been recorded in the Electric, Water, Sewer and Refuse funds.

V. Property Tax Calendar

Under California law, general property taxes are assessed for up to 1% of the property's assessed value. General property taxes are collected by the counties along with other special district taxes and assessments and voter approved debt. General property tax revenues are collected and pooled by the county throughout the fiscal year and then allocated and paid to the county, cities and school districts based on complex formulas prescribed by State statutes.

Property taxes are calculated on assessed values as of January 1 for the ensuing fiscal year. On January 1 of the fiscal year the levy is placed and a

lien is attached to the property. Property taxes are due in two installments. The first installment is due November 1 and is delinquent after December 10. The second installment is due February 1 and is delinquent after April 10. The City generally accrues only those taxes, which are received within sixty days after the year-end. Under the Teeter plan, the County of Riverside has responsibility for the collection of delinquent taxes and the City receives 100% of the levy.

W. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures. Specifically, the City has made certain estimates and assumptions relating to the revenues due and expenditures incurred through fiscal year end, collectability of its receivables, the valuation of property held for resale, the useful lives of capital assets, and the ultimate outcome of claims and judgments. Actual results may differ from those estimates and assumptions.

X. Pensions

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 City of Riverside California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Y. Other Post Employment Benefit (OPEB)

OPEB refers to the benefits, other than pensions, that the City provides as part of an employee's retirement benefits. The net OPEB liability is defined as the liability of employers contributing to employees for benefits provided through a defined benefit OPEB plan that is administered through a trust.

Z. New Accounting Pronouncements

Effective July 1, 2018, the accompanying financial statements reflect the implementation of Governmental Accounting Standards Board Statement No. 88 (GASB 88), Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The primary objective of GASB 88 is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt, such as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Other essential information required are any unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

2. Legal Compliance - Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all departments within the general, special revenue and capital project funds. Formal budgets are not employed for debt service funds because debt indenture provisions specify payments. The permanent fund is not budgeted.

Biannually, during the period December through February, department heads prepare estimates of required appropriations for the following two-year budget cycle. These estimates are compiled into a proposed operating budget that includes a summary of proposed expenditures and financial resources and historical data for the preceding budget cycle. The operating budget is presented by the City Manager to the City Council for review. Public hearings are conducted to obtain citizen comments. The City Council generally adopts the budget during one of its June meetings. The City Manager is legally authorized to transfer budgeted amounts between divisions and accounts within the same department. Transfer of appropriations between departments or funds and increased appropriations must be authorized by the City Council. Expenditures may not legally exceed budgeted appropriations at the departmental level within a fund. All appropriations shall lapse at the end of the fiscal year to the extent they have not been expended or lawfully encumbered, except for appropriations for capital projects which shall continue to their completion.

3. Cash and Investments

Cash and investments at fiscal year-end consist of the following:

Investments	\$ 662,754
Investments at fiscal agent	<u>245,678</u>
	<u>908,432</u>
Cash on hand and deposits with financial institutions	<u>91,690</u>
	<u>\$ 1,000,122</u>

The amounts are reflected in the statements of net position of the government-wide and fiduciary fund financial statements:

Cash and investments	\$ 661,149
Restricted cash and cash equivalents	61,013
Restricted cash and investments at fiscal agent	<u>237,243</u>
Total per statement of net position	959,405
Fiduciary fund cash and investments	29,411
Fiduciary fund cash and investments with fiscal agent	<u>11,306</u>
	<u>\$ 1,000,122</u>

The City follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures, which are administered by outside agencies. At June 30, 2019, \$15,754 reported as cash and investments in the Electric fund, is held at and administered by Southern California Public Power Authority (SCPPA) as part of a project stabilization fund used to pay for power, transmission, capital and operating cost relating to projects in which the City is a participant, or other expenditures owed to SCPPA. Cash and investments administered by SCPPA shall be invested in investment securities and managed in accordance with all applicable laws (including, but not limited, to California Code §53600.3, 53600.5 and 53601). The maturity of an investment security (or, if applicable, the remaining maturity of an investment security) shall not exceed five years.

Interest income earned on pooled cash and investments is allocated monthly to funds based on the beginning and month-end balances. Interest income from cash and investments held at fiscal agents is credited directly to the related account. Bank deposits are covered by federal depository insurance for the first \$250 or by collateral held in the pledging bank's trust department in the name of the City.

Authorized Investments

Under provisions of the City's investment policy, and in accordance with California Government Code Section 53601, the City Treasurer may invest or deposit in the following types of investments:

	<u>Max Maturity</u>	<u>Max % of Portfolio</u>
Local Agency Investment Fund (State Pool)	N/A	100%
Money Market Funds	N/A	20%
Mutual Funds	N/A	20%
Joint Powers Authority Pools	N/A	100%
Corporate Medium Term Notes	5 Years	30%
Municipal Bonds	5 Years	30%
Negotiable Certificates of Deposit	5 Years	30%
Mortgage Pass-Through and Asset-Backed Securities	5 Years	20%
Certificates of Deposit Placement Services	5 Years	30%
Collateralized Time Deposits	5 Years	30%
Federally Insured Time Deposits	5 Years	30%
Supranational Securities	5 Years	15%
Federal Agency Securities	5 Years	N/A
U.S. Treasury Notes/Bonds	5 Years	N/A
Repurchase Agreements	1 Year	N/A
Commercial Paper of "prime" quality	270 Days	25%
Bankers' Acceptances	180 Days	10%
Reverse Repurchase Agreements	92 Days	20%

Investments in Corporate Medium Term Notes may be invested in securities rated "A" or better by at least two nationally recognized statistical rating agencies. No more than 5% of the market value of the portfolio may be invested in any single issuer.

Investments in Negotiable Certificates of Deposit exceeding federal deposit insurance limits shall be issued by institutions which have long-term debt obligations rated "A" (or the equivalent) or better and short-term debt obligations, if any, rated "A1" (or the equivalent) or better by at least two nationally recognized statistical rating agencies. No more than 5% of the market value of the portfolio may be invested in any single issuer of negotiable or non-negotiable certificates of deposit.

Investments in Commercial Paper may be invested in securities rated "A1" (or the equivalent) or higher by at least one nationally recognized statistical rating agency. In addition, debt other than Commercial Paper, if any, issued by corporations in this category must be rated at least "A" (or the equivalent) or better by at least one nationally recognized statistical rating agency. No more than 5% of the market value of the portfolio may be invested in any single issuer. For purposes of this issuer limitation, holdings of Commercial Paper shall be combined with holdings of Corporate Medium-Term Notes. No more than 25% of the total market value of the portfolio may be invested in Commercial Paper. No more than 10% of the outstanding Commercial Paper of any single issuer may be purchased.

The City's investment policy provides two exceptions to the above; one is for investments authorized by debt agreements (described below) and the other for funds reserved in the San Onofre Nuclear Generating Station Decommissioning Account for which the five-year maturity limitation may be extended to the term of the operating license.

Investments Authorized by Debt Agreements

Provisions of debt agreements, rather than the general provisions of the California Government Code or the City's investment policy, govern investments of debt proceeds held by bond fiscal agents. Permitted investments are specified in related trust agreements and include the following:

- Securities of the U.S. Government and its sponsored agencies
- Bankers' Acceptances rated in the single highest classification
- Commercial Paper rated AA or higher at the time of purchase
- Investments in money market funds rated in the single highest classification, except for certain debt proceeds which have no minimum rating requirement
- Municipal obligations rated Aaa/AAA or general obligations of states with ratings of at least A2/A or higher by both Moody's and S&P
- Investment Agreements

No maximum percentage of the related debt issue or maximum investment in one issuer is specified.

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

Disclosures Relating to Fair Value Measurement and Application

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 assets. Level 1 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 levels of valuation inputs are as follows:
Level 1 – Quoted prices for identical assets or liabilities in an active market
Level 2 – Observable inputs other than quoted market prices; and
Level 3 – Unobservable inputs

The City has the following recurring fair value measurements as of June 30, 2019:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	\$ 5,166	\$ -	\$ 5,166	\$ -
Joint Powers Authority Pools	123,591	-	123,591	-
Mortgage/Asset backed Securities	17,132	-	17,132	-
U.S. Treasury Notes/Bonds	290,772	-	290,772	-
Federal Agency Securities	13,266	-	13,266	-
Federal Agency Discount Notes	13,034	-	13,034	-
Corp. Medium Term Notes	63,714	-	63,714	-
Supranational Securities	1,693	-	1,693	-
Negotiable Certificates of Deposits	4,964	-	4,964	-
Held by Fiscal Agent				
Money Market Funds	158,640	-	158,640	-
Commercial Paper	664	-	664	-
U.S. Treasury Notes/Bonds	39,179	-	39,179	-
Federal Agency Securities	368	-	368	-
Corp. Medium Term Notes	6,440	-	6,440	-
Total	738,623	\$ -	\$ 738,623	\$ -

Investments not subject to fair value hierarchy:

State Investment Pool	159,049
Investment Contracts	10,760
Total Investments	\$ 908,432

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy requires that the interest rate risk exposure be managed 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 fiscal agent) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Money Market Funds	\$ 5,166	\$ 5,166	\$ -	\$ -	\$ -
Joint Powers Authority	123,591	123,591	-	-	-
Federal Agency Securities	13,266	996	8,069	4,201	-
Federal Agency Discount Notes	13,034	13,034	-	-	-
Mortgage/Asset backed Securities	17,132	6,986	-	10,146	-
U.S. Treasury Notes/Bonds	290,772	94,751	88,874	107,147	-
Corp. Medium Term Notes	63,714	19,160	5,303	39,251	-
Supranational Securities	1,693	1,693	-	-	-
State Investment Pool	129,422	129,422	-	-	-
Negotiable Certificates of Deposit	4,964	990	1,983	1,991	-
Held by Fiscal Agent					
Money Market Funds	158,640	158,640	-	-	-
State Investment Pool	29,627	29,627	-	-	-
Investment Contracts	10,760	-	10,760	-	-
Commercial Paper	664	664	-	-	-
U.S. Treasury Notes/Bonds	39,179	11,980	27,199	-	-
Federal Agency Securities	368	-	368	-	-
Corp. Medium Term Notes	6,440	3,409	3,031	-	-
Total	\$ 908,432	\$ 600,109	\$ 145,587	\$ 162,736	\$ -

The City assumes that callable investments will not be called.

Disclosures Relating to Credit Risk

Generally, 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.

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

Presented below is the actual rating as of year-end for each investment type:

	Total	Ratings as of Year End			Unrated
		AAA	AA	A	
Money Market Funds	\$ 5,166	\$ -	\$ -	\$ 5,135	\$ 31
Joint Powers Authority Pools	123,591	-	123,591	-	-
Mortgage/Asset backed Securities	17,132	17,132	-	-	-
Federal Agency Securities	13,266	12,270	996	-	-
Federal Agency Discount Notes	13,034	-	-	-	13,034
U.S. Treasury Notes/Bonds	290,772	290,772	-	-	-
Corp. Medium Term Notes	63,714	-	53,919	9,795	-
State Investment Pool	129,422	-	-	-	129,422
Supranational Securities	1,693	1,693	-	-	-
Negotiable Certificates of Deposits	4,964	-	-	-	4,964
Held by Fiscal Agent					
Money Market Funds	158,640	15,788	-	142,852	-
State Investment Pool	29,627	-	-	-	29,627
Investment Contracts	10,760	-	-	10,760	-
Commercial Paper	664	-	-	664	-
U.S. Treasury Notes/Bonds	39,179	39,179	-	-	-
Federal Agency Securities	368	368	-	-	-
Corp. Medium Term Notes	6,440	-	3,031	3,409	-
Total	\$ 908,432	\$ 377,202	\$ 181,537	\$ 172,615	\$ 177,078

Concentration on Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stated above. For fiscal year ended June 30, 2019, the City did not have any investments in any one issuer (other than U.S. Treasury securities, money market funds, and external investment pools) that represent 5% or more of total City investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's investment policy requires that a third party bank trust department hold all securities owned by the City. All trades are settled on a delivery vs. payment basis through the City's safekeeping agent. The City has no deposits with financial institutions; bank balances are swept daily into a money market account.

The pledge to secure deposits is administered by the California Commissioner of Business Oversight. Collateral is required for demand deposits at 110% of all deposits not covered by federal depository insurance (FDIC) if obligations of the United States and its agencies, or obligations of the State or its municipalities, school districts, and district corporations are pledged. Collateral of 150% is required if a deposit is secured by first mortgages or first trust deeds upon improved residential real property located in California. All such collateral is considered to be held by the pledging financial institutions' trust departments or agents in the name of the City. Obligations pledged to secure deposits must be delivered to an institution other than the institution in which the deposit is made; however the trust department of the same institution may hold them.

Written custodial agreements are required to provide, among other things, that the collateral securities are held separate from the assets of the custodial institution.

Investment in State Investment Pool

The City is a voluntary 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 fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

4. Direct Financing Lease Receivable

The former Redevelopment Agency had a direct financing lease arrangement with the State of California (the State) for a twelve-story office building, which was transferred to the Successor Agency. The lease term is for thirty years and the State takes ownership of the facility at the conclusion of that term. The lease calls for semi-annual payments not less than the debt service owed on the related lease revenue bonds issued by the former Redevelopment Agency for the purchase and renovation of the building. The future minimum lease payments to be received are as follows:

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

Fiscal Year	
2020	\$ 2,659
2021	2,692
2022	2,724
2023	2,759
2024	2,786
Thereafter	2,823
Total Due	<u>16,443</u>
Less: Amount applicable to interest	<u>(2,953)</u>
Total direct financing lease receivable	<u>\$ 13,490</u>

5. Capital Assets

The following is a summary of changes in the capital assets during the fiscal year ended June 30, 2019.

	Beginning Balance	Additions/ Transfers In	Deletions/ Transfers Out	Reclassifications	Ending Balance
Governmental activities:					
Capital assets, not depreciated:					
Land	\$ 343,022	\$ 356	\$ (4,248)	\$ (2,133)	\$ 336,997
Construction in progress	68,894	10,795	(19)	(30,382)	49,288
Total capital assets not depreciated	<u>411,916</u>	<u>11,151</u>	<u>(4,267)</u>	<u>(32,515)</u>	<u>386,285</u>
Capital assets being depreciated:					
Buildings	184,094	-	-	(37,500)	146,594
Improvements other than buildings	272,570	1,157	-	(12,018)	261,709
Machinery and equipment	92,641	7,678	(2,748)	10,256	107,827
Intangibles, depreciable	219	-	-	-	219
Infrastructure	1,019,842	21,397	(511)	20,009	1,060,737
Total capital assets being depreciated	<u>1,569,366</u>	<u>30,232</u>	<u>(3,259)</u>	<u>(19,253)</u>	<u>1,577,086</u>
Less accumulated depreciation for:					
Buildings	(73,292)	(4,006)	-	6,750	(70,548)
Improvements other than buildings	(126,227)	(11,564)	-	4,370	(133,421)
Machinery and equipment	(69,471)	(6,266)	2,565	-	(73,172)
Intangibles, depreciable	(132)	(44)	-	-	(176)
Infrastructure	(406,361)	(25,554)	511	-	(431,404)
Total accumulated depreciation	<u>(675,483)</u>	<u>(47,434)</u>	<u>3,076</u>	<u>11,120</u>	<u>(708,721)</u>
Total capital assets being depreciated, net	<u>893,883</u>	<u>(17,202)</u>	<u>(183)</u>	<u>(8,133)</u>	<u>868,365</u>
Governmental activities capital assets, net	<u>\$ 1,305,799</u>	<u>\$ (6,051)</u>	<u>\$ (4,450)</u>	<u>\$ (40,648)</u>	<u>\$ 1,254,650</u>

	Beginning Balance	Additions/ Transfers In	Deletions/ Transfers Out	Reclassifications	Ending Balance
Business-type activities:					
Capital assets, not depreciated:					
Land	\$ 94,900	\$ 1,549	\$ -	\$ 2,152	\$ 98,601
Intangibles, non-depreciable	21,492	-	-	-	21,492
Construction in progress	102,579	80,420	(171)	(67,924)	114,904
Total capital assets not depreciated	<u>218,971</u>	<u>81,969</u>	<u>(171)</u>	<u>(65,772)</u>	<u>234,997</u>
Capital assets being depreciated:					
Buildings	615,201	13	(124)	48,145	663,235
Improvements other than buildings	1,795,095	4,524	(4,087)	67,830	1,863,362
Machinery and equipment	98,089	3,771	(4,004)	1,163	99,019
Intangibles, depreciable	25,613	24	-	402	26,039
Total capital assets being depreciated	<u>2,533,998</u>	<u>8,332</u>	<u>(8,215)</u>	<u>117,540</u>	<u>2,651,655</u>
Less accumulated depreciation for:					
Buildings	(148,942)	(14,064)	102	(6,750)	(169,654)
Improvements other than buildings	(617,430)	(45,800)	3,978	(4,370)	(663,622)
Machinery and equipment	(64,201)	(6,137)	3,681	-	(66,657)
Intangibles, depreciable	(7,621)	(3,124)	-	-	(10,745)
Total accumulated depreciation	<u>(838,194)</u>	<u>(69,125)</u>	<u>7,761</u>	<u>(11,120)</u>	<u>(910,678)</u>
Total capital assets being depreciated, net	<u>1,695,804</u>	<u>(60,793)</u>	<u>(454)</u>	<u>106,420</u>	<u>1,740,977</u>
Business-type activities capital assets, net	<u>\$ 1,914,775</u>	<u>\$ 21,176</u>	<u>\$ (625)</u>	<u>\$ 40,648</u>	<u>\$ 1,975,974</u>

Depreciation expense was charged to various functions as follows:

Governmental activities:	
General government	\$ 3,065
Public safety	6,283
Highway and streets, including general infrastructure	26,105
Culture and recreation	10,854
Internal service funds	1,127
Total depreciation expense - governmental activities	<u>\$ 47,434</u>
Business-type activities:	
Electric	\$ 34,471
Water	15,450
Sewer	13,712
Entertainment	2,512
Airport	710
Refuse	877
Transportation	593
Public Parking	800
Total depreciation expense - business-type activities	<u>\$ 69,125</u>

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

6. Derivative Instruments

Interest Rate Swaps

The City has six cash flow hedging derivative instruments, which are pay-fixed swaps. These swaps were employed as a hedge against debt that was refunded in 2008 and 2011 and against debt issued in 2012. The balance of the deferral account for each swap is included as part of the deferred charge on refunding associated with the new bonds. The swaps were also employed as a hedge against the new debt. Hedge accounting was applied to that portion of the hedging relationship, which was determined to be effective. Hedge accounting was also applied to the swap associated with the debt issued in 2012, which was also determined to be effective.

The following is a summary of the derivative activity for the year ended June 30, 2019:

	Notional Amount	Fair Value as of 06/30/19	Change in Fair Value for Fiscal Year
Governmental activities			
2008 Renaissance Certificates of Participation*	\$ 68,508	\$ (12,998)	\$ (3,247)
Business-type activities			
2008 Renaissance Certificates of Participation*	29,692	(5,634)	(1,407)
2008 Electric Refunding/Revenue Bonds Series A	32,450	(4,702)	75
2008 Electric Refunding/Revenue Bonds Series C	32,150	(6,970)	(1,735)
2011 Electric Refunding/Revenue Bonds Series A	41,025	(7,365)	(2,149)
2011 Water Refunding/Revenue Bonds Series A	24,050	(5,257)	336
2012 Convention Center Financing	33,329	(1,236)	(1,535)

* The 2008 Riverside Renaissance Certificates of Participation were distributed between Governmental Activities and Business-Type Activities to properly reflect their proportional share.

Objective: In order to lower borrowing costs as compared to fixed-rate bonds, the City entered into interest rate swap agreements in connection with its \$141,840 2008 Electric Revenue Bonds (Series A and C), \$56,450 2011 Electric Revenue Bonds, \$59,000 2011 Water Revenue Bonds and \$128,300 2008 Certificates of Participation ("COP"). Also, in 2012, the City entered into an additional interest rate swap agreement in connection with the Convention Center financing with BBVA Compass Bank.

Terms: Per the existing swap agreements, the City pays a counterparty a fixed payment and receives a variable payment computed as 62.68% of the London

Interbank Offering Rate ("LIBOR") one month index plus 12 basis points for the Electric and Water swaps. For the COP swap, the City pays a fixed payment and receives a variable payment computed as 63.00% of the LIBOR one month index plus 7 basis points. The Convention Center financing consists of an initial 21-month variable rate interest only period during construction, which swaps to a fixed rate for the remaining 20-year amortization whereby the City will pay a fixed payment and will receive a variable payment computed at 65.01% of the LIBOR one month index plus 150 basis points. The notional value of the swaps and the principal amounts of the associated debt decline at a smaller rate until the debt is completely retired in fiscal year 2037.

The bonds and the related swap agreements for the 2008A Electric Revenue Bonds mature on October 1, 2029, 2008C Electric and 2011A Electric and 2011A Water Revenue/Refunding Bonds mature on October 1, 2035. The 2008 Certificates of Participation mature on March 1, 2037. The loan with BBVA Compass Bank will be paid in full on April 1, 2034.

As of June 30, 2019, rates were as follows:

	2008 Electric Refunding/Revenue Bonds Series A	2008 Electric Refunding/Revenue Bonds Series C	2011 Electric Refunding/Revenue Bonds Series A
	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>
Interest rate swap:			
Fixed payment to counterparty	3.11100%	3.20400%	3.20100%
Variable payment from counterparty	<u>-0.57485%</u>	<u>-0.57539%</u>	<u>-0.60247%</u>
Net interest rate swap payments	2.53615%	2.62861%	2.59853%
Variable rate bond coupon payments	<u>0.47429%</u>	<u>0.47541%</u>	<u>0.53013%</u>
Synthetic interest rate on bonds	<u>3.01044%</u>	<u>3.10402%</u>	<u>3.12866%</u>
	2011 Water Refunding/Revenue Bonds Series A	2008 Renaissance COPs	2012 Convention Center Financing
	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>
Interest rate swap:			
Fixed payment to counterparty	3.20000%	3.36200%	3.24000%
Variable payment from counterparty	<u>-0.56232%</u>	<u>-0.53696%</u>	<u>-2.11446%</u>
Net interest rate swap payments	2.63768%	2.82504%	1.12554%
Variable rate bond coupon payments	<u>0.47722%</u>	<u>0.49990%</u>	<u>2.11446%</u>
Synthetic interest rate on bonds	<u>3.11490%</u>	<u>3.32494%</u>	<u>3.24000%</u>

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

Fair Value: As of June 30, 2019, in connection with all swap arrangements, the transactions had a combined net negative fair value of (\$44,160). Because the coupons on the City's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was developed by a pricing service using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Credit risk: The City is not exposed to credit risk on the swaps because those swaps have a negative fair value. The swap counterparties, Bank of America, N.A., Bank of America Corp. and J.P. Morgan Chase & Co. were rated A+, BBB+ and A- respectively by Standard & Poor's. To mitigate the potential for credit risk for these swaps, the swap agreements require the fair value of the swap to be collateralized by the counterparty with U.S. Government securities if the counterparties' rating decreases to negotiated trigger points. Collateral would be posted with a third-party custodian. At June 30, 2019, there is no requirement for collateral posting for any of the outstanding swaps.

Basis risk: The city is exposed to basis risk on its pay-fixed interest rate swap and rate cap hedging derivative instruments because the variable-rate payments received by the city on these hedging derivative instruments are based on a rate or index other than interest rates the city pays on its hedged variable-rate debt. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized.

Termination risk: The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event." That is, a swap may be terminated by the City if either counterparty's credit quality falls below "BBB-" as issued by Standard and Poor's. The City or the counterparty may terminate a swap if the other party fails to perform under the terms of the contract. If a swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination a swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt: As of June 30, 2019, the debt service requirements of the variable-rate debt and net swap payments assuming current interest rates remain the same, for their term are summarized in the

following table. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year	Variable-Rate Bonds			Total
	Principal	Interest	Interest Rate Swaps, Net	
2020	\$ 7,685	\$ 2,021	\$ 7,412	\$ 17,118
2021	8,012	1,850	6,666	16,528
2022	8,248	1,774	6,461	16,483
2023	8,460	1,695	6,252	16,407
2024	7,495	1,621	6,068	15,184
2025-2029	70,451	6,618	25,845	102,914
2030-2034	105,979	3,194	13,941	123,114
2035-2039	49,050	304	1,674	51,028
Total	\$ 265,380	\$ 19,077	\$ 74,319	\$ 358,776

7. Letters of Credit

The City's 2008 Certificates of Participation and 2008 Electric Revenue Bonds (Series A and C) require an additional layer of security between the City and the purchaser of the bonds. The City has entered into the following letters of credit ("LOC") in order to provide liquidity should all or a portion of the debt be optionally tendered to the remarketer without being successfully remarketed:

<u>Debt Issue</u>	<u>LOC Provider</u>	<u>LOC Expiration Date</u>	<u>Annual Commitment Fee</u>
2008 Certificates of Participation	Bank of America, N.A.	2021	0.400%
2008A Electric Revenue Bonds	Barclays Bank, PLC	2021	0.325%
2008C Electric Revenue Bonds	Barclays Bank, PLC	2021	0.325%

To the extent that remarketing proceeds are insufficient or not available, tendered amounts will be paid from drawings made under an irrevocable direct-pay letter of credit.

Liquidity advances drawn against the LOC that are not repaid will be converted to an installment loan with principal to be paid quarterly not to exceed a 5-year period. The City would be required to pay annual interest equal to the highest of 8.0%, the Prime Rate plus 2.50%, the Federal Funds Rate plus 2.50% and 150% of the yield on the 30-year U.S. Treasury Bond. No amounts have ever been drawn against the three letters of credit due to a failed remarketing. The various indentures allow the City to convert the mode of the debt in the case of a failed remarketing.

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

On February 1, 2019, the City entered into a subordinate letter of credit agreement with U.S. Bank, National Association. The Subordinate Letter of Credit is a tool approved through the Electric and Water Utility Five-Year Rate Plan to manage rate increases by enabling the Electric Utility and Water Utility to reduce cash levels while maintaining compliance with the Riverside Public Utilities Cash Reserve Policy. Under the terms and conditions of the agreement, the City may borrow up to \$35,000 for purposes of the capital or operating financial needs of the Electric System and \$25,000 for purposes of the capital or operating financial needs of the Water System. There were no borrowings against the LOC as of June 30, 2019.

8. Long-Term Obligations

Changes in Long-Term Obligations: Below is a summary of changes in long-term obligations during the fiscal year:

	Beginning Balance	Additions	Reclass	Reductions	Ending Balance	Due Within One Year
Governmental activities:						
General obligation bonds	\$ 10,388	\$ -	\$ -	\$ (1,209)	\$ 9,179	\$ 1,290
Pension obligation bonds	60,883	-	-	(10,397)	50,486	10,675
Certificates of participation	150,800	-	(30,841)	(20,781)	99,178	4,311
Lease revenue bonds	36,246	56,025	(10,657)	(1,198)	80,416	3,901
Direct borrowings:						
Loan payable	1,746	-	-	(417)	1,329	430
Capital leases	25,647	-	89	(4,314)	21,422	3,215
	<u>\$ 285,710</u>	<u>\$ 56,025</u>	<u>\$ (41,409)</u>	<u>\$ (38,316)</u>	<u>\$ 262,010</u>	<u>\$ 23,822</u>
Business-type activities:						
Revenue bonds	\$ 1,097,939	\$ 643,522	\$ -	\$ (540,743)	\$ 1,200,718	\$ 21,620
Pension obligation bonds	18,324	-	-	(3,549)	14,775	3,019
Certificate of participation	-	-	30,841	(1,149)	29,692	1,209
Lease revenue bonds	-	-	8,242	(375)	7,867	394
Direct borrowings:						
Private placement revenue bonds	41,925	-	-	(900)	41,025	1,750
Notes payable	78,583	-	-	(4,910)	73,673	4,636
Contracts payable	937	-	-	-	937	150
Capital leases	6,821	-	(89)	(1,540)	5,192	1,559
	<u>\$ 1,244,529</u>	<u>\$ 643,522</u>	<u>\$ 38,994</u>	<u>\$ (553,166)</u>	<u>\$ 1,373,879</u>	<u>\$ 34,337</u>

Governmental activities:

General Obligation Bonds – Governmental Activities: Principal Outstanding

\$20,000 Fire Facility Projects, Election of 2003 General Obligation Bond; 3.0% to 5.5%, due in annual installments from \$410 to \$1,740 through August 1, 2024. \$ 9,085

Add: Unamortized bond premium 94
 Total General Obligation Bonds \$9,179

Remaining general obligation bond debt service payments will be made from unrestricted revenues of the General fund. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 1,290	\$ 436	\$ 1,726
2021	1,380	373	1,753
2022	1,475	306	1,781
2023	1,560	229	1,789
2024	1,640	141	1,781
2025-2029	1,740	48	1,788
Premium	94	-	94
Total	<u>\$ 9,179</u>	<u>\$ 1,533</u>	<u>\$ 10,712</u>

Pension Obligation Bonds – Governmental Activities: Principal Outstanding

In 2018, the 2005 and 2017 Taxable Pension Obligation Bonds were distributed between Governmental Activities, Business-Type Activities, and the Successor Agency to properly reflect their proportional share. Pension Obligation bonds are not collateralized by assets, nor do they constitute an obligation of the City of Riverside whereby the City is obligated to levy or pledge any form of taxation.

