NEW ISSUE—BOOK-ENTRY ONLY **Rating: S&P "AA"**
See the caption "CONCLUDING INFORMATION—Rating"

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2018A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax, although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. See the caption "TAX MATTERS."

$74,435,000
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
2018 TAX ALLOCATION REFUNDING BONDS, SERIES A

$40,380,000
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
2018 TAX ALLOCATION REFUNDING BONDS, TAXABLE SERIES B

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

The Successor Agency to the Redevelopment Agency of the City of Riverside 2018 Tax Allocation Refunding Bonds, Series A (the "**2018A Bonds**") and the Successor Agency to the Redevelopment Agency of the City of Riverside 2018 Tax Allocation Refunding Bonds, Taxable Series B (the "**2018B Bonds**" and, together with the 2018A Bonds, the "**Bonds**") will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**"), and will be available to ultimate purchasers ("**Beneficial Owners**") in integral multiples of $5,000 under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the Bonds. The principal of, premium if any, and interest (which interest is due March 1 and September 1 of each year, commencing March 1, 2019) on the Bonds will be payable by U.S. Bank National Association, as trustee (the "**Trustee**"), to DTC for subsequent disbursement to DTC Participants, so long as DTC or its nominee remains the registered owner of the Bonds. See the caption "THE BONDS—Book-Entry System."

The 2018A Bonds are being issued pursuant to the Indenture of Trust, dated as of October 1, 2014 (the "**Original Indenture**"), as supplemented by the Second Supplement to Indenture of Trust, dated as of September 1, 2018 (the "**Second Supplement**"), by and between the Trustee and the Successor Agency to the Redevelopment Agency of the City of Riverside (the "**Agency**"): (i) to refund certain obligations of the former Redevelopment Agency of the City of Riverside, as described under the caption "REFUNDING PLAN;" (ii) to fund a portion of the premium for a Municipal Bond Debt Service Reserve Insurance Policy from Assured Guaranty Municipal Corp. for deposit in the 2018 Reserve Account for the benefit of the 2018A Bonds; and (iii) to pay certain costs of issuance of the 2018A Bonds.

The 2018B Bonds are being issued pursuant to the Original Indenture, as supplemented by the Third Supplement to Indenture of Trust, dated as of September 1, 2018 (the "**Third Supplement**"), by and between the Trustee and the Agency: (i) to refund certain obligations of the former Redevelopment Agency of the City of Riverside, as described under the caption "REFUNDING PLAN;" (ii) to fund a portion of the premium for a Municipal Bond Debt Service Reserve Insurance Policy from Assured Guaranty Municipal Corp. for deposit in the 2018 Reserve Account for the benefit of the 2018B Bonds; and (iii) to pay certain costs of issuance of the 2018B Bonds.

The Original Indenture, the First Supplement to Indenture of Trust, dated as of October 1, 2014, by and between the Agency and the Trustee, the Second Supplement and the Third Supplement are collectively referred to as the "**Indenture**").

The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity as described under the caption "THE BONDS—Redemption."

The Bonds are payable from and secured by the Tax Revenues deposited in the Redevelopment Property Tax Trust Fund on a subordinate basis to certain obligations of the Agency and on a parity with certain bonds currently outstanding in the aggregate principal amount of $46,915,000, as more fully described under the caption "SECURITY FOR THE BONDS." Taxes levied on the property within the Project Areas on that portion of the taxable valuation over and above the taxable valuation of the base year property tax roll, to the extent that such taxes constitute Tax Revenues, will be deposited in the Redevelopment Obligation Retirement Fund and administered by the Agency and the Trustee in accordance with the Indenture.

This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. Attention is hereby directed to certain risk factors more fully described herein.

The Bonds are not a debt of the City of Riverside, the State of California, or any of its political subdivisions, and neither said City, said State, nor any of its political subdivisions is liable hereon, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Agency. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The principal of and interest on the Bonds are payable solely from the Tax Revenues allocated to the Agency from the Project Areas (all as defined herein and in the Indenture) and other funds as set forth in the Indenture.

The Bonds are offered, when, as and if issued, subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will be passed on for the Agency by the City Attorney of the City of Riverside, as counsel to the Agency, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel, for the Underwriter by Kutak Rock LLP, Los Angeles, California, and for the Trustee by its counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about September 27, 2018.

STIFEL

Dated: August 30, 2018

MATURITY SCHEDULE

Base CUSIP† 76904R

$74,435,000
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
2018 TAX ALLOCATION REFUNDING BONDS, SERIES A

Maturity Date (September 1)	*Principal Amount*	*Interest Rate*	*Yield*	*Price*	*CUSIP†*
2022	$ 140,000	5.000%	1.690%	112.526	BH9
2023	5,490,000	5.000	1.750	115.278	BJ5
2024	5,960,000	5.000	1.890	117.361	BK2
2025	6,715,000	5.000	1.990	119.387	BL0
2026	8,020,000	5.000	2.100	121.075	BM8
2027	7,535,000	5.000	2.210	122.491	BN6
2028	9,180,000	5.000	2.300	123.841	BP1
2029	8,815,000	5.000	2.410	122.745(c)	BQ9
2030	7,385,000	5.000	2.520	121.660(c)	BR7
2031	7,345,000	5.000	2.590	120.976(c)	BS5
2032	7,585,000	5.000	2.690	120.007(c)	BT3
2034	265,000	3.125	3.310	97.722	BU0

$40,380,000
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
2018 TAX ALLOCATION REFUNDING BONDS, TAXABLE SERIES B

Maturity Date (September 1)	*Principal Amount*	*Interest Rate*	*Yield*	*Price*	*CUSIP†*
2033	$7,970,000	3.750%	4.009%	97.109	BV8

$32,410,000 4.000% Term 2018B Bonds Due September 1, 2037, Yield: 4.102%, Price: 98.663, CUSIP† BW6

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP® numbers are provided for convenience of reference only. Neither the Agency nor the Underwriter takes any responsibility for the accuracy of such numbers.

(c) Priced to first optional redemption date of September 1, 2028 at par.

SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
Riverside, California

BOARD OF DIRECTORS

Rusty Bailey, *Chair*
Mike Gardner
Andy Melendrez
Mike Soubirous
Chuck Conder
Chris MacArthur
James Perry
Steve Adams

AGENCY STAFF

Al Zelinka, City Manager
Lea Deesing, Assistant City Manager
Rafael Guzman, Assistant City Manager
Edward Enriquez, *Interim Chief Financial Officer/Interim Treasurer*
Colleen J. Nicol, *City Clerk*
Gary Geuss, *City Attorney*

SPECIAL SERVICES

Bond Counsel

Jones Hall, A Professional Law Corporation,
San Francisco, California

Disclosure Counsel

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

Trustee

U.S. Bank National Association
Los Angeles, California

Municipal Advisor

CSG Advisors Incorporated
San Francisco, California

Fiscal Consultant

DHA Consulting, LLC
Long Beach, California

Verification Agent

Grant Thornton LLP
Minneapolis, Minnesota

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized by the Agency or the Underwriter to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been given or authorized by the Agency or the Underwriter.

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds that are described in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement does not constitute a contract between any Bond owner and the Agency or the Underwriter.

Preparation of this Official Statement. The information that is contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure made by the Agency, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "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 subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions that are used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

This Official Statement speaks only as of its date, and the information and expressions of opinion that are contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Agency or the other parties described in this Official Statement, since the date of this Official Statement.

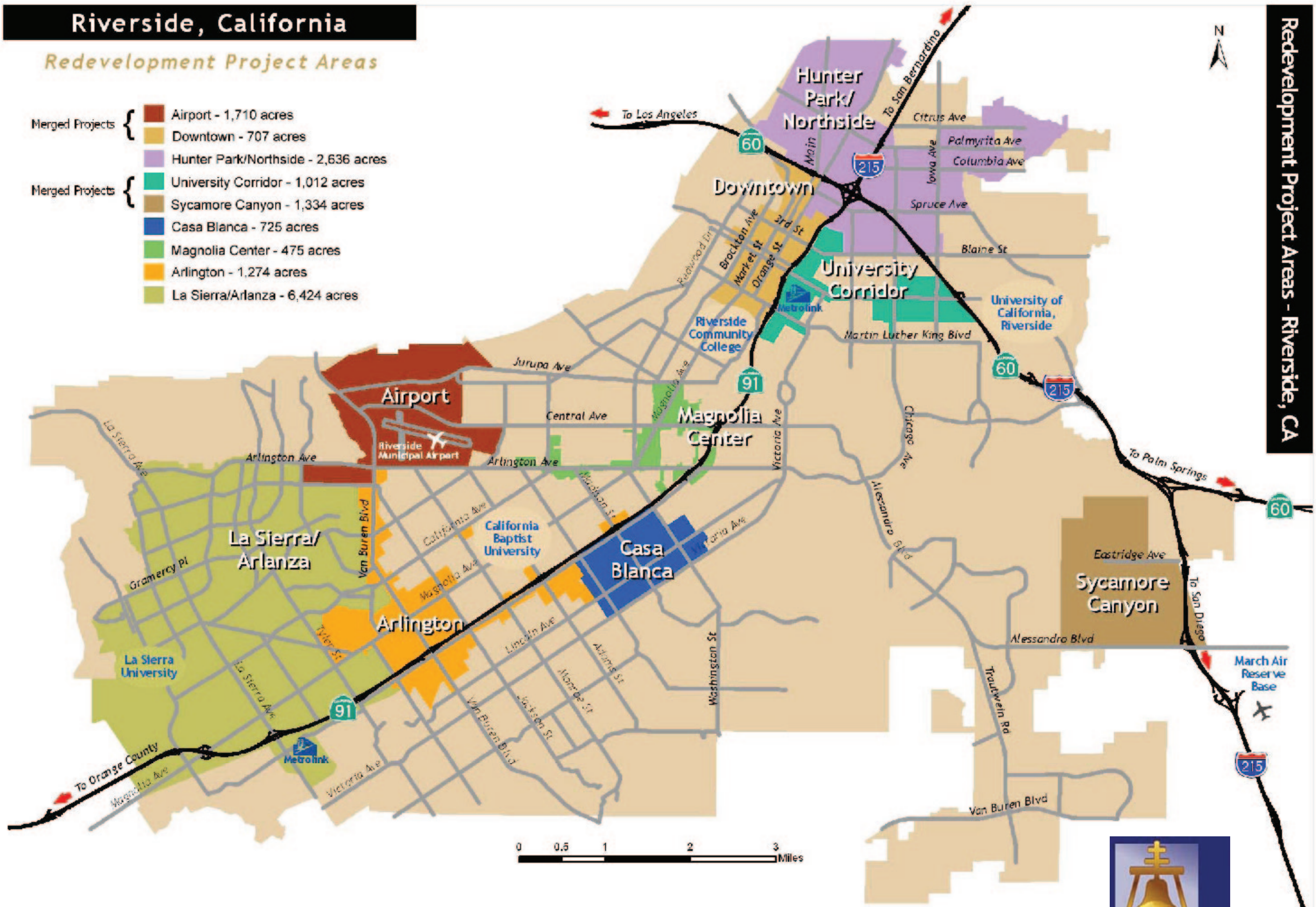
Document Summaries. All summaries of the Indenture or other documents contained in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions. All references in this Official Statement to the Indenture and such other documents are qualified in their entirety by reference to such documents, which are on file with the Agency.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

No Registration with the SEC. The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

Public Offering Prices. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY 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 Underwriter may offer and sell the Bonds to certain dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and the Underwriter may change such public offering prices from time to time.

Website. The City of Riverside maintains an Internet website. However, the information maintained on such website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.



City of Riverside Development Department * 1-877-RIV-SIDE * fax 951-826-5744
www.RiversideCA.gov * 3900 Main Street, 5th Floor * Riverside, CA 92522

CITY OF RIVERSIDE

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TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Page

$74,435,000 SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE 2018 TAX ALLOCATION REFUNDING BONDS, SERIES A	$40,380,000 SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE 2018 TAX ALLOCATION REFUNDING BONDS, TAXABLE SERIES B

INTRODUCTORY STATEMENT

This Official Statement, including the cover page, is provided to furnish information in connection with the sale by the Successor Agency to the Redevelopment Agency of the City of Riverside (the "**Agency**") of its $74,435,000 2018 Tax Allocation Refunding Bonds, Series A (the "**2018A Bonds**") and $40,380,000 2018 Tax Allocation Refunding Bonds, Taxable Series B (the "**2018B Bonds**" and, together with the 2018A Bonds, the "**Bonds**").

Authority and Purpose

The 2018A Bonds are being issued pursuant to the Constitution and laws of the State of California (the "**State**"), including the Community Redevelopment Law, being Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State (the "**Redevelopment Law**"), Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "**Bond Law**"), and an Indenture of Trust, dated as of October 1, 2014 (the "**Original Indenture**"), by and between the Agency and U.S. Bank National Association, as trustee (the "**Trustee**"), as supplemented by the Second Supplement to Indenture of Trust, dated as of September 1, 2018 (the "**Second Supplement**"), by and between the Agency and the Trustee.

The 2018B Bonds are being issued pursuant to the Constitution and laws of the State, including the Redevelopment Law, the Bond Law and the Original Indenture, as supplemented by the Third Supplement to Indenture of Trust, dated as of September 1, 2018 (the "**Third Supplement**"), by and between the Agency and the Trustee.

See the caption "THE BONDS—Authority for Issuance."

The Original Indenture, the First Supplement to Indenture of Trust, dated as of October 1, 2014 (the "**First Supplement**"), by and between the Agency and the Trustee, the Second Supplement and the Third Supplement are collectively referred to as the "**Indenture**."

The 2018A Bonds are being issued: (i) to refund certain obligations of the former Redevelopment Agency of the City of Riverside (the "**Prior Agency**"), as described under the caption "REFUNDING PLAN;" (ii) to fund a portion of the premium for a Municipal Bond Debt Service Reserve Insurance Policy (the "**Reserve Surety**") from Assured Guaranty Municipal Corp. (the "**Surety Provider**") for deposit in the 2018 Reserve Account for the benefit of the 2018A Bonds; and (iii) to pay certain costs of issuance of the 2018A Bonds.

The 2018B Bonds are being issued: (i) to refund certain obligations of the Prior Agency, as described under the caption "REFUNDING PLAN;" (ii) to fund a portion of the premium for the Reserve Surety for deposit in the 2018 Reserve Account for the benefit of the 2018B Bonds; and (iii) to pay certain costs of issuance of the 2018B Bonds.

See the caption "SOURCES AND USES OF FUNDS."

The Bonds are payable from and secured by the Tax Revenues deposited in the Redevelopment Property Tax Trust Fund: (i) on a subordinate basis to certain ongoing obligations of the Agency (collectively, the "**Senior Obligations**"), as more fully described under the caption "SECURITY FOR THE BONDS—Senior Obligations;" and (ii) on a parity with certain bonds (the "**2014 Bonds**") currently outstanding in the aggregate principal amount of $46,915,000. See the caption "SECURITY FOR THE BONDS—Parity Obligations."

The City and the Agency

The City of Riverside (the "**City**") was incorporated in 1883 and became a charter city in 1953. The City now encompasses approximately 81.5 square miles, and has a current estimated population of approximately 325,000. The City is located approximately 60 miles east of downtown Los Angeles, in the western portion of the County of Riverside (the "**County**"), near Orange and San Bernardino Counties. See Appendix F for further information with respect to the City.

The Prior Agency was established pursuant to the Redevelopment Law and was activated by Ordinance No. 3481 adopted by the City Council on November 14, 1967, at which time the City Council declared itself to be the governing board of the Prior Agency. The Prior Agency was charged with redeveloping and upgrading blighted areas of the City.

On June 29, 2011, Assembly Bill No. 26 ("**AB X1 26**") was enacted as Chapter 5, Statutes of 2011, together with a companion bill, Assembly Bill No. 27 ("**AB X1 27**"). A lawsuit entitled *California Redevelopment Association, et al. v. Matosantos, et al.*, was brought in the State Supreme Court challenging the constitutionality of AB X1 26 and AB X1 27. In a published decision (53 Cal. 4th 231 (Dec. 29, 2011)), the State Supreme Court largely upheld AB X1 26, invalidated AB X1 27 and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the State Supreme Court, as of February 1, 2012, all redevelopment agencies in the State, including the Prior Agency, were dissolved, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions of AB X1 26 relating to the dissolution and winding down of former redevelopment agency affairs are Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health & Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 ("**AB 1484**"), enacted as Chapter 26, Statutes of 2012 and as further amended on September 22, 2015 by Senate Bill 107 ("**SB 107**"), enacted as Chapter 325, Statutes of 2015 (collectively, as amended from time to time, the "**Dissolution Act**").

On January 10, 2012, pursuant to Resolution No. 22322 and Section 34173 of the Dissolution Act, the City Council of the City elected to serve as the successor agency to the Prior Agency. Section 34173(g) of the Dissolution Act, which was added by AB 1484, expressly affirms that the Agency is a separate public entity from the City, that the two entities shall not merge, that the liabilities of the Prior Agency will not be transferred to the City and that the assets of the Prior Agency will not become assets of the City. Members of the City Council serve as both Council members and Agency Board members.

The Redevelopment Plans

Redevelopment plans were adopted by the Prior Agency for the following seven redevelopment project areas (each, a "**Project Area**" and collectively, the "**Project Areas**"), each of which is discussed in detail under the caption "THE PROJECT AREAS":

1. University Corridor/Sycamore Canyon Merged Redevelopment Project Area;
2. Downtown/Airport Merged Redevelopment Project Area;
3. Casa Blanca Redevelopment Project Area;

4. Arlington Redevelopment Project Area;
5. Magnolia Center Redevelopment Project Area;
6. Hunter Park/Northside Redevelopment Project Area; and
7. La Sierra/Arlanza Redevelopment Project Area.