\$89,540 California Statewide Community Development Authority (Public Safety) 2004 Taxable Pension Obligation Bond; 2.65% to 5.896%, due in annual installments from \$1,125 to \$10,715 through June 1, 2023. \$37,225

\$30,000 2005 Taxable Pension Obligation Bonds Series A; 3.85% to 4.78%, due in annual installments \$630 to

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

\$3,860 through June 1, 2020; \$3,122 relates to Governmental Activities.	1,274
\$31,960 2017 Taxable Pension Obligation Bonds Series A; 1.25% to 3.125%, due in annual installments from \$2,910 to \$3,580 through June 1, 2027; \$13,704 relates to Governmental Activities.	<u>12,292</u>
Subtotal	<u>50,791</u>
Less: Unamortized bond discount	<u>(305)</u>
Total Pension Obligation Bonds	<u>\$50,486</u>

Park, Fairmount Park and Golf Course, Arlington Heights Sports park, Orange Terrace Park, Orange Terrace Community Center and Orange Terrace Library; issued at a variable rate; however, the City entered into an agreement to convert to a fixed rate of 3.4%. For information on the swap agreement see Note 6. Due in annual installments from \$2,900 to \$7,200 through March 1, 2037; \$71,159 relates to Governmental Activities. 68,508

Remaining pension obligation bond debt service payments will be made from unrestricted revenues of the General fund. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 10,675	\$ 2,591	\$ 13,266
2021	10,280	2,030	12,310
2022	11,226	1,478	12,704
2023	12,247	867	13,114
2024	1,572	195	1,767
2025-2029	4,791	309	5,100
Discount	(305)	-	(305)
Total	<u>\$ 50,486</u>	<u>\$ 7,470</u>	<u>\$ 57,956</u>

\$35,235 2013 Pavement Rehab Certificates of Participation are secured by Measure A Sales Tax receipts; 4.0% to 5.0%, due in annual installments from \$1,285 to \$2,855 through June 1, 2033. 29,775
Subtotal 98,288
Plus: Unamortized bond premium 890
Total Certificates of Participation \$99,178

Remaining certificates of participation debt service payments will be made from unrestricted revenues of the debt service fund. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 4,311	\$ 4,082	\$ 8,393
2021	4,525	3,587	8,112
2022	4,675	3,408	8,083
2023	4,830	3,223	8,053
2024	5,054	3,031	8,085
2025-2029	28,470	11,939	40,409
2030-2034	31,838	5,826	37,664
2035-2039	14,585	870	15,455
Premium	890	-	890
Total	<u>\$ 99,178</u>	<u>\$ 35,966</u>	<u>\$ 135,144</u>

Certificates of Participation – Governmental Activities:

In 2019, the 2008 Riverside Renaissance Certificates of Participation were distributed between Governmental Activities and Business-Type Activities to properly reflect their proportional share.

\$19,945 2006 Galleria at Tyler Public Improvements Certificates of Participation are secured with collateral of the two level 912 space parking structure located near Tyler Street and Nordstrom store, the Tyler Mall North Plaza, the North Plaza parking, storm drains related to those improvements, and portions of two arterial streets; 4.0% to 5.0%, due in annual installments from \$435 to \$1,270 through September 1, 2036. In 2019, all but, \$5 was refunded. \$5

\$128,300 2008 Riverside Renaissance Certificates of Participation are secured with collateral of the Adulka

Principal
Outstanding

Lease Revenue Bonds – Governmental Activities: Principal
Outstanding

In 2019, the Series 2012A Lease Revenue Refunding Bonds were distributed between Governmental Activities, Business-Type Activities, and the Successor Agency to properly reflect their proportional share.

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

On August 15, 2012, the City issued the Series 2012A Lease Revenue Refunding Bonds in the amount of \$41,240. The bonds are secured by lease payments on a portion of the City Hall Complex and the Lincoln Police Patrol Center. The bonds were issued to refinance the 2003 Certificates of Participation. Interest on the bonds is payable semi-annually on May 1 and November 1 of each year, commencing May 1, 2013. The rate of interest varies from 2% to 5% per annum depending on maturity date. Principal is payable in annual installments ranging from \$1,295 to \$2,840 commencing November 1, 2013 and ending November 1, 2033. \$23,683 relates to Governmental Activities. In the event of default, the Trustee may retain the Lease Agreement and hold the City liable for all Base Rental Payments on an annual basis. The rental payments may not be accelerated.

\$22,608

\$15,980 2019A Lease Revenue Refunding Bonds (Galleria at Tyler Public Improvements) are secured by lease payments on the two level 912 space parking structure located near Tyler Street and Nordstrom store, the Tyler Mall North Plaza, the North Plaza parking, storm drains related to those improvements, and portions of two arterial streets;. The bonds were issued to refinance all but \$5 of the outstanding 2006 Lease Revenue Certificates of Participation (Galleria at Tyler Public Improvements); 2.75% to 4.0%, due in annual installments from \$605 to \$1,180 through November 1, 2036. The refunding transaction resulted in a total net present value savings of \$1,140. In the event of default, the Trustee may retain the Lease Agreement and hold the City liable for all Base Rental Payments on an annual basis. The rental payments may not be accelerated.

15,980

\$33,505 2019B Lease Revenue Refunding Bonds (Main Library Project); 3.0% to 5.0%, due in annual installments from \$1,245 to \$2,645 through November 1, 2036. The bonds are secured by an amendment to the Ground Lease entered into by the City upon issuance of the 2012A Lease Revenue Bonds. It adds the remainder of the City Hall Complex, the Corporation Yard Administration Building and annex, Bobby Bonds Park, and the future Main Library site. In the event of default,

the Trustee may retain the Lease Agreement and hold the City liable for all Base Rental Payments on an annual basis. The rental payments may not be accelerated.

33,505

Subtotal 72,093
 Add: Unamortized bond premium 8,323
 Total Lease Revenue Bonds \$80,416

Remaining lease revenue bond debt service payments will be made from unrestricted revenues of the debt service fund. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 3,901	\$ 2,898	\$ 6,799
2021	3,135	2,969	6,104
2022	3,248	2,844	6,092
2023	3,384	2,700	6,084
2024	3,539	2,542	6,081
2025-2029	19,555	10,307	29,862
2030-2034	24,351	5,368	29,719
2035-2039	10,980	787	11,767
Premium	8,323	-	8,323
Total	<u>\$ 80,416</u>	<u>\$ 30,415</u>	<u>\$ 110,831</u>

Direct Borrowings: Loans Payable – Governmental Activities: Principal Outstanding

2012 financing arrangement in the amount of \$4,000 for the construction of Ryan Bonaminio Park at the Tequesquite Arroyo, secured by lease payments for Fire Station #'s 2, 3, 8, 9, 11, and 12. The debt will be paid with resources from the General Fund in semi-annual debt service payments of approximately \$468 per year over a 10-year period, which includes interest at an annualized rate of 3.05%. In the event of default, the Corporation may terminate the Lease and require the City to continue to make lease payments in the same manner as previously.

\$1,329

Remaining loans payable debt service payments will be made from unrestricted revenues of the General Fund. Annual debt service requirements to maturity are as follows:

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

Fiscal Year	Principal	Interest	Total
2020	\$ 430	\$ 37	\$ 467
2021	443	24	467
2022	456	11	467
Total	<u>\$ 1,329</u>	<u>\$ 72</u>	<u>\$ 1,401</u>

Business-type activities:

The following debt has been issued for the purpose of generating capital resources for use in acquiring or constructing municipal facilities or infrastructure projects.

\$283,325 2019 Electric Refunding/Revenue Bonds; Series A, fixed rate bonds, 5.0%, due in annual installments from \$3,545 to \$24,005 through October 1, 2048. The bonds refunded the 2008 Electric Revenue Bonds Series D and partially refunded the 2008 Electric Revenue Bonds Series A and C. The refunding transactions resulted in a total net present value savings of \$36,810.

Subtotal	<u>283,325</u>
Add: Unamortized bond premium	<u>52,430</u>
Subtotal	<u>\$576,913</u>

Revenue Bonds – Business-Type Activities:

Electric

All electric revenue bonds are covenanted per the Amended and Restated Resolution No. 17662 (Electric) Master Resolution that upon the occurrence and continuation of an event of default, the owners of 25% in aggregate amount of Bond Obligation may, by written notice to the City, declare the entire unpaid principal and accreted value of the bonds due and payable should the City fail to pay its debts as they become due or upon the entry of any decree or order of bankruptcy of the City.

\$141,840 2008 Electric Refunding/Revenue Bonds; Series A & C. The bonds were issued at a variable rate; however, the City entered into an agreement to convert to a fixed rate of 3.1% and 3.2% for the Series A & C bonds, respectively. See Note 6 for information on the swap agreements. Bonds are due in annual installments from \$700 to \$7,835 through October 1, 2035. In 2019, the Electric Fund refunded \$40,425.

Principal
Outstanding

\$66,615

\$140,380 2010 Electric Revenue Bonds; Series A and B fixed rate bonds, 3% to 7.65%, due in annual installments from \$95 to \$33,725 through October 1, 2040.

135,500

\$79,080 2013 Electric Revenue Refunding Bonds; Series A fixed rate bonds, 3% to 5.25%, due in annual installments from \$795 to \$12,685 through October 1, 2043.

38,990

Water

All water revenue bonds are covenanted per the Amended and Restated Resolution No. 17664 (Water) Master Resolution that upon the occurrence and continuation of an event of default, the owners of 25% in aggregate amount of Bond Obligation may, by written notice to the City, declare the entire unpaid principal and accreted value of the bonds due and payable should the City fail to pay its debts as they become due or upon the entry of any decree or order of bankruptcy of the City.

\$31,895 2009 Water Refunding/Revenue Bonds; Series A fixed rate bonds, 3.0% to 5.0%, due in annual installments from \$2,360 to \$4,335 through October 1, 2020. The bonds refunded the 1998 series and partially refunded the 2001 series.

\$4,630

\$67,790 2009 Water Revenue Bonds; Series B fixed rate bonds, 5.1% to 6.3%, due in annual installments from \$2,475 to \$4,985 through October 1, 2039.

67,790

\$59,000 2011 Water Refunding/Revenue Bonds; Series A. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.2%. For information on the swap agreements see Note 6. Bonds are due in annual installments from \$600 to \$3,950 through October 1, 2035.

24,050

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

\$114,215 2019 Water Refunding/Revenue Bonds; Series A, fixed rate bonds, 5.0%, due in annual installments from \$1,680 to \$8,455 through October 1, 2048. The bonds refunded the 2008 Water Revenue Bonds Series B and partially refunded and partially unwound the swap on the 2011 Water Revenue Bonds Series A. The refunding transactions resulted in a total net present value savings of \$10,759.

Subtotal

Add: Unamortized bond premium

Subtotal

114,215
210,685
20,954
\$231,639

Sewer

All sewer revenue bonds are covenanted per Resolution No. 21860 Sewer Master Resolution that upon the occurrence and continuation of an event of default, the owners of 25% in aggregate amount of Bond Obligation may, by written notice to the City, declare the entire unpaid principal and accreted value of the bonds due and payable should the City fail to pay its debts as they become due or upon the entry of any decree or order of bankruptcy of the City.

\$200,030 2015 Sewer Revenue Bonds; Series A fixed rate bonds, 4% to 5%, due in annual installments from \$4,790 to \$14,175 through August 1, 2040.

\$195,240

\$153,670 2018 Sewer Revenue Bonds; Series A fixed rate bonds, 4% to 5%, due in annual installments from \$2,905 to \$11,775 through August 1, 2039. The bonds advanced refunded the 2009 Direct Pay Build America Bonds Series B. The refunding transaction resulted in a total net present value savings of \$18,932.

Subtotal

Add: Unamortized bond premium

Subtotal

153,670
348,910
3,256
\$392,166

Total Revenue Bonds

\$1,200,718

Remaining revenue bond debt service payments will be made from revenues of the Electric, Water and Sewer Enterprise funds. Annual debt service requirements to maturity are as follows:

Fiscal Year	Electric			Water		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 8,185	\$ 24,963	\$ 33,148	\$ 5,520	\$ 9,920	\$ 15,440
2021	13,530	24,256	37,786	6,335	9,083	15,418
2022	14,135	23,585	37,720	6,640	8,780	15,420
2023	14,810	22,879	37,689	6,915	8,478	15,393
2024	16,790	22,107	38,897	7,215	8,154	15,369
2025-2029	96,890	97,759	194,649	41,225	35,276	76,501
2030-2034	104,940	75,314	180,254	50,000	25,166	75,166
2035-2039	132,775	48,756	181,531	60,740	13,571	74,311
2040-2044	97,380	13,748	111,128	14,260	4,270	18,530
2045-2049	24,995	3,246	28,241	11,835	1,537	13,372
Premium	52,483	-	52,483	20,954	-	20,954
Total	<u>\$ 576,913</u>	<u>\$ 356,613</u>	<u>\$ 933,526</u>	<u>\$ 231,639</u>	<u>\$ 124,235</u>	<u>\$ 355,874</u>

Fiscal Year	Sewer		
	Principal	Interest	Total
2020	\$ 7,915	\$ 18,364	\$ 26,279
2021	8,845	16,599	25,444
2022	9,295	16,146	25,441
2023	9,770	15,669	25,439
2024	11,460	15,139	26,599
2025-2029	66,760	66,249	133,009
2030-2034	85,720	47,283	133,003
2035-2039	109,710	23,300	133,010
2040-2044	39,435	1,695	41,130
Premium	43,256	-	43,256
Total	<u>\$ 392,166</u>	<u>\$ 220,444</u>	<u>\$ 612,610</u>

Pension Obligation Bonds – Business Type Activities:

Principal
Outstanding

In 2018, the 2005 and 2017 Taxable Pension Obligation Bonds were distributed between Governmental Activities, Business-Type Activities, and the Successor Agency to properly reflect their proportional share. Pension Obligation bonds are not collateralized by assets, nor do they constitute an obligation of the City of Riverside whereby the City is obligated to levy or pledge any form of taxation.

\$30,000 2005 Taxable Pension Obligation Bonds Series A; 3.85% to 4.78%, due in annual installments \$630 to \$3,860 through June 1, 2020. \$3,400 relates to Business Type Activities.

\$1,388

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

\$31,960 2017 Taxable Pension Obligation Bonds Series A; 1.25% to 3.125%, due in annual installments from \$2,910 to \$3,580 through June 1, 2027. \$14,924 relates to Business Type Activities. 13,387
 Total Pension Obligation Bonds \$14,775

Remaining pension obligation bond debt service payments will be made from unrestricted revenues of the Business-type activities funds. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 1,209	\$ 1,128	\$ 2,337
2021	1,270	947	2,217
2022	1,300	904	2,204
2023	1,330	860	2,190
2024	1,391	815	2,206
2025-2029	7,680	3,336	11,016
2030-2034	9,192	1,934	11,126
2035-2039	6,320	377	6,697
Total	<u>\$ 29,692</u>	<u>\$ 10,301</u>	<u>\$ 39,993</u>

Fiscal Year	Principal	Interest	Total
2020	\$ 3,019	\$ 432	\$ 3,451
2021	1,595	331	1,926
2022	1,629	297	1,926
2023	1,668	256	1,924
2024	1,713	213	1,926
2025-2029	5,151	336	5,487
Total	<u>\$ 14,775</u>	<u>\$ 1,865</u>	<u>\$ 16,640</u>

Certificates of Participation – Business Type Activities:

In 2019, the 2008 Riverside Renaissance Certificates of Participation were distributed between Governmental Activities and Business-Type Activities to properly reflect their proportional share.

\$128,300 2008 Riverside Renaissance Certificates of Participation; issued at a variable rate; however, the City entered into an agreement to convert to a fixed rate of 3.4%. For information on the swap agreement see Note 6. Due in annual installments from \$2,900 to \$7,200 through March 1, 2037; \$30,841 relates to the Civic Entertainment Fund. \$29,692

Total Certificates of Participation \$29,692

Remaining certificates of participation debt service payments will be made from unrestricted revenues of the Civic Entertainment Fund. Annual debt service requirements to maturity are as follows:

Lease Revenue Bonds – Business Type Activities: Principal Outstanding

In 2019, the Series 2012A Lease Revenue Refunding Bonds were distributed between Governmental Activities, Business-Type Activities, and the Successor Agency to properly reflect their proportional share.

On August 15, 2012, the City issued the Series 2012A Lease Revenue Refunding Bonds in the amount of \$41,240. The bonds were issued to refinance the 2003 Certificates of Participation. Interest on the bonds is payable semi-annually on May 1 and November 1 of each year, commencing May 1, 2013. The rate of interest varies from 2% to 5% per annum depending on maturity date. Principal is payable in annual installments ranging from \$1,295 to \$2,840 commencing November 1, 2013 and ending November 1, 2033. \$8,242 relates to Governmental Activities. \$7,867

Total Lease Revenue Bonds \$7,867

Remaining lease revenue bond debt service payments will be made from unrestricted revenues of the Parking Fund. Annual debt service requirements to maturity are as follows:

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

Fiscal Year	Principal	Interest	Total
2020	\$ 394	\$ 344	\$ 738
2021	414	323	737
2022	434	302	736
2023	457	280	737
2024	480	256	736
2025-2029	2,530	974	3,504
2030-2034	3,158	329	3,487
Total	<u>\$ 7,867</u>	<u>\$ 2,808</u>	<u>\$ 10,675</u>

The following are legally required debt service cash reserves. These amounts, at a minimum, are held by the City or fiscal agents at June 30, 2019:

Governmental long-term obligations:

Certificates of participation	\$ 7,426
Total	<u>\$ 7,426</u>

Enterprise funds:

Electric	\$ 10,798
Total	<u>\$ 10,798</u>

The City has a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions in the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expenses where so required by the debt agreement) are indicated in the table below. The debt service coverage ratios also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment.

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses, where required)	Annual Debt Service Payments (all of debt secured by this revenue)	Coverage Ratio for FY 06/30/19
Electric revenues	\$ 95,116 *	\$ 42,466	\$ 2.24
Water revenues	25,418 *	15,142	1.68
Sewer revenues	37,703	29,221	1.29

* Excludes non-cash pension expense

There are also a number of limitations and restrictions contained in Assessment Bond indentures. The City believes they are in compliance with all significant limitations and restrictions.

Direct Borrowings: Private Placement Revenue Bonds
 – Business Type Activities:

\$56,450 2011 Electric Revenue Refunding Bonds; Series A. The bonds were issued at a variable rate; however, the City entered into an agreement to convert to a fixed rate of 3.2%. For information on the swap agreements see Note 6. Bonds are due in annual installments from \$725 to \$5,175 through October 1, 2035. Upon event of default, the bank may declare the outstanding amount of the obligations payable to be due immediately.

Principal Outstanding

\$41,025

Total Private Placement Revenue Bonds

\$41,025

Remaining private placement revenue bond debt service payments will be made from revenues of the Electric Enterprise fund. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Electric Interest	Total
2020	\$ 1,750	\$ 1,528	\$ 3,278
2021	1,825	1,458	3,283
2022	1,900	1,386	3,286
2023	1,950	1,311	3,261
2024	725	1,272	1,997
2025-2029	3,625	5,941	9,566
2030-2034	19,075	3,936	23,011
2035-2039	10,175	297	10,472
Total	<u>\$ 41,025</u>	<u>\$ 17,129</u>	<u>\$ 58,154</u>

Direct Borrowings: Notes Payable – Business Type Activities:

Notes payable consists of several agreements with Hillwood Enterprises, L.P. (Hillwood) for its development of logistic centers located in the City of San Bernardino. As part of these agreements, the Water fund purchased land from Hillwood and subsequently leased it back to the entity. In addition, the agreements require Hillwood to relocate wells located on the properties as well as terminate an existing lease. In consideration of the cost

Principal Outstanding

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

of the land purchase, well relocations and lease termination, the Water fund will make payments to Hillwood in a form of a credit with Hillwood's rental payments to the Water fund for the first 15 years of the leases.

\$20,323

Sewer fund loan from State of California for Cogeneration project, 2.336%, payable in net annual installments of \$339, beginning January 29, 2003 through January 29, 2021.

658

Public Parking fund and Civic Entertainment fund loan for Fox Entertainment Plaza project secured with collateral of the Fox Theater, Fox Entertainment Plaza, and Parking Garage No. 7. 3.85%, payable in net annual installments of \$1,747, beginning June 16, 2011 through December 16, 2031. In the event of default, the City would continue to remain liable for the payment of Rental Payments and damages for breach of the Lease.

17,202

On July 19, 2012, the City secured financing in the amount of \$41,650 with BBVA Compass Bank for the renovation and expansion of the Riverside Convention Center (Civic Entertainment Fund) secured with collateral of the convention center facility. In March 2014, the financing arrangement with BBVA was increased to \$44,650. The financing consists of an initial 21-month variable rate interest only period during construction that has a swap transaction layered over the remaining 20-year amortization resulting in a "synthetic fixed" rate of 3.24% for 20 of the 22 years. For information on the swap agreement see Note 6. At the end of the construction period, principal and interest are due on the first of each month, with equal payments each year of approximately \$2,850. In the event of default, the outstanding amount of the site lease payment drawn by the City and not repaid will bear interest at a default rate that will be charged until the default is cured.

35,490

\$73,673

Total Notes Payable

Remaining notes payable debt service payments will be made from unrestricted revenues of the Sewer fund, Water fund, Public Parking fund and Civic Entertainment fund. Annual debt service requirements to maturity are as follows:

Fiscal Year	Water Fund		Total
	Principal	Interest	
2020	\$ 1,280	\$ 511	\$ 1,791
2021	1,354	478	1,832
2022	1,432	443	1,875
2023	1,514	405	1,919
2024	1,601	364	1,965
2025-2029	9,471	1,103	10,574
2030-2034	3,671	95	3,766
Total	<u>\$ 20,323</u>	<u>\$ 3,399</u>	<u>\$ 23,722</u>

Fiscal Year	Sewer Fund		Total
	Principal	Interest	
2020	\$ 326	\$ 14	\$ 340
2021	332	7	339
Total	<u>\$ 658</u>	<u>\$ 21</u>	<u>\$ 679</u>

Fiscal Year	Non-major Enterprise Funds		Total
	Principal	Interest	
2020	\$ 3,030	\$ 1,768	\$ 4,798
2021	3,124	1,662	4,786
2022	3,230	1,552	4,782
2023	3,337	1,439	4,776
2024	3,445	1,321	4,766
2025-2029	19,081	4,705	23,786
2030-2034	17,445	1,288	18,733
Total	<u>\$ 52,692</u>	<u>\$ 13,735</u>	<u>\$ 66,427</u>

Direct Borrowings: Contracts Payable

Principal
Outstanding

Water stock acquisition rights payable on demand to various water companies

\$937

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

Direct Borrowings: Capital Leases

The City leases various equipment through capital leasing arrangements in the governmental and proprietary fund types. These activities are recorded for both governmental and business-type activities in the government-wide financial statements. The assets and related obligations under leases in governmental funds are not recorded in the fund statements. For proprietary funds, the assets and their related liabilities are reported directly in the fund. Amortization applicable to proprietary assets acquired through capital lease arrangements is included with depreciation for financial statement presentation.

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings and improvements	\$ -	\$ 728
Machinery and equipment	28,493	7,828
Subtotal	28,493	8,556
Less: Accumulated depreciation	(7,421)	(4,022)
Total	<u>\$ 21,072</u>	<u>\$ 4,534</u>

The future minimum lease obligations as of June 30, 2019 were as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2020	\$ 3,671	\$ 1,657
2021	3,671	1,348
2022	3,640	819
2023	2,808	626
2024	2,715	259
Thereafter	6,762	779
Total minimum lease payments	23,267	5,488
Less: Amount representing interest (rates ranging from 1.2% to 9%)	(1,845)	(296)
Total capital lease payable	<u>\$ 21,422</u>	<u>\$ 5,192</u>

9. Compensated Absences

A liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probably that virtually all of these balances will be liquidated by either paid time-off or payments upon termination or retirement.

Below is a summary of changes in Compensated absences during the fiscal year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences:					
Governmental activities	\$ 24,985	\$ 17,254	\$ (15,167)	\$ 27,072	\$ 16,424
Business-type activities	8,596	7,991	(7,545)	9,042	7,929
	<u>\$ 33,581</u>	<u>\$ 25,245</u>	<u>\$ (22,712)</u>	<u>\$ 36,114</u>	<u>\$ 24,353</u>

10. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Property insurance coverage has a limit of \$1,000,000, with a deductible of \$100. Earthquake and flood insurance coverage has a limit of \$25,000, with a deductible of 5% (subject to \$100 minimum for earthquake and \$100 for flood). Workers' compensation insurance coverage has a limit of \$25,000, with a self-insured retention of \$3,000. The City has two General Liability policies; a primary and an excess General Liability policy. The primary General Liability policy coverage has a limit of \$20,000 and the Excess General Liability policy provides an additional \$10,000 of coverage, with a self-insured retention of \$3,000. Both the primary and excess General liability policies cover general and auto liability claims including but not limited to Law Enforcement Liability and Public Officials E & O. There were no claims settled in the last three fiscal years that exceed insurance coverage. Internal service funds have been established to account for and finance the uninsured risks of loss.

All funds of the City participate in the Risk Management program and make payments to the Internal Service Funds based on actuarial estimates of the amounts needed to fund prior and current year claims and incidents that have been incurred but not reported. Interfund premiums are accounted for as quasi - external transactions and are therefore recorded as revenues of the Internal Service funds in the fund financial statements.

Changes in the self-insurance fund's claims liability amounts are:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Claims liability	46,232	10,569	(8,342)	48,459	9,543

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

Unpaid claims, June 30, 2017	\$ 44,945
Incurred claims (including IBNR's)	13,690
Claim payments and adjustments	<u>(12,403)</u>
Unpaid claims, June 30, 2018	46,232
Incurred claims (including IBNR's)	10,569
Claim payments and adjustments	<u>(8,342)</u>
Unpaid claims, June 30, 2019	<u>\$ 48,459</u>

11. Landfill Capping:

State and Federal laws and regulations require the City to place a final cover on all active landfills when closed and to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. To comply with these laws and regulations, the City is funding the costs of closure and "final capping" of the Tequesquite landfill located in the City. This area, comprised of approximately 120 acres, operated as a "Class II Sanitary Landfill" until its closure in 1985. During its operation, the landfill did not accept hazardous waste and no clean up and abatement or cease and desist orders have been issued to the City. The capacity used at June 30, 2019 was 100%. The remaining post closure period is currently 20 years.

The estimated costs as determined and updated by the Public Works Department are associated with flood control upgrades, remediation of possible ground water contamination and control of methane gas. All potential costs have been recognized in the financial statements. However, there is the potential for these estimates to change due to inflation, deflation, technology, or change in laws or regulations. The City is recovering such costs in rates charged to its customers. The portion of costs to be recovered through future rates is classified as a regulatory asset and will be amortized over future periods.

Below is a summary of changes in Landfill Capping during the fiscal year:

Business-type activities	Beginning		Ending		Due Within One Year
	Balance	Additions	Reductions	Balance	
Landfill capping	<u>\$ 4,770</u>	<u>\$ 6,969</u>	<u>\$ (603)</u>	<u>\$ 11,136</u>	<u>\$ 559</u>

12. Commitments and Contingencies

Intermountain Power Agency

The Electric Utility has entered into a power purchase contract with Intermountain Power Agency (IPA) for the delivery of electric power. The Electric Utility's share of IPA power is equal to 7.6 percent, or approximately 137.1 MW, of the net generation output of IPA's 1,800 MW coal-fueled generating station, known as Intermountain Power Project (IPP), located in central Utah. The contract expires in 2027 and the debt fully matures in 2024.

The contract constitutes an obligation of the Electric Utility to make payments solely from operating revenues. The power purchase contract requires the Electric Utility to pay certain minimum charges that are based on debt service requirements and other fixed costs. Such payments are considered a cost of production.

On September 29, 2006, Senate Bill 1368 (SB 1368) was enacted into law. The bill requires electric service providers to limit financial investments in power plants to those that adhere to greenhouse gas performance standards as determined by the Public Utilities Commission. Pursuant to this legislation, the Electric Utility is prohibited from renewing its participation in IPP if it remains a coal fueled generating resource.

In order to facilitate the continued participation in the IPP, the IPA Board issued the Second Amendatory Power Sales Contract, which amended the IPP Contract allowing the plant to replace the coal units with combined cycle natural gas units by July 1, 2025. On June 16, 2015, the City Council approved the Intermountain Power Project renewal agreements, including the Second Amendatory Power Sales Contract and the Renewal Power Sales Contract, and authorized participation in the IPP Repower Project for up to 5 percent in generation capacity or 60MW. The Second Amendatory Power Sales Contract became effective March 16, 2016.

On January 5, 2017, the Electric Utility executed the Renewal Power Sales Contract and the Electric Utility accepted an offer of 4.167 percent entitlement or 50 MW generation capacity in the IPP Repower Project based on the 1,200 MW designed capacity, which is within the maximum participation level approved by the City Council. The Electric Utility's corresponding Southern Transmission System allocation is 5.278 percent or approximately 127 MW. Further, under the Renewal Power Sales Contract, the Electric Utility has the right to exit from the Repower Project by no later than November 1, 2019, if it is determined that the Repower Project is not cost beneficial to its customers.

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

On September 11, 2018, the City Council approved "Alternative Repowering" of the IPP Repower Project, which reduced the design capacity of the future plant from 1,200 MW to 840 MW.

On May 7, 2019, the City Council authorized termination of the Renewal Power Sales Contract between the IPA and the Electric Utility effective November 1, 2019, and the Electric Utility's exit from the IPP Repower Project upon the expiration date of the current Power Sales Contract on June 15, 2027, due to numerous uncertainties surrounding the IPP Repower Project.

The Electric Utility is a member of the Southern California Public Power Authority (SCPPA), a joint powers agency. SCPPA provides for the financing and construction of electric generating and transmission projects for participation by some or all of its members. To the extent the Electric Utility participates in take-or-pay projects developed by SCPPA, it has entered into Power Purchase or Transmission Service Agreements, entitling the Electric Utility to the power output or transmission service, as applicable, and the Electric Utility will be obligated for its proportionate share of the project costs whether or not such generation output of transmission service is available.

The projects and the Electric Utility's proportionate share of SCPPA's obligations, including final maturities and contract expirations are as follows:

Project	Percent Share	Entitlement	Final Maturity	Contract Expiration
Palo Verde Nuclear Generating Station	5.40%	12.3 MW	2017	2030
Southern Transmission System	10.20%	244.0 MW	2027	2027
Mead-Phoenix Transmission	4.00%	18.0 MW	2020	2030
Mead-Adelanto Transmission	13.50%	118.0 MW	2020	2030

Terms of Take or Pay Commitments

As part of the take-or-pay commitments with IPA and SCPPA, the Electric Utility has agreed to pay its share of current and long-term obligations. Management intends to pay these obligations from operating revenues received during the year that payment is due. A long-term obligation has not been recorded on the accompanying financial statements for these commitments. Take-or-pay commitments terminate upon the later of contract expiration or final maturity of outstanding bonds for each project.

The outstanding debts associated with the take-or-pay obligations have fixed interest rates, which range from 1.83 percent to 5.00 percent. The schedule below details the amount of principal and interest that is due and payable by the Electric Utility as part of the take-or-pay contract for each project in the fiscal year indicated.

Debt Service Payment (in thousands) Year Ending June 30,	IPA		SCPPA		TOTAL
	Intermountain Power Project	Southern Transmission System	Mead-Phoenix Transmission	Mead-Adelanto Transmission	All Projects
2020	\$ 15,081	\$ 6,850	\$ 254	\$ 2,859	\$ 25,044
2021	15,881	7,758	189	2,135	25,963
2022	10,835	9,309	-	-	20,204
2023	8,059	7,083	-	-	15,142
2024	840	7,124	-	-	7,964
2025-2029	-	13,026	-	-	13,026
Total	\$ 50,696	\$ 51,210	\$ 443	\$ 4,994	\$ 107,343

In addition to debt service, the Electric Utility's entitlements require the payment of fuel costs, operating and maintenance, administrative and general and other miscellaneous costs associated with the generation and transmission facilities discussed above. These costs do not have a similar structured payment schedule as debt service and vary each year. The costs incurred for the year ended June 30, 2019 and 2018, are as follows (in thousands):

FISCAL YEAR	Palo Verde							All Projects
	Intermountain Power Project	Nuclear Generating Station	Southern Transmission System	Hoover Dam Upgrading	Mead-Phoenix Transmission	Mead-Adelanto Transmission		
2019	\$ 19,375	\$ 3,588	\$ 4,622	\$ -	\$ 46	\$ 500	\$ 28,131	
2018	\$ 20,755	\$ 3,653	\$ 3,529	\$ 14	\$ 58	\$ 302	\$ 28,311	

These costs are included in production and purchased power or transmission expense on the Statements of Revenues, Expenses and Changes in Net Position.

The Electric Utility has become a Participating Transmission Owner with the California Independent System Operator (CAISO) and has turned over the operational control of its transmission entitlements including the Southern Transmission System, Mead-Phoenix and Mead-Adelanto Transmission Projects. In return, users of the California's high voltage transmission grid are charged for, and the Electric Utility receives reimbursement for, transmission revenue requirements, including the costs associated with these three transmission projects.

Hoover Upgrading Project

The Electric Utility's entitlement in the Hoover project through SCPPA will terminate on September 30, 2017. In March 2014, the Electric Utility prepaid

its share of outstanding debt incurred by the Bureau of Reclamation in connection with the acquisition and construction of the Hoover Power Project Visitors Center and Air Slots. The payment of principal and interest on the debt is a component of the cost of power and energy payable by Hoover contractors, which includes SCPPA participants that receive power from the Hoover Power Project under agreements with the Western Area Power Administration. Because Bureau Debt bears interest at rates that are substantially higher than current market interest rates, the Electric Utility elected to prepay the debt in order to realize savings on power costs in the future. The Electric Utility's share of the prepaid debt is recorded on the statements of net position as unamortized purchased power to be amortized over the remaining term of the project through 2017. As of June 30, 2018, the balance was fully amortized.

On August 23, 2016, the City Council approved a 50-year Electric Service Contract (ESC) and an Amended and Restated Implementation Agreement (IA) with the Western Area Power Administration (Western), Bureau of Reclamation for 30 MW of hydroelectric power. The contract with Western will be effective October 1, 2017. The ESC extends the Electric Utility's 30 MW entitlement in the Hoover project an additional 50 years. The IA is a supplemental agreement to the ESC that establishes administrative, budgetary and project oversight by creating project committees and process for decision making plant operations.

Nuclear Insurance

The Price-Anderson Act (the Act) requires that all utilities with nuclear generating facilities purchase the maximum private primary nuclear liability insurance available (\$450 million) and participate in the industry's secondary financial protection plan. The secondary financial protection program is the industry's retrospective assessment plan that uses deferred premium charges from every licensed reactor owner if claims and/or costs resulting from a nuclear incident at any licensed reactor in the United States were to exceed the primary nuclear insurance at that plant's site. Effective June 30, 2019, the Act limits liability from third-party claims to approximately \$13.9 billion per incident. Under the industry wide retrospective assessment program provided for under the Act, assessments are limited to \$137.6 million per reactor for each nuclear incident occurring at any nuclear reactor in the United States, with payments under the program limited to \$20.5 million per reactor, per year, per event to be indexed for inflation every five years. Based on the Electric Utility's interest in Palo Verde, the Electric Utility would be responsible for a maximum assessment of \$1.3 million, limited to payments of \$0.2 million per incident, per year. If the public liability limit above is insufficient, federal

regulations may impose further revenue-raising measures to pay claims, including a possible additional assessment on all licensed reactor operators.

Renewable Portfolio Standards (RPS)

On April 12, 2011, the California Renewable Energy Resources Act (SBX1-2) was signed into law by the Governor, which officially created the first set of tiered RPS targets of 20% by 2013, 25% by 2016 and 33% by 2020. SBX1-2 specified that publicly owned utilities must meet these defined targets via interim Compliance Period (CP) targets to achieve the end goal of 33% RPS by December 31, 2020 as follows: CP1 - average of 20 percent of retail sales during 2011-2013; CP2 – no less than 25 percent of retail sales by December 31, 2016; and CP3 – no less than 33 percent of retail sales by December 31, 2020. The Riverside Public Utilities Board and City Council approved the RPS enforcement program required by SBX1-2 on November 18, 2011 and December 13, 2011, respectively, and further approved the Electric Utility's RPS Procurement plan implementing the new RPS mandates on May 3, 2013 and May 14, 2013, respectively. The Electric Utility met the requirements of SBX1-2 for CP1 (2011-2013) and CP2 (2014-2016). The additional future mandates are expected to be met with resource procurement actions as outlined in the Electric Utility's RPS Procurement Plan. For calendar year 2018, renewable resources provided 34 percent of retail sales requirements.

On October 7, 2015, the Governor signed into law Senate Bill 350 (SB 350) increasing the RPS mandate from 33 percent by 2020 to 50 percent by December 31, 2030. In addition, SB 350 required that an update RPS Procurement Policy must be approved and adopted before January 1, 2019 and be incorporated into the Electric Utility's Integrated Resource Plan. The Board and City Council adopted an updated 2018 Renewable Energy Procurement Policy on September 10, 2018 and October 9, 2018, respectively. The Electric Utility expects to be able to substantially meet the increased RPS mandates imposed by SB 350 with the actions described in the updated procurement policy and the portfolio of renewable resources outlined below.

On September 10, 2018, the 100 Percent Clean Energy Act of 2018 (SB 100) was signed into law by the California Governor. This bill further increases the RPS goals of SBX1-2 and SB 350 by maintaining the 33 percent RPS target by December 31, 2020, but modifying the RPS percentages to be 44 percent by December 31, 2024, 52 percent by December 31, 2027, 60 percent by December 31, 2030, with an end goal of 100 percent of total retail sales of electricity in California generated from eligible renewable energy resources and zero-carbon resources by December 31, 2045. It is expected that the

**City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019**

(amounts expressed in thousands)

California Energy Commission (CEC) will have further guidance and enforcement procedures for publicly owned utilities to meet these increased requirements. The Electric Utility will continue to monitor the outcome and impacts of any upcoming workshops and regulations in meeting the new requirements.

In an effort to increase the share of renewables in the Electric Utility's power portfolio, the Electric Utility entered into power purchase agreements (PPA) and power sales agreements (PSA) with various entities described below in general on a "take-and-pay" basis. The contracts in the following tables were executed as part of compliance with RPS mandates.

Long-term renewable PPAs and PSAs in operation (dollars in thousands):

Supplier	Type	Maximum Contract ¹	Contract Expiration	Estimated Annual Cost For 2019
Salton Sea Power LLC	Geothermal	46.0 MW	5/31/2020	\$ 27,219
Wintec Energy, Ltd.	Wind	1.3 MW	2/19/2024	151
WKN Wagner	Wind	6.0 MW	12/22/2032	1,319
SunEdison - AP North Lake	Photovoltaic	20.0 MW	8/11/2040	4,705
Dominion - Columbia II	Photovoltaic	11.1 MW	12/22/2034	2,320
GlidePath Power Solutions - GPS Cabazon Wind LLC	Wind	39.0 MW	1/1/2025	4,311
Capital Dynamics - Kingbird Solar B, LLC	Photovoltaic	14.0 MW	12/31/2036	2,875
FTP Solar				
sPower - Summer Solar	Photovoltaic	10.0 MW	12/31/2041	1,752
sPower - Antelope Big Sky Ranch	Photovoltaic	10.0 MW	12/31/2041	1,752
sPower - Antelope DSR 1 Solar	Photovoltaic	25.0 MW	12/19/2036	3,836
Capital Dynamics - Tequesquite Landfill Solar	Photovoltaic	7.3 MW	12/31/2040	1,365
American Renewable Power-Loyalton	Biomass	0.8 MW	4/19/2023	617
CalEnergy - Salton Sea Portfolio Phase 1 and 2	Geothermal	40.0 MW	12/31/2039	18,619
	Total	<u>230.5 MW</u>		<u>\$ 70,841</u>

¹ All contracts are contingent on energy delivery from specific related generating facilities. The Electric Utility has no commitment to pay any amounts except for energy delivered on a monthly basis from these facilities except for any economic curtailments directed by the Electric Utility.

Long-term renewable PPAs with expected delivery:

Supplier	Type	Maximum Contract ¹	Expected Delivery	Energy Delivery No Later Than	Contract Term In Years
CalEnergy - Salton Sea Portfolio Phase 3	Geothermal	46.0 MW	6/1/2020	6/1/2020	20
	Total	<u>46.0 MW</u>			

¹ All contracts are contingent on energy delivered from specific related generating facilities. The Electric Utility has no commitment to pay any

amounts except for energy delivered on a monthly basis from these facilities except for any economic curtailments directed by the Electric Utility.

Cap-and-Trade Program

Assembly Bill (AB) 32, enacted in 2006, mandated that the California Air Resources Board (CARB) develop regulations for the reduction of greenhouse gas (GHG) emissions to the 1990 levels by the year 2020. In January 2013, emission compliance obligations developed by CARB began under the Cap-and-Trade Program (Program). This Program requires electric utilities to have GHG allowances on an annual basis to offset GHG emissions associated with generating electricity. To ease the transition and mitigate the rate impacts to retail customers, CARB will allocate certain amounts of GHG allowances at no cost to electrical distribution utilities. The Electric Utility's free allocation of GHG allowances is expected to be sufficient to meet the Electric Utility's direct GHG compliance obligations.

At times, the Electric Utility may have allocated allowances in excess of its compliance obligations that can be sold into the CARB quarterly auctions. In fiscal year ended June 30, 2019 and 2018, the Electric Utility received \$7,303 and \$8,131, respectively, in proceeds related to the sale of the GHG allowances, which are included on the Statements of Revenues, Expenses and Changes in Net Position as operating revenue. The Electric Utility has established a restricted Regulatory Requirement reserve to comply with regulatory restrictions and governing requirements related to the use of the GHG proceeds. The available funds are to be utilized for qualifying projects, consistent with the goals of AB 32 to benefit the retail ratepayers. The balance in the Regulatory Requirement reserve was \$18,004 and \$16,093 as of June 30, 2019 and 2018, respectively.

The Electric Utility also purchases GHG allowances which can be used in future periods for GHG compliance regulations. The balance of purchased GHG allowances was \$971 and \$1,097 as of June 30, 2019 and 2018, respectively, and is recorded as inventory in the statement of net position.

13. Other Post-Employment Benefits (OPEB)

Plan description - The City's defined benefit OPEB plan, Retiree Health Plan, provides continuation of medical (including prescription drugs) and dental coverage benefits to retirees and surviving spouses in the form of an implied rate subsidy. The Retiree Health Benefits plan is a single employer defined benefit OPEB plan administered by the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

Benefits provided - Eligibility for continuation of coverage requires retirement from the City and CalPERS with at least 5 years of City service. The retiree is responsible for 100% of the premium cost for coverage, which is based on the blended experience of both the active and retired employees. The City is not required by law or contractual agreement to provide funding other than the pay-as-you-go amount necessary to provide current benefit to eligible retirees and beneficiaries. Retiree and spousal coverage terminates when the retiree becomes covered under another employer health plan, or when the retiree reaches Medicare eligibility age, which is currently age 65. However, retiree benefit continues to the surviving spouse if the retiree elects the CalPERS survivor annuity.

Employees covered by benefit terms – At June 30, 2018, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	304
Active plan members	<u>2,121</u>
Total	<u><u>2,425</u></u>

Significant Actuarial Assumptions Used in Calculating the Total OPEB Liability

The total OPEB liability was determined by actuarial valuation as of June 30, 2018 using the following actuarial assumptions:

Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2018
Funding Policy:	Pay-as-you-go for implicit rate subsidy
Discount Rate:	3.50% per annum. This discount rate is the average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO AA 20 Year Bond Index.
Inflation Rate:	2.75% per annum
Salary Inflation:	3.0% per annum
Salary Increases	The benefits are not payroll related but the City's cost for each individual's projected City contribution is allocated over their lifetime as a level-percentage of pay. For cost method purposes the merit increases from the most recent CalPERS pension plan valuation will be used
Mortality	CalPERS 2014 Experience Study

Sensitivity analysis of total OPEB liability for healthcare cost trend rates

The following presents the total net OPEB liability, calculating using the healthcare cost trend rate of 6.00%/HMO and 6.50%/PPO, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%/HMO and 5.50%/PPO) or 1-percentage-point higher (7.00%/HMO and 7.50%/PPO) than the current rate:

	1% Decrease	Current healthcare cost trend rates	1% Increase
Total Net OPEB liability	\$ 34,173	\$ 38,338	\$ 43,228

Sensitivity analysis of total net OPEB liability for discount rates

The following presents the total net OPEB liability, calculating using the discount rate of 3.50%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	1% Decrease	Current discount rate	1% Increase
Total Net OPEB liability	\$ 41,534	\$ 38,338	\$ 35,431

Change in total OPEB liability

For fiscal year 2019, the City recognized total OPEB expense of \$3,457. The following table shows the change in the total OPEB liability for the year ended June 30, 2019:

	2018
Beginning total OPEB liability	\$ 36,786
Service cost	2,403
Interest	1,301
Changes of assumptions	(306)
Benefit of implied subsidy payments	<u>(1,846)</u>
Net changes	1,552
Ending total OPEB liability	<u><u>\$ 38,338</u></u>

Deferred outflows/inflows of resources

At June 30, 2019, the City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred inflows of resources
Changes of assumptions	\$ (1,520)
Total	<u>\$ (1,520)</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Deferred inflows of resources
2019	\$ (247)
2020	(247)
2021	(247)
2022	(247)
2023	(285)
Thereafter	<u>\$ (1,520)</u>

14. City Employees Retirement Plan

(A) Plan Description. The City of Riverside contributes to the California Public Employees Retirement System (CalPERS), an agent multiple employer public employee defined benefit pension plan. CalPERS 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. A copy of CalPERS' annual financial report may be obtained online at www.calpersca.gov.

(B) Funding Policy. The City has contributed at the actuarially determined rate provided by CalPERS' actuaries. Participants are required to contribute 8% for miscellaneous employees and 9% for safety employees of their annual covered salary. The City has a multiple tier retirement plan with benefits varying by plan. The City pays the employees' contributions to CalPERS for both miscellaneous and safety employees hired on or before specific dates as follows:

Safety (Police):

- 1st Tier (RPOA, RPOA Supervisory & RPAA Management) - The retirement formula is 3% at age 50 for employees hired on or before February 16, 2012 (RPOA, RPAA Management) or June 8,

2012 (RPOA Supervisory). Effective January 1, 2018, employees were required to pay 1.5% of their pensionable income, with the City contributing the other 7.5%. Only in the event that annual wages increase in excess of 2%, will the following apply: Effective January 1, 2019, employees were required to pay an additional portion of their pensionable income. This portion is a three year increase of 1.5% (2019), 1.5% (2020) and 1.5% (2021). By 2021, employees will be contributing 6% of their pensionable income, with the City contributing the other 3%.

- 2nd Tier (RPOA, RPOA Supervisory & RPAA Management) - The retirement formula is 3% at age 50 for RPOA and RPAA Management employees hired on or after February 17, 2012 and RPOA Supervisory employees hired on or after June 8, 2012 pay their share (9%) of contributions.
- 3rd Tier (RPOA, RPOA Supervisory & RPAA) – The retirement formula is 2.7% at age 57 for new members hired on or after January 1, 2013 and the employee must pay the normal cost to CalPERS which is currently at 11.50%. Classic members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.

Safety (Fire):

- 1st Tier - The retirement formula is 3% at age 50 for employees hired before June 11, 2011. Effective January 1, 2019, employees were required to pay a portion of their pensionable income. This portion is a three year increase of 2.5% (2019), 2.5% (2020) and 3% (2021). By 2021, employees will be contributing 8% of their pensionable income.
- 2nd Tier - The retirement formula is 3% at age 55 and new employees hired on or after June 11, 2011 pay their share (9%) of contributions.
- 3rd Tier – The retirement formula is 2.7% at age 57 for new members hired on or after January 1, 2013. A new member, as defined by the Public Employees' Pension Reform Act (PEPRA), hired on or after January 1, 2013 pay 50% of the normal cost to CalPERS which is currently 11.50% of compensation.

Miscellaneous:

- 1st Tier –
 - The retirement formula is 2.7% at age 55 for employees hired on or before October 18, 2011. Effective January 1, 2018 for unrepresented employees (Sr. Management,

- Management, Professional, Para-professional, Supervisory, Confidential, and Executive units, excluding the Chief of Police and the Fire Chief), the employees were required to pay 2% of their pensionable income, with the City contributing the other 6%. Effective January 1, 2019, employees were required to pay an additional portion of their pensionable income. This portion is a three year increase of 2% (2019), 2% (2020) and 2% (2021). By 2021, employees will be contributing the entire 8% of their pensionable income.
- The retirement formula is 2.7% at age 55 for SEIU and SEIU Refuse employees hired before June 7, 2011. Currently, employees are required to pay 7% of their pensionable income with the City contributing the other 1%. Effective January 1, 2019, employees were required to pay an additional portion of their pensionable income. This portion is a two year increase of 1% (2019) and 1% (2020). By 2020, employees will be contributing the entire 8% of their pensionable income.
 - The retirement formula is 2.7% at age 55 for IBEW and IBEW Supervisory employees hired on or before October 18, 2011. Effective November 1, 2017 employees were required to pay 2% of their total pensionable income with the City paying the remaining 6%. Effective each November 1st, employees will be required to pay an additional portion of their pensionable income. This portion is a three year increase of 2% (2018), 2% (2019) and 2% (2020). By November 2020, employees will be contributing the entire 8% of their pensionable income.
 - 2nd Tier - The retirement formula is 2.7% at age 55, and:
 - Miscellaneous employees, IBEW, and IBEW Supervisory hired on or after October 19, 2011 pay their share (8%) of contributions.
 - SEIU and SEIU Refuse employees hired on or after June 7, 2011 pay their share (8%) of contributions.
 - 3rd Tier – The retirement formula is 2% at age 62 for new members hired on or after January 1, 2013 and the employee must pay the normal cost to CalPERS which is currently at 7%. Classic

members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.

The contribution requirements of plan members and the City are established and may be amended by CalPERS.

(C) 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 five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit Level III, 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.

(D) Employees Covered - At June 30, 2018, the following employees were covered by the benefit terms of each Plan: Inactive employees or beneficiaries currently receiving benefits are 2,184 and 776 for the Miscellaneous and Safety Plans, respectively. Inactive employees entitled to but not yet receiving benefits are 1,375 and 170 for Miscellaneous and Safety Plans, respectively. Active employees were 1,607 and 568 for Miscellaneous and Safety Plans, respectively.

(E) 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.

(F) 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 of the Plans is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures.

**City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019**

(amounts expressed in thousands)

A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Projected Salary Increase	Depending on age, service, and type of employment.	
Mortality	The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.	

Discount Rate – The discount rate used to measure each plan’s total pension liability as of June 30, 2018 was 7.15%. 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 discount rates used to measure total pension liability are adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rates are applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website.

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.

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. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as followed:

<u>Asset Class</u> ¹	<u>Current Target</u> <u>Allocation</u>	<u>Real Return</u> <u>Years 1 - 10</u> ²	<u>Real Return</u> <u>Years 11+</u> ³
Global Equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	-	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	-	-0.92%

- (1) In the System’s CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (2) An expected inflation of 2.00% used for this period
- (3) An expected inflation of 2.92% used for this period

Changes of Assumptions – In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

(G) Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan follows:

**City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019**

(amounts expressed in thousands)

Miscellaneous	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017	\$ 1,371,914	\$ 1,032,027	\$ 339,887
Changes in the year:			
Service Cost	25,117	-	25,117
Interest on Total Pension Liability	92,595	-	92,595
Changes of Assumptions	(37,885)	-	(37,885)
Differences between Expected and Actual Experience	(19,805)	-	(19,805)
Net Plan to Plan Resource Movement	-	(3)	3
Contribution - employer	-	29,920	(29,920)
Contribution - employee	-	9,749	(9,749)
Net Investment Income	-	86,307	(86,307)
Benefit Payments, including Refunds of Employee Contributions	(63,483)	(63,483)	-
Administrative Expenses	-	(1,608)	1,608
Other Misc. Income/(Expense)	-	(3,053)	3,053
Net Changes	<u>(3,461)</u>	<u>57,829</u>	<u>(61,290)</u>
Balance at June 30, 2018	<u>\$ 1,368,453</u>	<u>\$ 1,089,856</u>	<u>\$ 278,597</u>

Miscellaneous	Liability	Net Position	Liability/(Asset)
	Balance at June 30, 2017	\$ 1,041,254	\$ 753,365
Changes in the year:			
Service Cost	20,390	-	20,390
Interest on Total Pension Liability	73,104	-	73,104
Changes of Assumptions	(4,644)	-	(4,644)
Differences between Expected and Actual Experience	868	-	868
Net Plan to Plan Resource Movement	-	(2)	2
Contribution - employer	-	25,451	(25,451)
Contribution - employee	-	6,401	(6,401)
Net Investment Income	-	62,933	(62,933)
Benefit Payments, including Refunds of Employee Contributions	(50,478)	(50,478)	-
Administrative Expenses	-	(1,174)	1,174
Other Misc. Income/(Expense)	-	(2,229)	2,229
Net Changes	<u>39,240</u>	<u>40,902</u>	<u>(1,662)</u>
Balance at June 30, 2018	<u>\$ 1,080,494</u>	<u>\$ 794,267</u>	<u>\$ 286,227</u>

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	Discount Rate	Current Discount Rate	Discount Rate
		<u>-1% (6.15%)</u>	<u>(7.15%)</u>
Plan's Net Pension Liability/(Asset)	\$ 464,887	\$ 278,597	\$ 125,412
<i>Safety</i>			
	Discount Rate	Discount Rate	Discount Rate
	<u>-1% (6.15%)</u>	<u>(7.15%)</u>	<u>+1% (8.15%)</u>
Plan's Net Pension Liability/(Asset)	\$ 434,647	\$ 286,228	\$ 164,551

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

H. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions.

For the year ended June 30, 2019, the City recognized pension expense of \$74,940. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date, net	\$ 34,486	\$ -
Changes of assumptions	35,127	(26,405)
Differences between expected and actual experience	-	(25,661)
Net differences between projected and actual earnings on plan investments	3,939	-
Total	<u>\$ 73,552</u>	<u>\$ (52,066)</u>

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

Safety	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date, net	\$ 29,047	\$ -
Differences between actual and actuarial determined contributions	-	-
Changes of assumptions	32,601	(5,329)
Differences between expected and actual experience	661.00	(2,227)
Net differences between projected and actual earnings on plan investments	2,994	-
Total	\$ 65,303	\$ (7,556)

\$63,533 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 subsequent fiscal period rather than in the current fiscal period.

The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year	Miscellaneous	Safety
2019	\$ 10,613	\$ 19,221
2020	(5,323)	14,653
2021	(15,546)	(3,016)
2022	(2,744)	(2,158)

15. Other Long-Term Obligations

Changes in Long-Term Obligations: Below is a summary of changes in long-term obligations during the fiscal year for the former Redevelopment Agency, which is accounted for in the Successor Agency Trust (a fiduciary fund):

	Beginning Balance	Additions	Reclass	Reductions	Ending Balance	Due Within One Year
Lease revenue bonds	\$ 15,263	\$ -	\$ 2,415	\$ (1,876)	\$ 15,802	\$ 1,965
Tax allocation bonds	192,096	129,574	-	(138,943)	182,727	4,330
Pension obligation bonds	554	-	-	-	554	-
Direct borrowings:						
Notes payable	4,338	-	-	(420)	3,918	28
	\$ 212,251	\$ 129,574	\$ 2,415	\$(141,239)	\$ 203,001	\$ 6,323

Lease Revenue Bonds – Successor Agency:

\$26,255 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series A are secured by lease payments made by the State of California Department of General Services for the California Tower office building; 2% to 5% due in annual installments from \$545 to \$2,230 through Oct. 1, 2024. The bonds are subject to acceleration under the Trust Agreement upon the occurrence of an event of default and with the consent of the Insurer. There is no remedy of acceleration of the total Base Rental over the term of the Lease.

**Principal
Outstanding**

\$11,365

\$4,810 State of California Dept. of General Services Project, 2003 Lease Revenue Refunding Bonds, Series B are secured by lease payments made by the State of California Department of General Services for the California Tower office building; \$310 serial bonds 1.20% to 1.42% through Oct.1, 2004; \$620 term bonds at 3.090% due Oct. 1, 2008; \$1,110 term bonds at 4.340% due Oct. 1, 2014 and \$2,770 term bonds at 5.480% due Oct. 1, 2024. The bonds are subject to acceleration under the Trust Agreement upon the occurrence of an event of default and with the consent of the Insurer. There is no remedy of acceleration of the total Base Rental over the term of the Lease.

1,840

In 2019, the 2012A Lease Revenue Refunding bonds were distributed between Governmental Activities, Business-Type Activities, and the Successor Agency to properly reflect their proportional share.

\$41,240 Lease Revenue Refunding Bonds, Series 2012A. The bonds were issued to refinance the 2003 Certificates of Participation. Interest on the bonds is payable semi-annually on May 1 and November 1 of each year, commencing May 1, 2013. The rate of interest varies from 2% to 5% per annum depending on maturity date. Principal is payable in annual installments ranging from \$1,295 to \$2,840 commencing November 1, 2013 and ending November 1, 2033.

2,305

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

Subtotal	<u>15,510</u>
Add: Unamortized bond premium	<u>292</u>
Total Lease Revenue Bonds	<u>\$15,802</u>

Remaining debt service will be paid by the Successor Agency Trust from future property tax revenues. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 1,965	\$ 723	\$ 2,688
2021	2,101	620	2,721
2022	2,242	510	2,752
2023	2,399	392	2,791
2024	2,556	267	2,823
2025-2029	3,321	351	3,672
2030-2034	926	96	1,022
Premium	292	-	292
Total	<u>\$ 15,802</u>	<u>\$ 2,959</u>	<u>\$ 18,761</u>

Tax Allocation Bonds – Successor Agency:

The Successor Agency Tax Allocation Bonds are secured by tax revenues deposited in the Redevelopment Property Tax Trust Fund for the Agency established and held by the County of Riverside Auditor-Controller pursuant to Section 34813(a)(2) of the Dissolution Act. Upon event of default, the principal due on the Bonds is subject to acceleration.

On October 16 2014, the Successor Agency to the Redevelopment Agency of the City of Riverside issued 2014 Subordinate Tax Allocation Refunding Bonds (Series A and B) in the amount of \$62,980. The bonds were issued to refund certain obligations of the former Redevelopment Agency of the City of Riverside. Interest is due semi-annually on March 1 and September 1, commencing March 1, 2015. Principal is due in annual installments from \$160 to \$4,745 through September 1, 2034. The rate of interest varies from 0.6% to 5% per annum.

\$46,915

\$114,815 2018 Tax Allocation Refunding Bonds Series A and B. The bonds were issued to refund the 2007 Riverside Public Financing Authority Redevelopment Agency Tax Allocation Bonds; Series A, B, C and D. Principal is payable in annual installments from \$140 to

\$9,180 through September 1, 2037. The rate of interest varies from 3.125% to 5% per annum. The refunding transaction resulted in a total net present value savings of \$20,000. 114,815

Subtotal	161,730
Add: Unamortized bond premium	<u>20,997</u>
Total Tax Allocation Bonds	<u>\$182,727</u>

Remaining debt service will be paid by the Successor Agency Trust from future property tax revenues. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 4,330	\$ 7,519	\$ 11,849
2021	4,685	7,298	11,983
2022	4,920	7,061	11,981
2023	4,710	6,823	11,533
2024	10,280	6,450	16,730
2025-2029	53,635	24,281	77,916
2030-2034	45,705	11,835	57,540
2035-2039	33,465	2,532	35,997
Premium	20,997	-	20,997
Total	<u>\$ 182,727</u>	<u>\$ 73,799</u>	<u>\$ 256,526</u>

Pension Obligation Bonds – Successor Agency: Principal Outstanding

In 2018, the 2005 and 2017 Taxable Pension Obligation Bonds were distributed between Governmental Activities, Business-Type Activities, and the Successor Agency to properly reflect their proportional share. Pension Obligation bonds are not collateralized by assets, nor do they constitute an obligation of the City of Riverside whereby the City is obligated to levy or pledge any form of taxation.

\$30,000 2005 Taxable Pension Obligation Bonds Series A; 3.85% to 4.78%, due in annual installments \$630 to \$3,860 through June 1, 2020; \$133 relates to the Successor Agency. \$133

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

\$31,960 2017 Taxable Pension Obligation Bonds Series A; 1.25% to 3.125%, due in annual installments from \$2,910 to \$3,580 through June 1, 2027; \$421 relates to the Successor Agency.

Total Pension Obligation Bonds \$554

Notes Payable – Successor Agency:

These notes payable have been issued to promote development and expansion within the City's redevelopment areas.