The above-listed Project Areas constitute all of the Prior Agency's active redevelopment project areas. Although a redevelopment project for the Eastside Redevelopment Project Area previously existed, such redevelopment project has expired in accordance with its redevelopment plan and tax increment revenues are no longer derived from the Eastside Redevelopment Project Area. See the caption "THE PROJECT AREAS—The Eastside Redevelopment Project Area."

Pursuant to the Indenture, the Agency will deposit moneys constituting Tax Revenues promptly upon receipt from all Project Areas into the Redevelopment Obligation Retirement Fund established within the Redevelopment Property Tax Trust Fund pursuant to Section 34170.5(a) of the Dissolution Act. Moneys held in the Redevelopment Obligation Retirement Fund will be transferred to the Trustee at the times specified in the Indenture to make payments of principal of and interest on the Bonds, all as described under the caption "SECURITY FOR THE BONDS."

Tax Allocation Financing

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming that the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations.

The Dissolution Act requires the Auditor-Controller of the County of Riverside (the "**County Auditor-Controller**") to determine the amount of property taxes that would have been allocated to the Prior Agency had the Prior Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll, and to deposit such amount in a Redevelopment Property Tax Trust Fund pursuant to the Dissolution Act. Section 34177.5(g) of the Dissolution Act provides that any bonds that are authorized to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if such bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, will be included in the Agency's Recognized Obligation Payment Schedule and will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund.

Under the Dissolution Act, the Tax Revenues (as such term is defined below) are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects.

The Bonds are payable from, and are secured by, the Tax Revenues (as such term is defined below), and from amounts or securities on deposit in the funds and accounts that are pledged under the Indenture. See the caption "SECURITY FOR THE 2018 BONDS."

Under the Indenture, "**Tax Revenues**" consist of the amounts deposited in the Redevelopment Property Tax Trust Fund for the Agency established and held by the County Auditor-Controller (the "**Redevelopment Property Tax Trust Fund**") pursuant to the Section 34183(a)(2) of the Dissolution Act, excluding: (i) for each Senior Obligation that is described under the caption "SECURITY FOR THE BONDS—Senior Obligations": (A) the amount pledged under the Senior Obligation Indenture (as such term is defined below) to make payments on such Senior Obligation, but only to the extent required to make such payments; and (B) if there is no pledge under the Senior Obligation Indenture, the amount payable under the Senior Obligation Indenture; and (ii) statutory pass-through amounts payable to other taxing agencies pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law (except and to the extent that any such amounts are payable on a basis subordinate to payment of the Bonds). See the caption "SECURITY FOR THE BONDS—Tax Increment Financing."

The term "**Senior Obligation Indenture**" is defined in the Original Indenture to mean the indenture or other instrument providing for the issuance or payment of the Senior Obligations.

Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See the caption "RISK FACTORS."

Security for the Bonds

The Bonds are secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund (including the Tax Revenues), and property tax revenues pledged to the Bonds are taxes allocated to the Agency pursuant to the provisions of the Redevelopment Law and the State Constitution.

If and to the extent that the applicable property tax revenue provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid, and in place of any such invalid provisions, then Tax Revenues will include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the State Constitution and the provisions of the prior indentures and trust agreements relating to the Refunded Bonds (as such term is defined under the caption "REFUNDING PLAN").

The Bonds are payable from and secured by the Tax Revenues, all of the moneys in the Redevelopment Obligation Retirement Fund established and held by the Agency pursuant to the Dissolution Act and all of the moneys in the Debt Service Fund (including the Interest Account, the Principal Account, the Redemption Account and the 2018 Reserve Account) established and held by the Trustee under the Indenture. Taxes levied on the property within the Project Areas on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Project Areas, to the extent that such taxes constitute Tax Revenues as described in this Official Statement, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Agency's Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Agency's Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act. See the caption "SECURITY FOR THE BONDS—Recognized Obligation Payment Schedule." Moneys deposited by the County Auditor-Controller into the Agency's Redevelopment Obligation Retirement Fund will be transferred by the Agency to the Trustee for deposit in the Debt Service Fund established under the Indenture and administered by the Trustee in accordance with the Indenture.

See the caption "SECURITY FOR THE 2018 BONDS—Limitation on Additional Indebtedness" for a description of the conditions pursuant to which the Agency may issue additional obligations payable from the Tax Revenues on a parity with the Bonds. See also the captions "SECURITY FOR THE BONDS—Senior

Obligations" for a discussion of additional Agency obligations that are payable from tax increment revenues prior to payment of the Bonds.

The Agency has no power to levy and collect taxes, and any legislative enactment or State Constitutional amendment having the effect of reducing the property tax rate would necessarily reduce the amount of Tax Revenues that are available to pay the principal of and interest on the Bonds. Likewise, broadened property tax exemptions could have a similar effect. Additional factors that could affect the availability of Tax Revenues are set forth under the caption "THE PROJECT AREAS." See also the caption "RISK FACTORS" for other matters which may affect the collection of Pledged Tax Revenues.

Senior Obligations

The use of tax increment revenues from the Project Areas to pay debt service on the Bonds is subject to the prior pledge or priority of payment of certain tax increment revenues under the Senior Obligations. See the caption "SECURITY FOR THE BONDS—Senior Obligations" for a description of each of the Senior Obligations.

Reserve Surety

A 2018 Reserve Account for the Bonds is established pursuant to the Indenture in an amount equal to the 2018 Reserve Requirement of $11,737,991.56. The Surety Provider has committed to issue, simultaneously with the issuance of the Bonds, a Reserve Surety in the principal amount of the 2018 Reserve Requirement for deposit in the 2018 Reserve Account for the benefit of the Bonds. See the caption "SECURITY FOR THE BONDS—Deposit of Amounts by the Trustee—Reserve Account."

Further Information

Brief descriptions of the Bonds, the Indenture, the Agency, the Prior Agency and the City are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Bond Law, the Redevelopment Law, the Dissolution Act, the Constitution and the laws of the State as well as the proceedings of the Prior Agency, the Agency and the City are qualified in their entirety by reference to such documents. References herein to the Bonds are qualified in their entirety by the form thereof included in the Indenture and the information with respect thereto included herein, copies of which are all available for inspection at the offices of the Agency. Copies of the forms of all documents are available from the City Clerk's office, City of Riverside, 3900 Main Street, 7th Floor, Riverside, California 92522.

Capitalized terms that are used herein and not defined have the meanings set forth in Appendix B.

This Official Statement has been updated since the Preliminary Official Statement dated August 17, 2018: (i) on the page listing Agency officials immediately after the inside front cover page to reflect the appointment of an interim Chief Financial Officer/Treasurer for the Agency and the City; and (ii) throughout this Official Statement to reflect the regularly scheduled payment of principal of the 2014 Bonds on September 1, 2018.

REFUNDING PLAN

General

The Agency expects to apply a portion of the proceeds of the Bonds, together with other funds on hand, to refund all amounts payable pursuant to the below-listed obligations (collectively, the "**Refunded Bonds**") on or about September 30, 2018 (the "**Redemption Date**"), in each case at a redemption price (the

"**Redemption Price**") equal to the outstanding principal amount thereof plus interest accrued to the Redemption Date, without premium.

Name of Issuance	*Outstanding Principal Amount*
Redevelopment Agency of the City of Riverside University Corridor/Sycamore Canyon Merged Redevelopment Project Area 2007 Tax Allocation Bonds, Series A-1 (the "2007A-1 Bonds")	$9,040,000
Redevelopment Agency of the City of Riverside University Corridor/Sycamore Canyon Merged Redevelopment Project Area 2007 Tax Allocation Bonds, Series A-2 (the "2007A-2 Bonds")	$14,475,000
Redevelopment Agency of the City of Riverside Downtown/Airport Merged Redevelopment Project Area 2007 Tax Allocation Bonds, Series B-1 (the "2007B-1 Bonds")	$785,000
Redevelopment Agency of the City of Riverside Downtown/Airport Merged Redevelopment Project Area 2007 Tax Allocation Bonds, Series B-2 (the "2007B-2 Bonds")	$8,200,000
Redevelopment Agency of the City of Riverside Casa Blanca Redevelopment Project Area 2007 Tax Allocation Bonds, Series C-1 (the "2007C-1 Bonds")	$7,310,000
Redevelopment Agency of the City of Riverside Casa Blanca Redevelopment Project Area 2007 Tax Allocation Bonds, Series C-2 (the "2007C-2 Bonds")	$2,245,000
Redevelopment Agency of the City of Riverside Arlington Redevelopment Project Area 2007 Tax Allocation Bonds, Series D-1 (the "2007D-1 Bonds")	$11,910,000
Redevelopment Agency of the City of Riverside Arlington Redevelopment Project Area 2007 Tax Allocation Bonds, Series D-2 (the "2007D-2 Bonds")	$3,505,000
Redevelopment Agency of the City of Riverside Hunter Park/Northside Redevelopment Project Area 2007 Tax Allocation Bonds, Series E-1 (the "2007E-1 Bonds")	$18,970,000
Redevelopment Agency of the City of Riverside Magnolia Center Redevelopment Project Area 2007 Tax Allocation Bonds, Series F-1 (the "2007F-1 Bonds")	$5,035,000
Redevelopment Agency of the City of Riverside Magnolia Center Redevelopment Project Area 2007 Tax Allocation Bonds, Series F-2 (the "2007F-2 Bonds")	$8,895,000
Redevelopment Agency of the City of Riverside La Sierra/Arlanza Redevelopment Project Area 2007 Tax Allocation Bonds, Series G-1 (the "2007G-1 Bonds")	$37,095,000
TOTAL	$127,465,000

Under an Escrow Deposit and Trust Agreement, dated as of September 1, 2018 (the "**Escrow Agreement**"), by and among the Riverside Public Financing Authority (the "**Authority**"), the Agency and U.S. Bank National Association, as escrow bank (the "**Escrow Bank**"), the Agency will cause a portion of the proceeds of the Bonds to be delivered to the Escrow Bank for deposit in the Escrow Fund established under the Escrow Agreement (the "**Escrow Fund**"), and within the Escrow Fund a Tax-Exempt Bonds Escrow Subaccount and a Taxable Bonds Escrow Subaccount. Such amounts to be delivered by or on behalf of the Agency to the Escrow Bank on the Closing Date, together with amounts transferred from funds and accounts established in connection with each series of the Refunded Bonds, will be sufficient to pay the Redemption Price of the Refunded Bonds on the Redemption Date.

Sufficiency of the deposits in the Escrow Fund for such purposes will be verified by Grant Thornton LLP, Minneapolis, Minnesota (the "**Verification Agent**"). Assuming the accuracy of such computations, as a result of the deposit and application of funds as provided in the Escrow Agreement, the Refunded Bonds will be defeased pursuant to the provisions of the indentures under which they were issued as of the date of issuance of the Bonds.

The amounts held by the Escrow Bank in the applicable subaccounts of the Escrow Fund are pledged solely to the redemption of the applicable Refunded Bonds. Neither the moneys deposited in the Escrow Fund nor the interest on the invested moneys will be available for the payments of principal of and interest on the Bonds.

Verification of Mathematical Computations

Upon issuance of the Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Underwriter relating to the adequacy of the cash to be deposited in the respective subaccounts of the Escrow Fund to pay the Redemption Price of the applicable series of Refunded Bonds.

Sources and Uses of Funds

The estimated sources and uses of funds are summarized as follows:

Sources(1):	***2018A Bonds***	***2018B Bonds***	***Total***
Principal Amount of Bonds	$ 74,435,000	$ 40,380,000	$114,815,000
Plus Net Original Issue Premium	15,423,111	-	15,423,111
Less Net Original Issue Discount	-	(663,734)	(663,734)
Total Sources:	**$ 89,858,111**	**$ 39,716,266**	**$129,574,377**
Uses(1)**:**			
Tax-Exempt Refunded Bonds Escrow Fund	$ 89,191,184	$ 1,669,446	$ 90,860,630
Taxable Refunded Bonds Escrow Fund	-	37,679,054	37,679,054
Costs of Issuance Fund(2)	666,927	367,766	1,034,693
Total Uses:	**$ 89,858,111**	**$ 39,716,266**	**$129,574,377**

(1) Amounts rounded to nearest dollar.
(2) Includes fees and expenses of Bond Counsel, Municipal Advisor, Fiscal Consultant, Trustee, Escrow Agent, Underwriter's counsel and Verification Agent, printing expenses, rating agency fees, Underwriter's discount, premium for the Reserve Surety and other miscellaneous costs.

THE BONDS

Authority for Issuance

The Bonds were authorized for issuance pursuant to the Indenture, the Bond Law, and the Dissolution Act. Direction to undertake the issuance of the Bonds and the execution of the related documents was authorized by the Agency pursuant to a resolution adopted on May 8, 2018 (the "**Resolution**"), and by the Oversight Board of the Agency pursuant to a resolution adopted on May 16, 2018 (the "**Oversight Board Action**").

Written notice of the Oversight Board Action was provided to the State Department of Finance (the "**DOF**") pursuant to the Dissolution Act on May 16, 2018. On July 19, 2018, the DOF provided a letter to the Agency stating that based on the DOF's review and application of the law, the Oversight Board Action approving the Bonds is approved by the DOF.

Description of the Bonds

The Bonds will be issued in fully-registered form without coupons in integral multiples of $5,000 for each maturity, initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"), as registered owner of all Bonds. See the caption "—Book-Entry System." The Bonds will be dated the Closing Date and mature on September 1 in the years and in the amounts shown on the inside front cover page of this Official Statement. Interest on the Bonds will be calculated at the rates shown on the inside cover page of this Official Statement, payable semiannually on March 1 and September 1 in each year, commencing on March 1, 2019 (each, an "**Interest Payment Date**").

Interest on the Bonds (including the final interest payment upon maturity) will be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the close of business on the 15th calendar day of the month preceding such Interest Payment Date, whether or not such 15th calendar day is a Business Day (each, a "**Record Date**") immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed by first class mail, postage prepaid, on the Interest Payment Date, to such Owner at the address of such Owner as it appears on the Registration Books as of such Record Date; provided however, that payment of interest may be by wire transfer to an account in the United States of America to any registered owner of Bonds in the aggregate principal amount of $1,000,000 or more who furnish written wire instructions to the Trustee prior to the applicable Record Date. Principal of and redemption premium (if any) on any Bond will be paid upon presentation and surrender thereof, at maturity or earlier redemption, at the Principal Corporate Trust Office of the Trustee. Both the principal of and interest and redemption premium (if any) on the Bonds will be payable in lawful money of the United States of America.

Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) a Bond is authenticated on or before the first Record Date, in which event it will bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Book-Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See Appendix D for further information with respect to DTC and its book-entry system.

Redemption

2018A Bonds. The 2018A Bonds maturing on or before September 1, 2028 are not subject to optional redemption prior to maturity. The 2018A Bonds maturing on and after September 1, 2029, are subject to redemption, at the option of the Agency on any date on or after September 1, 2028, as a whole or in part, by such maturities as determined by the Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the 2018A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

2018B Bonds.

Optional Redemption of 2018B Bonds. The 2018B Bonds are subject to redemption, at the option of the Agency on any date on or after September 1, 2028, as a whole or in part, by such maturities as determined by the Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the 2018B Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Redemption of 2018B Term Bonds. The 2018B Bonds maturing on September 1, 2037 (the "**2018B Term Bonds**") constitute Term Bonds under the Indenture and are subject to redemption in part by lot, on September 1 in each of the years as set forth in the following table, from amounts in the Principal Account, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof will be purchased pursuant to the paragraph under the below table, in the aggregate respective principal amounts and on the respective dates as set forth in the following table; provided, however, that if some but not all of such 2018B Term Bonds have been optionally redeemed as described above under the subcaption "—Optional Redemption," the total amount of all future mandatory redemption payments with respect to such 2018B Term Bonds will be reduced by the aggregate principal amount of such 2018B Term Bonds so redeemed, to be allocated among such mandatory redemption payments on a pro rata basis in integral multiples of $5,000 as determined by the Agency (written notice of which determination be given by the Agency to the Trustee):

Sinking Account Redemption Date (September 1)	***Principal Amount to be Redeemed***
2034	$8,055,000
2035	9,060,000
2036	8,460,000
2037*	6,835,000

* Final Maturity.

In lieu of mandatory sinking fund redemption of the 2018B Term Bonds pursuant to the Indenture, amounts on deposit in the Principal Account may also be used and withdrawn at the direction of the Successor Agency at any time for the purchase of such 2018B Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Successor Agency may in its discretion determine, provided, however, that the Agency determines that the amounts remaining in the Principal Account after such purchase will be equal to the principal becoming due and payable on the Outstanding Bonds, including the aggregate principal amount of the Term Bonds required to be redeemed on the next September 1, taking into account the credit permitted by the following sentence. The par amount of any of such 2018B Term Bonds so purchased by the Agency in any twelve-month period ending on July 1 in any year will be credited towards and will reduce the par amount of such 2018B Term Bonds required to be redeemed pursuant to the mandatory sinking fund redemption provisions of the Indenture on the next succeeding September 1.

Notice of Redemption. The Trustee on behalf and at the expense of the Agency will mail (by first class mail, postage prepaid) notice of any redemption at least 30 but not more than 60 days prior to the redemption date, to: (i) to the Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to the Information Services; but such mailing is not a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice must state the redemption date and the redemption price, state that such redemption is conditioned upon the timely delivery of the redemption price by the Agency to the Trustee for deposit in the Redemption Account, designate the CUSIP number of the Bonds to be redeemed, state the individual number of each Bond to be redeemed or state that all Bonds between two stated numbers (both inclusive) or all of the Bonds Outstanding are to be redeemed, and require that such Bonds be then surrendered at the Principal Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

The Agency has the right to rescind any notice of the optional redemption of Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default. The Agency and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Indenture.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose will, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Partial Redemption of Bonds. In the event that only a portion of any Bond is called for redemption, then upon surrender of such Bond the Agency will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Agency, a new Bond or Bonds of the same interest rate and maturity, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the redemption price of and interest on the Bonds so called for redemption have been duly deposited with the Trustee, such Bonds so called will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest will accrue thereon from and after the redemption date specified in such notice.