Pepsi Cola Bottling Company of Los Angeles, 10.5%, payable in net annual installments of \$341, subject to recording of completion. Interest accrues on the outstanding note balance upon issuance of the Certificate of Completion. Principal and interest on the note are payable solely from Project Property Tax Increment. Payments start upon the time sufficient increment is generated in one year to pay the annual principal and interest on the note. Upon 25 years from the first anniversary date of the certificate of completion, all unpaid principal together with any accrued interest will be forgiven. \$2,987

Smith's Food & Drug Centers Inc., 6% payable in variable installments, subject to payment of annual Community Facilities District assessment. The note is secured under a developer agreement. 931

Total Notes Payable \$ 3,918

Remaining debt service will be paid by the Successor Agency Trust from future property tax revenues. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 28	\$ 314	\$ 342
2021	31	310	341
2022	34	307	341
2023	38	304	342
2024	42	300	342
2025-2029	1,217	1,423	2,640
2030-2034	471	1,238	1,709
2035-2039	777	933	1,710
2040-2044	1,280	430	1,710
Total	<u>\$ 3,918</u>	<u>\$ 5,559</u>	<u>\$ 9,477</u>

Assessment Districts and Community Facilities Districts Bonds (Not obligations of the City):

As of June 30, 2019, the City has several series of Assessment District and Community Facility District Bonds outstanding in the amount of \$40,500. Bonds were issued for improvements in certain districts and are long-term obligations of the property owners. The City Treasurer acts as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, if applicable. Since the debt does not constitute an obligation of the City, it is not reflected as a long-term obligation of the City and is not reflected in the accompanying basic financial statements.

16. Interfund Assets, Liabilities and Transfers

Due From/To Other Funds: These balances resulted from expenditures being incurred prior to receipt of the related revenue source.

The following table shows amounts receivable/payable between funds within the City at June 30, 2019:

Receivable Funds	Payable Funds	Amount
General Fund	General Debt Service Fund	\$ 1,513
	Nonmajor Governmental Funds	925
		<u>2,438</u>
Electric Fund	Central Stores Fund *	325
Water Fund	Central Stores Fund *	139
Total		<u>\$ 2,902</u>

* Internal service fund

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

Advances To/From Other Funds: These balances consist of advances used to fund capital projects in advance of related financing/assessments and for other long-term borrowing purposes.

The following table shows amounts advanced from funds within the City to other funds within the City at June 30, 2019:

<u>Receivable Funds</u>	<u>Payable Funds</u>	<u>Amount</u>
Sewer Fund	General Debt Service Fund	\$ 2,369
	Nonmajor Governmental Funds	637
		<u>3,006</u>
Central Garage Fund *	Nonmajor Governmental Funds	1,373
Total		<u>\$ 4,379</u>

* Internal service fund

In addition, the following advances to the former Redevelopment Agency are accounted for in the Private-Purpose Trust Fund of the Successor Agency:

<u>Receivable Fund</u>	<u>Amount</u>
Electric Fund	\$ <u>3,803</u>

Transfers In/Out: Transfers are primarily used to (1) move revenues to the fund that statute or budget requires to expend them, and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

The following table shows amounts transferred to/from funds within the City for the year ended June 30, 2019:

<u>Transfers In Funds</u>	<u>Transfers Out Funds</u>	<u>Amount</u>
General Fund	Capital Outlay Fund	\$ 204
	General Debt Service Fund	4,189
	Electric Fund	39,886
	Water Fund	6,584
	Sewer Fund	900
		<u>51,763</u>
Capital Outlay Fund	General Fund	<u>10,747</u>
Debt Service Fund	General Fund	27,822
	Capital Outlay Fund	2,995
	Nonmajor Governmental Funds	38
		<u>30,855</u>
Nonmajor Governmental Funds	General Fund	<u>1,406</u>
Nonmajor Enterprise Funds	General Fund	8,787
	Nonmajor Enterprise Funds	8,186
	Governmental Activities **	1,564
		<u>18,537</u>
Liability Insurance Trust Fund *	General Fund	<u>2,500</u>
Governmental Activities **	Nonmajor Enterprise Funds	<u>96</u>
	Total	<u>\$ 115,904</u>

* Internal service fund

** Transfer of assets and liabilities as part of the debt restructuring.

17. Deficit Net Position

Deficit net position exists in the Self-Insurance Internal Service Fund (\$24,436). This City adopted a Self-Insurance Reserve Policy that addresses the on-going deficit in fund balance. In the past, the City began funding a portion of the deficit in the internal service fund via self-insurance rate increases phased in over several years. However, the increases continue to be offset by unusually large losses incurred during the year combined with an adjustment for the increase in the amount estimated for claims and judgments. Management believes that there are sufficient funds on hand to cover current

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

payment obligations and plans to continue to control costs and increase rates, as needed.

Deficit net position exists in the Successor Agency Private-Purpose Trust Fund (\$153,475). The deficit in the Successor Agency Trust Fund will be reduced over the years as the related debt is paid-off with funds received from the Redevelopment Property Tax Trust Fund (RPTTF), which is administered by the County Auditor-Controller.

18. Economic Contingency

A portion of fund balance has been committed within the General Fund and Measure Z fund for future economic contingencies. The amount that has been set aside for the General Fund is equal to approximately 20% of the 2018-2019 General Fund adopted expenditure budget. For the General Fund Measure Z Fund, \$5,000 has been set aside.

19. Litigation

The City is a defendant in various lawsuits arising in the normal course of business. Present lawsuits and other claims against the City are incidental to the ordinary course of operations and are largely covered by the City's self-insurance program. In the opinion of management and the City Attorney, such claims and litigation will not have a materially adverse effect upon the financial position or results of operation of the City.

20. Tax Abatements

In November 2012, the City entered into a tax sharing agreement with a local business to incentivize an expansion of their facility. Assistance is provided in the form of a rebate of sales and property taxes over fifteen years in an amount not to exceed \$4,500. The agreement expires on the earlier of: 1) total cumulative tax rebate of \$4,500; or 2) fifteen years in fiscal 2027-28.

Incremental Sales Tax Revenue can be generated from sales, over the fiscal 2011-12 base period, reported to the State Board of Equalization at the business site and from third party vendor transactions occurring using the business site as the point of sale. Incremental Property Tax Revenue is generated from the increase in County assessed valuation over the 2012-13 base period values, for the parcels designated in the agreement. For parcels acquired after 2012-13 in the project area, the acquisition price will become its base year valuation. The initial 2012-13 base year assessed valuation is \$114,293 and has been adjusted to \$125,043 for the parcels acquired in 2014-

15. The business is due 100% of the incremental Property tax revenue due to the City from the project area tax rate. It is calculated as 11% of the value determined from taking 1% of the difference of current net assessed valuation over the adjusted base valuation. The cumulative rebate payment as of June 30, 2019 is \$599.

21. Prior Period Adjustments

A prior period adjustment of \$12,398 was made to properly allocate the net pension liability, deferred outflows and inflows related to pension contributions, changes in assumptions and differences in experience.

The restatement of beginning net position of the governmental activities and business-type activities are summarized as follows:

Governmental Activities

Net position at July 1, 2018, as previously stated	\$ 841,579
Net pension liability	(12,382)
Deferred outflows related to pension contributions, changes in assumptions and differences in experience	3,261
Deferred inflows related to pension contributions, changes in assumptions and differences in experience	<u>(3,277)</u>
Net position at July 1, 2018, as restated	<u>\$ 829,181</u>

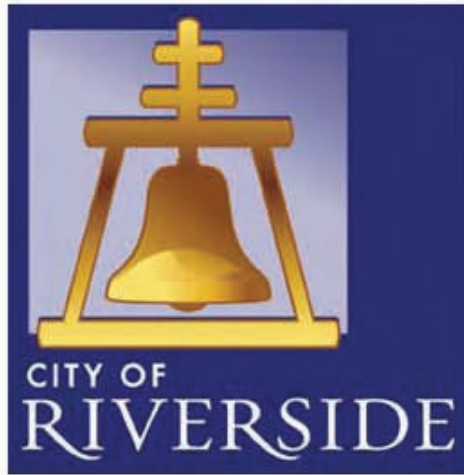
Internal Service Funds

Net position at July 1, 2018, as previously stated	\$ (16,670)
Net pension liability	97
Deferred outflows related to pension contributions, changes in assumptions and differences in experience	(23)
Deferred inflows related to pension contributions, changes in assumptions and differences in experience	<u>76</u>
Net position at July 1, 2018, as restated	<u>\$ (16,520)</u>

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2019

(amounts expressed in thousands)

<u>Business-Type Activities</u>		<u>Non-Major Business-Type activities</u>	
<u>Electric Fund</u>			
Net position at July 1, 2018, as previously stated	\$ 505,412	Net position at July 1, 2018, as previously stated	\$ 51,411
Net pension liability	5,835	Net pension liability	2,382
Deferred outflows related to pension contributions, changes in assumptions and differences in experience	(1,607)	Deferred outflows related to pension contributions, changes in assumptions and differences in experience	(614)
Deferred inflows related to pension contributions, changes in assumptions and differences in experience	1,181	Deferred inflows related to pension contributions, changes in assumptions and differences in experience	601
Net position at July 1, 2018, as restated	<u>\$ 510,821</u>	Net position at July 1, 2018, as restated	<u>\$ 53,780</u>
<u>Water Fund</u>			
Net position at July 1, 2018, as previously stated	\$ 305,078		
Net pension liability	1,381		
Deferred outflows related to pension contributions, changes in assumptions and differences in experience	(332)		
Deferred inflows related to pension contributions, changes in assumptions and differences in experience	687		
Net position at July 1, 2018, as restated	<u>\$ 306,814</u>		
<u>Sewer Fund</u>			
Net position at July 1, 2018, as previously stated	\$ 218,186		
Net pension liability	2,784		
Deferred outflows related to pension contributions, changes in assumptions and differences in experience	(707)		
Deferred inflows related to pension contributions, changes in assumptions and differences in experience	807		
Net position at July 1, 2018, as restated	<u>\$ 221,070</u>		



Required Supplementary Information

Consists of the following:

- Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period
- Schedule of Plan Contributions
- Other Post-Employment Benefits (OPEB) Schedule of Changes in Total OPEB Liability and Related Ratio

City of Riverside
 Required Supplementary Information - Unaudited

Schedule of Changes in Net Pension Liability and Related Ratios During the
 Measurement Period (Thousands)
 Last 10 Years*

	6/30/2018		6/30/2017		6/30/2016		6/30/2015		6/30/2014	
	Miscellaneous	Safety	Miscellaneous	Safety	Miscellaneous	Safety	Miscellaneous	Safety	Miscellaneous	Safety
TOTAL PENSION LIABILITY										
Service Cost	\$ 25,117	\$ 20,390	\$ 24,766	\$ 21,373	\$ 22,189	\$ 18,144	\$ 22,228	\$ 18,187	\$ 23,320	\$ 18,818
Interest	92,595	73,104	92,725	70,337	90,913	67,513	87,436	64,815	84,965	62,249
Changes of Assumptions	(37,885)	(4,644)	79,037	59,768	-	-	(21,782)	(16,117)	-	-
Difference Between Expected and Actual Experience	(19,805)	868	(26,068)	(18)	(8,417)	(4,373)	(23,548)	(6,835)	-	-
Benefit Payments, Including Refunds and Employee Contribution	(63,483)	(50,477)	(60,108)	(47,009)	(57,702)	(44,609)	(53,853)	(42,076)	(50,770)	(38,981)
Net Change in Total Pension Liability	\$ (3,461)	\$ 39,241	\$ 110,352	\$ 104,451	\$ 48,983	\$ 36,675	\$ 10,481	\$ 17,974	\$ 57,515	\$ 42,086
Total Pension Liability - Beginning	1,371,914	1,041,253	1,261,562	936,802	1,214,579	900,127	1,204,098	882,153	1,146,583	840,067
Total Pension Liability - Ending (a)	\$ 1,368,453	\$ 1,080,494	\$ 1,371,914	\$ 1,041,253	\$ 1,261,562	\$ 936,802	\$ 1,214,579	\$ 900,127	\$ 1,204,098	\$ 882,153
PLAN FIDUCIARY NET POSITION										
Contributions - Employer	\$ 29,920	\$ 25,451	\$ 30,477	\$ 26,775	\$ 29,426	\$ 26,483	\$ 25,996	\$ 23,384	\$ 27,583	\$ 23,156
Contributions - Employee	9,749	6,401	6,115	2,449	5,187	1,837	4,380	924	2,294	365
Net Investment Income	86,307	62,933	104,771	76,844	4,958	3,478	21,671	15,632	145,843	107,032
Benefit Payments, Including Refunds and Employee Contribution	(63,483)	(50,478)	(60,108)	(47,009)	(57,702)	(44,609)	(53,853)	(42,076)	(50,770)	(38,981)
Administrative and Other Expenses	(4,664) ¹	(3,403) ¹	(1,290)	(1,146)	(594)	(428)	(1,056)	(816)	-	-
Net Change in Fiduciary Net Position	\$ 57,829	\$ 40,904	\$ 79,965	\$ 57,913	\$ (18,725)	\$ (13,239)	\$ (2,862)	\$ (2,952)	\$ 124,950	\$ 91,572
Plan Fiduciary Net Position - Beginning	1,032,027 ²	753,363 ²	952,062	695,450	970,787	708,689	973,649	711,641	848,699	620,069
Plan Fiduciary Net Position - Ending (b)	1,089,856	794,267	1,032,027	753,363	952,062	695,450	970,787	708,689	973,649	711,641
Plan Net Pension Liability Ending (a)-(b)	\$ 278,597	\$ 286,227	\$ 339,887	\$ 287,890	\$ 309,500	\$ 241,352	\$ 243,792	\$ 191,438	\$ 230,449	\$ 170,512
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.64%	73.51%	75.23%	72.35%	75.47%	74.24%	79.93%	78.73%	80.86%	80.67%
Total - Employee Payroll	\$ 121,908	\$ 66,081	\$ 116,465	\$ 68,459	\$ 114,521	\$ 64,778	\$ 113,850	\$ 64,648	\$ 113,869	\$ 64,715
Net Pension Liability as a Percentage of Total - Employee Payroll	228.53%	433.15%	291.84%	420.53%	270.26%	372.58%	214.13%	296.12%	202.38%	263.48%

* - Historical information is required only for measurement periods where GASB 68 is applicable.

Notes to Schedule:

¹ During fiscal year 2017-18, as a result of GASB No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions, CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during fiscal year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB No. 68, Account

² Includes any beginning of year adjustment.

City of Riverside
Required Supplementary Information - Unaudited

Schedule of Plan Contributions (Thousands)

Last 10 Years *

	2018-19 *		2017-18 *		2016-17 *		2015-16 *		2015-16 *		2013-14 *	
	Miscellaneous	Safety	Miscellaneous	Safety	Miscellaneous	Safety	Miscellaneous	Safety	Miscellaneous	Safety	Miscellaneous	Safety
Actuarially Determined Contribution	\$34,486	\$29,047	\$29,948	\$25,289	\$26,955	\$23,076	\$24,885	\$21,886	\$21,063	\$ 18,452	\$ 20,505	\$ 17,341
Contributions in Relation to the Actuarially Determined Contribution	(34,486)	(29,047)	(29,948)	(25,289)	(30,477)	(26,775)	(29,426)	(26,483)	(25,997)	(23,384)	(27,584)	(23,156)
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ (3,522)	\$ (3,699)	\$ (4,541)	\$ (4,597)	\$ (4,934)	\$ (4,932)	\$ (7,079)	\$ (5,815)
Total Covered Payroll	\$128,881	\$73,237	\$121,957	\$68,251	\$121,957	\$68,251	\$116,465	\$68,459	\$114,521	\$64,778	\$113,850	\$64,648
Contributions as a Percentage of Total - Covered Payroll	26.76%	39.66%	24.56%	37.05%	22.10%	33.81%	21.37%	31.97%	18.39%	28.48%	18.01%	26.82%

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018-19 were from the June 30, 2016 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level Percent of Payroll
Asset Valuation Method	Market Value of Asset
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment rate of return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period 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.

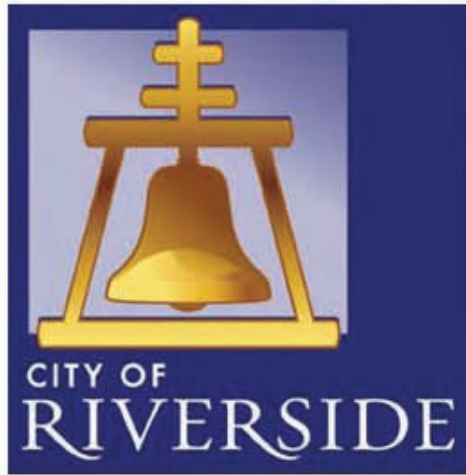
* - Historical information is required only for measurement periods where GASB 68 is applicable.

Other Information:

For changes to previous year's information, refer to past GASB 68 reports.

City of Riverside
Required Supplementary Information - Unaudited
Schedule of Changes in Total OPEB Liability and Related Ratio

Reporting period June 30,	2019	2018
Measurement period June 30,	2018	2017
Beginning Total OPEB Liability	<u>\$ 36,786</u>	<u>\$ 36,542</u>
Service Cost	2,403	2,554
Interest	1,301	1,090
Changes in Assumptions	(306)	(1,668)
Benefit of Implied Subsidy Payments	<u>(1,846)</u>	<u>(1,732)</u>
Net Changes	<u>1,552</u>	<u>244</u>
Ending Total OPEB Liability	<u>\$ 38,338</u>	<u>\$ 36,786</u>
Covered - Employee Payroll	\$ 170,858	\$ 170,858
Total OPEB Liability as Percentage of Covered Employee Payroll	22.44%	21.53%



Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Urban Areas Security Initiative (UASI) Fund – To account for UASI grants received from the U.S. Department of Homeland Security.

Grants and Restricted Programs Fund – To account for federal, state, and local grants along with other restricted program revenue.

Gas Tax Fund – To account for the construction and maintenance of the road network system of the City. Financing is provided by the City's share of state gasoline taxes which state law requires to be used to maintain streets.

Air Quality Improvements Fund – To account for qualified air pollution reduction programs funded by the South Coast Air Quality Management District.

Housing & Community Development Fund – To account for federal grants received from the Department of Housing and Urban Development (HUD). The grants are used for the development of a viable urban community by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons with low and moderate incomes.

National Pollution Discharge Elimination System (NPDES) Storm Drain Fund – To account for storm drain maintenance and inspection required for California storm water permits. Activities are funded by a special assessment district of Riverside County, California.

Special Districts Fund – To account for Loving Homes, Village at Canyon Crest, Sycamore Highlands, Riverwalk, Riverwalk Parks Projects, and Street Lighting districts.

Housing Fund – To account for the housing activities for persons with low or moderate income.

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Special Capital Improvement Fund – To account for the acquisition, construction and installation of capital improvements and a Community Facilities District within the City.

Storm Drain Fund – To account for the acquisition, construction and installation of storm drains in the City.

Transportation Fund – To account for the construction and installation of street and highway improvements in accordance with Articles 3 and 8 of the Transportation Development Act of 1971 of the State of California.

Permanent Fund

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Library Special Fund – To account for the monies held in trust for the benefit of the Riverside City Public Library System.

City of Riverside
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2019
 (amounts expressed in thousands)

Special Revenue									
Assets	Urban Areas Security Initiative	Grants and Restricted Programs	Gas Tax	Air Quality Improvements	Housing & Community Development	NPDES Storm Drain	Special Districts	Housing	Total
Cash and investments	\$ -	\$ 236	\$ 18,552	\$ 1,150	\$ 560	\$ 178	\$ 408	\$ 11,273	\$ 32,357
Receivable (net of allowance for uncollectibles):									
Interest	-	-	64	4	11	1	1	35	116
Property taxes	-	-	-	-	-	-	96	-	96
Accounts	-	-	-	-	4	-	-	-	4
Intergovernmental	1,796	1,064	657	104	4,038	430	-	-	8,089
Notes	-	-	-	-	14,428	-	-	28,624	43,052
Prepaid items	-	-	-	-	63	-	-	-	63
Land & improvements held for resale	-	-	-	-	443	-	-	2,405	2,848
Total assets	<u>\$ 1,796</u>	<u>\$ 1,300</u>	<u>\$ 19,273</u>	<u>\$ 1,258</u>	<u>\$ 19,547</u>	<u>\$ 609</u>	<u>\$ 505</u>	<u>\$ 42,337</u>	<u>\$ 86,625</u>
Liabilities									
Accounts payable	\$ 871	\$ 180	\$ 24	\$ 4	\$ 926	\$ 7	\$ 21	\$ 727	\$ 2,760
Accrued payroll	-	-	-	-	2	1	-	3	6
Retainage payable	-	-	722	-	-	-	-	-	722
Intergovernmental	-	-	-	-	-	-	1	-	1
Unearned revenue	-	682	-	-	-	-	-	-	682
Due to other funds	925	-	-	-	-	-	-	-	925
Total liabilities	<u>1,796</u>	<u>862</u>	<u>746</u>	<u>4</u>	<u>928</u>	<u>8</u>	<u>22</u>	<u>730</u>	<u>5,096</u>
Deferred Inflows of Resources									
Unavailable revenue	-	413	-	-	14,871	-	-	28,624	43,908
Total deferred inflows of resources	<u>-</u>	<u>413</u>	<u>-</u>	<u>-</u>	<u>14,871</u>	<u>-</u>	<u>-</u>	<u>28,624</u>	<u>43,908</u>
Fund Balances									
Nonspendable:									
Inventories, prepaids and deposits	-	-	-	-	63	-	-	-	63
Restricted for:									
Housing and redevelopment	-	-	-	-	3,685	-	-	12,983	16,668
Transportation and public works	-	25	18,527	1,254	-	601	483	-	20,890
Total fund balances	<u>-</u>	<u>25</u>	<u>18,527</u>	<u>1,254</u>	<u>3,748</u>	<u>601</u>	<u>483</u>	<u>12,983</u>	<u>37,621</u>
Total liabilities deferred inflows of resources, and fund balances	<u>\$ 1,796</u>	<u>\$ 1,300</u>	<u>\$ 19,273</u>	<u>\$ 1,258</u>	<u>\$ 19,547</u>	<u>\$ 609</u>	<u>\$ 505</u>	<u>\$ 42,337</u>	<u>\$ 86,625</u>

Continued

City of Riverside
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019
(amounts expressed in thousands)

Assets	Capital Projects				Permanent Fund	Total Nonmajor Governmental Funds
	Special Capital Improvement	Storm Drain	Transportation	Total	Library Special	
Cash and investments	\$ 5,619	\$ 1,225	\$ 12	\$ 6,856	\$ 1,497	\$ 40,710
Cash and investments at fiscal agent	664	-	-	664	-	664
Receivable (net of allowance for uncollectibles):						
Interest	27	4	-	31	-	147
Property taxes	-	-	-	-	-	96
Accounts	-	-	-	-	-	4
Intergovernmental	-	-	-	-	-	8,089
Notes	-	-	-	-	-	43,052
Prepaid items	-	-	-	-	-	63
Land & improvements held for resale	-	-	-	-	-	2,848
Total assets	<u>\$ 6,310</u>	<u>\$ 1,229</u>	<u>\$ 12</u>	<u>\$ 7,551</u>	<u>\$ 1,497</u>	<u>\$ 95,673</u>
Liabilities						
Accounts payable	\$ -	\$ 19	\$ -	\$ 19	\$ -	\$ 2,779
Accrued payroll	-	-	-	-	-	6
Retainage payable	5	-	-	5	-	727
Intergovernmental	-	-	-	-	-	1
Unearned revenue	-	-	-	-	-	682
Due to other funds	-	-	-	-	-	925
Advance from other funds	2,010	-	-	2,010	-	2,010
Total liabilities	<u>2,015</u>	<u>19</u>	<u>-</u>	<u>2,034</u>	<u>-</u>	<u>7,130</u>
Deferred Inflows of Resources						
Unavailable revenue	-	-	-	-	-	43,908
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,908</u>
Fund Balances						
Nonspendable:						
Inventories, prepaids and deposits	-	-	-	-	-	63
Permanent fund principal	-	-	-	-	1,497	1,497
Restricted for:						
Housing and redevelopment	-	-	-	-	-	16,668
Transportation and public works	-	-	12	12	-	20,902
Other purposes	4,295	1,210	-	5,505	-	5,505
Total fund balances	<u>4,295</u>	<u>1,210</u>	<u>12</u>	<u>5,517</u>	<u>1,497</u>	<u>44,635</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,310</u>	<u>\$ 1,229</u>	<u>\$ 12</u>	<u>\$ 7,551</u>	<u>\$ 1,497</u>	<u>\$ 95,673</u>

City of Riverside
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2019
(amounts expressed in thousands)

	Special Revenue								Total
	Urban Area Security Initiative	Grants and Restricted Programs	Gas Tax	Air Quality Improvement	Housing & Community Development	NPDES Storm Drain	Special Districts	Housing	
Revenues									
Intergovernmental	\$ 2,460	\$ 3,757	\$ 12,488	\$ 419	\$ 8,231	\$ -	\$ -	\$ -	\$ 27,355
Charges for services	-	636	-	-	-	-	-	-	636
Special assessments	-	-	-	-	-	1,138	3,967	-	5,105
Rental and investment income	-	-	515	32	64	5	2	440	1,058
Miscellaneous	-	88	-	182	234	-	-	470	974
Total revenues	2,460	4,481	13,003	633	8,529	1,143	3,969	910	35,128
Expenditures									
Current:									
General government	-	41	-	475	566	-	-	6,184	7,266
Public safety	2,460	4,449	-	-	-	-	4,591	-	11,500
Highways and streets	-	-	-	-	-	-	638	-	638
Culture and recreation	-	227	-	-	-	-	24	-	251
Capital outlay	-	-	9,154	-	8,110	1,147	-	-	18,411
Debt service:									
Principal	-	-	-	-	8	-	-	20	28
Interest	-	-	-	-	1	-	-	3	4
Total expenditures	2,460	4,717	9,154	475	8,685	1,147	5,253	6,207	38,098
Excess (deficiency) of revenues over (under) expenditures	-	(236)	3,849	158	(156)	(4)	(1,284)	(5,297)	(2,970)
Other financing sources (uses)									
Transfers in	-	261	-	-	-	-	1,145	-	1,406
Transfers out	-	-	-	(38)	-	-	-	-	(38)
Proceeds on retirement of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	261	-	(38)	-	-	1,145	-	1,368
Net change in fund balances	-	25	3,849	120	(156)	(4)	(139)	(5,297)	(1,602)
Fund balances - beginning	-	-	14,678	1,134	3,904	605	622	18,280	39,223
Fund balances - ending	\$ -	\$ 25	\$ 18,527	\$ 1,254	\$ 3,748	\$ 601	\$ 483	\$ 12,983	\$ 37,621

Continued

City of Riverside
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2019
(amounts expressed in thousands)

	Capital Projects			Total	Permanent Fund	Total Nonmajor Governmental Funds
	Special Capital Improvement	Storm Drain	Transportation		Library Special	
Revenues						
Licenses and permits	\$ 3,653	\$ 307	\$ -	\$ 3,960	\$ -	\$ 3,960
Intergovernmental	225	-	-	225	-	27,580
Charges for services	-	-	-	-	-	636
Special assessments	-	-	-	-	-	5,105
Rental and investment income	202	44	-	246	21	1,325
Miscellaneous	-	-	-	-	198	1,172
Total revenues	<u>4,080</u>	<u>351</u>	<u>-</u>	<u>4,431</u>	<u>219</u>	<u>39,778</u>
Expenditures						
Current:						
General government	1,101	-	-	1,101	-	8,367
Public safety	-	-	-	-	-	11,500
Highways and streets	-	-	-	-	-	638
Culture and recreation	-	-	-	-	220	471
Capital outlay	503	712	-	1,215	-	19,626
Debt service:						
Principal	-	-	-	-	-	28
Interest	61	-	-	61	-	65
Total expenditures	<u>1,665</u>	<u>712</u>	<u>-</u>	<u>2,377</u>	<u>220</u>	<u>40,695</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,415</u>	<u>(361)</u>	<u>-</u>	<u>2,054</u>	<u>(1)</u>	<u>(917)</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	-	1,406
Transfers out	-	-	-	-	-	(38)
Proceeds on retirement of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,368</u>
Net change in fund balances	2,415	(361)	-	2,054	(1)	451
Fund balances - beginning	1,880	1,571	12	3,463	1,498	44,184
Fund balances - ending	<u>\$ 4,295</u>	<u>\$ 1,210</u>	<u>\$ 12</u>	<u>\$ 5,517</u>	<u>\$ 1,497</u>	<u>\$ 44,635</u>

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the fiscal year ended June 30, 2019
(amounts expressed in thousands)

	Special Revenue											
	Urban Area Security Initiative			Grants and Restricted Programs			Gas Tax			Air Quality Improvement		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues												
Intergovernmental	\$ 6,749	\$ 2,460	\$ (4,289)	\$ 17,498	\$ 3,757	\$ (13,741)	\$ 11,882	\$ 12,488	\$ 606	\$ 420	\$ 419	\$ (1)
Charges for services	-	-	-	564	636	72	-	-	-	-	-	-
Rental and investment income	-	-	-	15	-	(15)	150	515	365	-	32	32
Miscellaneous	-	-	-	214	88	(126)	-	-	-	205	182	(23)
Total revenues	<u>6,749</u>	<u>2,460</u>	<u>(4,289)</u>	<u>18,291</u>	<u>4,481</u>	<u>(13,810)</u>	<u>12,032</u>	<u>13,003</u>	<u>971</u>	<u>625</u>	<u>633</u>	<u>8</u>
Expenditures												
Current:												
General government	-	-	-	10,770	41	10,729	-	-	-	1,445	475	970
Public safety	6,749	2,460	4,289	6,754	4,449	2,305	-	-	-	-	-	-
Highways and streets	-	-	-	161	-	161	-	-	-	-	-	-
Culture and recreation	-	-	-	648	227	421	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	25,953	9,154	16,799	-	-	-
Total expenditures	<u>6,749</u>	<u>2,460</u>	<u>4,289</u>	<u>18,333</u>	<u>4,717</u>	<u>13,616</u>	<u>25,953</u>	<u>9,154</u>	<u>16,799</u>	<u>1,445</u>	<u>475</u>	<u>970</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42)</u>	<u>(236)</u>	<u>(194)</u>	<u>(13,921)</u>	<u>3,849</u>	<u>17,770</u>	<u>(820)</u>	<u>158</u>	<u>978</u>
Other financing sources (uses)												
Transfers in (out)	-	-	-	-	261	261	-	-	-	(38)	(38)	-
Proceeds on retirement of capital assets	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>261</u>	<u>261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38)</u>	<u>(38)</u>	<u>-</u>
Net change in fund balances	-	-	-	(42)	25	67	(13,921)	3,849	17,770	(858)	120	978
Fund balances (deficit), beginning	-	-	-	-	-	-	14,678	14,678	-	1,134	1,134	-
Fund balances (deficit), ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (42)</u>	<u>\$ 25</u>	<u>\$ 67</u>	<u>\$ 757</u>	<u>\$ 18,527</u>	<u>\$ 17,770</u>	<u>\$ 276</u>	<u>\$ 1,254</u>	<u>\$ 978</u>