Manner of Redemption. Whenever any Bonds or portions thereof are to be selected for redemption by lot, the Trustee will make such selection, in such manner as the Trustee deems appropriate, and notify the Successor Agency thereof to the extent Bonds are no longer held in book-entry form. In the event of redemption by lot of Bonds, the Trustee will assign to each Bond then Outstanding a distinctive number for each $5,000 of the principal amount of each such Bond. The Bonds to be redeemed will be the Bonds to which were assigned numbers so selected, but only so much of the principal amount of each such Bond of a denomination of more than $5,000 will be redeemed as will equal $5,000 for each number assigned to it and so selected. All Bonds redeemed or purchased pursuant to the Indenture will be cancelled and destroyed.

Annual Debt Service

The table below sets forth debt service on Parity Debt and the Bonds.

Year (Amount Payable as of September 1)	*Parity Debt*[1]	*2018A Bonds*			*2018B Bonds*			*Total Parity Debt Service*
		Principal	*Interest*	*Total*	*Principal*	*Interest*	*Total*	
2019	$ 6,643,543	$ -	$ 3,448,347	$ 3,448,347	$ -	$ 1,480,061	$ 1,480,061	$ 11,571,951
2020	6,786,038	-	3,716,781	3,716,781	-	1,595,275	1,595,275	12,098,094
2021	6,790,273	-	3,716,781	3,716,781	-	1,595,275	1,595,275	12,102,329
2022	6,197,160	140,000	3,716,781	3,856,781	-	1,595,275	1,595,275	11,649,216
2023	6,191,270	5,490,000	3,709,781	9,199,781	-	1,595,275	1,595,275	16,986,326
2024	5,894,050	5,960,000	3,435,281	9,395,281	-	1,595,275	1,595,275	16,884,606
2025	5,009,500	6,715,000	3,137,281	9,852,281	-	1,595,275	1,595,275	16,457,056
2026	3,840,500	8,020,000	2,801,531	10,821,531	-	1,595,275	1,595,275	16,257,306
2027	3,264,750	7,535,000	2,400,531	9,935,531	-	1,595,275	1,595,275	14,795,556
2028	2,055,000	9,180,000	2,023,781	11,203,781	-	1,595,275	1,595,275	14,854,056
2029	1,984,750	8,815,000	1,564,781	10,379,781	-	1,595,275	1,595,275	13,959,806
2030	1,984,000	7,385,000	1,124,031	8,509,031	-	1,595,275	1,595,275	12,088,306
2031	1,249,250	7,345,000	754,781	8,099,781	-	1,595,275	1,595,275	10,944,306
2032	1,247,000	7,585,000	387,531	7,972,531	-	1,595,275	1,595,275	10,814,806
2033	1,252,250	-	8,281	8,281	7,970,000	1,595,275	9,565,275	10,825,806
2034	829,500	265,000	8,281	273,281	8,055,000	1,296,400	9,351,400	10,454,181
2035	-	-	-	-	9,060,000	974,200	10,034,200	10,034,200
2036	-	-	-	-	8,460,000	611,800	9,071,800	9,071,800
2037	-	-	-	-	6,835,000	273,400	7,108,400	7,108,400
Total	$ 61,218,834	$ 74,435,000	$ 35,954,566	$ 110,389,566	$ 40,380,000	$ 26,969,711	$ 67,349,711	$ 238,958,111

[1] Reflects debt service on the 2014 Bonds. See the caption "SECURITY FOR THE BONDS—Parity Obligations."
Source: Stifel, Nicolaus & Company, Incorporated.

SECURITY FOR THE BONDS

General

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Prior Agency (pursuant to Section 16(b) of Article XVI of the State Constitution) had the Prior Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll, and to deposit such amount in the Redevelopment Property Tax Trust Fund for the Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. Section 34177.5(g) of the Dissolution Act provides that any bonds authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if the bonds had been issued prior to effective date of AB X1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, will be included in the Agency's Recognized Obligation Payment Schedule and will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to the Dissolution Act. Property tax revenues pledged to any bonds authorized to be issued by the Agency under the Dissolution Act, including the Bonds, are taxes allocated to the Agency pursuant to of Section 33670(b) of the Redevelopment Law and Section 16 of Article XVI of the State Constitution. See Appendix B and the caption "—Recognized Obligation Payment Schedule."

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

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

(b) To the Prior Agency/Agency: Except for that portion of the taxes in excess of the amount identified in (a) above which is attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion will be allocated to, and when collected will be paid into, the fund of that taxing agency (as discussed under the caption "PROPERTY TAXATION IN CALIFORNIA—Article XIIIA of the State Constitution"), that portion of the levied taxes each year in excess of such amount, annually allocated within the redevelopment plan limit, when collected will be paid into a special fund of the Prior Agency. Section 34172(a) of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund will be deemed to be a special fund of the Agency to pay the debt service on indebtedness incurred by the Prior Agency or the Agency to finance or refinance the redevelopment projects of the Prior Agency.

That portion of the levied taxes described in paragraph (b) above, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the County Auditor-Controller (as discussed under the caption "PROPERTY TAX COLLECTION IN CALIFORNIA—Property Tax

Collection Procedures—Property Tax Administrative Costs"), constitutes the amount required under the Dissolution Act to be deposited by the County Auditor-Controller into the Redevelopment Property Tax Trust Fund. In addition, Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date referred to in paragraph (b) above.

On a subordinate basis to the Senior Obligations (as described under the caption "—Senior Obligations"), the Bonds are payable from and secured by deposits into the Redevelopment Property Tax Trust Fund to be derived from the Project Areas. See the caption "—Security of Bonds; Equal Security."

The Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Tax Revenues available in any Fiscal Year to pay the principal of and interest on the Bonds. See the captions "—Tax Increment Financing," "—Recognized Obligation Payment Schedule," "PROPERTY TAXATION IN CALIFORNIA" and "RISK FACTORS."

The Bonds are not a debt of the City, the State, or any of its political subdivisions, and neither said City, said State, nor any of its political subdivisions is liable thereon, nor in any event will the Bonds be payable out of any funds or properties other than those of the Agency. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Security of Bonds; Equal Security

Pursuant to Section 34177.5(g) of the Dissolution Act, except as provided in the Indenture, the Bonds and all Parity Debt will be equally secured by a pledge of, security interest in and lien on all of the Tax Revenues, including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund and all of the moneys in the Debt Service Fund, the Interest Account and the Principal Account, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and such moneys, no funds or properties of the Agency will be pledged to, or otherwise liable for, the payment of principal of or interest on the Bonds. The Bonds are also secured by moneys in the 2018 Reserve Account.

As defined in the Indenture, "Tax Revenues" means, for each fiscal year of the Agency ending June 30 (each, a "**Fiscal Year**"), all moneys deposited in the Redevelopment Property Tax Trust Fund, as provided in Section 34183(a)(2) of the Dissolution Act, excluding: (i) for each Senior Obligation: (A) the amount pledged under the Senior Obligation Indenture to make payments on such Senior Obligation, but only to the extent required to make such payments; and (B) if there is no pledge under the Senior Obligation Indenture, the amount payable under the Senior Obligation Indenture; and (ii) statutory pass-through amounts payable to other taxing agencies pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law (except and to the extent that any such amounts are payable on a basis subordinate to payment of the Bonds). See Appendix B.

Taxes levied on the property within the Project Areas on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Project Areas, to the extent that they constitute Tax Revenues as described above, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Agency's Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Agency's approved Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act. See the caption "—Recognized Obligation Payment Schedule." Moneys deposited by the County Auditor-Controller into the Agency's Redevelopment Obligation Retirement Fund will be transferred by the Agency to the Trustee for deposit in the Debt Service Fund established under the Indenture and administered by the Trustee in accordance with the Indenture.

In consideration of the acceptance of the Bonds by those who hold the same from time to time, the Indenture will be deemed to be and will constitute a contract between the Agency and the Owners from time to time of the Bonds, and the covenants and agreements set forth in the Indenture to be performed on behalf of the Agency will be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or in the Indenture.

Redevelopment Obligation Retirement Fund; Deposit of Tax Revenues

The Agency has established the Redevelopment Obligation Retirement Fund pursuant to Section 34170.5(a) of the Dissolution Act, and, so long as any of the Bonds are Outstanding, the Agency will continue to hold and maintain such fund as a separate fund in its treasury (which will be a separate account from other accounts of the Agency and the City into which no other moneys may be deposited). The Agency will deposit all of the Tax Revenues received with respect to any Recognized Obligation Payment Schedule period beginning on January 1 of any calendar year and ending on June 30 of such calendar year, and beginning on July 1 of any calendar year and ending on December 31 of such calendar year (each, a "**Semiannual Period**") into the Redevelopment Obligation Retirement Fund promptly upon receipt by the Agency.

All Tax Revenues received by the Agency with respect to a Bond Year in excess of the amount required to pay debt service on the Bonds and any Parity Debt will be released from the pledge and lien under the Indenture and will be applied in accordance with the Redevelopment Law, including but not limited to the payment of any amounts due and owing to the United States of America pursuant to the Indenture. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Bonds and the payment in full of all other amounts payable under the Indenture and under any Supplemental Indentures, the Agency will not have any beneficial right or interest in the moneys on deposit in the Redevelopment Obligation Retirement Fund, except as may be provided in the Indenture and in any Supplemental Indenture.

Deposit of Amounts by Trustee

There has been established under the Indenture a trust fund to be known as the Debt Service Fund, which will be held by the Trustee in trust. Concurrently with transfers with respect to Parity Debt pursuant to Parity Debt Instruments, moneys in the Redevelopment Obligation Retirement Fund will be transferred by the Agency to the Trustee in the following amounts, at the following times, and deposited by the Trustee in the following respective special accounts, which are hereby established in the Debt Service Fund, and in the following order of priority:

Interest Account. On or before the fourth Business Day preceding each Interest Payment Date, the Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount contained in the Interest Account on such date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it will become due and payable.

Principal Account. On or before the fourth Business Day preceding September 1, 2022 and each September 1 thereafter, the Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then contained in the Principal Account, will be equal to the principal becoming due and payable on the Outstanding Bonds, including the aggregate principal amount of the Term Bonds required to be redeemed pursuant to the Supplemental Indenture, on the next September 1. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next September 1 on all of the Outstanding Bonds. All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds, including the aggregate principal amount of the Term Bonds required to be redeemed pursuant to a Supplemental Indenture, as it will become due and payable.

***2018 Reserve Account*.**

General. There has been established in the Debt Service Fund by the Indenture a separate fund and account known as the "**2018 Reserve Account**" solely as security for payments on the 2018A Bonds and the 2018B Bonds payable by the Agency pursuant to the Indenture, which will be held by the Trustee in trust for the benefit of the Owners of the 2018A Bonds and 2018B Bonds. The 2018 Reserve Requirement for the 2018A Bonds and the 2018B Bonds will be satisfied by the delivery of the Reserve Surety by the Surety Provider to the Trustee on the Closing Date. The Trustee will draw on the Reserve Surety in accordance with its terms and conditions and the terms of the Indenture.

The Bonds will be equally secured by a pledge of, security interest in and lien on all of the moneys in the 2018 Reserve Account, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The Bonds have no right to moneys on deposit in the Reserve Account established for the benefit of the 2014 Bonds pursuant to the Original Indenture and the First Supplement.

The term "**2018 Reserve Requirement**" means $11,737,991.56.

The amounts available under the Reserve Surety will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for purposes of the payment when due of the scheduled principal and interest on the 2018A Bonds and the 2018B Bonds then Outstanding.

The Trustee will comply with all documentation relating to the Reserve Surety as required to maintain the Reserve Surety in full force and effect and as required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the Indenture. The Agency has no obligation to replace the Reserve Surety or to fund the 2018 Reserve Account with cash if, at any time that the Bonds are Outstanding: (i) amounts are not available under the Reserve Surety; or (ii) any rating assigned to the Surety Provider is downgraded, suspended or withdrawn.

See Appendix B under the captions "Establishment of Funds and Accounts; Flow of Funds—Reserve Account" and "Establishment of Funds and Accounts; Flow of Funds—Reserve Policy" for further information with respect to the procedure for drawing upon the Reserve Surety.

Tax Increment Financing

***General*.** Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming that the taxable valuation never dropped below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations.

The Dissolution Act authorizes refunding bonds, including the Bonds, to be secured by a pledge of moneys deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the county auditor-controller. Under the Indenture, Tax Revenues consist of all moneys deposited in the Redevelopment Property Tax Trust Fund, as provided in Section 34183(a)(2) of the Dissolution Act, excluding: (i) for each Senior Obligation: (A) the amount pledged under the Senior Obligation Indenture to make payments on such Senior Obligation, but only to the extent required to make such payments; and (B) if there is no pledge under the Senior Obligation Indenture, the amount payable under the Senior Obligation Indenture; and (ii) statutory pass-through amounts payable to other taxing agencies pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law (except and to the extent that any such amounts are payable on a basis subordinate to payment of the Bonds). See the caption "—Tax Sharing." Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See the caption "RISK FACTORS."

Prior to the dissolution of redevelopment agencies, tax increment revenues from one project area could not be used to repay indebtedness incurred for another project area. However, the Dissolution Act requires only that county auditor-controllers establish a single Redevelopment Property Tax Trust Fund with respect to each former redevelopment agency within the respective county. Additionally, the Dissolution Act requires that all revenues equivalent to the amount that would have been allocated as tax increment to the former redevelopment agency will be allocated to the Redevelopment Property Tax Trust Fund of the applicable successor agency, and this requirement does not require funds derived from separate project areas of a former redevelopment agency to be separated. In effect, in situations where a former redevelopment agency had established more than one redevelopment project area (as did the Prior Agency), the Dissolution Act combines the property tax revenues derived from all project areas into a *single trust fund*, the Redevelopment Property Tax Trust Fund, to repay indebtedness of the former redevelopment agency or the successor agency. To the extent that the documents governing outstanding bonds of a redevelopment agency have pledged revenues derived from a specific project area, the Dissolution Act states that "It is the intent ... that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge." The Agency believes that, subject to the prior claim or lien of the Senior Obligations, all of the Tax Revenues from all Project Areas will secure all of the Bonds.

Tax Sharing. The Redevelopment Law authorized redevelopment agencies to make payments to school districts and other taxing agencies to alleviate any financial burden or detriments to such taxing agencies caused by a redevelopment project. The Prior Agency entered into several agreements for this purpose (the "**Pass-Through Agreements**"). In addition, Sections 33607.5 and 33607.7 of the Redevelopment Law required mandatory tax sharing applicable to redevelopment projects adopted after January 1, 1994, or amended thereafter in certain manners specified in such statutes (the "**Statutory Pass-Through Amounts**"). The Dissolution Act requires county auditor-controllers to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed under the Pass-Through Agreements and for Statutory Pass-Through Amounts to the taxing entities for each six-month period before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund each January 2 and June 1, unless: (i) pass-through payment obligations have previously been made subordinate to debt service payments for the bonded indebtedness of the Prior Agency, as succeeded to by the Agency; (ii) the Agency has reported, no later than the December 1 and May 1 preceding the January 2 or June 1 distribution date, as applicable, that the total amount available to the Agency from the Redevelopment Property Tax Trust Fund allocation to the Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Prior Agency and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Agency's enforceable obligations, pass-through payments and the Agency's administrative cost allowance for the applicable six-month period; and (iii) the State Controller has concurred with the Agency that there are insufficient funds for such purposes for the applicable six-month period.

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

The Dissolution Act provides for a procedure by which the Agency may make Statutory Pass-Through Amounts subordinate to the Bonds. The Agency has undertaken the requisite procedures to obtain such subordination of the Statutory Pass-Through Amounts and, therefore, Statutory Pass-Through Amounts are subordinate to the Bonds. See the caption "THE PROJECT AREAS." Certain of the Pass-Through Agreements are subordinate, while others have not been subordinated and constitute Senior Obligations. See the caption "—Senior Obligations."

The Agency cannot guarantee that the process prescribed by the Dissolution Act for administering the Tax Revenues and the subordinations of the Statutory Pass-Through Amounts will effectively result in adequate Tax Revenues for the payment of principal and interest on the Bonds when due. See the caption "—Recognized Obligation Payment Schedule." See also the caption "THE PROJECT AREAS" for additional information regarding the Pass-Through Agreements and the Statutory Pass-Through Amounts applicable to the Agency and the revenues derived from the Project Areas.

Elimination of Housing Set-Aside. Before the dissolution of the Prior Agency, the Redevelopment Law required the Prior Agency to set aside not less than 20% of the gross tax increment with respect to the Project Areas, i.e., the "**Housing Set-Aside**," in a Low and Moderate Income Housing Fund to be expended for low and moderate income housing purposes. Generally, the Prior Agency was authorized to use the Housing Set-Aside to pay debt service on bonds solely to the extent that the proceeds of such bonds were used to finance or refinance low and moderate income housing projects. The Prior Agency could not pledge, and did not use, the Housing Set-Aside to pay debt service on other obligations. By contrast, under the Redevelopment Law, the Prior Agency was authorized to use the portion of tax increment that was not part of the Housing Set-Aside (the "**80 Percent Portion**") to pay debt service on all bonds and other indebtedness of the Prior Agency that were incurred to finance or refinance redevelopment projects for the Project Areas, subject to limitations set forth in the indentures or other governing documents.

The Dissolution Act has eliminated the Low and Moderate Income Housing Fund and the requirement to deposit the Housing Set-Aside into such fund. None of the property tax revenues deposited in the Redevelopment Property Tax Trust Fund are designated as the Housing Set-Aside. The Redevelopment Property Tax Trust Fund flow of funds under the Dissolution Act makes no distinction between bonds that were, in whole or in part, secured by and payable from the Housing Set-Aside and bonds that were solely secured by and payable from the 80 Percent Portion. In effect, after the Prior Agency's dissolution, all of the Agency's outstanding bonds are paid from Redevelopment Property Tax Trust Fund disbursements without distinction between obligations related to housing and non-housing projects. Of the Senior Obligations of the Agency described under the caption "—Senior Obligations," only the Breezewood Agreement was originally payable from a pledge of Housing Set-Aside moneys.

Payments under the Breezewood Agreement, which are secured by a pledge and lien on the Housing Set-Aside, are payable from tax increment revenues from the Project Areas on a senior basis to the debt service of the Bonds through the maturity of the Breezewood Agreement in 2019. See the caption "—Senior Obligations—Other Senior Obligations—Breezewood Agreement."

Other Taxing Agencies. Tax Revenues do not include any special taxes or *ad valorem* assessments that are levied by or on behalf of any taxing agency that has jurisdiction over all or a portion of the Project Areas. See the captions "THE PROJECT AREAS" and "RISK FACTORS—Reduction in Taxable Value."

Section 33676 Payments

Former Section 33676 of the Redevelopment Law allowed taxing entities to elect to claim for themselves (and thus exclude from tax increment revenues available to a redevelopment agency) the portion of tax increment revenues that were attributable to inflationary growth as determined under Section 110.1(f) of the Revenue and Taxation Code. School districts and community college districts were directed by Section 33676 to make such election pursuant to a specific procedure prior to adoption of any redevelopment plan or amendment, unless a tax sharing agreement existed between the redevelopment agency and the taxing entity. Section 33676 has been the subject of amendments both before and after 1986 but was in substantially the same form between 1984 and 1993. None of the taxing agencies in the Project Areas made a Section 33676 election and none could in the future receive Section 33676 payments from tax revenues. Accordingly, the projections of Tax Revenues that are set forth in this Official Statement do not reflect any Section 33676 payments to taxing agencies. See the caption "RISK FACTORS—Santa Ana Unified School District Case" for a further discussion of Section 33676.

Recognized Obligation Payment Schedule

The Dissolution Act requires successor agencies, on or before February 1 of each year, to prepare and approve, and submit to the successor agency's oversight board and the DOF for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as such term is defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. As defined in the Dissolution Act, "**enforceable obligation**" includes bonds, including the required debt service, reserve set-asides and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and amounts borrowed from the Low and Moderate Income Housing Fund. A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bonds for the next payment due in the following half of the calendar year.

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

The Dissolution Act provides that, commencing on the date that the first Recognized Obligation Payment Schedule is valid, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Agency from the funds specified in the Recognized Obligation Payment Schedule. Each annual Recognized Obligation Payment Schedule of the Agency may be amended once, provided that: (i) the Agency submits the amendment to the DOF no later than October 1; (ii) the Agency's Oversight Board makes a finding that the amendment is necessary for the payment of approved enforceable obligations during the second half of the Recognized Obligation Payment Schedule period (from January 1 to June 30, inclusive); and (iii) the Agency may only amend the amount requested for payment of approved enforceable obligations during the period from January 1 through June 30 of the applicable Fiscal Year. The DOF will notify the Agency and the County Auditor-Controller as to whether the Agency's requested amendment is approved at least 15 days before the January 2 property tax distribution

The Recognized Obligation Payment Schedule must be submitted by the Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the DOF and the State Controller by February 1 in each year with respect to the Agency's payment obligations during the next Fiscal Year. If the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by such deadlines, the City will be subject to a civil penalty equal to $10,000 per day for every day that the schedule is not submitted. In addition, the Agency's administrative cost allowance is reduced by 25% if the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule within 10 days after the February 1 deadline. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the Bonds, see the caption "RISK FACTORS—Recognized Obligation Payment Schedule."

The Dissolution Act requires the DOF to make a determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than 45 days after the Recognized Obligation Payment Schedule is submitted. Within five business days of the determination by the DOF, the Agency may request additional review by the DOF and an opportunity to meet and confer on disputed items, if any. The DOF will notify the Agency and the County Auditor-Controller as to the outcome of its review at least 15 days before the January 2 or June 1 date of property tax distribution, as applicable. The County Auditor-Controller may also review a submitted Recognized Obligation Payment Schedule and object to the inclusion of any items that are not demonstrated to be enforceable obligations and may object to the funding source proposed for any items, provided that the County Auditor-Controller must deliver notice of any such objections to the Agency, the Oversight Board and the DOF at least 60 days prior to the January 2 or June 1 date of property tax distribution, as applicable.

See the caption "—Last and Final Recognized Obligation Payment Schedule" for a description of the Last and Final Recognized Obligation Payment Schedule authorized by the Dissolution Act pursuant to SB 107.

In connection with the allocation and distribution by the County Auditor-Controller of property tax revenues deposited in the Redevelopment Property Tax Trust Fund, under the Dissolution Act the County Auditor-Controller must prepare estimates of the amounts of: (i) property tax to be allocated and distributed; and (ii) the amounts of pass-through payments to be made in the upcoming Fiscal Year, and provide those estimates to the entities receiving the distributions and DOF by no later than October 1 and April 1 of each year, as applicable. If, after receiving such estimate from the County Auditor-Controller, the Agency determines and reports, by no later than December 1 or May 1, as applicable, that the total amount available to the Agency from the Redevelopment Property Tax Trust Fund allocation to the Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Prior Agency and from funds that have or will become available through asset sales and all redevelopment operations, is insufficient to fund the payment of pass-through obligations, Agency enforceable obligations listed on the Recognized Obligation Payment Schedule and the Agency's administrative cost allowance, the County Auditor-Controller must notify the State Controller and the DOF by no later than 10 days from the date of the Agency's notification. If the State Controller concurs that there are insufficient funds to pay required debt service, the Dissolution Act provides for certain adjustments to be made to the estimated distributions, as described in more detail under the caption "—Tax Increment Financing—Tax Sharing."

The Dissolution Act provides that any bonds that are authorized to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if such bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to such date, will be included in the Agency's Recognized Obligation Payment Schedule and will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to the Dissolution Act. In addition, if an enforceable obligation provides for an irrevocable commitment of property tax revenue and where allocation of revenues is expected to occur over time, the Dissolution Act provides that a successor agency may petition the DOF to provide written confirmation that its determination of such enforceable obligation as approved in a Recognized Obligation Payment Schedule is final and conclusive, and reflects the DOF's approval of subsequent payments made pursuant to the enforceable obligation. If the confirmation is granted by the DOF, then the DOF's review of such payments in each future Recognized Obligation Payment Schedule will be limited to confirming that they are required by the prior enforceable obligation.

Pursuant to the Indenture, the Agency has covenanted to take all actions required under the Dissolution Act to include in a Recognized Obligation Payment Schedule for each Semiannual Period debt service on the Senior Obligations and the Bonds and any Parity Debt and all Policy Costs, so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required to enable the Agency to pay timely principal of, and interest on, the Senior Obligations and the Bonds and any Parity Debt and all Policy Costs coming due with respect the applicable Semiannual Period, including inclusion on the applicable Recognized Obligation Payment Schedule of: (a) the amounts of debt service set forth in the Recognized Obligation Debt Service Payment Schedule attached to the Indenture, as amended (which requires 50% of annual debt service on the Bonds and Parity Debt to be included in each disbursement from the Redevelopment Property Tax Trust Fund); and (b) the amounts of debt service set forth in the Recognized Obligation Debt Service Payment Schedule attached to any Supplemental Indenture, as amended, and the inclusion of any amount required to be deposited in the 2018 Reserve Account, in order to maintain in the 2018 Reserve Account the amount of the 2018 Reserve Requirement, and any amount required to be deposited in the reserve account established for the 2014 Bonds, in order to maintain in such account the required reserve. See Appendix B.

Last and Final Recognized Obligation Payment Schedule

SB 107 amended the Dissolution Act to permit a successor agency to submit a Last and Final Recognized Obligation Payment Schedule (a "**Last and Final ROPS**") for approval by the oversight board and the DOF if: (i) the successor agency's only remaining debt is administrative costs and payments pursuant to enforceable obligations with defined payment schedules; (ii) all remaining obligations have been previously listed on a Recognized Obligation Payment Schedule and approved by the DOF; and (iii) the successor agency is not a party to outstanding or unresolved litigation. The Last and Final ROPS must list the remaining enforceable obligations of the successor agency in the following order: (A) enforceable obligations to be funded from the Redevelopment Property Tax Trust Fund; (B) enforceable obligations to be funded from bond proceeds or other legally or contractually dedicated or restricted funding sources; and (C) loans or deferrals that are authorized for repayment to the city that created the redevelopment agency or the successor to the former redevelopment agency's housing functions and assets. The Last and Final ROPS must also include the total outstanding obligations and a schedule of remaining payments for each enforceable obligation described in clauses (A) and (B) above, and the total outstanding obligation and an interest rate of 4%, for any loans or deferrals listed pursuant to clause (C) above. The Last and Final ROPS must also establish the maximum amount of Redevelopment Property Tax Trust Fund moneys to be distributed to the successor agency for each remaining fiscal year until all obligations have been fully paid. The DOF's approval is required for any Last and Final ROPS to become effective. The county auditor-controller will also review the Last and Final ROPS and provide any objection to the inclusion of any items or amounts to the DOF.

Current law allows successor agencies to amend an approved Last and Final ROPS twice. Approval by the oversight board and the DOF is required for any amendment to a Last and Final ROPS to become effective. The DOF has 100 days to approve or deny a request for approval of an amendment to a Last and Final ROPS. Each amended Last and Final ROPS approved by the DOF will become effective in the subsequent Redevelopment Property Tax Trust Fund distribution period. If an amended Last and Final ROPS is approved less than 15 days before the date of the property tax distribution, the Last and Final ROPS will not be effective until the subsequent Redevelopment Property Tax Trust Fund distribution period. The Agency is not currently eligible to seek approval of a Last and Final ROPS because certain of its outstanding obligations are variable in nature. The Agency does not currently expect to seek approval of a Last and Final ROPS in the future, although there can be no assurance that such expectations will not change.

Any revenues, interest and earnings of a successor agency, including proceeds from the disposition of real property, which are not authorized for use pursuant to an approved Last and Final ROPS must be remitted to the county auditor-controller for distribution to the affected taxing entities. A successor agency may not expend more than the amount approved for each enforceable obligation listed on an approved Last and Final ROPS. The county auditor-controller will no longer distribute property tax to a successor agency's Redevelopment Property Tax Trust Fund once the aggregate amount of property tax allocated to a successor agency equals the total outstanding obligations approved in a Last and Final ROPS. Commencing on the effective date of an approved Last and Final ROPS, a successor agency will not prepare or transmit annual Recognized Obligation Payment Schedules.

After a Last and Final ROPS is approved by the DOF, the county auditor-controller will continue to allocate moneys in the successor agency's Redevelopment Property Tax Trust Fund pursuant to Section 34183 of the Dissolution Act; however, the county auditor-controller will allocate such moneys in each fiscal period after deducting the county auditor-controller's administrative costs, in the following order of priority: (A) pass-through payments pursuant to Section 34183(a)(1) of the Dissolution Act; (B) scheduled debt service payments on tax allocation bonds that are listed and approved in the Last and Final ROPS; (C) scheduled payments on revenue bonds that are listed and approved in the Last and Final ROPS, but only to the extent that the revenues pledged for them are insufficient to make the payments and only if the successor agency's tax increment revenues were also pledged for the repayment of bonds; (D) scheduled payments for debts and obligations listed and approved in the Last and Final ROPS to be paid from the Redevelopment Property Tax Trust Fund; (E) payments listed and approved on the Last and Final ROPS that were authorized but unfunded in prior periods; (F) repayment of loans and deferrals to the city that created the redevelopment agency or the successor to the former redevelopment agency's housing functions and assets that are listed and approved on the Last and Final ROPS; and (G) any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers described in clauses (A) to (F), above, will be distributed to taxing entities in accordance with Section 34183(a)(4) of the Dissolution Act.

If the successor agency reports to the county auditor-controller that the total available amounts in the Redevelopment Property Tax Trust Fund will be insufficient to fund the successor agency's current or future Fiscal Year obligations, and if the county auditor-controller concurs that there are insufficient funds to pay the required obligations, the county auditor-controller may distribute funds pursuant to Section 34183(b) of the Dissolution Act. See the caption "—Tax Increment Financing—Tax Sharing."

Senior Obligations

The Agency may not issue additional bonds or incur additional obligations that are payable from moneys deposited in the Redevelopment Property Tax Trust Fund on a senior basis to the Bonds. However, the Agency's pledge of moneys deposited in the Redevelopment Property Tax Trust Fund to payment on the Bonds is subordinate to its prior pledge of or claim on certain tax revenues to pay debt service, make pass-through payments or make certain other payments pursuant to the below-described existing Senior Obligations:

Senior Pass-Through Agreements. The Agency's obligations pursuant to the following Pass-Through Agreements are payable from moneys deposited in the Redevelopment Property Tax Trust Fund on a senior basis to the Bonds:

County Downtown/Airport Pass-Through Agreement. Pursuant to the Agreement for Cooperation between the County of Riverside, the Redevelopment Agency of the City of Riverside and the City of Riverside, dated January 15, 1991, by and among the County, the Prior Agency and the City, the County is entitled to receive 100% of the tax increment that the County would have received had a redevelopment plan not been adopted for the Downtown/Airport Merged Redevelopment Project Area. The County's share of such tax increment equals approximately 29% of all tax increment from such Project Area.

RCFCWCD Downtown/Airport Pass-Through Agreement. Pursuant to the Agreement for Cooperation between Riverside County Flood Control and Water Conservation District, the Redevelopment Agency of the City of Riverside and the City of Riverside, dated January 8, 1991 (the "**RCFCWCD Downtown/Airport Pass-Through Agreement**"), by and among the Riverside County Flood Control and Water Conservation District ("**RCFCWCD**"), the Prior Agency and the City, RCFCWCD is entitled to receive 100% of the tax increment that RCFCWCD would have received had a redevelopment plan not been adopted for the Downtown/Airport Merged Redevelopment Project Area. RCFCWCD's share of such tax increment equals approximately 3.3% of all tax increment from such Project Area.

County Sycamore Canyon Pass-Through Agreement. Pursuant to the Settlement Agreement and General Release and Cooperation Agreement between the County of Riverside, the Redevelopment Agency of the City of Riverside, and the City of Riverside, dated December 18, 1984, the County is entitled to receive 100% of the tax increment derived from that portion of the University Corridor/Sycamore Canyon Merged Redevelopment Project Area comprising the former Sycamore Canyon and Box Springs Industrial Park Redevelopment Project Area which the County would have received had a redevelopment plan not been adopted for such Project Area. The County's share of such tax increment equals approximately 30% of all tax increment from that portion of the University Corridor/Sycamore Canyon Merged Redevelopment Project Area consisting of the original Sycamore Canyon redevelopment project area.

County Central Industrial Pass-Through Agreement. Pursuant to the Cooperation Agreement between the County of Riverside, the Redevelopment Agency of the City of Riverside, and the City of Riverside, dated December 18, 1984, the County is entitled to receive 100% of the tax increment derived from that portion of the University Corridor/Sycamore Canyon Merged Redevelopment Project Area comprising the former Riverside Central Industrial Redevelopment Project Area which the County would have received had a redevelopment plan not been adopted for such Project Area. The County's share of such tax increment equals approximately 29% of all tax increment from that portion of the University Corridor/Sycamore Canyon Merged Redevelopment Project Area consisting of the original University Corridor redevelopment project area and the 1985 amendment area.

RCFCWCD Sycamore Canyon Pass-Through Agreement. Pursuant to the Cooperation Agreement between Riverside County Flood Control and Water Conservation District, the Redevelopment Agency of the City of Riverside and the City of Riverside, dated December 18, 1984, by and among RCFCWCD, the Prior Agency and the City, RCFCWCD is entitled to receive, on a senior basis to the Bonds, the following percentages of tax increment derived from the portion of the University Corridor/Sycamore Canyon Merged Redevelopment Project Area that comprised the former Sycamore Canyon and Box Springs Industrial Park Redevelopment Project Area which RCFCWCD would have received had a redevelopment plan not been adopted for such Project Area: (i) 43% for Fiscal Year 2014-15; (ii) 48% for Fiscal Years 2015-16 through 2019-20; and (iii) 100% thereafter. Tax increment payable to RCFCWCD derived from the University Corridor sub-area is payable on a subordinate basis to the Bonds.

County Superintendent Sycamore Canyon Pass-Through Agreement. Pursuant to the Agreement for Cooperation between the Riverside County Superintendent of Schools, the Redevelopment

Agency of the City of Riverside, and the City of Riverside, dated May 21, 1985, by and among Riverside County Superintendent of Schools (the "**Superintendent**"), the Prior Agency and the City, the Superintendent is entitled to receive 30% of the tax increment derived from the portion of the University Corridor/Sycamore Canyon Merged Redevelopment Project Area that comprised the former Riverside Central Industrial 1985 Amendment Redevelopment Project Area which the Superintendent would have received had a redevelopment plan not been adopted for such Project Area. The Superintendent's share of such tax increment equals approximately 3.0% of all tax increment from the University Corridor 1985 amendment area.

See Appendix A and the caption "THE PROJECT AREAS" for further information with respect to the Pass-Through Agreements.