(continued)

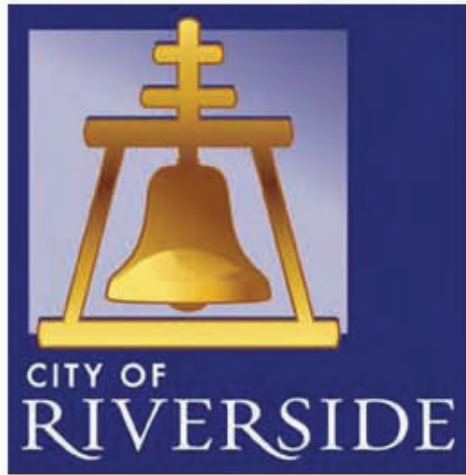
City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the fiscal year ended June 30, 2019
(amounts expressed in thousands)

	Special Revenue											
	Housing & Community Development			NPDES Storm Drain			Special Districts			Housing		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues												
Intergovernmental	\$ 11,892	\$ 8,231	\$ (3,661)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	1,391	1,138	(253)	4,066	3,967	(99)	-	-	-
Rental and investment income	-	64	64	-	5	5	-	2	2	-	440	440
Miscellaneous	-	234	234	-	-	-	-	-	-	-	470	470
Total revenues	<u>11,892</u>	<u>8,529</u>	<u>(3,363)</u>	<u>1,391</u>	<u>1,143</u>	<u>(248)</u>	<u>4,066</u>	<u>3,969</u>	<u>(97)</u>	<u>-</u>	<u>910</u>	<u>910</u>
Expenditures												
Current:												
General government	1,311	566	745	-	-	-	-	-	-	10,999	6,184	4,815
Public safety	-	-	-	-	-	-	4,560	4,591	(31)	-	-	-
Highways and streets	-	-	-	-	-	-	1,197	638	559	-	-	-
Culture and recreation	-	-	-	-	-	-	230	24	206	-	-	-
Capital outlay	24,245	8,110	16,135	2,109	1,147	962	-	-	-	-	-	-
Debt service:												
Principal	8	8	-	-	-	-	-	-	-	20	20	-
Interest	1	1	-	-	-	-	-	-	-	3	3	-
Total expenditures	<u>25,565</u>	<u>8,685</u>	<u>16,880</u>	<u>2,109</u>	<u>1,147</u>	<u>962</u>	<u>5,987</u>	<u>5,253</u>	<u>734</u>	<u>11,022</u>	<u>6,207</u>	<u>4,815</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,673)</u>	<u>(156)</u>	<u>13,517</u>	<u>(718)</u>	<u>(4)</u>	<u>714</u>	<u>(1,921)</u>	<u>(1,284)</u>	<u>637</u>	<u>(11,022)</u>	<u>(5,297)</u>	<u>5,725</u>
Other financing sources (uses)												
Transfers in (out)	-	-	-	-	-	-	1,110	1,145	35	-	-	-
Issuance of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds on retirement of capital assets	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,110</u>	<u>1,145</u>	<u>35</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(13,673)	(156)	13,517	(718)	(4)	714	(811)	(139)	672	(11,022)	(5,297)	5,725
Fund balances (deficit), beginning	3,904	3,904	-	605	605	-	622	622	-	18,280	18,280	-
Fund balances (deficit), ending	<u>\$ (9,769)</u>	<u>\$ 3,748</u>	<u>\$ 13,517</u>	<u>\$ (113)</u>	<u>\$ 601</u>	<u>\$ 714</u>	<u>\$ (189)</u>	<u>\$ 483</u>	<u>\$ 672</u>	<u>\$ 7,258</u>	<u>\$ 12,983</u>	<u>\$ 5,725</u>

(continued)

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Capital Projects Funds
For the fiscal year ended June 30, 2019
(amounts expressed in thousands)

	Capital Projects											
	Capital Outlay			Special Capital Improvement			Storm Drain			Transportation		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues												
Licenses and permits	\$ -	\$ -	\$ -	\$ 2,574	\$ 3,653	\$ 1,079	\$ 180	\$ 307	\$ 127	\$ -	\$ -	\$ -
Intergovernmental	33,250	13,904	(19,346)	250	225	(25)	12,096	-	(12,096)	21	-	(21)
Special assessments	300	1,000	700	-	-	-	-	-	-	-	-	-
Rental and investment income	180	943	763	-	202	202	13	44	31	-	-	-
Miscellaneous	892	871	(21)	-	-	-	-	-	-	-	-	-
Total revenues	<u>34,622</u>	<u>16,718</u>	<u>(17,904)</u>	<u>2,824</u>	<u>4,080</u>	<u>1,256</u>	<u>12,289</u>	<u>351</u>	<u>(11,938)</u>	<u>21</u>	<u>-</u>	<u>(21)</u>
Expenditures												
Current:												
General government	-	-	-	1,101	1,101	-	-	-	-	-	-	-
Highways and streets	65	-	65	-	-	-	-	-	-	-	-	-
Culture and recreation	271	251	20	-	-	-	-	-	-	-	-	-
Capital outlay	105,484	20,144	85,340	707	503	204	13,767	712	13,055	21	-	21
Debt service:												
Principal	-	-	-	1,383	-	1,383	-	-	-	-	-	-
Interest	-	1	(1)	68	61	7	-	-	-	-	-	-
Bond issuance costs	-	411	(411)	-	-	-	-	-	-	-	-	-
Total expenditures	<u>105,820</u>	<u>20,807</u>	<u>85,013</u>	<u>3,259</u>	<u>1,665</u>	<u>1,594</u>	<u>13,767</u>	<u>712</u>	<u>13,055</u>	<u>21</u>	<u>-</u>	<u>21</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(71,198)</u>	<u>(4,089)</u>	<u>67,109</u>	<u>(435)</u>	<u>2,415</u>	<u>2,850</u>	<u>(1,478)</u>	<u>(361)</u>	<u>1,117</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)												
Transfers in (out)	45,060	7,548	(37,512)	602	-	(602)	-	-	-	-	-	-
Issuance of long-term debt	-	33,505	33,505	-	-	-	-	-	-	-	-	-
Other finance sources - bond premium	-	6,916	6,916	-	-	-	-	-	-	-	-	-
Gain (loss) on retirement of capital assets	-	149	(149)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>45,060</u>	<u>48,118</u>	<u>2,760</u>	<u>602</u>	<u>-</u>	<u>(602)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(26,138)	44,029	69,869	167	2,415	2,248	(1,478)	(361)	1,117	-	-	-
Fund balances (deficit), beginning	26,448	26,448	-	1,880	1,880	-	1,571	1,571	-	12	12	-
Fund balances (deficit), ending	<u>\$ 310</u>	<u>\$ 70,477</u>	<u>\$ 69,869</u>	<u>\$ 2,047</u>	<u>\$ 4,295</u>	<u>\$ 2,248</u>	<u>\$ 93</u>	<u>\$ 1,210</u>	<u>\$ 1,117</u>	<u>\$ 12</u>	<u>\$ 12</u>	<u>\$ -</u>



Nonmajor Enterprise Funds

Enterprise Funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises. The City's intent is to demonstrate that the cost of services provided to the general public on a continuing basis is financed or recovered through user charges; or the City has decided that the periodic determination of net income is appropriate for accountability purposes.

Civic Entertainment Fund – To account for the operations of the Riverside Fox Theater, Riverside Municipal Auditorium, The Box and Showcase, and the Riverside Convention Center.

Airport Fund – To account for the operations of the City's airport.

Refuse Fund – To account for the operations of the City's solid waste and sanitation program which provides for the collection and disposal of solid waste on a user charge basis to residents and businesses.

Transportation – To account for the operations of the City's Senior Citizens' and Handicapped Transportation System in accordance with Article 4 of the Transportation Development Act of 1971 (SB325) of the State of California. Federal Transit Administration Funds are also accounted for in this fund.

Public Parking – To account for the operations and construction of the City's public parking facilities.

City of Riverside
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2019
 (amounts expressed in thousands)

Assets	Civic					Total
	Entertainment	Airport	Refuse	Transportation	Public Parking	
Current assets:						
Cash and investments	\$ 1,378	\$ 1,250	\$ 4,639	\$ 2,316	\$ 1,739	\$ 11,322
Receivables (net of allowance for uncollectibles)						
Interest	-	5	28	9	8	50
Utility billed	-	-	1,230	-	-	1,230
Utility unbilled	-	-	1,003	-	-	1,003
Accounts	546	96	261	21	56	980
Property tax receivable	-	18	-	-	-	18
Intergovernmental	-	1	-	375	32	408
Inventory	76	-	-	-	-	76
Prepaid items	44	-	-	-	-	44
Deposits	300	-	-	-	-	300
Restricted assets:						
Other restricted cash and cash equivalents	-	-	2,500	-	-	2,500
Total current assets	2,344	1,370	9,661	2,721	1,835	17,931
Non-current assets:						
Regulatory assets	-	-	11,280	-	-	11,280
Capital assets:						
Land	2,133	9,988	-	-	9,192	21,313
Buildings	47,027	2,631	-	43	23,702	73,403
Accumulated depreciation-buildings	(8,655)	(1,558)	-	(19)	(6,603)	(16,835)
Improvements other than buildings	56,336	20,713	-	2,848	6,740	86,637
Accumulated depreciation-improvements other than buildings	(9,547)	(9,602)	-	(700)	(3,240)	(23,089)
Machinery and equipment	439	470	16,592	4,294	1,007	22,802
Accumulated depreciation-machinery and equipment	(317)	(419)	(12,518)	(3,514)	(1,007)	(17,775)
Construction in progress	-	105	615	-	-	720
Total non-current assets:	87,416	22,328	15,969	2,952	29,791	158,456
Total assets	89,760	23,698	25,630	5,673	31,626	176,387
Deferred Outflows of Resources						
Change in derivative values	5,763	-	-	-	-	5,763
Deferred charges on refunding	859	-	-	-	-	859
Pension related items	-	219	1,583	711	324	2,837
Total deferred outflows of resources	6,622	219	1,583	711	324	9,459

Continued

City of Riverside
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2019
 (amounts expressed in thousands)

	Civic					
Liabilities	Entertainment	Airport	Refuse	Transportation	Public Parking	Total
Current liabilities:						
Accounts payable	1,111	51	994	36	148	2,340
Accrued payroll	-	2	20	9	3	34
Retainage payable	-	5	-	-	-	5
Unearned revenue	-	-	1	1,855	-	1,856
Deposits	575	-	-	-	-	575
Accrued interest	9	-	-	-	59	68
Total current liabilities	1,695	58	1,015	1,900	210	4,878
Noncurrent liabilities:						
Due within one year						
Long-term obligations	4,173	34	146	69	1,012	5,434
Compensated absences	-	41	320	132	31	524
Landfill capping	-	-	559	-	-	559
Due in more than one year						
Long-term obligations	70,164	133	570	270	16,134	87,271
Compensated absences	-	2	13	5	1	21
Landfill capping	-	-	10,577	-	-	10,577
Regulatory liability	5	-	-	-	-	5
Net OPEB liability	-	134	1,183	573	273	2,163
Net pension liability	-	829	5,994	2,692	1,224	10,739
Derivative instruments	6,870	-	-	-	-	6,870
Total non-current liabilities	81,212	1,173	19,362	3,741	18,675	124,163
Total liabilities	82,907	1,231	20,377	5,641	18,885	129,041
Deferred Inflows of Resources						
OPEB related items	-	4	40	23	8	75
Pension related items	-	155	1,121	503	229	2,008
Total deferred inflows of resources	-	159	1,161	526	237	2,083
Net Position						
Net investment in capital assets	87,416	22,328	4,689	2,952	29,791	147,176
Restricted for landfill capping	-	-	2,500	-	-	2,500
Unrestricted	(73,941)	199	(1,514)	(2,735)	(16,963)	(94,954)
Total net position	\$ 13,475	\$ 22,527	\$ 5,675	\$ 217	\$ 12,828	\$ 54,722

City of Riverside
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2019
(amounts expressed in thousands)

	Civic					
	Entertainment	Airport	Refuse	Transportation	Public Parking	Total
Operating revenues:						
Charges for services	\$ 16,977	\$ 1,618	\$ 23,004	\$ 444	\$ 4,604	\$ 46,647
Operating expenses:						
Personnel services	-	605	5,138	2,433	225	8,401
Contractual services	6,666	147	4,957	125	1,976	13,871
Maintenance and operation	-	240	6,594	497	684	8,015
General	12,221	203	4,487	522	542	17,975
Materials and supplies	-	27	1,373	226	8	1,634
Insurance	185	34	188	84	121	612
Depreciation and amortization	2,512	710	1,441	593	800	6,056
Total operating expenses	<u>21,584</u>	<u>1,966</u>	<u>24,178</u>	<u>4,480</u>	<u>4,356</u>	<u>56,564</u>
Operating Income (loss)	<u>(4,607)</u>	<u>(348)</u>	<u>(1,174)</u>	<u>(4,036)</u>	<u>248</u>	<u>(9,917)</u>
Nonoperating revenues (expenses):						
Operating grants	-	-	-	3,093	-	3,093
Interest income	13	35	244	53	46	391
Other	(682)	53	292	-	779	442
Gain (loss) on retirement of capital assets	-	3	(312)	20	-	(289)
Interest expense and fiscal charges	(2,567)	(6)	(27)	(13)	(795)	(3,408)
Total non-operating revenues	<u>(3,236)</u>	<u>85</u>	<u>197</u>	<u>3,153</u>	<u>30</u>	<u>229</u>
Income (loss) before capital contributions and transfers	<u>(7,843)</u>	<u>(263)</u>	<u>(977)</u>	<u>(883)</u>	<u>278</u>	<u>(9,688)</u>
Cash capital contributions	-	-	-	375	-	375
Transfers in	18,481	-	-	-	56	18,537
Transfers out	(40)	-	-	-	(8,242)	(8,282)
Change in net position	<u>10,598</u>	<u>(263)</u>	<u>(977)</u>	<u>(508)</u>	<u>(7,908)</u>	<u>942</u>
Net position - beginning, as previously stated	2,877	22,717	5,580	174	20,063	51,411
Prior period adjustment	-	73	1,072	551	673	2,369
Net position - beginning, as restated	<u>2,877</u>	<u>22,790</u>	<u>6,652</u>	<u>725</u>	<u>20,736</u>	<u>53,780</u>
Net position - ending	<u>\$ 13,475</u>	<u>\$ 22,527</u>	<u>\$ 5,675</u>	<u>\$ 217</u>	<u>\$ 12,828</u>	<u>\$ 54,722</u>

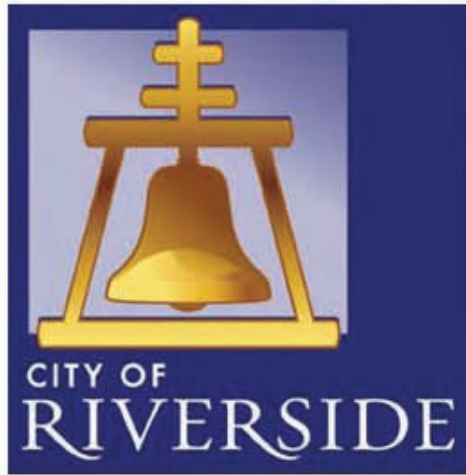
City of Riverside
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2019
(amounts expressed in thousands)

	Civic Entertainment	Airport	Refuse	Transportation	Public Parking	Totals
Cash flows from operating activities:						
Cash received from customers and users	\$ 17,578	\$ 1,637	\$ 16,831	\$ 366	\$ 5,324	\$ 41,736
Cash paid to employees for services	-	(609)	(5,193)	(2,445)	(235)	(8,482)
Cash paid to other suppliers of goods or services	(18,618)	(600)	(11,434)	(827)	(3,282)	(34,761)
Net cash (used) provided by operating activities	<u>(1,040)</u>	<u>428</u>	<u>204</u>	<u>(2,906)</u>	<u>1,807</u>	<u>(1,507)</u>
Cash flows from noncapital financing activities:						
Transfers in	8,788	-	-	-	8,298	17,086
Transfers out	-	-	-	-	(8,298)	(8,298)
Operating grants	-	-	-	3,093	-	3,093
Receipts (payments) on interfund advances	(225)	-	-	-	-	(225)
Payments on pension obligation bonds	-	(40)	(172)	(83)	(48)	(343)
Other receipts (payments) from non-operating revenue	1	53	292	-	779	1,125
Net cash (used) provided by noncapital financing activities	<u>8,564</u>	<u>13</u>	<u>120</u>	<u>3,010</u>	<u>731</u>	<u>12,438</u>
Cash flows from capital and related financing activities:						
Purchase of capital assets	-	(104)	(1,950)	-	-	(2,054)
Proceeds from the sale of capital assets	-	3	-	21	-	24
Principal paid on long-term obligations	(3,118)	-	-	-	(932)	(4,050)
Interest paid on long-term obligations	(3,407)	(6)	(27)	(13)	(736)	(4,189)
Contributions	-	-	-	375	-	375
Net cash (used) provided for capital and related financing activities	<u>(6,525)</u>	<u>(107)</u>	<u>(1,977)</u>	<u>383</u>	<u>(1,668)</u>	<u>(9,894)</u>
Cash flows from investing activities:						
Sale and (purchase) of investments	(654)	(2)	2	(2)	(3)	(659)
Interest from investments	13	35	244	53	46	391
Net cash (used) provided by investing activities	<u>(641)</u>	<u>33</u>	<u>246</u>	<u>51</u>	<u>43</u>	<u>(268)</u>
Net change in cash and cash equivalents	358	367	(1,407)	538	913	769
Cash and cash equivalents, beginning	<u>1,020</u>	<u>883</u>	<u>8,546</u>	<u>1,778</u>	<u>826</u>	<u>13,053</u>
Cash and cash equivalents, ending	<u>\$ 1,378</u>	<u>\$ 1,250</u>	<u>\$ 7,139</u>	<u>\$ 2,316</u>	<u>\$ 1,739</u>	<u>\$ 13,822</u>

Continued

City of Riverside
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2019
(amounts expressed in thousands)

						Continued
	Civic Entertainment	Airport	Refuse	Transportation	Public Parking	Totals
Reconciliation of operating income (loss) to net cash (used) provided by operating activities:						
Operating income (loss)	\$ (4,607)	\$ (348)	\$ (1,174)	\$ (4,036)	\$ 248	\$ (9,917)
Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities:						
Depreciation and amortization	2,512	710	1,441	593	800	6,056
Changes in assets, liabilities and deferred inflows/outflows of resources:						
Utility billed receivable	-	-	(130)	-	-	(130)
Utility unbilled receivable	-	-	(219)	-	-	(219)
Accounts receivable	624	(2)	582	3	732	1,939
Property tax receivable	-	(18)	-	-	-	(18)
Intergovernmental receivable	-	39	-	(81)	(12)	(54)
Inventory	(24)	-	-	-	-	(24)
Prepaid and deposit items	275	-	-	-	-	275
Regulatory asset	-	-	(6,406)	-	-	(6,406)
Accounts payable	223	46	(186)	24	49	156
Accrued payroll	-	-	1	1	(1)	1
Retainage payable	-	5	(15)	-	-	(10)
Other payables	(16)	6	-	612	3	605
Deposits payable	(4)	-	-	-	-	(4)
Landfill capping	-	-	6,366	-	-	6,366
Regulatory liability	(23)	-	-	-	-	(23)
Net OPEB liability and related charges in deferred outflows and inflows of resources	-	3	38	21	8	70
Net pension liability and related charges in deferred outflows and inflows of resources	-	(13)	(94)	(43)	(20)	(170)
Net cash (used) provided by operating activities	<u>\$ (1,040)</u>	<u>\$ 428</u>	<u>\$ 204</u>	<u>\$ (2,906)</u>	<u>\$ 1,807</u>	<u>\$ (1,507)</u>
Schedule of noncash financing and investing activities:						
Gain/(loss) on retirement of capital assets	\$ -	\$ 3	\$ (312)	\$ 20	\$ -	\$ (289)
Capital assets - transfer (from)/to governmental activities	40,646	-	-	-	-	40,646
Long-term obligations - transfer (from)/to governmental activities	(30,936)	-	-	-	(8,242)	(39,178)
Capital assets - transfer (from)/to other nonmajor enterprise funds	(8,563)	-	-	-	8,563	-
Long-term obligations - transfer (from)/to other nonmajor enterprise funds	8,619	-	-	-	(8,619)	-



Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one City department to other City departments on a cost-reimbursement basis.

Self-Insurance Trust – To account for the operations of the City’s self-insured workers’ compensation, unemployment and liability programs.

Central Stores Fund – To account for the operations of the City’s centralized supplies inventory, including receiving and delivery services provided to City departments.

Central Garage Fund – To account for the maintenance and repair of all city-owned vehicles and motorized equipment, except for Police vehicles.

City of Riverside
Combining Statement of Net Position
Internal Service Funds
June 30, 2019
(amounts expressed in thousands)

Assets	Self-Insurance Trust	Central Stores	Central Garage	Total
Current assets:				
Cash and investments	\$ 25,749	\$ -	\$ 8,404	\$ 34,153
Receivables (net of allowance for uncollectibles)				
Interest	85	-	27	112
Accounts	29	-	5	34
Intergovernmental	55	-	-	55
Inventory	-	6,413	398	6,811
Total current assets	<u>25,918</u>	<u>6,413</u>	<u>8,834</u>	<u>41,165</u>
Non-current assets:				
Advances to other funds	-	-	1,373	1,373
Capital assets:				
Land	-	-	458	458
Intangible assets, depreciable	219	-	-	219
Accumulated depreciation - intangible assets, depreciable	(176)	-	-	(176)
Buildings	-	-	4,092	4,092
Accumulated depreciation-buildings	-	-	(839)	(839)
Improvements other than buildings	-	-	1,315	1,315
Accumulated depreciation - improvements other than buildings	-	-	(571)	(571)
Machinery and equipment	5	188	11,037	11,230
Accumulated depreciation-machinery and equipment	(5)	(122)	(9,100)	(9,227)
Construction in progress	-	-	414	414
Total non-current assets:	<u>43</u>	<u>66</u>	<u>8,179</u>	<u>8,288</u>
Total assets	<u>25,961</u>	<u>6,479</u>	<u>17,013</u>	<u>49,453</u>
Deferred Outflows of Resources				
Pension related items	265	228	1,296	1,789
Total deferred outflows of resources	<u>265</u>	<u>228</u>	<u>1,296</u>	<u>1,789</u>
Liabilities				
Current liabilities:				
Accounts payable	731	402	301	1,434
Accrued payroll	4	2	13	19
Retainage payable	-	-	10	10
Due to other funds	-	464	-	464
Total current liabilities	<u>735</u>	<u>868</u>	<u>324</u>	<u>1,927</u>
Noncurrent liabilities:				
Due within one year				
Long-term obligations	15	21	88	124
Compensated absences	53	68	268	389
Claims liability	9,543	-	-	9,543
Due in more than one year				
Long-term obligations	58	81	342	481
Compensated absences	6	8	31	45
Claims liability	38,916	-	-	38,916
Net OPEB liability	135	159	688	982
Net pension liability	1,007	861	4,907	6,775
Total non-current liabilities	<u>49,733</u>	<u>1,198</u>	<u>6,324</u>	<u>57,255</u>
Total liabilities	<u>50,468</u>	<u>2,066</u>	<u>6,648</u>	<u>59,182</u>
Deferred Inflows of Resources				
OPEB related items	6	6	24	36
Pension related items	188	161	918	1,267
Total deferred inflows of resources	<u>194</u>	<u>167</u>	<u>942</u>	<u>1,303</u>
Net Position				
Net investment in capital assets	43	66	6,806	6,915
Unrestricted	(24,479)	4,408	3,913	(16,158)
Total net position	<u>\$ (24,436)</u>	<u>\$ 4,474</u>	<u>\$ 10,719</u>	<u>\$ (9,243)</u>

City of Riverside
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the fiscal year ended June 30, 2019
(amounts expressed in thousands)

	<u>Self-Insurance Trust</u>	<u>Central Stores</u>	<u>Central Garage</u>	<u>Totals</u>
Operating revenues:				
Charges for services	\$ 19,274	\$ 1,382	\$ 9,155	\$ 29,811
Operating expenses:				
Personnel services	963	659	3,601	5,223
Contractual services	1,003	5	119	1,127
Maintenance and operation	5	36	2,941	2,982
General	3,264	80	1,029	4,373
Materials and supplies	2	11	169	182
Claims/Insurance	10,745	12	118	10,875
Depreciation and amortization	45	1	1,081	1,127
Total operating expenses	<u>16,027</u>	<u>804</u>	<u>9,058</u>	<u>25,889</u>
Operating income (loss)	<u>3,247</u>	<u>578</u>	<u>97</u>	<u>3,922</u>
Non-operating revenues (expenses):				
Interest income	607	-	253	860
Other	2	-	(4)	(2)
Gain (loss) on retirement of capital assets	3	-	17	20
Interest expense and fiscal charges	(3)	(4)	(16)	(23)
Total non-operating revenue (expenses)	<u>609</u>	<u>(4)</u>	<u>250</u>	<u>855</u>
Income before capital contributions and transfers	3,856	574	347	4,777
Transfers in	2,500	-	-	2,500
Change in net position	6,356	574	347	7,277
Net position - beginning, as previously stated	(30,624)	3,785	10,169	(16,670)
Prior period adjustment	(168)	115	203	150
Net position - beginning, as restated	<u>(30,792)</u>	<u>3,900</u>	<u>10,372</u>	<u>(16,520)</u>
Net position - ending	<u>\$ (24,436)</u>	<u>\$ 4,474</u>	<u>\$ 10,719</u>	<u>\$ (9,243)</u>

City of Riverside
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2019
(amounts expressed in thousands)

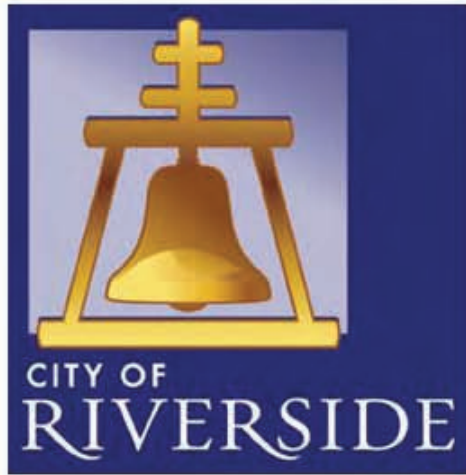
	Self-Insurance Trust	Central Stores	Central Garage	Total
Cash flows from operating activities:				
Cash received from customers and users	\$ 19,284	\$ 1,382	\$ 9,524	\$ 30,190
Cash paid to employees for services	1,259	(678)	(3,650)	(3,069)
Cash paid to other suppliers of goods or services	(15,054)	(637)	(4,221)	(19,912)
Net cash (used) provided by operating activities	<u>5,489</u>	<u>67</u>	<u>1,653</u>	<u>7,209</u>
Cash flows from noncapital financing activities:				
Transfers in	2,500	-	-	2,500
Receipts (payments) on interfund advances	335	28	354	717
Payments on pension obligation bonds	(18)	(24)	(96)	(138)
Other receipts (payments) from non-operating revenue	2	-	(4)	(2)
Net cash (used) provided by noncapital financing activities	<u>2,819</u>	<u>4</u>	<u>254</u>	<u>3,077</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	-	(67)	(670)	(737)
Proceeds from the sale of capital assets	3	-	17	20
Interest paid on long-term obligations	(3)	(4)	(16)	(23)
Net cash (used) for capital and related financing activities	<u>-</u>	<u>(71)</u>	<u>(669)</u>	<u>(740)</u>
Cash flows from investing activities:				
Sale and (purchase) of investments	(33)	-	(4)	(37)
Interest from investments	607	-	253	860
Net cash (used) provided by investing activities	<u>574</u>	<u>-</u>	<u>249</u>	<u>823</u>
Net change in cash and cash equivalents	8,882	-	1,487	10,369
Cash and cash equivalents, beginning	<u>16,867</u>	<u>-</u>	<u>6,917</u>	<u>23,784</u>
Cash and cash equivalents, ending	<u>\$ 25,749</u>	<u>\$ -</u>	<u>\$ 8,404</u>	<u>\$ 34,153</u>

Continued

City of Riverside
 Combining Statement of Cash Flows
 Internal Service Funds
 For the fiscal year ended June 30, 2019
 (amounts expressed in thousands)

Continued

	Self-Insurance Trust	Central Stores	Central Garage	Total
Reconciliation of operating income (loss) to net cash (used) provided by operating activities:				
Operating income (loss)	\$ 3,247	\$ 578	\$ 97	\$ 3,922
Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities:				
Depreciation and amortization	45	1	1,081	1,127
Changes in assets, liabilities and deferred inflows/outflows of resources:				
Accounts receivable	14	-	2	16
Intergovernmental receivable	(4)	-	367	363
Inventory	-	(577)	50	(527)
Accounts payable	(35)	84	108	157
Accrued payroll	1	(1)	(1)	(1)
Retainage payable	-	-	(3)	(3)
Other payables	5	(10)	7	2
Claims liability	2,227	-	-	2,227
Net OPEB liability and related charges in deferred outflows and inflows of resources	4	6	22	32
Net pension liability and related charges in deferred outflows and inflows of resources	(15)	(14)	(77)	(106)
Net cash (used) provided by operating activities	<u>\$ 5,489</u>	<u>\$ 67</u>	<u>\$ 1,653</u>	<u>\$ 7,209</u>

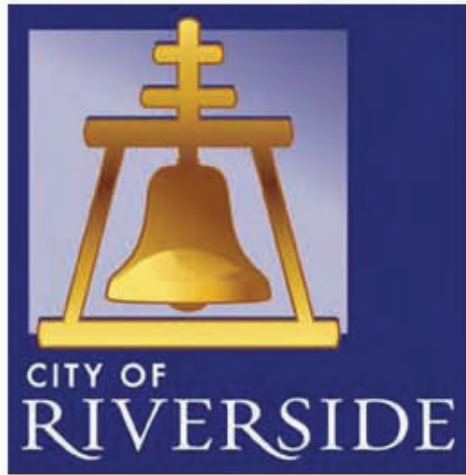


Agency Fund

The City's Agency Fund is used to account for special assessments that service no-commitment debt.

City of Riverside
Fiduciary Fund - Agency Fund
Combining Statement of Changes in Assets and Liabilities
For the fiscal year ended June 30, 2019
(amounts expressed in thousands)

	Balance				Balance
	July 1, 2018	Additions	Deductions		June 30, 2019
Assets					
Cash and investments	\$ 3,309	\$ 4,545	\$ 4,354	\$	3,500
Cash and investments at fiscal agent	4,688	4,315	4,415		4,588
Interest receivable	10	75	74		11
Property taxes receivable	81	87	81		87
Total assets	\$ 8,088	\$ 9,022	\$ 8,924	\$	8,186
Liabilities					
Accounts payable	\$ 1	\$ 70	\$ 71	\$	-
Held for bond holders	8,087	8,952	8,853		8,186
Total liabilities	\$ 8,088	\$ 9,022	\$ 8,924	\$	8,186



**COMBINING GENERAL FUND AND CAPITAL OUTLAY SCHEDULES WITH
MEASURE Z FUND ACTIVITY**

City of Riverside
Balance Sheet
Combining General Fund Schedule
June 30, 2019
(amounts expressed in thousands)

Assets	General Fund	Measure Z Fund	Total General Fund
Cash and investments	\$ 87,808	\$ 32,339	\$ 120,147
Cash and investments at fiscal agent	14	-	14
Receivables (net of allowance for uncollectibles)			
Interest	234	112	346
Property taxes	4,113	-	4,113
Sales tax	11,608	11,072	22,680
Utility billed	1,295	-	1,295
Accounts	5,017	-	5,017
Intergovernmental	4,782	-	4,782
Notes	10	-	10
Prepaid items	774	-	774
Due from other funds	2,438	-	2,438
Land & improvements held for resale	175	-	175
Total assets	<u>\$ 118,268</u>	<u>\$ 43,523</u>	<u>\$ 161,791</u>
Liabilities			
Accounts payable	\$ 6,715	\$ 949	\$ 7,664
Accrued payroll	19,192	69	19,261
Retainage payable	8	6	14
Intergovernmental	218	-	218
Unearned revenue	29	-	29
Deposits	8,813	-	8,813
Total liabilities	<u>34,975</u>	<u>1,024</u>	<u>35,999</u>
Deferred Inflows of Resources			
Unavailable revenue	4,625	-	4,625
Total deferred inflows of resources	<u>4,625</u>	<u>-</u>	<u>4,625</u>
Fund Balances			
Nonspendable:			
Inventories, prepaids and deposits	774	-	774
Land & improvements held for resale	175	-	175
Restricted for:			
Debt service	2,226	-	2,226
Other purposes	1,185	-	1,185
Committed for:			
Economic contingency	56,000	5,000	61,000
Unfunded accrued liability	4,916	-	4,916
Assigned to:			
General government	2,193	332	2,525
Public safety	419	2,533	2,952
Highways and streets	351	-	351
Culture and recreation	611	-	611
Continuing projects	6,152	14,393	20,545
Unassigned	3,666	20,241	23,907
Total fund balances	<u>78,668</u>	<u>42,499</u>	<u>121,167</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 118,268</u>	<u>\$ 43,523</u>	<u>\$ 161,791</u>

City of Riverside
Statement of Revenues, Expenditures and Changes in Fund Balances
Combining General Fund Schedule
For the fiscal year ended June 30, 2019
(amounts expressed in thousands)

	<u>General Fund</u>	<u>Measure Z Fund</u>	<u>Total General Fund</u>
Revenues			
Taxes	\$ 178,133	\$ 62,283	\$ 240,416
Licenses and permits	10,357	-	10,357
Intergovernmental	3,466	-	3,466
Charges for services	16,291	-	16,291
Fines and forfeitures	2,078	-	2,078
Special assessments	535	-	535
Rental and investment income	2,980	409	3,389
Miscellaneous	3,287	-	3,287
Total revenues	<u>217,127</u>	<u>62,692</u>	<u>279,819</u>
Expenditures			
Current:			
General government	8,047	1,957	10,004
Public safety	171,895	14,968	186,863
Highways and streets	19,399	890	20,289
Culture and recreation	29,756	50	29,806
Capital outlay	1,815	-	1,815
Total expenditures	<u>230,912</u>	<u>17,865</u>	<u>248,777</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,785)</u>	<u>44,827</u>	<u>31,042</u>
Other financing sources (uses)			
Transfers in	48,303	3,460	51,763
Transfers out	(40,472)	(10,790)	(51,262)
Transfers out to General Fund *	13,239	(13,239)	-
Total other financing sources (uses)	<u>21,070</u>	<u>(20,569)</u>	<u>501</u>
Net change in fund balances	7,285	24,258	31,543
Fund balances - beginning	71,383	18,241	89,624
Fund balances - ending	<u>\$ 78,668</u>	<u>\$ 42,499</u>	<u>\$ 121,167</u>

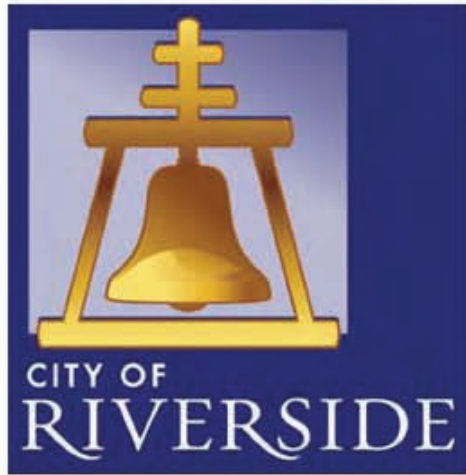
* Per accounting standards, Transfers within the same fund are not reflected in the Statement of Revenues, Expenditures and Changes in Fund Balances; however, they are reflected in this schedule for transparency purposes.

City of Riverside
Balance Sheet
Combining Capital Outlay Fund Schedule
June 30, 2019
 (amounts expressed in thousands)

Assets	Capital Outlay	Measure Z Capital Outlay	Total Capital Outlay
Cash and investments	\$ 24,339	\$ 11,096	\$ 35,435
Cash and investments at fiscal agent	-	34,222	34,222
Receivables (net of allowance for uncollectibles)			
Interest	96	25	121
Accounts	387	-	387
Intergovernmental	3,812	-	3,812
Total assets	<u>\$ 28,634</u>	<u>\$ 45,343</u>	<u>\$ 73,977</u>
Liabilities			
Accounts payable	\$ 145	\$ 2,867	\$ 3,012
Retainage payable	29	251	280
Unearned revenue	91	-	91
Total liabilities	<u>265</u>	<u>3,118</u>	<u>3,383</u>
Deferred Inflows of Resources			
Unavailable revenue	117	-	117
Total deferred inflows of resources	<u>117</u>	<u>-</u>	<u>117</u>
Fund Balances			
Restricted for:			
Transportation and public works	28,252	42,225	70,477
Total fund balances	<u>28,252</u>	<u>42,225</u>	<u>70,477</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,634</u>	<u>\$ 45,343</u>	<u>\$ 73,977</u>

City of Riverside
Statement of Revenues, Expenditures and Changes in Fund Balances
Combining Capital Outlay Fund Schedule
For the fiscal year ended June 30, 2019
 (amounts expressed in thousands)

	<u>Capital Outlay</u>	<u>Measure Z Capital Outlay</u>	<u>Total Capital Outlay</u>
Revenues			
Intergovernmental	\$ 13,904	\$ -	\$ 13,904
Special assessments	1,000	-	1,000
Rental and investment income	769	174	943
Miscellaneous	871	-	871
Total revenues	<u>16,544</u>	<u>174</u>	<u>16,718</u>
Expenditures			
Current:			
Capital outlay	10,679	9,465	20,144
Total expenditures	<u>11,342</u>	<u>9,465</u>	<u>20,807</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,202</u>	<u>(9,291)</u>	<u>(4,089)</u>
Other financing sources (uses)			
Transfers in	4,130	6,617	10,747
Transfers out	(3,199)	-	(3,199)
Issuance of long-term debt	-	33,505	33,505
Other finance sources - bond premium	-	6,916	6,916
Proceeds from the sale of capital assets	149	-	149
Total other financing sources (uses)	<u>1,080</u>	<u>47,038</u>	<u>48,118</u>
Net change in fund balances	6,282	37,747	44,029
Fund balances - beginning	21,970	4,478	26,448
Fund balances - ending	<u>\$ 28,252</u>	<u>\$ 42,225</u>	<u>\$ 70,477</u>



Statistical Section
(Unaudited)

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.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	103
Revenue Capacity These schedules contain informat property and sales taxes.	109
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.	119
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 and to help make comparisons over time and with other governments.	125
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	128

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Table 1
City of Riverside
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands)

	2010	2011	2012 ¹	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 976,614	\$ 1,019,892	\$ 1,076,485	\$ 1,083,485	\$ 1,106,384	\$ 1,126,220	\$ 1,123,910	\$ 1,102,409	\$ 1,093,896	\$ 1,102,837
Restricted	108,932	80,820	86,325	80,712	96,587	105,847	106,488	104,853	112,183	126,551
Unrestricted	(80,947)	(90,159)	23,145	17,989	(2,049)	(406,388)	(389,278)	(362,146)	(364,500)	(356,340)
Total governmental activities net position	<u>\$ 1,004,599</u>	<u>\$ 1,010,553</u>	<u>\$ 1,185,955</u>	<u>\$ 1,182,186</u>	<u>\$ 1,200,922</u>	<u>\$ 825,679</u>	<u>\$ 841,120</u>	<u>\$ 845,116</u>	<u>\$ 841,579</u>	<u>\$ 873,048</u>
Business-type activities										
Net investment in capital assets	\$ 660,619	\$ 654,974	\$ 666,919	\$ 609,691	\$ 616,844	\$ 626,166	\$ 654,870	\$ 702,844	\$ 800,227	\$ 867,206
Restricted	59,863	56,397	54,923	69,068	68,507	75,660	85,526	93,570	80,717	67,057
Unrestricted	219,720	256,038	285,062	330,833	359,698	209,469	235,144	245,116	199,143	155,468
Total business-type activities net position	<u>\$ 940,202</u>	<u>\$ 967,409</u>	<u>\$ 1,006,904</u>	<u>\$ 1,009,592</u>	<u>\$ 1,045,049</u>	<u>\$ 911,295</u>	<u>\$ 975,540</u>	<u>\$ 1,041,530</u>	<u>\$ 1,080,087</u>	<u>\$ 1,089,731</u>
Primary government										
Net investment in capital assets	\$ 1,637,233	\$ 1,674,866	\$ 1,743,404	\$ 1,693,176	\$ 1,723,228	\$ 1,752,386	\$ 1,778,780	\$ 1,805,253	\$ 1,894,123	\$ 1,970,043
Restricted	168,795	137,217	141,248	149,780	165,094	181,507	192,014	198,423	192,900	193,608
Unrestricted	138,773	165,879	308,207	348,822	357,649	(196,919)	(154,134)	(117,030)	(165,357)	(200,872)
Total primary government net position	<u>\$ 1,944,801</u>	<u>\$ 1,977,962</u>	<u>\$ 2,192,859</u>	<u>\$ 2,191,778</u>	<u>\$ 2,245,971</u>	<u>\$ 1,736,974</u>	<u>\$ 1,816,660</u>	<u>\$ 1,886,646</u>	<u>\$ 1,921,666</u>	<u>\$ 1,962,779</u>

¹ The increase in total governmental activities net position (and related unrestricted net position) is primarily due to the dissolution of the Redevelopment Agency.

Table 2
City of Riverside
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands) Page 1 of 2

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General government	\$ 85,110	\$ 72,606	\$ 48,731	\$ 54,808	\$ 39,331	\$ 26,587	\$ 24,483	\$ 44,510	\$ 45,360	\$ 51,139
Public safety	137,338	139,364	148,605	147,652	149,555	154,123	161,284	160,665	216,772	201,942
Highways and streets	31,492	32,131	35,342	35,072	36,564	36,563	38,836	38,585	42,544	43,770
Culture and recreation	44,319	50,017	54,594	40,077	42,252	45,594	47,762	49,406	38,362	31,200
Interest on long-term debt	32,049	33,638	25,087	16,627	17,741	17,025	16,387	16,028	12,414	10,045
Total governmental activities expenses	330,308	327,756	312,359	294,236	285,443	279,892	288,752	309,194	355,452	338,096
Business-type activities:										
Electric	256,860	275,922	288,799	292,175	304,416	309,874	307,925	317,335	333,061	347,804
Water	55,402	56,390	56,715	58,768	60,030	62,792	57,769	62,189	68,281	70,912
Sewer	41,248	42,276	43,702	43,945	40,385	35,593	39,978	38,305	54,136	70,137
Civic Entertainment	-	-	-	-	-	-	-	-	19,995	24,151
Airport	2,206	2,320	2,646	2,029	1,662	1,809	1,799	1,998	2,179	1,972
Refuse	20,527	20,046	19,979	20,581	20,831	20,007	21,652	21,953	22,082	24,205
Transportation	3,368	3,493	3,667	3,745	4,067	4,385	4,113	4,221	4,782	4,493
Public parking	4,024	4,401	4,984	5,051	4,610	5,604	5,141	5,448	6,186	5,151
Total business-type activities expenses	383,635	404,848	420,492	426,294	436,001	440,064	438,377	451,449	510,702	548,825
Total primary government expenses	\$ 713,943	\$ 732,604	\$ 732,851	\$ 720,530	\$ 721,444	\$ 719,956	\$ 727,129	\$ 760,643	\$ 866,154	\$ 886,921
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 12,933	\$ 14,241	\$ 14,662	\$ 13,338	\$ 13,775	\$ 17,600	\$ 24,944	\$ 27,441	\$ 24,605	\$ 29,281
Public safety	8,177	8,075	7,837	7,793	7,444	7,256	3,243	1,167	1,880	2,443
Highways and streets	17,847	16,985	16,532	15,825	17,487	13,868	5,709	5,930	5,554	6,036
Culture and recreation	2,367	3,180	4,622	5,237	7,406	16,319	12,458	22,802	6,078	7,465
Operating grants and contributions	32,853	21,127	31,581	21,485	14,341	12,869	16,321	19,374	22,548	23,966
Capital grants and contributions	23,395	38,138	54,476	32,202	48,433	43,904	31,216	7,617	18,039	27,450
Total governmental activities program revenues	97,572	101,746	129,710	95,880	108,886	111,816	93,891	84,331	78,704	96,641
Business-type activities:										
Charges for services:										
Electric	309,910	313,703	333,029	347,933	344,037	347,621	354,530	366,066	364,516	363,570
Water	57,534	62,084	65,206	68,489	68,691	66,051	57,250	62,627	66,828	65,177
Sewer	27,342	32,769	37,747	43,772	46,162	50,336	52,664	59,735	65,081	64,282
Civic Entertainment	-	-	-	-	-	-	-	-	16,393	16,977
Airport	1,315	1,342	1,524	1,396	1,100	1,260	1,549	1,578	1,562	1,618
Refuse	18,712	19,134	19,588	20,829	20,677	21,360	21,806	22,567	23,085	23,004
Transportation	328	344	352	344	413	385	377	359	441	444
Public parking	4,876	5,205	4,803	4,777	4,382	4,609	4,918	5,009	6,258	4,604
Operating grants and contributions	2,487	2,159	2,738	2,718	2,524	3,869	2,322	3,751	3,374	3,093
Capital grants and contributions	6,838	7,337	21,164	11,734	11,486	8,027	18,868	24,151	26,957	10,607
Total business-type activities program revenues	429,342	444,077	486,151	501,992	499,472	503,518	514,284	545,843	574,495	553,376
Total primary government program revenues	\$ 526,914	\$ 545,823	\$ 615,861	\$ 597,872	\$ 608,358	\$ 615,334	\$ 608,175	\$ 630,174	\$ 653,199	\$ 650,017

(continued)

Table 2
City of Riverside
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands) Page 2 of 2

	Fiscal Year									
	2010	2011	2012 ¹	2013 ²	2014	2015	2016	2017	2018	2019
Net Revenues (Expense)										
Governmental activities	\$(232,736)	\$ (226,010)	\$ (182,649)	\$ (198,356)	\$ (176,557)	\$ (168,076)	\$ (194,861)	\$ (224,863)	\$(276,748)	\$(241,455)
Business-type activities	45,707	39,229	65,659	75,698	63,471	63,454	75,907	94,394	63,793	4,551
Total primary government net expense	\$(187,029)	\$(186,781)	\$ (116,990)	\$(122,658)	\$ (113,086)	\$ (104,622)	\$ (118,954)	\$ (130,469)	\$(212,955)	\$(236,904)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Sales	\$ 39,645	\$ 44,157	\$ 47,701	\$ 50,222	\$ 55,096	\$ 59,437	\$ 60,976	\$ 75,883	\$ 120,338	\$ 130,645
Property	104,087	100,802	74,179	52,904	51,323	54,864	55,545	59,526	63,515	69,478
Utility users	25,975	26,691	27,320	28,206	28,092	28,076	27,828	27,958	27,498	28,009
Franchise	4,477	4,937	4,883	4,959	5,046	5,543	5,730	4,814	4,972	5,256
Transient occupancy	2,488	2,731	2,995	3,703	4,189	5,280	6,093	6,622	6,793	7,163
Intergovernmental, unrestricted	1,339	1,285	351	337	263	3,153	477	145	172	156
Unrestricted grants and contributions	-	-	-	-	-	-	-	-	-	-
Investment earnings	8,289	7,439	4,440	2,786	2,759	3,233	729	6,145	5,187	7,500
Miscellaneous	3,344	9,544	9,273	9,208	5,425	12,395	11,708	2,050	4,278	-
Transfers	40,153	34,378	40,679	42,262	43,100	42,681	41,216	45,716	41,459	37,115
Extraordinary items	-	-	149,617	-	-	-	-	-	-	-
Total governmental activities	229,797	231,964	361,438	194,587	195,293	214,662	210,302	228,859	274,212	285,322
Business-type activities:										
Investment income	21,271	17,548	11,405	4,744	8,005	5,319	6,888	2,650	3,939	19,488
Miscellaneous	7,447	4,808	3,110	5,767	7,081	7,652	22,666	14,662	12,901	10,322
Transfers	(40,153)	(34,378)	(40,679)	(42,262)	(43,100)	(42,681)	(41,216)	(45,716)	(41,459)	(37,115)
Extraordinary items	-	-	-	(41,259)	-	-	-	-	-	-
Total business-type activities	(11,435)	(12,022)	(26,164)	(73,010)	(28,014)	(29,710)	(11,662)	(28,404)	(24,619)	(7,305)
Total primary government	218,362	219,942	335,274	121,577	167,279	184,952	198,640	200,455	249,593	278,017
Change in Net Position										
Governmental activities	\$ (2,939)	\$ 5,954	\$ 178,789	\$ (3,769)	\$ 18,736	\$ 46,586	\$ 15,441	\$ 3,996	\$ (2,536)	\$ 43,867
Business-type activities	34,272	27,207	39,495	2,688	35,457	33,744	64,245	65,990	39,174	(2,754)
Total primary government	\$ 31,333	\$ 33,161	\$ 218,284	\$ (1,081)	\$ 54,193	\$ 80,330	\$ 79,686	\$ 69,986	\$ 36,638	\$ 41,113

¹ The increase in total governmental activities net position is primarily due to the dissolution of the Redevelopment Agency.

² The decrease in total business-type activities net position is primarily due to the power plant closure.

Table 3
City of Riverside
Fund Balances of Governmental Funds
Last Six Fiscal Years
(modified accrual basis of accounting, in thousands)

	2014	2015	2016	2017	2018	2019
General fund						
Nonspendable	\$ 24,419	\$ 23,642	\$ 23,094	\$ 26,168	\$ 1,947	\$ 949
Restricted	2,204	2,985	3,067	2,651	2,991	3,411
Committed	-	-	-	-	53,800	65,916
Assigned	14,505	13,965	9,922	14,968	23,242	26,984
Unassigned	37,732	39,059	29,495	39,283	7,644	23,907
Total general fund	\$ 78,860	\$ 79,651	\$ 65,578	\$ 83,070	\$ 89,624	\$ 121,167
All other governmental funds						
Nonspendable	\$ 1,460	\$ 1,625	\$ 1,619	\$ 1,601	\$ 4,855	\$ 1,560
Restricted for:						
Housing and redevelopment	26,223	25,523	24,746	24,098	18,827	16,668
Debt service	26,177	26,203	26,221	6,455	11,509	6,825
Transportation and public works	54,876	36,347	36,876	34,178	43,499	91,379
Other purposes	321	2,326	3,628	4,145	3,451	5,505
Unassigned	-	-	-	(24)	-	-
Total all other governmental funds	\$ 109,057	\$ 92,024	\$ 93,090	\$ 70,453	\$ 82,141	\$ 121,937

Note: Certain reclassifications have been made to prior year balances to conform with current year's presentation.

The City of Riverside implemented GASB 54 in the fiscal year ended June 30, 2011. The City has elected to show six years of data for this schedule.

Table 4
City of Riverside
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis accounting)

(in thousands) Page 1 of 2

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:										
Taxes	\$ 177,255	\$ 179,318	\$ 156,593	\$ 139,994	\$ 143,748	\$ 153,200	\$ 156,172	\$ 174,803	\$ 223,116	\$ 240,416
Licenses and permits	6,899	7,657	9,292	10,173	9,244	11,168	11,611	14,455	12,442	14,317
Intergovernmental	60,550	61,082	66,618	50,734	59,348	49,892	51,896	31,440	42,454	44,950
Charges for services	9,570	10,720	11,774	12,062	15,734	24,737	26,443	31,384	17,438	16,927
Fines and forfeitures	7,512	8,928	6,293	6,234	7,283	3,957	1,941	1,976	3,717	2,078
Special assessments	5,464	6,014	6,276	6,669	6,272	6,757	7,039	7,578	7,113	7,973
Use of money and property	11,173	10,173	8,095	3,878	4,315	5,112	4,370	4,718	3,446	6,548
Miscellaneous	7,082	16,605	10,611	14,933	6,957	6,939	12,578	7,252	8,716	5,370
Total revenues	\$ 285,505	\$ 300,497	\$ 275,552	\$ 244,677	\$ 252,901	\$ 261,762	\$ 272,050	\$ 273,606	\$ 318,442	\$ 338,579
Expenditures:										
General government	\$ 23,835	\$ 26,090	\$ 18,835	\$ 15,713	\$ 13,558	\$ 17,799	\$ 19,900	\$ 20,650	\$ 21,135	\$ 18,880
Public safety	138,594	140,994	150,878	150,290	151,721	157,660	164,800	163,712	190,916	198,363
Highways and streets	14,987	14,587	16,651	16,294	16,944	16,594	17,416	17,504	19,207	20,927
Culture and recreation	40,373	44,345	57,538	45,356	34,275	37,527	39,583	40,643	29,382	30,528
Capital outlay	131,908	105,689	75,482	73,581	72,365	60,060	53,208	31,000	33,504	41,585
Debt Service:										
Principal	48,078	89,264	83,378	45,006	45,500	49,101	51,987	72,700	21,904	37,867
Interest	31,267	32,611	24,133	15,116	16,787	17,048	16,451	16,115	12,746	10,493
Debt issuance costs	231	174	169	581	843	172	180	29	24	854
Payment for advance refunding	-	-	-	3,521	-	-	-	-	-	-
Total expenditures	\$ 429,273	\$ 453,754	\$ 427,064	\$ 365,458	\$ 351,993	\$ 355,961	\$ 363,525	\$ 362,353	\$ 328,818	\$ 359,497
Excess of revenues over (under) expenditures	\$ (143,768)	\$ (153,257)	\$ (151,512)	\$ (120,781)	\$ (99,092)	\$ (94,199)	\$ (91,475)	\$ (88,747)	\$ (10,376)	\$ (20,918)

(continued)

Table 4
City of Riverside
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis accounting)

(in thousands) Page 2 of 2

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Other financing sources (uses):										
Transfers in	\$ 88,303	\$ 214,631	\$ 196,859	\$ 56,572	\$ 58,469	\$ 61,510	\$ 61,384	\$ 94,521	\$ 102,774	\$ 94,771
Transfers out	(48,150)	(180,280)	(156,305)	(14,178)	(15,369)	(18,829)	(20,168)	(48,805)	(66,021)	(58,688)
Issuance of long term debt	51,821	104,875	34,940	99,753	87,037	30,940	31,145	31,578	14,500	49,485
Capital lease financings	3,116	2,000	-	7,203	6,625	4,450	5,846	2,109	-	-
Proceeds from the sale of capital assets	529	(1,629)	156	82	931	(114)	261	4,199	461	149
Other finance sources - bond premium/(discount)	-	-	-	-	-	-	-	-	-	6,540
Payments to refunded bond agent	-	-	-	(43,591)	-	-	-	-	-	-
Total other financing sources (uses)	95,619	139,597	75,650	105,841	137,693	77,957	78,468	83,602	51,714	92,257
Extraordinary items:										
Dissolution of Riverside Redevelopment Agency:										
Transfer of assets and liabilities to										
Successor Agency	-	-	(130,174)	-	-	-	-	-	-	-
Transfer of assets from Successor Agency	-	-	28,121	-	-	-	-	-	-	-
Assumption of obligation	-	-	(4,927)	-	-	-	-	-	-	-
Total extraordinary items	-	-	(106,980)	-	-	-	-	-	-	-
Net change in fund balances	\$ (48,149)	\$ (13,660)	\$ (182,842)	\$ (14,940)	\$ 38,601	\$ (16,242)	\$ (13,007)	\$ (5,145)	\$ 41,338	\$ 71,339
Debt service as a percentage of noncapital expenditures	23.211%	32.757%	32.507%	21.039%	21.803%	22.360%	21.714%	26.625%	11.999%	15.143%
		(1)	(2)							

(1) Increase in debt service related to one-time early redemption of \$31.7 million of 2011 Redevelopment Tax Allocation Bonds and \$9.1 million of loan proceeds that were drawn-down during the year and re-paid within the year.

(2) Includes one-time early redemption of \$33.3 million of 2011 Redevelopment Tax Allocation Bonds.

Table 5
City of Riverside
Business-Type Activities Electricity Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands)

Fiscal Year	Residential Sales	Commercial Sales	Industrial Sales	Wholesale Sales	Other Sales	Transmission Revenue	Other Operating Revenue	Total Revenues
2010	107,301	65,091	97,458	1,466	5,639	21,100	11,855	309,910
2011	107,792	64,039	102,067	124	5,529	22,091	12,061	313,703
2012	110,471	66,047	107,455	50	5,614	30,735	12,657	333,029
2013	118,173	66,632	110,680	638	5,712	32,688	13,410	347,933
2014	111,880	67,063	111,260	115	5,600	32,630	15,489	344,037
2015	114,112	68,572	112,283	60	5,654	30,587	16,353	347,621
2016	116,997	69,759	113,756	3	4,737	32,924	16,354	354,530
2017	117,662	71,456	115,432	9	4,782	35,497	21,228	366,066
2018	115,630	71,128	115,106	2	4,792	37,484	20,374	364,516
2019	116,303	69,878	114,078	344	4,824	35,730	22,413	363,570

Table 6
City of Riverside
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands)

Fiscal Year	Sales Tax¹	Property Tax²	Utility Users Tax	Franchise Tax	Transient Occupancy Tax	Total Taxes
2010	\$ 39,645	\$ 104,087	\$ 25,975	\$ 4,477	\$ 2,488	\$ 176,672
2011	44,157	100,802	26,691	4,937	2,731	179,318
2012	47,701	74,179	27,320	4,883	2,995	157,078
2013	50,222	52,904	28,206	4,959	3,703	139,994
2014	55,096	51,323	28,092	5,046	4,189	143,746
2015	59,437	54,864	28,076	5,543	5,280	153,200
2016	60,976	55,545	27,828	5,730	6,093	156,172
2017	75,883	59,526	27,958	4,814	6,622	174,803
2018	120,338	63,515	27,498	4,972	6,793	223,116
2019	130,645	69,478	28,009	5,256	7,163	240,551

¹ Increase in sales tax in fiscal year 2017 is due to Measure Z which was passed by the voters November 2016 and became effective April 1, 2017. Measure Z is a one percent transaction and use tax.

² Decrease in property taxes in fiscal years 2012 and 2013 relates to the dissolution of the Redevelopment Agency. Upon the dissolution of the Redevelopment Agency on February 1, 2012, property taxes received by the Successor Agency are reported in a private-purpose trust fund and therefore are excluded from the activities of the primary government.