Other Senior Obligations. The Agency's obligations pursuant to the following agreements are payable from Tax Revenues on a senior basis to the Bonds:

Breezewood Agreement. Pursuant to the Agreement for Pledge and Repayment of Redevelopment Agency Airport/Downtown Low and Moderate Income Housing Fund (Breezewood Apartments Project), dated October 7, 2003 (the "**Breezewood Agreement**"), by and between the Prior Agency and KDF Breezewood, L.P. ("**KDF**"), the Agency is obligated to make annual payments to KDF as follows: (i) $120,000 on each May 1 through May 1, 2019; and (ii) $192,000 on each November 1 through November 1, 2018. The Agency has already received the $192,000 amount to be paid November 1, 2018 through the Recognized Obligation Payment Schedule process. Under the Breezewood Agreement, Housing Set-Aside moneys are pledged to such payments. As discussed under the caption "—Tax Increment Financing—Elimination of Housing Set-Aside," the Dissolution Act has eliminated the Housing Set-Aside, and the Agency believes that its obligations under the Breezewood Agreement are now payable from Tax Revenues. KDF is obligated to repay all such amounts, plus interest at the rate of 1% per annum, by no later than 2058, subject to earlier annual repayments in the event that certain conditions specified in the Breezewood Agreement are met.

SERAF Repayments. On July 27, 2009, in response to serious State budgetary shortfalls, the Governor signed a revised State fiscal year 2009-10 State budget shifting 8% of the Fiscal Year 2009-10 and 2010-11 1% *ad valorem* property taxes from cities, counties and special districts to the Supplemental Educational Revenue Augmentation Fund (the "**SERAF**"). The Prior Agency was required to pay a total of $20,571,233 to the SERAF pursuant to such legislation. The legislation allowed the Prior Agency to borrow funds from the Low and Moderate Income Housing Fund now held by the City's Housing Authority to make the required payments. Repayment of such borrowed amounts was required within 5 years. The Prior Agency borrowed $17,061,841 in Fiscal Year 2009-10 and $3,509,392 in Fiscal Year 2010-11 from the Low and Moderate Income Housing Fund to make the required payments to the SERAF. As of July 1, 2018, approximately $3,327,380 of such amounts remain outstanding and are now due to the City's Housing Authority. The Agency's repayment of such amounts is governed by the provisions of the Dissolution Act, which establishes a formula for calculating such repayment amounts. $1,663,640 of such amounts has been approved for payment on the Agency's Recognized Obligation Payment Schedule for the June 2018 to December 2018 period and $1,663,640 of such amounts has been approved for payment on the Agency's Recognized Obligation Payment Schedule for the January 2019 to June 2019 period. The remaining outstanding amount is expected to be placed on the Recognized Obligation Payment Schedule for the June 2019 to December 2019 period. See the caption "—Recognized Obligation Payment Schedule." The portions of the Agency's payments allocable to the La Sierra/Arlanza Redevelopment Project Area and the Arlington Redevelopment Project Area under the repayment schedule (approximately 55.8% of the total) constitute Senior Obligations. The remaining 44.2% portion of the Agency's payments allocable to other Project Areas under the repayment schedule are payable on a subordinate basis to the Bonds.

Additional Senior Obligations. Certain property maintenance, appraisal, land survey, document preparation and other disposition costs for the La Sierra/Arlanza Redevelopment Project Area in the total amount of approximately $45,000 appear on the Agency's current Recognized Obligation Payment

Schedule and constitute Senior Obligations. Such costs are expected to appear on the Agency's Recognized Obligation Payment Schedules in succeeding Fiscal Years through Fiscal Year 2021-22.

See Appendix A for further information with respect to such additional Senior Obligations.

Parity Obligations

On October 16, 2014, the Agency issued the 2014 Bonds pursuant to the Original Indenture and the First Supplement to refund certain prior Senior Obligations. The 2014 Bonds are currently outstanding in the aggregate principal amount of $46,915,000 and mature in 2034. The 2014 Bonds are payable from Tax Revenues on a parity with the Bonds.

Limitation on Additional Indebtedness

No Additional Senior Obligations. Under the Indenture, the Agency has covenanted that it will not issue additional bonds or incur additional obligations that are payable from moneys deposited in the Redevelopment Property Tax Trust Fund on a senior basis to the Bonds.

Parity Obligations. The Agency may issue or incur additional loans, bonds (including any bonds issued pursuant to a Supplemental Indenture), notes, advances or indebtedness payable from Tax Revenues on a parity with the Bonds (collectively, "**Parity Debt**") in such principal amount as determined by the Agency, for refunding purposes only subject to the following specific conditions that are conditions precedent to the issuance and delivery of such Parity Debt:

(a) The additional Parity Debt must have been issued in compliance with the refunding provisions of the Dissolution Act;

(b) The Agency certifies that the aggregate principal of and interest on the Bonds, the Senior Obligations and any Parity Debt (including the Parity Debt to be incurred) and Subordinate Debt coming due and payable and the Policy Costs will not exceed the maximum amount of Tax Revenues permitted under any Plan Limit to be allocated and paid to the Agency with respect to the Project Areas after the issuance of such Parity Debt; and

(c) The Agency will deliver to the Trustee a Written Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth above have been satisfied.

Subordinate Obligations. Nothing contained in the Indenture prevents the Agency from issuing and selling any bonds, notes, loans, advances or other indebtedness issued or incurred by the Agency that are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues that is subordinate to: (i) the pledge of and lien upon the Tax Revenues under the Indenture for the security of the Bonds; (ii) the Agency's obligation to pay Policy Costs to the Surety Provider pursuant to the Indenture; and (iii) the Agency's obligation to reimburse the provider of a letter of credit, surety bond or similar instrument for the debt service reserve account for any Parity Debt (collectively, "**Subordinate Debt**"). Any Subordinate Debt that is issued as bonds or incurred in the form of a loan will be payable on the same dates as the Bonds.

PROPERTY TAXATION IN CALIFORNIA

Property Tax Collection Procedures

Classification. In the State, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." Secured and unsecured property is entered on separate parts of the assessment roll maintained by county assessors. The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens on the secured property arising pursuant to State law, regardless of the time of the creation of other liens. See the caption "RISK FACTORS—Bankruptcy and Foreclosure" for certain limitations on the priority of secured tax liens under federal law, however.

Generally, *ad valorem* taxes are collected by a county for the benefit of the various taxing agencies (cities, schools and special districts) that share in the *ad valorem* tax (each, a taxing entity) and successor agencies eligible to receive distributions from the respective Redevelopment Property Tax Trust Fund.

Collections. The method of collecting delinquent taxes is substantially different for secured and unsecured property. Counties have four ways of collecting unsecured personal property taxes: (i) initiating a civil action against the taxpayer; (ii) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (iii) filing a certificate of delinquency for record in the county recorder's office to obtain a lien on certain property of the taxpayer; and (iv) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent.

Penalty. A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is declared in default by operation of law and declaration of the tax collector on or about June 30 of each fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also applies to delinquent taxes with respect to property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning on varying dates related to the tax bill mailing date.

Delinquencies. The valuation of property is determined as of the January 1 lien date as equalized in August of each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due January 1 and become delinquent August 31. The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (known as the Teeter Plan), as provided for in Section 4701 *et seq*. of the Revenue and Taxation Code of the State. Accordingly, the County Auditor-Controller distributes 100% of tax increment revenues allocated to each redevelopment successor agency in the County without regard to delinquencies in the payment of property taxes. As a result of this allocation method, the Agency receives no adjustments for redemption payments on delinquent collections. The Agency does receive supplemental taxes. Refunds, if any, are deducted from amounts available for deposit to the Redevelopment Property Tax Trust Fund. There can be no assurance that the County Auditor-Controller will not change its policies with respect to delinquencies in property tax payments in the future.

Supplemental Assessments. California Revenue and Taxation Code Section 75.70 provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Prior to the enactment of this law, the assessment of such changes was permitted only as of the next tax lien date following the change, which delayed the realization of increased property taxes from the new assessments for up to 14 months. Revenue and Taxation Code Section 75.70 provides increased revenue to the Redevelopment Property Tax Trust Fund to the extent that supplemental assessments of new construction or changes of ownership occur within the boundaries of the Project Areas subsequent to the January 1 lien date. To the extent that such supplemental assessments occur within the Project Areas, Tax Revenues may increase. However, because supplemental assessments cannot be accurately projected, no provision has been made by the Fiscal Consultant to reflect the impact of supplemental assessments on Tax Revenues. See Appendix A.

Property Tax Administrative Costs. In 1990, the State Legislature enacted Senate Bill ("**SB**") 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each. SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 1559 amounts, to be deducted from property tax revenues before moneys are deposited into the Redevelopment Property Tax Trust Fund. For Fiscal Year 2017-18, the County's administrative charge to the Agency for the Project Areas was $961,668, representing approximately 1.25% of gross tax increment revenues received by the Agency in such Fiscal Year.

Negotiated Pass-Through Agreements. Prior to 1994, under the Redevelopment Law, a redevelopment agency could enter into an agreement to pay tax increment revenues to any taxing agency that had territory located within a redevelopment project in an amount which in the redevelopment agency's determination was appropriate to alleviate any financial burden or detriment caused by the redevelopment project. Such agreements normally provide for payment or pass-through of tax increment revenue directed to the affected taxing agency, and, therefore, are commonly referred to as pass-through agreements or tax sharing agreements. The Agency's agreements with affected taxing agencies are referred to herein as "Pass-Through Agreements." See the caption "THE PROJECT AREAS" for a discussion of Pass-Through Agreements for each Project Area. See also the caption "SECURITY FOR THE BONDS—Tax Increment Financing—Tax Sharing" for additional discussion of the treatment of Pass-Through Agreements under the Dissolution Act.

Statutory Pass-Throughs. The payment of Statutory Pass-Through Amounts results from: (i) redevelopment plan amendments which add territory in existing project areas on or after January 1, 1994; and (ii) redevelopment plan amendments which eliminate one or more limitations within a redevelopment plan (such as the removal of the time limit on the establishment of loans, advances and indebtedness). The calculation of the amount due to affected taxing entities is described in Sections 33607.5 and 33607.7 of the Redevelopment Law. See the captions "THE PROJECT AREAS" and "SECURITY FOR THE BONDS—Tax Increment Financing—Tax Sharing" for further information regarding the applicability of the statutory pass-through provisions of the Redevelopment Law and the Dissolution Act to the Project Areas.

Recognized Obligation Payment Schedule. The Dissolution Act provides that, commencing on the date that the first Recognized Obligation Payment Schedule is valid, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each February 1, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency's oversight board and the DOF for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation, for the next Fiscal Year. Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Agency's Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the beginning of the next Fiscal Year. See the caption "SECURITY FOR THE BONDS—Recognized Obligation Payment Schedule" and "RISK FACTORS—Recognized Obligation Payment Schedule."

Unitary Property

Assembly Bill ("**AB**") 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with State fiscal year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) is to be allocated county-wide as follows: (i) each tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro rata share of the increase from each assessed utility according to a specified formula. In addition, the lien date on State-assessed property was established as January 1.

AB 454 (Statutes of 1987, Chapter 921) modified AB 2890 regarding the distribution of tax revenues derived from property assessed by the State Board of Equalization. AB 454 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. AB 454 also provides for a method of establishing tax rates on State-assessed property and distribution of property tax revenue derived from State-assessed property to taxing jurisdictions within each county as follows: for revenues generated from the 1% tax rate, each jurisdiction, including redevelopment project areas, will receive a percentage of up to its prior year State-assessed unitary revenue; and if county-wide revenues generated for unitary property are greater than 102% of the previous year's unitary revenues, each jurisdiction will receive a percentage share of the excess unitary revenue generated from growth above 102%; further, each jurisdiction will receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is located. The intent of AB 2890 and AB 454 is to provide redevelopment agencies with their appropriate share of revenue generated from property assessed by the State Board of Equalization.

The projections of Tax Revenues reflect the receipt of unitary revenues of $939,000 per Fiscal Year.

Article XIIIA of the State Constitution

On June 6, 1978, State voters approved an amendment (commonly known as Proposition 13 or the Jarvis-Gann Initiative) which added Article XIIIA to the State Constitution. Article XIIIA limits the amount of *ad valorem* taxes on real property to 1% of "full cash value" of such property, as determined by the county assessor. Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the State fiscal year 1975-76 tax bill under 'full cash value,' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." Furthermore, the "full cash value" of all real property may be increased to reflect the rate of inflation, as shown by the consumer price index, not to exceed 2% per year, or may be reduced.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances.

Article XIIIA: (i) exempts from the 1% tax limitation taxes to pay debt service on: (a) indebtedness approved by the voters prior to July 1, 1978; or (b) 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; (ii) requires a vote of two-thirds of the qualified electorate to impose special taxes, or certain additional *ad valorem* taxes; and (iii) requires the approval of two-thirds of all members of the State Legislature to change any State tax laws resulting in increased tax revenues.

The validity of Article XIIIA has been upheld by both the State Supreme Court and the United States Supreme Court.

In the general election held on November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amended Article XIIIA. Proposition 58 amended Article XIIIA to provide that the terms "purchase" and "change of ownership," for the purposes of determining full cash value of property under Article XIIIA, do not include the purchase or transfer of: (1) real property between spouses;

and (2) the principal residence and the first $1,000,000 of other property between parents and children. This amendment to Article XIIIA may reduce the rate of growth of local property tax revenues.

Proposition 60 amended Article XIIIA to permit the State Legislature to allow persons over the age of 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county to transfer the old residence assessed value to the new residence. As a result of the State Legislature's action, the growth of property tax revenues may decline.

Legislation enacted by the State Legislature to implement Article XIIIA provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value (except as noted). Tax rates for voter-approved bonded indebtedness and pension liabilities are also applied to 100% of assessed value.

Appropriations Limitation – Article XIIIB

On November 6, 1979, State voters approved Proposition 4 (also known as the Gann Initiative), which added Article XIIIB to the State Constitution. Article XIIIB limits the annual appropriations of the State and its political subdivisions to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The "base year" for establishing such appropriations limit is State fiscal year 1978-79, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Section 33678 of the Redevelopment Law provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness is not deemed to be the receipt by an agency of proceeds of taxes levied by or on behalf of an agency within the meaning of Article XIIIB, nor will such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two State appellate court decisions. On the basis of these decisions, the Agency does not believe that it is subject to Article XIIIB and has not adopted an appropriations limit.

Articles XIIIC and XIIID of the State Constitution

At the election held on November 5, 1996, Proposition 218 was passed by the voters of California. The initiative added Articles XIIIC and XIIID to the State Constitution. Provisions in the two articles affect the ability of local government to raise revenues. The Bonds are secured by sources of revenues that are not subject to limitation by Proposition 218. See the caption "—Propositions 218 and 26."

Proposition 87

On November 8, 1988, the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the State Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on certain bonded indebtedness issued by a taxing entity (not the Prior Agency or the Agency) and approved by the voters of the taxing entity after January 1, 1989 will be allocated solely to the payment of such indebtedness, and *not* to redevelopment agencies.

As a result of the adoption of Proposition 87, redevelopment agencies do not receive an increase in tax increment revenues when taxes on property in a project area are increased to repay voter-approved general obligation debt.

SB 107, which became effective on September 22, 2015, amended Section 34183(a)(1) of the Dissolution Act to provide that such debt service override revenues approved by the voters for the purpose of supporting pension programs or capital projects or programs related to the State Water Project which are not pledged to or not needed for debt service on Agency debt will be allocated and paid to the entity that levies the override.

Former Redevelopment Time Limits

In 1993, the State legislature passed AB 1290 (Statutes of 1993, Chapter 942) ("**AB 1290**"), which, among other things, required redevelopment agencies to adopt time limits in each redevelopment plan specifying: (i) the last date to incur debt for a redevelopment project; (ii) the last date to undertake redevelopment activity within a project area; and (iii) the last date to collect tax increment revenue from a project area to repay debt. Pursuant to AB 1290, which took effect January 1, 1994, the City Council adopted ordinances amending the redevelopment plans in certain Project Areas to impose limits on plan activity therein, as well as a date past which tax increment revenue could not be collected. See the caption "THE PROJECT AREAS."

In 2001, the State Legislature enacted SB 211 (Statutes of 2001, Chapter 741) ("**SB 211**"), which authorized, among other things, the deletion of the AB 1290 limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994. However, such elimination triggered statutory tax sharing with those taxing entities that do not have Pass-Through Agreements. See the caption "SECURITY FOR THE BONDS—Tax Increment Financing—Tax Sharing." The City adopted an ordinance, pursuant to the authorization contained in SB 211, deleting the limit on the Agency's authority to incur loans, advances and indebtedness with respect to the Project Areas.

Legislation passed in 2003 (SB 1045) and 2004 (SB 1096) required redevelopment agencies to remit moneys to the applicable county Educational Revenue Augmentation Fund ("**ERAF**") and also permitted redevelopment agencies to extend their ability to collect tax increment by one year for each payment required by such legislation to be made in Fiscal Years 2003-04, 2004-05 and 2005-06. The extensions for Fiscal Years 2004-05 and 2005-06 apply only to redevelopment plans with existing limits on the effectiveness of the plan that are less than 20 years from the last day of the Fiscal Year in which the ERAF payment is made. The City adopted ordinances, pursuant to the authorization granted in SB 1045 and SB 1096, extending the time limits on the effectiveness of the redevelopment plan and the receipt of the tax increment. See the caption "THE PROJECT AREAS."

Pursuant to SB 107, which came into effect on September 22, 2015, the time limits for receiving property tax revenues in each Project Area are not effective for purposes of paying the Bonds. Accordingly, the projections that are set forth in this Official Statement and in the Fiscal Consultant Report that is attached to this Official Statement as Appendix A do not take into account the time limitations that are set forth in the redevelopment plan for the Project Areas.