Table 7
City of Riverside
Taxable Sales by Category
Last Ten Calendar Years

(in thousands of dollars)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Apparel Stores	\$ 152,564	\$ 161,802	\$ 168,352	\$ 175,320	\$ 178,349	\$ 188,670	\$ 203,001	\$ 214,852	\$ 210,158	\$ 212,036
General Merchandise	435,230	432,303	444,125	450,988	463,355	475,147	477,903	478,538	465,490	470,386
Food Stores	170,151	167,259	169,380	181,719	193,368	209,022	217,902	168,854	169,922	184,278
Eating and Drinking Places	364,291	371,419	395,423	422,153	447,841	483,901	533,317	582,262	609,705	639,995
Building Materials	307,894	292,605	349,398	376,011	454,468	514,993	567,790	636,415	666,907	738,178
Auto Dealers and Supplies	786,012	847,986	965,529	1,118,907	1,280,633	1,461,217	1,548,385	1,608,231	1,588,854	1,621,311
Service Stations	301,654	350,904	419,497	430,322	418,110	413,128	370,257	338,762	360,830	432,991
Other Retail Stores	487,924	501,071	517,583	535,945	550,157	595,305	633,089	692,375	677,850	666,659
All Other Outlets	893,809	977,260	1,072,513	1,008,206	1,154,492	1,312,607	1,461,982	1,474,160	1,481,019	1,700,733
Total	\$ 3,899,529	\$ 4,102,609	\$ 4,501,800	\$ 4,699,571	\$ 5,140,773	\$ 5,653,990	\$ 6,013,625	\$ 6,194,449	\$ 6,230,735	\$ 6,666,567

Source: State of California Board of Equalization and the HdI Companies.

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue.

Table 8
City of Riverside
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

(in thousands)

Fiscal Year Ended June 30	City				Dissolved Redevelopment Agency ¹				Total Direct Rate ²
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	
2010	22,644,262	1,299,353	(7,103,040)	16,840,575	5,598,484	564,825	(266,257)	5,897,052	0.350
2011	22,056,793	1,260,923	(6,920,720)	16,396,996	5,396,219	544,906	(268,323)	5,672,802	0.347
2012	22,031,328	1,264,151	(6,952,649)	16,342,830	5,395,632	572,153	(270,313)	5,697,472	0.348
2013	22,313,665	1,244,448	(7,142,401)	16,415,712	N/A	N/A	N/A	N/A	0.348
2014	23,045,134	1,201,634	(7,394,982)	16,851,786	N/A	N/A	N/A	N/A	0.125
2015	24,482,621	1,329,391	(7,945,000)	17,867,012	N/A	N/A	N/A	N/A	0.124
2016	25,710,122	1,225,375	(8,432,984)	18,502,513	N/A	N/A	N/A	N/A	0.124
2017	26,927,989	1,311,356	(9,029,817)	19,209,528	N/A	N/A	N/A	N/A	0.124
2018	28,373,517	1,354,934	(9,791,810)	19,936,641	N/A	N/A	N/A	N/A	0.124
2019	30,196,815	1,420,597	(10,818,883)	20,798,529	N/A	N/A	N/A	N/A	0.124

Notes:

In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above. Assessed valuations are based on 100 percent of estimated actual value.

¹ In accordance with the timeline set forth in Assembly Bill 1X 26 (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

² Total Direct Rate is the weighted average of all individual direct rates. Beginning in 2013/14, the Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas.

Source: Riverside County Auditor-Controller

Table 9
City of Riverside
Direct and Overlapping Property Tax Rates
(Rate per \$100 of Assessed Valuation)
Last Ten Fiscal Years

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/2017	2017/2018	2018/2019
Basic Levy ¹	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Unified School Districts Debt Service ²	0.284	0.301	0.332	0.325	0.390	0.377	0.487	0.495	0.517	0.521
City of Riverside Debt Service	0.006	0.006	0.006	0.006	0.007	0.006	0.006	0.006	0.006	0.006
Metropolitan Water District Original Area	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004
Riverside City Community College Debt Service	0.012	0.015	0.017	0.017	0.018	0.018	0.017	0.016	0.016	0.015
Total Direct & Overlapping³ Tax Rates	1.307	1.325	1.358	1.352	1.418	1.405	1.514	1.521	1.543	1.545
City's Share of 1% Levy Per Prop 13⁴	0.113	0.113	0.113	0.113	0.113	0.113	0.113	0.113	0.113	0.113
General Obligation Debt Rate	0.006	0.006	0.006	0.006	0.007	0.006	0.006	0.006	0.006	0.006
Redevelopment Rate^{5,7}	1.004	1.004	1.004	-	-	-	-	-	-	-
Total Direct Rate⁶	0.350	0.347	0.348	0.348	0.125	0.124	0.124	0.124	0.124	0.124

¹ In 1978, California voters passed Proposition 13 which sets 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 Includes: Alvard Unified School District, Corona Norco Unified School District, Jurupa Unified School District, Moreno Valley Unified School District, and Riverside Unified School District.

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 net 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. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.

⁶ Total Direct Rate is the weighted average of all individual direct rates. Beginning in 2013/14, the Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas.

⁷ In accordance with the timeline set forth in Assembly Bill X1 26 (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Note: Amounts presented in this table have been restated for prior years to reflect the most current information available.

Source: Riverside County Assessor 2009/10 - 2018/19 Tax Rate Table.

Table 10
City of Riverside
Principal Property Taxpayers
Current Year and Nine Years Ago

(in thousands)

Property Owner	2019			2010		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Riverside Healthcare System	\$ 315,873	1	1.1%	\$ 115,209	5	0.5%
Tyler Mall	220,073	2	0.7%	185,984	1	0.8%
Rohr Inc	161,444	3	0.5%	77,617	8	0.3%
CPT Riverside Plaza LLC	159,171	4	0.5%	-		0.0%
La Sierra University	135,947	5	0.5%	-		0.0%
Corona Pointe Apartments	104,102	6	0.4%	-		0.0%
Smiths Food and Drug Centers Inc.	101,093	7	0.3%	-		0.0%
Cole ID	101,007	8	0.3%	-		0.0%
Walmart Stores Inc./Sams	83,051	9	0.3%	-		0.0%
Northrop Drive Apartments Investment	82,307	10	0.3%	-		0.0%
BRE Properties	-		0.0%	183,544	2	0.8%
La Sierra University	-		-	123,948	3	0.5%
Riverside Fair Isle Apartments	-		0.0%	115,517	4	0.5%
State Street Bank and Trust Co	-		0.0%	85,059	6	0.4%
MEF Realty	-		-	82,603	7	0.4%
Press Enterprise Company	-		-	76,801	9	0.3%
Canyon Springs Marketplace Corporation	-		-	69,743	10	0.3%
Totals	<u>\$ 1,464,068</u>		<u>4.9%</u>	<u>\$ 1,116,025</u>		<u>4.9%</u>

Notes:

The amounts shown above include assessed value data for both the City and the Successor Agency.

Source: Riverside County Assessor 2018/19 and 2009/10 Combined Tax Rolls

Table 11
City of Riverside
Property Tax Levies and Collections
Last Ten Fiscal Years

(in thousands)

Fiscal Year Ended June 30	Taxes Levied for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections To Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	\$ 77,228	\$ 74,491	96.46%	\$ 2,737	\$ 77,228	100.00%
2011	74,608	72,327	96.94%	2,281	74,608	100.00%
2012	41,020	40,340	98.34%	680	41,020	100.00%
2013	43,333	42,447	97.96%	886	43,333	100.00%
2014	45,138	44,684	98.99%	454	45,138	100.00%
2015	48,846	48,427	99.14%	419	48,846	100.00%
2016	50,023	49,585	99.12%	-	50,023	100.00%
2017	53,655	53,252	99.25%	-	53,655	100.00%
2018	57,567	57,173	99.32%	-	57,567	100.00%
2019	63,303	62,557	98.82%	-	62,557	98.82%

Note:

The table reflects amounts related to the City. In addition, it includes amounts related to the Redevelopment Agency through dissolution (1/31/12). The amounts collected by the Redevelopment Agency include monies that were passed-through to other agencies. Current tax levies are the original charge as provided by the County of Riverside. Current tax collections do not include supplemental taxes, aircraft taxes or other property taxes.

The City adopted the Teeter plan available with the County of Riverside effective Fiscal year 2014. Under the Teeter plan the County of Riverside has responsibility for the collection of delinquent taxes and the City receives 100% of the levy.

Table 12
City of Riverside
Electricity Sold by Type of Customer
Last Ten Fiscal Years

(in millions of kilowatt-hours)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Type of Customer:										
Residential	701	666	688	726	700	711	726	730	727	722
Commercial	406	400	413	419	421	428	438	448	447	434
Industrial	906	912	969	1,003	997	995	983	996	999	973
Wholesale sales	44	7	2	14	4	2	-	1.00	-	-
Other	32	31	31	31	30	31	23	23	22	21
Total	2,089	2,016	2,103	2,193	2,152	2,167	2,170	2,198	2,195	2,150
Total direct rate										
Monthly Base Rate ¹	18.06	18.06	18.06	18.06	18.06	18.06	18.06	18.06	18.06	19.41

¹ Monthly Base Rate includes a Reliability Charge of \$5.00 (small residence 100 amp) implemented in January 2008. In January 2010, the Reliability Charge increased to \$10.00 (small residence 100 amp). In January 2019, the Minimum Customer Charge increased to \$8.86, a Network Access Charge of \$55 was included and the tier 1 rate increased to \$0.1047 per kWh.

Source: Riverside Public Utilities, Finance Services

Table 13
City of Riverside
Electricity Rates
Last Ten Fiscal Years
(Average Rate in Dollars per Kilowatt-Hour)

Fiscal Year Ended June 30	Residential	Commercial	Industrial	Other
2010	0.15307	0.16014	0.10756	0.17876
2011	0.16173	0.16001	0.11194	0.18089
2012	0.16068	0.15991	0.11088	0.17938
2013	0.16274	0.15913	0.11030	0.18375
2014	0.15995	0.15936	0.11156	0.18513
2015	0.16050	0.16022	0.11282	0.18291
2016	0.16119	0.15915	0.11577	0.20908
2017	0.16116	0.15958	0.11586	0.21287
2018	0.15910	0.15902	0.11524	0.21288
2019	0.16111	0.16086	0.11724	0.23448

Source: Riverside Public Utilities, Finance Services

Table 14
City of Riverside
Top 10 Electricity Customers
Current Year and Nine Years Ago

Electricity Customer	2019			2010		
	Electricity Charges	Rank	Percent of Total Electric Revenues	Electricity Charges	Rank	Percent of Total Electric Revenues
Local University	\$12,521,897	1	4.10%	\$8,526,826	1	3.10%
Local Government	8,096,896	2	2.65%	7,139,875	2	2.59%
Local Government	7,927,628	3	2.60%	6,241,613	3	2.27%
Local School District	4,757,101	4	1.56%	3,928,397	4	1.43%
Corporation	4,358,346	5	1.43%	3,186,136	5	1.16%
Corporation	3,976,748	6	1.30%	2,265,432	6	0.82%
Corporation	3,502,843	7	1.15%	1,935,552	8	0.70%
Corporation	2,884,234	8	0.95%	-		0.00%
Hospital	2,867,398	9	0.94%	2,010,606	7	0.73%
Corporation	2,809,523	10	0.92%	-		0.00%
Hospital	-		-	1,759,489	9	0.64%
Corporation	-		-	1,744,306	10	0.63%
Local University	-		-	-		0.00%
	<u>\$53,702,614</u>		<u>17.60%</u>	<u>\$38,738,232</u>		<u>14.07%</u>

Retail Sales Per Financial Statements \$305,083,100

\$ 275,489,519

N/A - not available

Source: Riverside Public Utilities, Finance Services

Table 15
City of Riverside
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

(in thousands)

Fiscal Year	Governmental Activities						
	General Obligation Bonds	Redevelopment Bonds	Revenue Bonds	Pension Obligation Bonds ²	Certificates of Participation	Capital Leases	Notes/Loans Payable
2010	17,533	278,867	-	136,050	211,212	6,303	9,291
2011	16,845	305,195	-	132,095	207,246	6,670	8,849
2012	16,107	-	-	127,480	202,703	5,220	4,000
2013	15,314	-	43,762	122,005	158,697	8,424	28,652
2014	14,460	-	42,344	115,775	191,446	13,168	47,611
2015	13,546	-	40,891	108,725	187,212	14,966	45,574
2016	12,567	-	39,398	101,000	181,429	12,006	43,482
2017	11,513	-	37,854	92,592	156,516	17,193	41,325
2018	10,388	-	36,246	60,883	150,800	25,647	1,746
2019	9,179	-	80,416	50,486	99,178	21,422	1,329

Fiscal Year	Business-Type Activities						Total Primary Government
	Revenue Bonds	Notes/Loans Payable	Capital Leases	Pension Obligation Bonds ²	Certificates of Participation ³	Revenue Bonds ⁴	
2010	968,393	7,249	2,151	-	-	-	1,637,049
2011	1,071,554	76,747	1,720	-	-	-	1,826,921
2012	1,063,853	73,821	1,332	-	-	-	1,494,516
2013	1,031,839	70,798	2,558	-	-	-	1,482,049
2014	1,094,290	36,030	2,266	-	-	-	1,557,390
2015	1,239,634	37,225	1,720	-	-	-	1,689,493
2016	1,208,851	37,793	4,694	-	-	-	1,641,220
2017	1,180,345	35,255	6,209	-	-	-	1,578,802
2018	1,139,864	78,583	6,821	18,324	-	-	1,529,302
2019	1,241,742	73,673	5,192	14,775	29,692	7,867	1,634,951

¹ These ratios are calculated using personal income and population data for the prior calendar year.

² The 2005 and 2017 Taxable Pension Obligation Bonds were divided between Governmental Activities, Business-Type Activities, and the Successor Agency.

³ The 2008 Certificates of Participation were divided between Governmental Activities and Business-Type Activities.

⁴ The 2012 Lease Revenue Refunding Bonds were divided between Governmental Activities, Business-Type Activities and the Successor Agency.

Source: City of Riverside Notes to Financial Statements and Statistical Table 20.

Table 16
City of Riverside
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

(in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds	Pension Bonds	Certificates of Participation	Tax Allocation Bonds	Total	Percent of Assessed Value ¹	Per Capita²
2010	17,533	136,050	211,212	278,867	643,662	3.82%	2,140
2011	16,845	132,095	207,246	305,195	661,381	4.03%	2,175
2012	16,107	127,480	202,703	-	346,290	2.12%	1,122
2013	15,314	122,005	158,697	-	296,016	1.80%	949
2014	14,460	115,775	191,446	-	321,681	1.91%	1,024
2015	13,546	108,725	187,212	-	309,483	1.73%	985
2016	12,567	101,000	181,429	-	294,996	1.65%	909
2017	11,513	92,592	156,516	-	260,621	1.36%	798
2018	10,388	79,207	150,800	-	240,395	1.21%	738
2019	9,179	65,261	128,870	-	203,310	0.98%	620

Notes:

General bonded debt is debt payable with governmental fund and enterprise fund resources.

¹ Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

² These ratios are calculated using population data for the prior calendar year.

Source: City of Riverside Notes to Financial Statements and Reserve Cash Reconciliation maintained by City Finance Department.

Table 17
City of Riverside
Direct and Overlapping Governmental Activities Debt
As of June 30, 2019

2018-19 Assessed Valuation:	\$ 29,855,536,634
Less Dissolved Redevelopment Agency Incremental Valuation:	9,057,007,866
Adjusted Assessed Valuation:	<u>\$ 20,798,528,768</u>

	<u>Total Debt</u>	<u>% Applicable</u>	<u>City's Share of Debt¹</u>
Overlapping debt repaid with property taxes²			
Metropolitan Water District	\$ 48,050,000	1.035 %	\$ 497,318
Riverside County Flood Control and Water Conservation District Zone No. 4	14,690,000	2.025	297,473
Riverside City Community College District	251,471,071	28.552	71,800,020
Alvord Unified School District	203,051,696	71.101	144,371,786
Riverside Unified School District	206,470,000	85.788	177,126,484
Corona-Norco Unified School District	422,937,699	0.001	4,229
Jurupa Unified School District	165,717,972	0.001	1,657
Moreno Valley Unified School District	162,268,521	10.315	16,737,998
Alvord Unified School District Community District No.2006-1	7,070,000	82.333	5,820,943
Riverside Unified School District Community Facilities Districts	70,850,000	88.816-100.	70,740,397
City of Riverside Community Facilities Districts	19,875,000	100	19,875,000
City of Riverside 1915 Act Bonds	20,715,000	100	20,715,000
Total overlapping debt repaid with property taxes			<u>\$ 527,988,305</u>

(continued)

Table 17
City of Riverside
Direct and Overlapping Governmental Activities Debt
As of June 30, 2019

Other overlapping debt²

Riverside County General Fund Obligations	\$ 760,133,611	10.778 %	\$ 81,927,201
Riverside County Pension Obligations	243,850,000	10.778	26,282,153
Corona-Norco Unified School District General Fund Obligations	29,469,785	0.001	295
Jurupa Unified School District Certificates of Participation	58,684,751	0.001	587
Moreno Valley Unified School District Certificates of Participation	13,980,000	10.315	1,442,037
Riverside Unified School District General Fund Obligations	15,387,652	85.788	13,200,759
Western Municipal Water District General Fund Obligations	9,020,960	32.645	2,944,892
Total other overlapping debt			125,797,924
Less: Riverside County supported obligations			187,225
			<u>125,610,699</u>
Overlapping tax Increment debt			199,246,817
Total overlapping debt			852,845,821
City direct debt			<u>314,344,000</u>
Combined total direct and overlapping debt			<u><u>\$ 1,167,189,821</u></u>

(1) Debt balances are as of June 30, 2018 (most recent available) for other agency debt, and June 30, 2018 for all City of Riverside direct debt.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, non-bonded capital lease obligations. Qualified Zone Academy bonds are included based on principal due at maturity.

Ratios to 2018-19 Assessed Valuation:

Total debt repaid with property taxes.....	1.77%
City direct debt (\$14,344,000).....	1.05%
Combined total direct and overlapping debt.....	3.91%

Ratios to Dissolved Redevelopment Incremental Valuation (\$9,057,007.866):

Total overlapping tax Increment debt.....	2.20%
---	-------

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: California Municipal Statistics, Inc., Riverside County Auditor-Controller and City Finance Department.

Table 18
City of Riverside
Legal Debt Margin Information
Last Ten Fiscal Years

(in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assessed valuation	\$16,840,575	\$16,396,996	\$16,342,830	\$16,415,712	\$16,851,786	\$17,867,012	\$18,502,513	\$19,209,528	\$19,936,641	\$20,798,529
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	4,210,144	4,099,249	4,085,708	4,103,928	4,212,947	4,466,753	4,625,628	4,802,382	4,984,160	5,199,632
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	631,522	614,887	612,856	615,589	631,942	670,013	693,844	720,357	747,624	779,945
Total net debt applicable to limit:	17,533	16,845	16,107	15,314	14,460	13,546	12,567	11,513	10,388	9,179
Legal debt margin	613,989	598,042	596,749	600,275	617,482	656,467	681,277	708,844	737,236	770,766
Total net debt applicable to the limit as a percentage of debt limit	2.8%	2.7%	2.6%	2.5%	2.3%	2.0%	1.8%	1.6%	1.4%	1.2%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the State.

Source: City of Riverside, Statistical Table 8, Statistical Table 15 and Notes to Financial Statements.

Table 19
City of Riverside
Pledged-Revenue Coverage
Business Type Activity Debt
Last Ten Fiscal Years

(in thousands)

Fiscal Year	Electric Revenue Bonds						Water Revenue Bonds					
	Pledged Revenue ¹	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage	Pledged Revenue ¹	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2008	314,733	219,680	95,053	19,460	16,790	2.62	67,312	33,827	33,485	4,355	4,275	3.88
2009	320,447	202,904	117,543	20,572	24,941	2.58	60,886	35,639	25,247	4,473	6,728	2.25
2010	320,560	199,040	121,520	21,574	22,572	2.75	61,985	35,953	26,032	4,533	8,008	2.08
2011	319,177	212,878	106,299	23,029	25,087	2.21	84,328	35,220	49,108	4,799	9,263	3.49
2012	340,098	221,876	118,222	25,174	27,630	2.24	73,557	35,309	38,248	4,708	8,872	2.82
2013	348,187	226,997	121,190	18,486	25,941	2.73	72,700	35,940	36,760	5,395	8,700	2.61
2014	347,541	241,136	106,405	21,632	27,575	2.16	71,317	37,698	33,619	4,574	8,536	2.56
2015	348,244	250,578 *	97,666	15,485	26,532	2.32	66,010	36,725 *	29,285	5,258	8,342	2.15
2016	371,029	249,607 *	121,422	16,460	25,780	2.87	60,047	35,608 *	24,439	5,533	8,063	1.80
2017	368,956	251,998 *	116,958	14,032	25,553	2.95	65,689	37,956 *	27,733	5,486	8,124	2.04
2018	368,116	257,785 *	110,331	15,675	25,045	2.71	71,054	40,737 *	30,317	6,098	8,049	2.14
2019	374,510	279,394 *	95,116	16,449	26,017	2.24	69,965	44,547 *	25,418	6,362	8,780	1.68

Fiscal Year	Sewer Revenue Bonds					
	Pledged Revenue ¹	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2010	31,470	26,865	4,605	666	151	5.64
2011	37,772	27,575	10,197	692	125	12.48
2012	42,562	29,632	12,930	692	5,471	2.10
2013	52,944	29,999	22,945	7,465	10,891	1.25
2014	52,098	28,930	23,168	7,753	10,781	1.25
2015	51,288	27,598	23,690	8,056	10,958	1.25
2016	68,412	31,864	36,548	8,405	20,786	1.25
2017	78,337	29,921	48,416	9,010	19,621	1.69
2018	68,735	31,513	37,222	9,184	19,136	1.31
2019	71,787	34,084	37,703	14,766	14,455	1.29

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ Amounts have been calculated in accordance with the provisions set forth in the debt covenants. Total operating expenses exclusive of depreciation. Pledged revenue includes applicable cash set aside in a rate stabilization account in accordance with applicable bond covenants.

* Excludes non-cash pension expense

The City of Riverside does not have any pledged revenue related to Governmental Activities.

Table 20
City of Riverside
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population ¹	Personal Income ² (in thousands)	Per Capita Personal Income ²	Unemployment Rate ³
2009	300,769	6,592,294	21,918	13.7
2010	304,051	6,623,143	21,783	14.8
2011	308,511	6,811,923	22,080	13.7
2012	311,955	6,923,217	22,193	9.7
2013	314,034	6,909,376	22,002	8.4
2014	314,221	6,857,559	21,824	7.9
2015	324,696	6,953,323	21,414	6.4
2016	326,792	7,139,080	21,845	5.8
2017	325,860	7,349,024	22,552	5.1
2018	328,101	7,674,374	23,390	3.8

Sources:

¹ California State Department of Finance.

² Demographic Estimates are based on the last available Census. Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries. Demographic Estimates for 2010 and later are per the US Census Bureau, most recent American Community Survey.

³ State of California Employment Development Department.

Table 21
City of Riverside
Principal Employers
Current Year and Nine Years Ago

Employer	2019			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
County of Riverside	22,000	1	17.5%	6,395	2	4.1%
University of California	8,735	2	6.9%	6,470	1	4.2%
March Air Force Reserve	7,000	3	5.6%			
Kaiser	4,346	4	3.5%			
Riverside Unified School District	4,313	5	3.4%	3,867	3	2.5%
City of Riverside	2,485	6	2.0%	2,619	4	1.7%
Riverside Community Hospital	2,200	7	1.8%	1,600	7	1.0%
Riverside Community College District	2,100	8	1.7%	1,669	5	1.1%
Alvord Unified School District	1,898	9	1.5%	1,669	6	1.1%
California Baptist University	1,442	10	1.1%			
The Press Enterprise				1,090	8	0.7%
Parkview Community Hospital				900	9	0.6%
Goodrich Corporation				500	10	0.3%
Total	<u>56,519</u>		<u>45.0%</u>	<u>26,779</u>		<u>17.3%</u>

Source: City of Riverside, Economic Development Department

Table 22
City of Riverside
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	2010	2011	2012	2013	2014¹	2015	2016	2017	2018	2019
General government	433.40	431.40	440.40	413.90	356.25	361.25	394.24	417.55	430.05	453.80
Public safety (sworn and non-sworn personnel)										
Police ¹	589.93	589.93	599.93	596.75	551.75	553.75	554.75	512.00	543.00	557.00
Fire	255.46	255.46	255.46	255.46	255.00	255.00	251.00	239.00	242.00	245.00
Highways and streets	349.50	348.11	357.11	362.11	333.48	308.00	308.00	272.00	273.00	271.00
Sanitation	59.00	56.00	56.00	57.00	59.00	57.00	59.00	59.00	59.00	59.00
Culture and recreation	328.07	328.07	341.22	351.48	269.98	274.45	286.75	276.23	276.98	276.07
Airport	7.00	9.50	9.50	9.50	6.00	6.00	6.00	7.00	7.00	7.00
Water	177.65	180.15	181.15	181.15	182.15	181.15	181.15	174.15	158.65	158.65
Electric	419.45	448.50	452.50	459.50	462.50	464.50	466.50	471.75	489.25	475.25
Total	2,619.46	2,647.12	2,693.27	2,686.85	2,476.11	2,461.10	2,507.39	2,428.68	2,478.93	2,502.77

¹ In fiscal year 2013/14 the City Council deleted a number of long-term unfunded positions.

Source: City of Riverside, Finance Department

Table 23
City of Riverside
Operating Indicators by Function
Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Arrests	8,690	8,118	7,736	8,362	9,321	10,310	9,242	8,358	8,423	8,295
Fire										
Number of calls answered	26,484	27,322	27,637	29,988	30,668	32,943	35,905	36,150	38,501	37,739
Inspections	7,234	6,505	10,074	10,151	12,476	8,770	6,636	6,482	6,519	5,584
Public works:										
Street resurfacing (miles)	20.00	21.25	18.43	16.50	35.38	38.75	39.01	27.09	17.37	16.50
Parks and recreation										
Number of recreation classes	27,762	37,303	43,318	41,364	45,707	43,007	53,907	53,308	54,025	54,069
Number of facility rentals	34,565	42,638	43,288	43,358	46,432	44,363	47,772	48,097	46,904	66,846
Water										
Number of accounts	64,231	64,349	64,367	64,591	64,829	65,102	65,094	65,428	65,640	65,803
Annual consumption (ccf)	26,687,271	25,902,439	27,062,142	28,186,178	28,887,304	26,007,490	22,529,463	25,340,729	27,514,374	25,827,721
Electric										
Number of accounts	106,335	106,855	107,321	107,525	108,358	108,388	108,776	109,274	109,619	110,480
Annual consumption (kwh)	2,089	2,016	2,103	2,193	2,152	2,167	2,170	2,197	2,195	2,150
Sewer:										
New connections	16,971	17,746	18,166	17,607	17,274	17,553	17,669	17,654	17,551	17,540
Average daily sewage treatment (millions of gallons)	33.29	30.06	29.84	29.57	28.49	27.15	26.35	27.19	26.16	26.86

¹ Amounts expressed in millions
N/A - not available

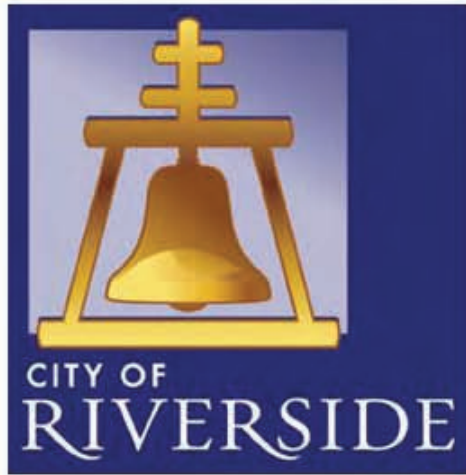
Source: City of Riverside, various departments

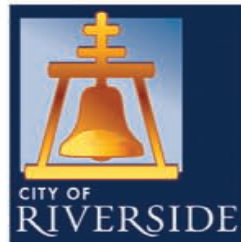
Table 24
City of Riverside
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Police										
Stations	3	3	3	3	3	3	3	3	3	3
Substations	4	4	4	4	4	4	4	5	4	5
Helicopters	4	4	4	4	3	3	3	3	2	2
Airplane	0	0	0	0	0	0	0	0	1	1
Fire										
Stations	14	14	14	14	14	14	14	14	14	14
Active apparatus	30	26	27	28	28	31	33	32	33	55
Reserve apparatus	7	9	9	11	11	8	9	9	9	13
Training facilities	1	1	1	1	1	1	1	1	1	1
Highways and streets										
Streets (miles)	867.96	868.39	868.70	868.89	871.19	872.16	872.22	872.01	872.24	872.10
Streetlights	29,757	29,868	29,933	29,949	29,968	29,986	30,427	30,467	30,479	30,445
Signalized intersections	362	362	365	365	367	386	381	382	384	392
Culture and recreation										
Parks acreage	2,773.00	2,811.00	2,811.00	2,891.00	2,911.80	2,926.80	2,983.00	2,983.00	2,988.00	2,988.00
Community centers	11	11	11	11	11	11	11	11	11	11
Playgrounds	41	41	41	43	44	44	46	46	46	46
Swimming pools	7	7	7	7	7	7	7	7	7	7
Softball & baseball diamonds	44	44	44	44	44	44	44	44	44	44
Library branches	7	8	8	8	8	8	8	8	8	8
Museum exhibit-fixed	5	8	5	3	3	4	5	5	0 ¹	1 ¹
Museum exhibit-special	2	2	1	4	4	5	6	6	1 ¹	4 ¹
Water										
Fire hydrants	7,593	7,632	7,682	7,726	7,754	7,758	7,908	7,952	8,173	8,192
Sewer										
Sanitary sewers (miles)	820	823	829	829	829	820	829	827	820	820
Electric										
Miles of overhead distribution system	519.0	517.0	515.0	513.0	513.0	513.0	513.0	513.0	514.0	514.0
Miles of underground system	782.0	791.0	804.0	810.0	814.0	815.0	817.0	826.0	831.0	834.0

¹ The decrease in total numbers of Museum's exhibits is due to the closure of the Riverside Metropolitan Museum for expansion and renovation. The Museum is expected to reopen as early as late 2020.