Under SB 107, the County Auditor-Controller will only deposit revenues into the Redevelopment Property Tax Trust Fund after a Project Area reaches a plan limit that is set forth in the applicable redevelopment plan if and to the extent that the Agency provides evidence that the revenues are needed to pay enforceable obligations.

Appeals of Assessed Values

Pursuant to State law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

In the County, a property owner desiring to reduce the assessed value of such owner's property in any one year (as further described under the caption "—Proposition 8," a Proposition 8 appeal) must submit an application to the County Assessment Appeals Board (the "**Appeals Board**"). Applications for any tax year must be submitted by November 30 of such tax year. Following a review of each application by the staff of the County Assessor's Office, the staff makes a recommendation to the Appeals Board on each application which has not been rejected for incompleteness or untimeliness or withdrawn. If the staff of the County Assessor's Office recommends a reduction in the assessed value of a property, the reduction will be granted without the application being forwarded to the Appeals Board. If the staff of the County Assessor's Office recommends that the application be denied, the matter is forwarded to the Appeals Board. The Appeals Board holds a hearing and either reduces or confirms the assessment. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level for Fiscal Years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as "ongoing hardship"), the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well.

Appeals for reduction in the "base year" value of an assessment, which generally must be made within three years of the date of change in ownership or completion of new construction that determined the base year, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. If the base year value assigned by the county assessor is reduced, the valuation of the property cannot increase in subsequent years by more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs. Moreover, in the case of any reduction of assessed value granted for "ongoing hardship" in the then-current year, and also in any cases involving stipulated appeals for prior years relating to base year and personal property assessments, property taxes attributable to such properties will be reduced in the then-current year. In practice, such a reduced assessment may remain in effect beyond the year in which it is granted.

County assessors also have the ability pursuant to Proposition 8 to temporarily reduce property tax assessments during times of negative economic conditions that result in decreased real estate values. As a result of a downturn in the housing market, several counties in California (including the County) reduced the assessed values of homes that had been acquired at the peak of the real estate market in 2004 and 2005. The Agency is aware that the County Assessor made reductions in assessed valuations in the Project Areas in Fiscal Years 2008-09 through 2012-13. The Agency cannot predict whether the County will again reduce assessed values in the Project Areas in future years. The Agency does not believe that any such reductions will have a material adverse impact on Tax Revenues or the Agency's ability to pay debt service on the Bonds, and the Fiscal Consultant has estimated that there remains approximately $130,393,274 in potential reversals of Proposition 8 single-year reductions in residential assessed values that could be recaptured in the future. However, reductions in assessed value due to current or future economic conditions in the Project Areas could impact the receipt of Tax Revenues as projected by the Fiscal Consultant. See the caption "TAX REVENUES."

The Fiscal Consultant has noted that seven of the top ten taxpayers within the Project Areas currently have assessment appeals pending. See Table 3 under the caption "THE PROJECT AREAS—General." If such appeals are granted in full and assessed valuations reduced by the full amount that the appellants seek ($378,627,994), gross tax revenues for the Project Areas would be reduced by approximately $3,786,280. See the captions "RISK FACTORS—Reduction in Taxable Value" and "TAX REVENUES." The Agency does not believe that such a reduction would have a material adverse impact on the Agency's ability to pay debt service on the Bonds. See Table 4 in Appendix A for detailed information with respect to outstanding assessment appeals by the 25 largest taxpayers in the Project Areas.

As set forth in the table below, over the last five years, only approximately 8.8% of appeals within the Project Areas have been successful, resulting in reductions in assessed values equal to approximately 21.2% of the reductions sought.

SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
Summary of Historical Assessment Appeals and Pending Appeals

Fiscal Year	*Original Assessed Valuation Resolved Appeals*	*Original Assessed Valuation Successful Appeals*	*% of Appeals Successful*	*Change in Value*[(1)]	*Revised Assessed Valuation Successful Appeals*	*Reduction as a % of All Appeals*[(1)]	*Reduction as a % of Successful Appeals*	*Pending Appeals:* *Appeals Pending*	*Pending Appeals:* *Assessed Valuation of Pending Appeals*[(2)]	*Pending Appeals:* *Taxpayer*[(3)] *Requested Assessed Valuation Reduction*	*Pending Appeals:* *Reduction as a % of Assessed Valuation Outstanding*
2013-14	$ 1,947,545,730	$256,272,931	13.2%	$ (34,340,987)	$221,931,944	(1.8)%	(13.4)%	8	$ 174,313,676	$ (132,907,548)	(76.2)%
2014-15	1,198,057,882	91,168,886	7.6	(27,852,450)	63,316,436	(2.3)	(30.6)	21	259,378,173	(138,046,815)	(53.2)
2015-16	921,849,948	46,175,483	5.0	(18,917,922)	27,257,561	(2.1)	(41.0)	43	576,130,629	(317,568,545)	(55.1)
2016-17	567,842,741	19,174,404	3.4	(6,336,816)	12,837,588	(1.1)	(33.0)	117	791,335,156	(313,554,492)	(39.6)
2017-18	53,923,737	-	0.0	-	-	0.0	0.0	201	1,387,977,535	(591,067,969)	(42.6)
TOTAL	$ 4,689,220,038	$412,791,704	8.8%	$ (87,448,175)	$325,343,529	(1.9)%	(21.2)%	390	$3,189,135,169	$ (1,493,145,369)	(46.8)%

(1) Amounts shown as reductions resulting from successful appeals are likely understated because in the County only reductions made by the Appeals Board or formally stipulated are reflected. More informal agreements for reductions between the taxpayer and the County Assessor are not generally reflected in the appeals data. None of the appeals for Fiscal Year 2017-18 that have been resolved as of July 10, 2018 have resulted in any declines in assessed values for such Fiscal Year. Other appeals remain pending for such Fiscal Year.

(2) Reflects the total Fiscal Year 2017-18 value for parcels on which appeals are still outstanding.

(3) Such amounts may be overstated because County records often do not include a taxpayer opinion of value and, in those instances, the taxpayer opinion of value is assumed to be $0.

Source: DHA Consulting, LLC.

Significant appeals to assessed values in the Project Areas may be filed from time to time in the future. The Agency cannot predict the extent of these appeals or their likelihood of success. The Fiscal Consultant has adjusted its projections for pending assessment appeals to reflect the historical success rate for appeals over the last five years, resulting in an assumed decline in assessed valuations for the properties for which assessment appeals are pending of approximately 3.5%. See Appendix A.

Proposition 8

Proposition 8, approved in 1978 (California Revenue and Taxation Code Section 51(b)), provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions pursuant to Proposition 8 may be initiated by the County Assessor or requested by the property owner, and such reductions apply only to a single tax year.

After a roll reduction is granted pursuant to Proposition 8, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIIIA of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

See the captions "—Appeals of Assessed Values" and "THE PROJECT AREAS" for further information with respect to previous reductions in assessed valuations within the Project Areas.

Propositions 218 and 26

On November 5, 1996, State voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIIIC and XIIID to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. On November 2, 2010, California voters approved Proposition 26, the "Supermajority Vote to Pass New Taxes and Fees Act." Proposition 26 amended Article XIIIC of the State Constitution by adding an expansive definition for the term "tax," which previously was not defined under the State Constitution. Tax Revenues securing the Bonds are derived from property taxes which are outside the scope of taxes, assessments and property-related fees and charges which are limited by Proposition 218 and outside of the scope of taxes which are limited by Proposition 26.

Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID to the State Constitution and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE

The Prior Agency was established by the City Council of the City and was activated by Ordinance No. 3481 adopted by the City Council on November 14, 1967 pursuant to the Redevelopment Law. On June 29, 2011, AB X1 26 was enacted as Chapter 5, Statutes of 2011, together with a companion bill, AB X1 27. A lawsuit entitled *California Redevelopment Association, et al. v. Matosantos, et al.*, was brought in the State Supreme Court challenging the constitutionality of AB X1 26 and AB X1 27. In a published decision (53 Cal.

4th 231 (Dec. 29, 2011)), the State Supreme Court largely upheld AB X1 26, invalidated AB X1 27 and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the State Supreme Court, as of February 1, 2012, all redevelopment agencies in the State, including the Prior Agency, were dissolved, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

On January 10, 2012, pursuant to Resolution No. 22322 and Section 34173 of the Dissolution Act, the City Council of the City elected to serve as the Successor Agency to the Redevelopment Agency of the City of Riverside. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Agency is a separate public entity from the City, that the two entities shall not merge, that the liabilities of the Prior Agency will not be transferred to the City and that the assets of the Prior Agency will not become assets of the City.

The Agency is governed by a seven-member Board of Directors and a Chair (the "**Board**") which consists of the Mayor and members of the City Council of the City of Riverside. The Mayor acts as the Chair of the Board, the City Manager as its chief administrative officer, the City Clerk as its secretary and the Chief Financial Officer of the City its chief financial officer.

Agency Powers

All powers of the Agency are vested in its seven members and its Chair, who are elected members of the City Council and the Mayor of the City. Pursuant to the Dissolution Act, the Agency is a separate public body from the City and successor to the organizational status of the Prior Agency, but without any legal authority to participate in redevelopment activities except to complete any work related to an approved enforceable obligation. The Agency is tasked with expeditiously winding down the affairs of the Prior Agency pursuant to the procedures and provisions of the Dissolution Act. Under the Dissolution Act, many Agency actions are subject to approval by the Oversight Board, as well as review by the DOF. The State has strict laws regarding public meetings (known as the Ralph M. Brown Act) which generally make all Agency and Oversight Board meetings open to the public in a similar manner as City Council meetings.

Previously, Section 33675 of the Redevelopment Law required the Prior Agency to file not later than the first day of October of each year with the County Auditor of a statement of indebtedness certified by the chief fiscal officer of the Prior Agency for each redevelopment plan which provides for the allocation of taxes (i.e., the Redevelopment Plan). The statement of indebtedness was required to contain the date on which the bonds were delivered, the principal amount, term, purposes and interest rate of the bonds and the outstanding balance and amount due on the bonds. Similar information was required to be given for each loan, advance or indebtedness that the Prior Agency had incurred or entered into which is payable from tax increment. Section 33675 also provided that payments of tax increment revenues from the County Auditor-Controller to the Prior Agency could not exceed the amounts shown on the Prior Agency's statement of indebtedness.

The Dissolution Act eliminates the requirement for a statement of indebtedness and provides that, commencing on the date that the first Recognized Obligation Payment Schedule is valid thereunder, the Recognized Obligation Payment Schedule supersedes the statement of indebtedness previously required under the Redevelopment Law, and that, commencing on such date, the statement of indebtedness will no longer be prepared nor have any effect under the Redevelopment Law. See the caption "SECURITY FOR THE BONDS—Recognized Obligation Payment Schedule."

Due Diligence Reviews

Pursuant to the requirements of the Dissolution Act, the Agency retained independent accountants to conduct two reviews, known as due diligence reviews (each, a "**DDR**"): one for the Housing Fund and the other for all of the other funds and accounts (the "**Other Funds**"). The purpose of the DDRs was to determine the unobligated balance (the "**Unobligated Balance**"), if any, of the Housing Fund and the Other Funds, as of

June 30, 2012, so that such Unobligated Balance would be distributed to taxing agencies. Pursuant to the general procedure for determining the Unobligated Balance set forth in the Dissolution Act, legally restricted funds (including bond proceeds), the value of assets that are not cash or cash equivalents (such as land and equipment) and amounts that are needed to satisfy obligations listed on an approved Recognized Obligation Payment Schedule were excluded from the Unobligated Balance.

The Agency was required to submit each DDR, after review and approval by the Oversight Board, to the DOF. The DOF was authorized to modify the conclusions set forth in the DDR based on the DOF's review. After receipt of the DOF's determination letter, the Agency had one opportunity to request a meet and confer session with the DOF and present the Agency's arguments regarding disputed items. Thereafter, the DOF issued its final determination letter, indicating the Unobligated Balance that the Agency must transmit to the County Auditor-Controller or risk possible penalties prescribed by the Dissolution Act. Such possible penalties include an offset against the City's sales and use tax revenues or a reduction of the property tax allocations to the City.

Previously, the Prior Agency's practice was to reimburse the City for amounts that were budgeted for Agency operations annually with tax increment funds. The City historically loaned funds to the Prior Agency for various capital projects and land acquisitions. Several of these loans remain outstanding. The City believes such loans to be enforceable obligations (as described under the caption "SECURITY FOR THE BONDS—Recognized Obligation Payment Schedule") because each has a valid loan agreement executed prior to the enactment of the Dissolution Act.

After litigation with the State, approximately $16 million in loans between the City and the Prior Agency relating to the Downtown/Airport Merged Redevelopment Project Area were determined to be enforceable obligations, of which approximately $5 million currently remain outstanding. The loans do not contain a pledge of tax increment revenues and, accordingly, the Agency's repayment obligations thereunder are payable on a subordinate basis to the payment of debt service on the Bonds.

The DOF issued its final determination regarding the Agency's DDR for the Housing Fund on November 9, 2012, having determined that the Agency's Housing Fund Unobligated Balance available for distribution to the taxing agencies was $4,138,544. The DOF issued its final determination regarding the DDR for the Other Funds on April 1, 2013, having determined that the Agency's Non-Housing Funds Unobligated Balance available for distribution to the taxing agencies was $14,324,307. The Agency has remitted such sums to the County Auditor-Controller.

Because the Agency has made the remittances required by the DOF's final determination concerning the DDRs, as well as certain other amounts previously required to be remitted pursuant to the Dissolution Act, the DOF issued a "Finding of Completion" to the Agency on April 17, 2013. Upon receipt of such Finding of Completion, the Agency is permitted to proceed with actions permitted under certain provisions of the Dissolution Act.

THE PROJECT AREAS

General

The Prior Agency was established pursuant to the Redevelopment Law and was activated by Ordinance No. 3481 adopted by the City Council on November 14, 1967, at which time the City Council declared itself to be the governing board of the Agency. The Prior Agency was charged with the authority and responsibility of redeveloping and upgrading blighted areas of the City.

Under the Redevelopment Law, a city or county that activated a redevelopment agency was required to adopt, by ordinance, a redevelopment plan for each redevelopment project to be undertaken by the redevelopment agency. A redevelopment agency could only undertake those activities within a redevelopment project that were specifically authorized in the adopted redevelopment plan. A redevelopment plan is a legal document, the content of which is largely prescribed in the Redevelopment Law, rather than a "plan" in the customary sense of the word.

As discussed under the caption "SECURITY FOR THE BONDS—Tax Increment Financing," the Bonds are secured by Tax Revenues from all seven Project Areas.

A breakdown of the taxable valuations and resulting gross tax increment in each Project Area for Fiscal Year 2018-19 is set forth in the below table:

Table 1
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
Tax Revenues (Fiscal Year 2018-19)

Project Area	*Number of Acres*	*Total Valuation*	*Less Base Year Valuation*	*Incremental Valuation*	*% of Incremental Valuation*	*Gross Tax Increment*
University Corridor/Sycamore Canyon Merged Redevelopment Project Area	2,346	$ 1,678,323,241	$ 107,359,759	$ 1,570,963,482	18.58%	$ 15,847,635
Downtown/Airport Merged Redevelopment Project Area	2,417	1,724,366,997	162,212,525	1,562,154,472	18.47	16,091,545
Casa Blanca Redevelopment Project Area	725	444,263,186	19,167,136	425,096,050	5.03	4,303,961
Arlington Redevelopment Project Area	1,274	1,106,920,503	441,758,688	665,161,815	7.87	6,701,618
Magnolia Center Redevelopment Project Area	475	796,624,488	311,033,930	485,590,558	5.74	4,883,906
Hunter Park/Northside Redevelopment Project Area	2,636	1,818,878,416	747,435,274	1,071,443,142	12.67	10,776,431
La Sierra/Arlanza Redevelopment Project Area	6,424	4,910,707,869	2,234,668,726	2,676,039,143	31.64	26,898,391
TOTAL	16,297	$ 12,480,084,700	$ 4,023,636,038	$ 8,456,448,662	100.00%	$ 85,503,487

Source: DHA Consulting, LLC; City.

Taxable values for each Project Area for the current and past twelve Fiscal Years are set forth in the below table.

Table 2
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
Historic Taxable Values

	Fiscal Year												
Project Area	***2006-07***	***2007-08***	***2008-09***	***2009-10***	***2010-11***	***2011-12***	***2012-13***	***2013-14***	***2014-15***	***2015-16***	***2016-17***	***2017-18***	***2018-19(9)***
University Corridor(1)	$ 479,160,401	$ 526,034,512	$ 588,489,916	$ 571,615,603	$ 559,041,151	$ 564,286,804	$ 547,631,443	$ 527,193,043	$ 530,748,123	$ 563,885,171	$ 581,594,538	$ 607,512,697	$ 641,449,694
Sycamore Canyon(2)	405,051,499	555,207,283	709,942,104	793,867,394	806,694,685	797,163,424	779,679,454	770,069,156	794,082,300	821,754,272	861,725,685	969,369,788	1,036,873,547
Downtown(3)	629,029,698	681,774,456	804,304,472	804,747,298	753,591,675	746,247,779	759,516,963	783,440,252	779,458,293	808,418,617	836,315,183	930,031,119	1,049,915,841
Airport(4)	449,895,557	473,253,416	519,032,950	568,923,852	543,181,934	569,871,000	563,287,635	562,507,430	543,512,177	574,954,943	633,255,350	647,434,121	674,451,156
Casa Blanca(5)	309,300,853	346,448,674	365,338,491	338,580,209	329,446,287	323,180,540	327,430,731	341,417,003	352,030,382	377,303,235	388,332,085	411,751,533	444,263,186
Arlington(6)	832,890,707	950,738,347	963,219,754	930,243,474	903,724,101	894,881,093	854,509,065	876,700,393	928,198,179	942,937,062	989,021,782	1,038,938,994	1,106,920,503
Magnolia Center	515,222,378	592,789,148	623,532,791	619,733,030	615,131,021	622,035,383	607,467,515	622,744,106	653,973,903	655,171,693	686,774,243	701,067,344	796,624,488
Hunter Park/Northside(6)	1,183,960,698	1,442,631,347	1,546,577,865	1,421,212,507	1,384,298,870	1,355,908,415	1,435,101,551	1,462,801,971	1,531,646,261	1,581,844,945	1,627,651,423	1,696,331,717	1,818,878,416
La Sierra/Arlanza(7)	3,391,493,712	3,996,705,474	3,915,073,748	3,514,974,685	3,435,935,839	3,507,180,746	3,494,395,509	3,613,761,115	3,947,632,241	4,158,564,054	4,401,001,643	4,620,643,165	4,910,707,869
TOTAL VALUE	**$8,196,005,503**	**$9,565,582,657**	**$10,035,512,091**	**$9,563,898,052**	**$9,331,045,563**	**$9,380,755,184**	**$9,369,019,866**	**$9,560,634,469**	**$10,061,281,859**	**$10,484,833,992**	**$11,005,671,932**	**$11,623,080,478**	**$12,480,084,700**
% Change	14.48%	16.71%	4.91%	(4.70)%	(2.43)%	0.53%	(0.13)%	2.05%	5.24%	4.21%	4.97%	5.61%	7.37%
Base Year	$4,072,653,147	$4,072,653,147	$4,072,653,147	$4,072,653,147	$4,023,636,038	$4,023,636,038	$4,023,636,038	$4,023,636,038	$ 4,023,636,038	$ 4,023,636,038	$ 4,023,636,038	$ 4,023,636,038	$ 4,023,636,038
Total Incremental Value	$4,123,352,356	$5,492,929,510	$5,962,858,944	$5,491,244,905	$5,307,409,525	$5,357,119,146	$5,345,383,828	$5,536,998,431	$ 6,037,645,821	$ 6,461,197,954	$ 6,982,035,894	$ 7,599,444,440	$ 8,456,448,662
% Change	33.57%	33.22%	8.56%	(7.91)%	(3.35)%	0.94%	(0.22)%	3.58%	9.04%	7.02%	8.06%	8.84%	11.28%
Inflationary Trend(8)	2.00%	2.00%	2.00%	2.00%	(0.02)%	0.75%	2.00%	2.00%	0.45%	2.00%	1.53%	2.00%	2.00%

(1) Decreases between Fiscal Years 2008-09 and 2011-12 reflect declines in the values of three large student housing developments built prior to 2008. The decrease from the Fiscal Year 2012-13 value in Fiscal Year 2013-14 reflects a decline in the assessed valuation of Town Square Shopping Center, a discount center without nationally recognized retailer anchor stores. The assessed valuation of the property was increased in Fiscal Year 2011-12 because of a property transfer but was reduced in Fiscal Year 2013-14 back to the Fiscal Year 2010-11 level plus inflation.

(2) Decreases between Fiscal Years 2010-11 and 2013-14 reflect unsecured assessment decreases and a decrease in the value of the Pepsi Bottling Group property.

(3) Decreases between Fiscal Years 2009-10 and 2011-12 reflect the purchase of a large property by the County, resulting in an exemption from taxes for such property, as well as declines in the value of other large properties, including a hospital, hotel and commercial office buildings. The decrease from the Fiscal Year 2013-14 value in Fiscal Year 2014-15 reflects an increase in the amount of exemptions for certain property.

(4) Decreases between Fiscal Years 2009-10 and 2013-14 reflect decreases in the value of a number of commercial and industrial properties. The decrease from the Fiscal Year 2013-14 value in Fiscal Year 2014-15 reflects property tax appeals, an increase in the amount of exemptions and a $10.8 million decline in the value of fixtures and personal property for one large industrial parcel within the Airport sub-area owned by Rohr Inc., one of the largest taxpayers in the Project Areas. See Table 3.

(5) Decreases between Fiscal Years 2008-09 and 2011-12 reflect decreases in the value of certain residential, commercial and unsecured properties, as well as Proposition 8 reductions for a commercial office building and an automobile dealership. See the caption "PROPERTY TAXATION IN CALIFORNIA—Proposition 8."

(6) Decreases between Fiscal Years 2008-09 and 2012-13 reflect decreases in the value of certain residential, commercial and unsecured properties as a result of general economic conditions within the applicable Project Area.

(7) Decreases between Fiscal Years 2008-09 and 2012-13 reflect decreases in the value of a number of commercial and residential properties as a result of declines processed by the County Assessor for appeals and property sales. In addition, certain areas were removed from the Project Area pursuant to amendments to the La Sierra/Arlanza Redevelopment Plan. See the caption "—The La Sierra/Arlanza Redevelopment Project Area—Redevelopment Plan."

(8) Reflects the annual statutory change in assessed values pursuant to Article XIIIA of the State Constitution. Article XIIIA limits the increase in assessed values, absent new construction or sale, to the lesser of 2.00% per annum or the rate of inflation, as shown by the consumer price index. See the caption "PROPERTY TAXATION IN CALIFORNIA—Article XIIIA of the State Constitution."

(9) Reflects preliminary assessed valuations reported by the County on July 6, 2018.

Source: DHA Consulting, LLC; County of Riverside.

The top ten taxpayers for all Project Areas in the current Fiscal Year are set forth in the below table.

Table 3
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
Top Ten Taxpayers (Fiscal Year 2018-19)

Assessee Name	*Project Area*	*Predominant Use*	*Number of Parcels*	*Fiscal Year 2018-19 Value*	*Percent of Total Aggregate Value*	*Percent of Incremental Value*
1. Riverside Healthcare System[(1)]	Downtown	Hospital	16	$ 315,872,749	2.5%	3.7%
2. Tyler Mall Limited Partnership[(1)]	La Sierra	Shopping Center	9	220,072,702	1.8	2.6
3. Rohr Inc.[(1)]	Airport	Industrial	12	161,444,027	1.3	1.9
4. CPT Riverside Plaza LLC[(1)]	Magnolia Center	Shopping Center	10	159,170,604	1.3	1.9
5. La Sierra University	La Sierra	Residential/Commercial/ Vacant	42	135,947,264	1.1	1.6
6. Ralphs Grocery Company[(1)(2)]	Sycamore Canyon	Food Distribution Facility	4	113,723,341	0.9	1.3
7. Advance Group 13 107	La Sierra	Residential Apartments	2	104,101,710	0.8	1.2
8. Edgemont Community Services District[(1)(3)]	Sycamore Canyon	Industrial	5	67,508,795	0.5	0.8
9. Syc Canyons and Sierra	Sycamore Canyon	Industrial	2	62,118,850	0.5	0.7
10. Sterling Riverside 2[(1)]	Hunter Park	Residential Apartments	1	57,003,077	0.5	0.7
			103	**$ 1,396,963,119**	**11.2%**	**16.5%**

(1) These properties have assessment appeals outstanding. See the captions "PROPERTY TAXATION IN CALIFORNIA—Appeals of Assessed Values" and "PROPERTY TAXATION IN CALIFORNIA—Proposition 8."
(2) Includes $23.9 million in unsecured value.
(3) Public entity (community services district), but owns industrial buildings that are taxable.
Source: DHA Consulting, LLC.

The assessed valuation of the Project Areas for the current Fiscal Year by land use category is set forth in the below table.

Table 4
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
Assessed Valuations by Land Uses (Fiscal Year 2018-19)

Category of Value	***Number of Properties Levied***[2]	***Fiscal Year 2018-19 Total Value***	***Percentage of Total Value***[3]
Residential	19,074	$ 5,271,938,668	42.24%
Commercial	1,914	3,644,746,369	29.20
Industrial	906	2,297,825,563	18.41
Recreational	12	49,951,038	0.40
Institutional	96	44,291,534	0.35
Vacant Land	1,454	242,697,421	1.94
Cross Reference[1][2]	985	83,925,624	0.67
Unsecured[2]	4,026	826,396,349	6.62
Miscellaneous/Unknown	11	18,312,134	0.15
Total	**23,467**	**$ 12,480,084,700**	**100.00%**

(1) Non-unitary property assessed by the State Board of Equalization.
(2) Excludes the totals for the following value categories which represent duplicate parcel counts: SBE (state assessed property), Cross Reference and Unsecured.
(3) May not total 100.00% due to rounding.
Source: County Assessment Records; City.

Specific information about each Project Area and its redevelopment plan is set forth below.

The University Corridor/Sycamore Canyon Merged Redevelopment Project Area

General. The University Corridor/Sycamore Canyon Merged Redevelopment Project Area, which contains a total of approximately 2,346 acres, is the result of a merger of two project areas:

University Corridor Sub-Area. This area was originally called the Central Industrial Redevelopment Project Area, but was later redesignated the University Corridor Redevelopment Project Area. Approximately 1,012 acres are attributable to the University Corridor sub-area. The areas north and south of the University Corridor sub-area are primarily residential. Directly east of the University Corridor sub-area is the University of California, Riverside. The University Corridor sub-area is near the merger of Interstate 215 and State Route 60 and also near State Route 91. Railroad lines run through the University Corridor sub-area east of State Route 91.

At the time of its formation in 1977, the overall character of the University Corridor sub-area consisted of mixed industrial uses, primarily older buildings with numerous rail lines and spurs. The University Corridor sub-area serves as the focus for the three railroads which traverse the City. The University Corridor sub-area is currently a mix of land uses, primarily industrial in the western portion with commercial and residential uses in the area to the east. Land use in the University Corridor sub-area consists of streets/railroad right-of-way, industrial uses, commercial property, residential property and public/institutional uses.

Sycamore Canyon Sub-Area. Approximately 1,334 acres are attributable to the Sycamore Canyon sub-area, most of which is in the southwest portion of the City. The Sycamore Canyon sub-area is close to Interstate 215 and State Route 60.

At the time of its formation in 1983, the Sycamore Canyon sub-area was vacant land, approved under the Sycamore Canyon Specific Plan for industrial/business park uses and limited retail support commercial development. The Sycamore Canyon sub-area was bordered on the east by Burlington Northern & Santa Fe rail lines and spurs, as well as Interstate 215, and proximate to State Route 60 to the north. Three Interstate interchanges service the Sycamore Canyon sub-area: Fair Isle Drive to the north, Eastridge/Eucalyptus Avenue in the center and Alessandro Boulevard at the southerly boundary. The Sycamore Canyon sub-area is now the focus of major industrial and warehouse development. Its location just northwest of the March Global Port facility has proven to be attractive for new industrial development. Major tenants now include Pepsi Bottling Group, Smart & Final, Quad/Graphics Inc., the Visiting Nurse Association and distribution centers for Ralph's Markets and Big 5 Sporting Goods (the latter of which occupies almost 1,000,000 square feet) and several others.

When the University Corridor Redevelopment Project Area and the Sycamore Canyon Redevelopment Project Area were merged in 1997, approximately 154 acres were added to the new merged redevelopment project area, consisting of approximately 120 acres located near the original University Corridor sub-area and approximately 34 acres located near the Sycamore Canyon sub-area. Approximately 65 of the 154 additional acres are currently utilized as an agricultural research facility by the University of California, Riverside. The surrounding parcels in the added area have been developed for urban uses. Major tenants include the University of California, Riverside, Denny's and Coco's Bakery and Restaurant. In addition, the California Air Resources Board is currently constructing a new 380,000 square foot headquarters building, which is expected to employ approximately 460 people, in the University Corridor/Sycamore Canyon Merged Redevelopment Project Area. A separate approximately 400,000 square foot industrial facility is also under development.

The University Corridor/Sycamore Canyon Merged Redevelopment Project Area is substantially developed.

Tax Sharing Obligations.

Pass-Through Agreements. A summary of the Agency's negotiated Pass-Through Agreements applicable to the University Corridor/Sycamore Canyon Merged Redevelopment Project Area is set forth in Exhibit VII-3 in Appendix A.

Statutory Pass-Through Amounts. All areas of the University Corridor/Sycamore Canyon Merged Redevelopment Project Area are subject to statutory tax sharing under AB 1290. See the caption "PROPERTY TAXATION IN CALIFORNIA—Former Redevelopment Time Limits." The Agency has completed proceedings for the subordination of the Statutory Pass-Through payments to the payment of debt service on the Bonds. See the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—Statutory Pass-Throughs."

The Downtown/Airport Merged Redevelopment Project Area

General. The Downtown/Airport Merged Redevelopment Project Area consists of approximately 2,417 acres, or approximately 5% of the total incorporated area of the City.*

Airport Sub-Area. Approximately 1,710 acres are attributable to the Airport sub-area. Approximately 71% of the Airport sub-area is designated for industrial or light industrial uses. The Airport sub-area is on the periphery of the City's residential development which has occurred to the east and northeast of the airport. Residential development has also occurred to the north of the airport; however, this latter area is separated from the Airport sub-area by a series of commercial developments. The area south of Van Buren

* *It should be noted that although the Hunter Park/Northside Redevelopment Project Area was merged into the Downtown/Airport Merged Redevelopment Project Area in 2009, for comparison purposes, the Hunter Park/Northside Redevelopment Project Area is discussed separately in this Official Statement.*

Boulevard and Arlington Avenue is primarily devoted to commercial uses while the land west of the Airport sub-area is largely agricultural. Several offices are located in the northern portion of the Airport sub-area, in addition to scattered residences.

Downtown Sub-Area. Approximately 707 acres are attributable to the Downtown sub-area. Approximately 43% of the Downtown sub-area is designated for residential uses. The campus of Riverside City College borders the Downtown sub-area on the south. Single and multi-family residential neighborhoods in the northern portion of the Downtown sub-area separate the City's downtown area from an industrial development north of the Downtown sub-area.

The Downtown/Airport Merged Redevelopment Project Area is substantially developed.

Tax Sharing Obligations.

Pass-Through Agreements. A summary of the Agency's negotiated Pass-Through Agreements applicable to the Downtown/Airport Merged Redevelopment Project Area is set forth in Exhibit VII-2 in Appendix A.

Statutory Pass-Through Amounts. Certain areas within the Downtown/Airport Merged Redevelopment Project Area are subject to statutory tax sharing under AB 1290. See the caption "PROPERTY TAXATION IN CALIFORNIA—Former Redevelopment Time Limits." The Agency has completed proceedings for the subordination of the Statutory Pass-Through Amounts to the payment of debt service on the Bonds. See the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—Statutory Pass-Throughs."

The Casa Blanca Redevelopment Project Area

General. The Casa Blanca Redevelopment Project Area consists of approximately 725 acres bounded generally on the north by the 91 Freeway, on the east by Washington and Mary Streets, on the south by Victoria Avenue and on the west by Jefferson Street.

The Casa Blanca Redevelopment Project Area includes older residential neighborhoods. The area immediately south of the 91 Freeway is primarily devoted to commercial usage while the land further south toward Lincoln Avenue is primarily residential. Immediately north of Victoria Avenue, land uses consist of agricultural, residential, low and very low density residential.

The Casa Blanca Redevelopment Project Area is substantially developed.

Tax Sharing Obligations.

Pass-Through Agreements. A summary of the Agency's negotiated Pass-Through Agreements applicable to the Casa Blanca Redevelopment Project Area is set forth in Exhibit VII-1 in Appendix A.

Statutory Pass-Through Amounts. The Casa Blanca Redevelopment Project Area is subject to statutory tax sharing under AB 1290. See the caption "PROPERTY TAXATION IN CALIFORNIA—Former Redevelopment Time Limits." The Agency has completed proceedings for the subordination of the Statutory Pass-Through payments to the payment of debt service on the Bonds. See the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—Statutory Pass-Throughs."

The Arlington Redevelopment Project Area

General. The Arlington Redevelopment Project Area originally encompassed approximately 40 acres (the "**Original Area**"). Approximately 998 acres were added to the Project Area in 1999 (the "**1999 Amendment Area**") and 236 acres were added in 2003 (the "**Amendment No. 3 Area**" and, together with the 1999 Amendment Area, the "**Amendment Areas**").

The Arlington Redevelopment Project Area currently consists of approximately 1,274 acres and is primarily developed with residential, commercial uses and office uses.

The Arlington Redevelopment Project Area is substantially developed.

Tax Sharing Obligations. The Prior Agency did not enter into any agreements pursuant to which it has pledged tax increment generated in the Arlington Redevelopment Project Area.

However, the Arlington Redevelopment Project Area is subject to statutory tax sharing under AB 1290. See the caption "PROPERTY TAXATION IN CALIFORNIA—Former Redevelopment Time Limits." The Agency has completed proceedings for the subordination of the Statutory Pass-Through payments to the payment of debt service on the Bonds. See the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—Statutory Pass-Throughs."

The Magnolia Center Redevelopment Project Area

General. The Magnolia Center Redevelopment Project Area encompasses approximately 475 acres. The Magnolia Center Redevelopment Project Area features a commercial office base , a central location, the Riverside Plaza shopping center and several other businesses.

The Magnolia Center Redevelopment Project Area is substantially developed.

Tax Sharing Obligations. The Prior Agency did not enter into any agreements pursuant to which it has pledged tax increment generated in the Magnolia Center Redevelopment Project Area.

However, the Magnolia Center Redevelopment Project Area is subject to statutory tax sharing under AB 1290. See the caption "PROPERTY TAXATION IN CALIFORNIA—Former Redevelopment Time Limits." The Agency has completed proceedings for the subordination of the Statutory Pass-Through payments to the payment of debt service on the Bonds. See the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—Statutory Pass-Throughs."

The Hunter Park/Northside Redevelopment Project Area

General. The Hunter Park/Northside Redevelopment Project Area was formed in June 2003 and includes 2,636 acres. Working with a Project Area Committee, the Prior Agency approved a redevelopment plan for the Hunter Park/Northside Redevelopment Project Area that set goals for preserving and enhancing neighborhoods, encouraging investment and development, promoting new and diverse employment, promoting expansion of the Hunter Park/Northside Redevelopment Project Area's industrial and commercial bases and providing new or improved public facilities and infrastructure.