Source: City of Riverside, various departments





City of Arts & Innovation

**3900 Main Street
Riverside, CA 92522**

ExploreRiverside.com

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

Definitions

“Accreted Value” means, with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Bond, plus interest accrued thereon from its date compounded on each Interest Payment Date (through and including the maturity date of such Bond) at the “original issue yield” for such Bond; provided, that the Accreted Value on any date other than an Interest Payment Date shall be calculated by straight line interpolation of the Accreted Values as of the immediately preceding and succeeding Interest Payment Date. The term “original issue yield” means, with respect to any particular Bond, the yield to maturity of such Bond from the initial date of delivery thereof calculated on the basis of semiannual compounding on each Interest Payment Date.

“Act” means Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California.

“Additional Bonds” means all Bonds of the Local Agency authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance therewith.

“Aggregate Principal Amount” means, as of any date of calculation, the principal amount or Accreted Value of the Bonds referred to.

“Auction Rate Securities” means all Bonds issued in such mode prior to their fixed rate conversion date, if any.

“Authorized Representatives” means the Mayor, the Chief Financial Officer/City Treasurer and the City Manager of the City of Riverside.

“Bond Fund” means the Bond Fund established pursuant to the Trust Agreement.

“Bonds” means the 2004 Bonds, the 2017 Bonds, the 2020 Bonds and all Additional Bonds.

“Business Day” means any day other than a Saturday or Sunday or day upon which the Trustee is authorized by law to remain closed.

“Capital Appreciation Bonds” means Bonds the interest on which is payable at maturity and compounded on each Interest Payment Date through and including the maturity dates thereof as specified in the Accreted Value Table for such Bonds attached to the Trust Agreement as or in a similar exhibit to a Supplemental Trust Agreement.

“Certificate of the Local Agency” means an instrument in writing signed by any one of the Authorized Representatives of the Local Agency or such officer’s designee, or by any other officer of the Local Agency duly authorized by the City Council of the Local Agency in writing to the Trustee for that purpose. If and to the extent required by the provisions of the Trust Agreement each Certificate of the Local Agency shall include the statements provided for in the Trust Agreement.

“Closing Date” means the date on which the applicable series of Bonds are delivered to the purchaser or purchasers thereof.

“Corporate Trust Office” means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the Local Agency, initially being Los Angeles, California. The Trustee may designate in writing to the Local Agency and the Holder such other office or agency from time to time for purposes of registration, transfer, exchange, payment or redemption of Bonds.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Local Agency and related to the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the Bonds, premiums for bond insurance, if any, and any other cost, charge or fee in connection with the original execution and delivery of the Bonds.

“Costs of Issuance Fund” means the Costs of Issuance Fund established in the Trust Agreement.

“Defeasance Securities” means:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation); and
- (2) Obligations of or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States, 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).

“Fiscal Year” means the twelve-month period terminating on June 30 of each year, or any other annual accounting period thereafter selected and designated by the Local Agency as its Fiscal Year in accordance with applicable law.

“Fixed Rate” means a rate of interest that does not change during a specific term, without adjustment, resetting or variation due to the effects of marketing, remarketing or indices.

“Holder” means any person who shall be the registered owner of any Outstanding Bond.

“Index Bonds” means those Bonds which bear interest at an Index Rate.

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the Local Agency, and who, or each of whom:

- (i) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the Local Agency:

(ii) does not have a substantial financial interest, direct or indirect, in the operations of the Local Agency; and

(iii) is not connected with the Local Agency as a member, officer or employee of the Local Agency, but who may be regularly retained to audit the accounting records of and make reports thereon to the Local Agency.

“Interest Account” means the account by that name established in the Trust Agreement.

“Interest Payment Date” means each date upon which interest is due on the Bonds (or, with respect to Capital Appreciation Bonds, compounded), or such other dates designated in a Supplemental Trust Agreement.

“Local Agency” means the City of Riverside, California.

“Maturity Amount” means the Accreted Value of any Capital Appreciation Bond on its maturity date.

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Local Agency.

“Original Purchaser of the Bonds” means the original purchaser or purchasers of the Bonds.

“Outstanding,” when used as of any particular time with reference to Bonds; means (subject to the provisions of the Trust Agreement) all Bonds except:

- (i) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (ii) Bonds paid or deemed to have been paid within the meaning of the Trust Agreement; and
- (iii) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Local Agency pursuant to the Trust Agreement.

“Permitted Investments” means any of the following to the extent permitted by the laws of the State and as approved by any applicable Bond Insurer or Insurers:

- (1) Defeasance Securities;
- (2) 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 Developer Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHA’s)
- Federal Housing Administration
- Federal Financing Bank;

- (3) Direct obligations of any of the following obligations are not fully guaranteed by the full faith and credit America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or the 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 Bond Insurer or Insurers;

(4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (including the Trustee and its affiliates) 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 which mature not more than three hundred sixty (360) calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(5) 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 two hundred seventy (270) calendar days after the date of purchase;

(6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including funds for which the Trustee or its affiliates provide investment advisory or other management services;

(7) 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 and S&P or any successors

(B) (i) which are fully secured as to interest and principal and redemption premiums, if any, by an escrow consisting only of cash or obligations described in paragraph (2) of the definition of Defeasance Securities, which escrow may be applied only to the payment of such interest and principal and redemption premiums, 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 premiums, 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;

(8) 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

(9) Investment agreements approved in writing by the applicable Bond Insurer or Insurers (supported by appropriate opinions of counsel);

(10) The Local Agency Investment Fund (as that term is defined in Section 16429.1 of the Government Code of the State, as such Section may be amended or recodified from time to time); and

(11) Other forms of investments (including repurchase agreements) approved in writing by the applicable Bond Insurer or Insurers.

The value of the above investments shall be determined as follows:

(a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, 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 Local Agency, the Trustee and the applicable Bond Insurer or Insurers.

“Principal Account” means the account by that name established in the Trust Agreement.

“Principal Payment Date” means a date on which principal is due on the Bonds as set forth in the Trust Agreement.

“Qualified Swap Agreement” or “Swap Agreement” means (i) any ISDA Master Swap Agreement, by and between the Local Agency and a Qualified Swap Provider, which includes Schedule A thereto and the applicable Commitment, (a) that is entered into by the Local Agency with an entity that is a Qualified Swap Provider at the time the arrangement is entered into: (b) which provides that the Local Agency shall pay to such entity an amount based on the interest accruing at a Fixed Rate on an amount equal to the principal amount of Outstanding Bonds covered by such Swap Agreement, if any, and that such entity shall pay to the Local Agency an amount based on the interest accruing on a principal amount equal to the then Outstanding principal amount of the affected Bonds, at a variable rate of interest computed according to a formula set forth in the Swap Agreement (which need not be the same formula by which the Auction Rate, if applicable, is calculated) or that one shall pay to the other any net amount due under such arrangement; and (c) which has been designated in writing to the Trustee in a Certificate of the Local Agency as a Qualified Swap Agreement with respect to the affected Bonds.

“Qualified Swap Provider” means with respect to the counterparty under any other Swap Agreement meeting the requirements of the definition thereof, a financial institution approved by the Local Agency, and (A) the long-term, unsecured and unsubordinated obligations of which are rated at the time of execution of the related Qualified Swap Agreement by at least one Rating Agency as described in clause (i) below and by at least one other Rating Agency as described in clause (ii) below: (i) at least “Aa3” by Moody’s or “AA-” by S&P or Fitch and (ii) not lower than “A2” by Moody’s or “A” by S&P or Fitch; or (B) the obligations of which under the particular Qualified Swap Agreement and any Swap Policy related thereto are unconditionally guaranteed by a bank or non-bank financial institution, the long-term, unsecured and unsubordinated obligations of which are rated at the time of execution of the Qualified Swap Agreement by at least one Rating Agency as described in clause (i) above and by at least one other rating agency as described in clause (ii) above.

“Rating Agencies” means Moody’s Investors Service, Inc. and Standard & Poor’s Corporation, or, in the event that Moody’s Investors Service, Inc. or Standard & Poor’s Corporation no longer maintains a rating on the Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Bonds, but, in each instance, only so long as Moody’s Investors Service, Inc., Standard & Poor’s Corporation or other nationally recognized rating agency then maintains a rating on the Bonds.

“Record Date” means the fifteenth day of the month preceding each Interest Payment Date, or such other date designated in a Supplemental Trust Agreement.

“Retirement Law” means the Public Employees’ Retirement Law commencing with Section 20000 of the Government Code of the State of California, as amended.

“Serial Bonds” means Bonds for which no sinking fund payments are provided.

“State” means the State of California.

“Supplemental Trust Agreement” means any trust agreement then in full force and effect which has been duly executed and delivered by the Local Agency and the Trustee amendatory thereof or supplemental to the Trust Agreement; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

“Surplus Account” means the account by that name established in the Trust Agreement.

“Swap Payments” means any of the periodic payments due from the Local Agency pursuant to the terms of a Qualified Swap Agreement.

“System” means the California Public Employees’ Retirement System.

“Term Bonds” means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

“Trust Agreement” means the Trust Agreement, dated as of June 1, 2004, between the Local Agency and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions of the Trust Agreement.

“Trustee” means U.S. Bank National Association, or any other association or corporation which may at any time be substituted in its place as provided in the Trust Agreement.

“2020 Bonds” means the City of Riverside Taxable Pension Obligation Bonds, 2020 Series A.

“Written Request of the Local Agency” means an instrument in writing signed by any one of the Authorized Representatives of the Local Agency or such officer’s designee, or by any other officer of the Local Agency duly authorized by the City Council of the Local Agency in writing to the Trustee for that purpose.

Bond Fund; Deposits to Bond Fund

(a) In order to meet the Local Agency’s obligations under the Retirement Law, the Local Agency shall deposit or cause to be deposited with the Trustee on or before August 1 of each fiscal year (or such other date as provided in a Supplemental Trust Agreement) the amount which, together with moneys transferred pursuant to the Trust Agreement, is sufficient to pay the Local Agency’s debt service obligations on the Bonds payable during such fiscal year.

In establishing the amounts of the Local Agency’s obligations on the Bonds to be prepaid in each fiscal year, (i) (A) the debt service for Auction Rate Securities not subject to a Qualified Swap Agreement with an Auction Rate Period of less than 360 Rate Period Days shall be prepaid at the actual average interest rate for the immediately preceding fiscal year plus 200 basis points (2.00%) and if such information is not available for the full immediately preceding fiscal year, then the debt service for such Auction Rate Securities shall be prepaid at the average one-month LIBOR plus 200 basis points (2.00%) for the immediately preceding fiscal year: the debt service for Index Bonds not subject to a Qualified Swap Agreement shall be prepaid at the average one-month LIBOR in effect during the immediately preceding fiscal year, plus 200 basis points

(2.00%), or (B) the debt service for Auction Rate Securities not subject to a Qualified Swap Agreement with an Auction Rate Period of 360 Rate Period Days or longer shall be prepaid at the actual interest rate in effect for such Auction Rate Securities; and (ii) the debt service for all other Bonds then Outstanding shall be prepaid at (A) the rate prescribed under the applicable Qualified Swap Agreement, if any, for Auction Rate Securities and Index Bonds subject to a Qualified Swap Agreement, and (B) the actual interest rate in effect for Fixed Rate Bonds.

(b) All amounts payable by the Local Agency under the Trust Agreement shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which fund is created and shall be held in trust by the Trustee.

Allocation of Moneys in Bond Fund

On or before each Interest Payment Date or date fixed for redemption of Bonds, the Trustee shall transfer from the Bond Fund, in immediately available funds, for deposit into the following respective accounts (each of which is created and which the Trustee shall maintain in trust separate and distinct from the other funds and accounts established under the Trust Agreement), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of funds sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any account subsequent in priority:

- (a) Interest Account,
- (b) Principal Account, and
- (c) Surplus Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in this section.

(a) Interest Account. On or before each Interest Payment Date, the Trustee shall set aside from the Bond Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(b) Principal Account. On or before each Principal Payment Date, the Trustee shall set aside from the Bond Fund and deposit in the Principal Account an amount of money equal to the amount of all sinking fund payments required to be made on such Principal Payment Date into the respective sinking fund accounts for all Outstanding Term Bonds and the principal amount or Accreted Value of all Outstanding Serial Bonds maturing on such Principal Payment Date.

No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal or Accreted Value of all Outstanding Serial Bonds maturing by their terms on such Principal Payment Date plus the aggregate amount of all sinking fund payments required to be made on such Principal Payment Date for all Outstanding Term Bonds.

The Trustee shall establish and maintain within the Principal Account a separate subaccount for the Term Bonds of each series and maturity, designated as the “Sinking Account” (the “Sinking Account”), inserting therein the series and maturity (if more than one such account is established for such series) designation of such Bonds. With respect to each Sinking Account, on each mandatory sinking account payment date established for such Sinking Account, the Trustee shall apply the mandatory sinking account payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the series and maturity for which such Sinking Account was established, upon the notice and in the manner provided in the Trust Agreement; provided that, at any time prior to giving such notice of such redemption, the Trustee may upon the Written Request of the Local Agency, apply moneys in such Sinking Account to the purchase for cancellation 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 Account), as may be directed by the Local Agency, except that the purchase price (excluding accrued interest) shall not exceed the redemption price that would be payable for such Bonds upon redemption by application of such Mandatory Sinking Account Payment. If, during the twelve-month period immediately preceding said mandatory sinking account payment date, the Trustee has purchased Term Bonds of such series and maturity with moneys in such Sinking Account, such Bonds so purchased shall be applied, to the extent of the full principal amount or Accreted Value thereof, as applicable, to reduce said mandatory sinking account payment.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal or Accreted Value of the Bonds, as applicable, as they shall become due and payable, whether at maturity or redemption, except that any money in any sinking fund account shall be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such Sinking Account was created.

(c) Surplus Account. On the Business Day following the last Interest Payment Date of each fiscal year, or on such other date as provided in a Supplemental Trust Agreement, any moneys remaining in the Bond Fund shall be deposited by the Trustee in the Surplus Account. So long as no Event of Default has occurred and is continuing, moneys deposited in the Surplus Account shall be transferred by the Trustee to or upon the order of the Local Agency, as specified in a Written Request of the Local Agency.

Deposit and Investments of Money in Accounts and Funds

All money held by the Trustee in any of the accounts or funds established pursuant to the Trust Agreement shall be invested in Permitted investments at the Written Request of the Local Agency. If no Written Request of the Local Agency is received, the Trustee shall invest funds held by it in Permitted Investments described in clause 6 of the definition thereof. Such investments shall, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement. All interest, profits and other income received from any money so invested shall be deposited in the Bond Fund. The Trustee shall have no liability or responsibility for any loss resulting from any investment made or sold in accordance with the provisions of the Trust Agreement, except for any loss due to the negligence or willful misconduct of the Trustee. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charge therefor.

Additional Bonds

The Local Agency may at any time issue Additional Bonds on a parity with the Bonds, but only subject to the following specific conditions, which are made conditions precedent to the issuance of any such Additional Bonds:

(a) The Local Agency shall be in compliance with all agreements and covenants contained in the Trust Agreement.

(b) The issuance of such Additional Bonds shall have been authorized pursuant to the Act and shall have been provided for by a Supplemental Trust Agreement which shall specify the following:

(i) The purpose for which such Additional Bonds are to be issued; provided that such Additional Bonds shall be applied solely for (i) the purpose of satisfying any obligation of the Local Agency to make payments to the System pursuant to the Retirement Law relating to pension benefits accruing to the System's members, and/or for payment of all costs incidental to or connected with the issuance of Additional Bonds for such purpose, and/or (ii) the purpose of refunding any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding;

(ii) Whether such Bonds are current interest fixed rate bonds, listed securities, index bonds, auction rate securities, variable rate bonds, tender option bonds, capital appreciation bonds or bonds bearing interest at such other interest rate modes as may be set forth in a Supplemental Trust Agreement;

(iii) The authorized principal amount and designation of such Additional Bonds;

(iv) The date and the maturity dates of and the sinking fund payment dates, if any, for such Additional Bonds;

(v) The interest payment dates for such Additional Bonds;

(vi) The denomination or denominations of and method of numbering such Additional Bonds;

(vii) The redemption premiums, if any and the redemption terms, if any, for such Additional Bonds;

(viii) The amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in the Interest Account; and

(ix) Such other provisions (including the requirements of a book-entry bond registration system, if any) as are necessary or appropriate and not inconsistent with the Trust Agreement.

Procedure for the Issuance of Additional Bonds

At any time after the sale of any Additional Bonds in accordance with the Act, the Local Agency shall execute such Additional Bonds for issuance under the Trust Agreement and shall deliver them to the Trustee, and thereupon such Additional Bonds shall be delivered by the Trustee to the purchaser thereof upon the Written Request of the Local Agency, but only upon receipt by the Trustee of the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Additional Bonds by the Trustee:

(a) An executed copy of the Supplemental Trust Agreement authorizing the issuance of such Additional Bonds;

(b) A Written Request of the Local Agency as to the delivery of such Additional Bonds;

(c) An Opinion of Counsel to the effect that (1) the Local Agency has executed and delivered the Supplemental Trust Agreement, and the Supplemental Trust Agreement is valid and binding upon the Local Agency and (2) such Additional Bonds are valid and binding obligations of the Local Agency;

(d) A Certificate of the Local Agency stating that all requirements of the Trust Agreement have been complied with and containing any other such statements as may be reasonably necessary to show

compliance with the conditions for the issuance of such Additional Bonds contained in the Trust Agreement; and

(e) Such further documents, money or securities as are required by the provisions of the Supplemental Trust Agreement providing for the issuance of such Additional Bonds.

Additional Debt

The Local Agency expressly reserves the right to enter into one or more other agreements or indentures for any of its purposes, and reserves the right to issue other obligations for such purposes.

The Trustee

U.S. Bank National Association shall serve as the Trustee for the Bonds for the purpose of receiving all money which the Local Agency is required to deposit with the Trustee under the Trust Agreement and for the purpose of allocating, applying and using such money as provided therein and for the purpose of paying the interest on and principal of and redemption premiums, if any, on the Bonds presented for payment at the Corporate Trust Office of the Trustee with the rights and obligations provided in the Trust Agreement. The Local Agency agrees that it will at all times maintain a Trustee having a corporate trust office in Los Angeles or San Francisco, California.

The Local Agency may at any time, unless there exists any event of default as defined in the Trust Agreement, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor shall be a bank or trust company doing business and having a corporate trust office in Los Angeles or San Francisco, California, having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000) and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the Local Agency and by mailing to the Holders notice of such resignation. Upon receiving such notice of resignation, the Local Agency shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If, within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by the Trust Agreement.

The Trustee shall, prior to an event of default, and after the curing of all events of default that may have occurred, perform such duties and only such duties as are specifically set forth in the Trust Agreement and no implied duties or obligations shall be read into the Trust Agreement. The Trustee shall, during the existence of any event of default (that has not been cured), exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Compensation of Trustee

The Local Agency covenants to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties under the Trust Agreement of the Trustee, and the Local Agency will pay or reimburse the

Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of the Trust Agreement (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence, default or willful misconduct, including the negligence or willful misconduct of any of its officers, directors, agents or employees.

Amendment of the Trust Agreement

The Trust Agreement and the rights and obligations of the Local Agency and of the Holders may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Holders of a majority in Aggregate Principal Amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Trust Agreement, are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, or extend the time of payment on any Bond without the express written consent of the Holder of such Bond, or (2) reduce the percentage of Bonds required for the written consent to any such amendment.

The Trust Agreement and the rights and obligations of the Local Agency and of the Holders may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Holders, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel, for any purpose that will not materially adversely affect the interests of the Holders, including (without limitation) for any one or more of the following purposes:

(a) to add to the agreements and covenants required in the Trust Agreement to be performed by the Local Agency other agreements and covenants thereafter to be performed by the Local Agency, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved in the Trust Agreement to or conferred therein on the Local Agency;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement and in any Supplemental Trust Agreement or in regard to questions arising thereunder which the Local Agency may deem desirable or necessary and not inconsistent therewith;

(c) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in the Trust Agreement (which shall be deemed not to adversely affect Holders);

(d) to modify, amend or add to the provisions in the Trust Agreement or in any Supplemental Trust Agreement to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statutes thereafter in effect, and to add such other terms, conditions and provisions as may be permitted by such statute or similar statute;

(e) to modify, amend or add to the provisions in the Trust Agreement or in any Supplemental Trust Agreement pertaining to the terms or operations of interest on the Bonds at a variable rate, as the Local Agency may deem necessary or desirable in order to conform to common market practices for such bonds; or

(f) to modify, amend or supplement the Trust Agreement and any Supplemental Trust Agreement in any manner that does not materially adversely affect the interest of Holders of Bonds.

The Trustee shall not be required to enter into or consent to any supplemental trust agreement which, in the sole judgment of the Trustee, may adversely affect the rights, obligations, powers, privileges, indemnities and immunities provided the Trustee in the Trust Agreement.

Amendment by Mutual Consent

The Trust Agreement shall not prevent any Holder from accepting any amendment as to the particular Bonds held by such Holder, provided that due notation thereof is made on such Bonds.

Events of Default

The following are “events of default” under the Trust Agreement:

(a) if default shall be made by the Local Agency in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(b) if default shall be made by the Local Agency in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) if default shall be made by the Local Agency in the performance of any of the agreements or covenants required in the Trust Agreement to be performed by the Local Agency, and such default shall have continued for a period of sixty (60) days after the Local Agency shall have been given notice in writing of such default by the Trustee or the Owners of not less than twenty-five (25%) in Aggregate Principal Amount of the Bonds at the time Outstanding, specifying such default and requiring the same to be remedied, provided, however, if the default stated in the notice can be corrected, but not within the applicable period, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Local Agency within the applicable period and diligently pursued until the default is corrected: or

(d) if the Local Agency shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Local Agency seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Local Agency or of the whole or any substantial part of its property.

Institution of Legal Proceedings by Trustee Following Event of Default

If one or more of the events of default shall happen and be continuing, the Trustee may, and upon the written request of the Holders of not less than fifty-one percent (51%) in Aggregate Principal Amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Holders of Bonds under the Trust Agreement by a suit in equity or action at law, either for the specific performance of any covenant, or agreement contained therein, or in aid of the execution of any power granted in the Trust Agreement, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties under the Trust Agreement.

Non-Waiver

Nothing in the Trust Agreement or in the Bonds shall affect or impair the obligation of the Local Agency, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Holders of the Bonds at the respective dates of maturity or upon prior redemption as provided in Trust Agreement, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Trust Agreement and in the Bonds.

A waiver of any default or breach of duty or contract by the Trustee or any Holder shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee or any Holder to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Holders by the Act or by this Article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Holders.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the Local Agency, the Trustee and any Holder shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive

No remedy in the Trust Agreement conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or now or thereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Discharge of Bonds

(a) If the Local Agency shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated in the Trust Agreement and therein, and shall pay or provide for the payment of all fees and expenses of the Trustee, then all agreements, covenants and other obligations of the Local Agency to the Holders of such Bonds thereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Local Agency all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Local Agency all money or securities held by it pursuant to the Trust Agreement which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Local Agency shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the Trust Agreement, (2) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) Defeasance Securities which are not subject to redemption prior to maturity (including any such Defeasance Securities issued or held in book-entry form on the books of the Local Agency or the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Independent Certified Public Accountant, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Local Agency shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

FORM OF APPROVING OPINION OF BOND COUNSEL

June 11, 2020

City Council
City of Riverside
Riverside, California

Re: \$432,165,000 City of Riverside Taxable Pension Obligation Bonds, 2020 Series A

Ladies and Gentlemen:

We have examined certified copies of proceedings of the City of Riverside (the “City”) relative to the execution and delivery by the City of its Taxable Pension Obligation Bonds, 2020 Series A, in the aggregate principal amount of \$432,165,000 (the “Bonds”), and such other information and documents as we consider necessary to render this opinion.

The Bonds have been issued pursuant to the authority contained in Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented, and a Trust Agreement, dated as of June 1, 2004 (the “Original Trust Agreement”), by and between the City and U.S. Bank National Association, as successor trustee (the “Trustee”), as amended and supplemented to date, including as supplemented by a Twelfth Supplemental Trust Agreement dated as of June 1, 2020 (the “Twelfth Supplemental Trust Agreement,” and with the Original Trust Agreement, as it has been previously supplemented, the “Trust Agreement”). The Bonds have been issued for the purpose of refunding certain of the City’s obligations to the Public Employees Retirement System (“PERS”) evidenced by the contract between the Board of Administration of PERS and the City Council of the City, dated July 1, 1945, as amended (the “PERS Contract”), to pay unamortized, unfunded accrued liability with respect to pension benefits under the Public Employee’s Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code (the “Retirement Law”). In such connection, we have reviewed the Trust Agreement, certificates of the City, the Trustee, and others, opinions of the City Attorney and counsel to the Trustee, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the City, the initial purchasers of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions, including the default judgment entered on May 3, 2004 by the Superior Court of the City of Riverside in the action entitled City of Riverside v. All Persons Interested, etc., Case No. RIC408587, and cover certain matters not directly addressed by such authorities. The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement as to the Bonds terminates as of the date of execution and delivery of the Bonds.

All terms not defined herein have the meanings ascribed to those terms in the Trust Agreement.

Based upon our examination of all of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The Twelfth Supplemental Trust Agreement has been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the Trustee, the Trust Agreement constitutes the valid and binding obligation of the City enforceable in accordance with its terms.

2. The Bonds have been duly authorized and delivered by the City and are valid and binding obligations of the City enforceable in accordance with their terms. The Bonds do not constitute a debt of the City, the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and do not constitute an obligation for which the City, the State of California or any political subdivision thereof is obligated to levy or pledge any form of taxation or for which the City, the State of California or any political subdivision thereof has levied or pledged any form of taxation.

3. Upon delivery and authentication of the Bonds in accordance with the Trust Agreement, the Bonds will be entitled to the benefits of the Trust Agreement.

4. Interest on the Bonds is exempt from State of California personal income tax.

The opinions expressed in paragraphs 1, 2 and 3 above are limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws affecting the enforcement of creditors rights generally, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against cities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the Trust Agreement.

Except as expressly set forth in paragraph 4 above, we express no opinion regarding any tax consequences with respect to the Bonds.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX E

BOOK ENTRY PROVISIONS

The following description of DTC, the procedures and record keeping with respect to beneficial ownership interests in the Securities, payment of principal, interest and other payments on the Securities to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Securities and other related transactions by and 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 issuer of the Securities (the “**Issuer**”) nor the trustee, fiscal agent or paying agent appointed with respect to the Securities (the “**Agent**”) take 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 Securities, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Securities, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Securities, 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 securities (the “**Securities**”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”).

DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The information contained on this Internet site is not incorporated herein by reference.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("**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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities 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 any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from 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, 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 depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”), dated June 11, 2020, is executed and delivered by the City of Riverside (the “City”) in connection with the issuance by the City of its \$432,165,000 City of Riverside Taxable Pension Obligation Bonds, 2020 Series A (the “Bonds”). The Bonds are being issued pursuant to the Trust Agreement, dated as of June 1, 2004, by and between the City and U.S. Bank National Association, as trustee (the “Trustee”), as previously amended and supplemented including as amended and supplemented by a Twelfth Supplemental Trust Agreement, dated as of June 1, 2020 (collectively, the “Trust Agreement”). The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders of the Bonds and to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Annual Report Date” means the date that is nine months after the end of the City’s fiscal year (currently March 31 based on the City’s fiscal year end of June 30).

“Dissemination Agent” shall mean the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Holders” shall mean, while the Bonds are registered in the name of The Depository Trust Company, any applicable participant in its depository system, or the Owner of any Bond for Federal income tax purposes.

“Listed Events” shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

“Official Statement” means the final official statement executed by the City in connection with the issuance of the Bonds.

“Participating Underwriter” shall mean BofA Securities, Inc. and Raymond James & Associates, Inc., as the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2021, with the report for the 2019-20 fiscal year, provide to the Repository, in an electronic format as prescribed by the Repository, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide in a timely manner (or cause the Dissemination Agent to provide in a timely manner) to the Repository, in an electronic format as prescribed by the Repository, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

SECTION 4. Content of Annual Reports. Each Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements 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 Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the preceding fiscal year, substantially similar to that provided in the corresponding tables in Appendix A to the Official Statement:

(i) Table 2, containing information about the City's General Fund balance sheet;

(ii) Tables 3 and 7, containing information concerning the actual revenues, expenditures and beginning and ending fund balances relating to the General Fund of the City, and showing tax revenue collections by source;

(iii) Table 5, containing only the General Fund adopted budget information (and not projected actual information);

(iv) Table 10, containing information about assessed values of taxable property;

(v) Table 11, containing information about principal property taxpayers;

(vi) Table 12, showing property tax levies and collections, only if and for so long as the City is not covered by the County's Teeter Plan;

(vii) Table 13, containing information showing the aggregate principal amount of long-term bonds, leases and other obligations of the City which are payable out of the General Fund of the City; and

(viii) Tables 14 through 18, containing information on the City's funding status and contribution rates with respect to its PERS retirement plans.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. rating changes.
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
6. unscheduled draws on the debt service reserves reflecting financial difficulties.
7. unscheduled draws on credit enhancement reflecting financial difficulties.
8. substitution of the credit or liquidity providers or their failure to perform.
9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the City. For the purposes of the event identified in this Section 5(a)(9), the event 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 U.S. Bankruptcy Code or in any other proceeding

under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

10. 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) 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 Bonds, if material:

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. bond calls.
4. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
5. release, substitution or sale of property securing repayment of the Bonds.
6. the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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.
7. Appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.
8. Incurrence of a financial obligation of the obligated person, 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 Bond holders.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the City determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the City shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the City's determination of materiality pursuant to Section 5(c).

(e) For purposes of the events identified in subparagraphs (a)(10) and (b)(8) under this Section 5, the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii)

guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(d).

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 Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. 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 Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 4 or 5 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 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 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 does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders of the Bonds.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Holder 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 under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful

misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

CITY OF RIVERSIDE

By: _____
Chief Financial Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Riverside, California
Name of Issue: Taxable Pension Obligation Bonds, 2020 Series A
Date of Issuance: June 11, 2020

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificated, executed and delivered by the City in connection with the issuance of the Bonds. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY OF RIVERSIDE

By: _____
Its: _____

[THIS PAGE INTENTIONALLY LEFT BLANK]