In connection therewith, the City formed the Hunter Park Assessment District to help finance approximately $13,000,000 of infrastructure improvements within the Hunter Park/Northside Redevelopment Project Area. Improvements included construction of new curbs, gutters, sidewalks and a storm drain system, street widening, relocation of utility poles, realignment of a portion of Marlborough Avenue and realignment and signalization of railroad crossings at Marlborough Avenue. Improvements began in 2005 and were completed in or about 2013.

The Hunter Park/Northside Redevelopment Project Area consists of light office/industrial uses as well as residential uses. Major tenants include American Medical Response, G4S Security Solutions, Cibaria International Inc. Anheuser-Busch and Bourns. In addition, certain areas consist of vacant land. The City is currently conducting a study and public outreach to determine possible development options for such vacant land.

The Hunter Park/Northside Redevelopment Project Area was merged into the Downtown/Airport Merged Redevelopment Project Area in 2009. However, for comparison purposes, the Hunter Park/Northside Redevelopment Project Area is discussed separately in this Official Statement.

Tax Sharing Obligations. The Prior Agency did not enter into any agreements pursuant to which it has pledged tax increment generated in the Hunter Park/Northside Redevelopment Project Area.

However, the Hunter Park/Northside Redevelopment Project Area is subject to statutory tax sharing under AB 1290. See the caption "PROPERTY TAXATION IN CALIFORNIA—Former Redevelopment Time Limits." The Agency has completed proceedings for the subordination of the Statutory Pass-Through payments to the payment of debt service on the Bonds. See the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—Statutory Pass-Throughs."

The La Sierra/Arlanza Redevelopment Project Area

General. The original La Sierra/Arlanza Redevelopment Project Area established in 2004 consisted of approximately 8,066 acres. Pursuant to amendments to the redevelopment plan for the La Sierra/Arlanza Redevelopment Project Area (the "**La Sierra/Arlanza Redevelopment Plan**") adopted in 2005 and 2006, approximately 1,305 acres and 337 acres, respectively, were removed from the La Sierra/Arlanza Redevelopment Project Area. The current size of the La Sierra/Arlanza Redevelopment Project Area is approximately 6,425 acres.

Prior to its dissolution, the Prior Agency actively focused economic revitalization efforts in two primary commercial areas within the La Sierra/Arlanza Redevelopment Project Area. The Five Points area, located at La Sierra Avenue, Pierce and Hole Streets, serves as a major entryway to La Sierra University and the City's Riverwalk mixed-use development. Park Sierra, comprised of approximately 40 acres located at the corner of the 91 Freeway, La Sierra Avenue and Magnolia Avenue, is a major western entryway to the City. Park Sierra includes significant commercial developments, including Hampton Inn & Suites, Walgreen's, Red Lobster, Raising Cane's, Castle Park Amusement Park and LA Fitness as well as a Kaiser Permanente hospital.

The La Sierra/Arlanza Redevelopment Project Area is substantially developed.

Tax Sharing Obligations. The Prior Agency did not enter into any agreements pursuant to which it has pledged tax increment generated in the La Sierra/Arlanza Redevelopment Project Area.

However, the La Sierra/Arlanza Redevelopment Project Area is subject to statutory tax sharing under AB 1290. See the caption "PROPERTY TAXATION IN CALIFORNIA—Former Redevelopment Time Limits." The Agency has completed proceedings for the subordination of the Statutory Pass-Through payments to the payment of debt service on the Bonds. See the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—Statutory Pass-Throughs."

The Eastside Redevelopment Project Area

The Prior Agency previously received tax increment revenues from the Eastside Redevelopment Project Area for the Eastside Redevelopment Project. The Eastside Redevelopment Project reached its time limit to receive tax increment revenues and its redevelopment plan expired on October 31, 1997. The Eastside

Redevelopment Project Area no longer receives any tax increment revenues. The Eastside Redevelopment Project Area had debt in the aggregate principal amount of $85,000 that matured on February 1, 2018. However, such debt was not secured by a pledge of Tax Revenues from any of the Project Areas and payments on such debt were made from Successor Agency reserves rather than from the Redevelopment Property Tax Trust Fund. Because no tax increment revenues are generated from the Eastside Redevelopment Project Area, Tax Revenues do not include any moneys from such project area.

TAX REVENUES

Tax Revenues are to be deposited in the Redevelopment Obligation Retirement Fund, and thereafter and after transfers have been made by the Agency to the Debt Service Fund, administered by the Trustee and applied to the payment of the principal of and interest on the Bonds.

Projected Tax Revenues

The Agency has retained the Fiscal Consultant to provide projections of taxable valuation and Tax Revenues from developments in the Project Areas.

The projections in Table 5 below assume: (i) approximately 2% annual growth in tax increment revenues beginning in Fiscal Year 2019-20 through the maturity of the Bonds; (ii) assessed valuations for Fiscal Year 2018-19 which reflect information reported by the County in July 2018 and assessed valuations for Fiscal Year 2019-20 which reflect property sales information from January 1, 2018 through June 30, 2018; (iii) reductions in assessed valuations to reflect assessment appeals as described under the caption "PROPERTY TAXATION IN CALIFORNIA—Appeals of Assessed Values;" (iv) unitary revenues (as described under the caption "PROPERTY TAXATION IN CALIFORNIA—Unitary Property") of $939,000 per year; (v) no revenues from supplemental assessments (as described under the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—Supplemental Assessments") or aircraft assessments; and (vi) no revenues from constructed developments which have not been assessed. See Section G of the Fiscal Consultant Report that is set forth in Appendix A.

The projections in Table 6 below assume: (i) no growth in tax increment revenues above Fiscal Year 2018-19 amounts through the maturity of the Bonds; (ii) assessed valuations for Fiscal Year 2018-19 which reflect information reported by the County in July 2018; (iii) reductions in assessed valuations to reflect assessment appeals as described under the caption "PROPERTY TAXATION IN CALIFORNIA—Appeals of Assessed Values;" (iv) unitary revenues (as described under the caption "PROPERTY TAXATION IN CALIFORNIA—Unitary Property") of $939,000 per year; (v) no revenues from supplemental assessments (as described under the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—Supplemental Assessments") or aircraft assessments; and (vi) no revenues from constructed developments which have not been assessed. See Section G of the Fiscal Consultant Report that is set forth in Appendix A.

The Agency believes that the assumptions (set forth in the footnotes below and in Appendix A) upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur. See the caption "RISK FACTORS." Therefore, the actual Tax Revenues received during the forecast period may vary from the projections and the variations may be material. A summary of the projected total taxable valuation and Tax Revenues for all Project Areas is set forth in the below table:

Table 5
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
Projected Tax Revenues (2% Growth Assumption)

Fiscal Year	*Real Property*	*Other Property*	*Total Property*[1]	*Estimated Appeal Reductions*[2]	*Total Value*	*Less Base Year Assessed Valuation ($4,023,636,038)*	*Gross Tax Increment Revenues*[3]	*County Adminis-trative Charge*[4]	*Senior Obligations*[5]	*Senior Tax Sharing*[6]	*Tax Revenues*	*Subordinate Tax Sharing*[7]	*AB 1290*[8] *Tax Sharing*	*Net Tax Revenues*[9]
2018-19	$11,890,958,899	$589,125,801	$12,480,084,700	$ -	$12,480,084,700	$ 8,456,448,662	$ 85,503,487	$ 983,290	$2,184,000	$ 9,999,005	$ 72,337,192	$1,888,415	$15,089,440	$55,359,336
2019-20	12,128,778,077	589,125,801	12,717,903,878	43,896,821	12,761,800,699	8,738,164,661	88,320,647	1,015,687	17,000	10,207,301	77,080,659	1,920,119	15,941,895	59,218,645
2020-21	12,416,128,396	589,125,801	13,005,254,197	(36,252,506)	12,969,001,692	8,945,365,654	90,392,657	1,039,516	7,000	10,557,003	78,789,138	1,945,199	16,574,164	60,269,775
2021-22	12,627,473,408	589,125,801	13,216,599,209	-	13,216,599,209	9,192,963,171	92,868,632	1,067,989	7,000	10,763,435	81,030,208	1,974,428	17,311,445	61,744,334
2022-23	12,880,022,877	589,125,801	13,469,148,678	-	13,469,148,678	9,445,512,640	95,394,126	1,097,032	-	10,973,996	83,323,098	2,004,242	18,063,472	63,255,384
2023-24	13,137,623,334	589,125,801	13,726,749,135	-	13,726,749,135	9,703,113,097	97,970,131	1,126,657	-	11,188,768	85,654,707	2,034,652	18,830,540	64,789,515
2024-25	13,400,375,801	589,125,801	13,989,501,602	-	13,989,501,602	9,965,865,564	100,597,656	1,156,873	-	11,407,835	88,032,948	2,065,670	19,612,948	66,354,329
2025-26	13,668,383,317	589,125,801	14,257,509,118	-	14,257,509,118	10,233,873,080	103,277,731	1,187,694	-	11,631,284	90,458,753	1,819,276	20,411,005	68,228,472
2026-27	13,941,750,983	589,125,801	14,530,876,784	-	14,530,876,784	10,507,240,746	106,011,407	1,219,131	-	11,859,202	92,933,075	1,845,987	21,225,023	69,862,065
2027-28	14,220,586,003	589,125,801	14,809,711,804	-	14,809,711,804	10,786,075,766	108,799,758	1,251,197	-	12,091,678	95,456,883	1,873,231	22,055,322	71,528,329
2028-29	14,504,997,723	589,125,801	15,094,123,524	-	15,094,123,524	11,070,487,486	111,643,875	1,283,905	-	12,328,803	98,031,167	1,901,021	22,903,970	73,226,175
2029-30	14,795,097,677	589,125,801	15,384,223,478	-	15,384,223,478	11,360,587,440	114,544,874	1,317,266	-	12,570,672	100,656,937	1,929,367	23,790,634	74,936,936
2030-31	15,090,999,631	589,125,801	15,680,125,432	-	15,680,125,432	11,656,489,394	117,503,894	1,351,295	-	12,817,377	103,335,222	1,958,279	24,695,032	76,681,911
2031-32	15,392,819,623	589,125,801	15,981,945,424	-	15,981,945,424	11,958,309,386	120,522,094	1,386,004	-	13,069,017	106,067,073	1,987,770	25,639,317	78,439,986
2032-33	15,700,676,016	589,125,801	16,289,801,817	-	16,289,801,817	12,266,165,779	123,600,658	1,421,408	-	13,325,689	108,853,561	2,017,850	26,602,488	80,233,223
2033-34	16,014,689,536	589,125,801	16,603,815,337	-	16,603,815,337	12,580,179,299	126,740,793	1,457,519	-	13,587,495	111,695,779	2,048,533	27,636,590	82,010,656
2034-35	16,334,983,327	589,125,801	16,924,109,128	-	16,924,109,128	12,900,473,090	129,943,731	1,494,353	-	13,854,537	114,594,841	2,079,828	28,872,246	83,642,766
2035-36	16,661,682,993	589,125,801	17,250,808,794	-	17,250,808,794	13,227,172,756	133,210,728	1,531,923	-	14,126,920	117,551,884	2,111,750	30,134,542	85,305,592
2036-37	16,994,916,653	589,125,801	17,584,042,454	-	17,584,042,454	13,560,406,416	136,543,064	1,570,245	-	14,404,751	120,568,068	2,144,310	31,422,084	87,001,674
2037-38	17,334,814,986	589,125,801	17,923,940,787	-	17,923,940,787	13,900,304,749	139,942,047	1,609,334	-	14,688,138	123,644,576	2,177,522	32,735,376	88,731,678

(1) Assessed values for Fiscal Year 2018-19 as reported by the County in July 2018. Real property values (land and improvements) are assumed to increase each year by the maximum annual inflationary factor allowable under Proposition 13 (2.0%).
(2) Reflects the resolution of currently outstanding appeals. See the caption "PROPERTY TAXATION IN CALIFORNIA—Appeals of Assessed Values."
(3) Gross tax increment revenues are calculated at a 1.0% tax rate plus estimated unitary revenue of $939,000; supplemental and aircraft revenues are not included.
(4) See the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—Property Tax Administrative Costs."
(5) Costs associated with certain obligations that have been determined by Bond Counsel to be payable from tax increment revenues on a senior basis to the Bonds. See the caption "SECURITY FOR THE BONDS—Senior Obligations—Other Senior Obligations."
(6) Includes Pass-Through Agreements that are described under the caption "SECURITY FOR THE BONDS—Senior Obligations—Senior Pass-Through Agreements."
(7) Includes subordinate Pass-Through Agreements with the County Superintendent of Schools, the Riverside Unified School District and the Riverside Community College District. Also includes tax sharing agreements with County for the Casa Blanca Redevelopment Project Area and with RCFCWCD for the Casa Blanca and University Corridor Redevelopment Project Areas.
(8) Statutory pass-through payments to taxing entities without written pass-through agreements have been subordinated.
(9) Tax Revenues, less Subordinate Tax Sharing amount and less AB 1290 Tax Sharing amount.

Source: DHA Consulting, LLC.

Table 6
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
Projected Tax Revenues (No Growth Assumption)

Fiscal Year	*Real Property*	*Other Property*	*Total Property*[1]	*Taxable Value Changes*[2]	*Total Value*	*Less Base Year Assessed Valuation ($4,023,636,038)*	*Gross Tax Increment Revenues*[3]	*County Adminis-trative Charge*[4]	*Senior Obligations*[5]	*Senior Tax Sharing*[6]	*Tax Revenues*	*Subordinate Tax Sharing*[7]	*AB 1290*[8] *Tax Sharing*	*Net Tax Revenues*[9]
2018-19	$11,890,958,899	$589,125,801	$12,480,084,700	$ -	$12,480,084,700	$8,456,448,662	$85,503,487	$983,290	$2,184,000	$ 9,999,005	$72,337,192	$1,888,141	$15,089,440	$55,359,610
2019-20	11,890,958,899	589,125,801	12,480,084,700	(36,252,506)	12,443,832,195	8,420,196,157	85,140,962	979,121	17,000	9,943,802	74,201,038	1,884,494	14,997,073	57,319,471
2020-21	11,854,706,394	589,125,801	12,443,832,195	(36,252,506)	12,407,579,689	8,383,943,651	84,778,437	974,952	7,000	10,084,971	73,711,514	1,880,848	14,904,706	56,925,959
2021-22	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437	974,952	7,000	10,084,971	73,711,514	1,880,848	14,904,706	56,925,959
2022-23	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437	974,952	-	10,084,971	73,718,514	1,880,848	14,904,706	56,932,959
2023-24	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437	974,952	-	10,084,971	73,718,514	1,880,848	14,904,706	56,932,959
2024-25	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437	974,952	-	10,084,971	73,718,514	1,880,848	14,904,706	56,932,959
2025-26	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	57,175,003
2026-27	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	57,175,003
2027-28	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	57,175,003
2028-29	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	57,175,003
2029-30	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	57,175,003
2030-31	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	57,175,003
2031-32	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	57,175,003
2032-33	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	57,175,003
2033-34	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	57,175,003
2034-35	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	57,175,003
2035-36	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	57,175,003
2036-37	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	57,175,003
2037-38	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	57,175,003

(1) Assessed values for Fiscal Year 2018-19 as reported by the County. Real property values (land and improvements) are assumed to remain at Fiscal Year 2018-19 amounts through the maturity of the Bonds, except for reductions to reflect currently pending appeals.
(2) Estimated reductions to reflect the resolution of currently outstanding appeals. See the caption "PROPERTY TAXATION IN CALIFORNIA—Appeals of Assessed Values."
(3) Gross tax increment revenues are calculated at a 1.0% tax rate plus estimated unitary revenue of $939,000; supplemental and aircraft revenues are not included.
(4) See the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—Property Tax Administrative Costs."
(5) Costs associated with certain obligations that have been determined by Bond Counsel to be payable from tax increment revenues on a senior basis to the Bonds. See the caption "SECURITY FOR THE BONDS—Senior Obligations—Other Senior Obligations."
(6) Includes Pass-Through Agreements described under the caption "SECURITY FOR THE BONDS—Senior Obligations—Senior Pass-Through Agreements."
(7) Includes subordinate Pass-Through Agreements with the County Superintendent of Schools, the Riverside Unified School District and the Riverside Community College District. Also includes tax sharing agreements with County for the Casa Blanca Redevelopment Project Area and with RCFCWCD for the Casa Blanca and University Corridor Redevelopment Project Areas.
(8) Statutory pass-through payments to taxing entities without written pass-through agreements have been subordinated.
(9) Tax Revenues, less Subordinate Tax Sharing amount and less AB 1290 Tax Sharing amount.

Source: DHA Consulting, LLC.

Debt Service Coverage

Set forth below is the estimated debt service coverage for the 2014 Bonds and the Bonds using Fiscal Year 2018-19 Tax Revenues assuming approximately 2% growth in tax increment revenues beginning in Fiscal Year 2019-20 through the maturity of the Bonds (Table 7) and assuming no growth in tax increment revenues through the maturity of the Bonds (Table 8).

Table 7
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
Estimated Parity Debt Service Coverage (2% Growth Assumption)

Fiscal Year	*Gross Tax Increment Revenues*[1]	*County Administrative Charge and Senior Obligations*[2]	*Tax Revenues*[3]	*2018A Bonds and 2018B Bonds*[4]	*2014 Bonds*[4]	*Total Parity Debt*[5]	*Parity Debt Coverage*[6]
2019-20	$ 88,320,647	$11,239,988	$ 77,080,659	$ 4,928,408	$6,643,543	$11,571,951	6.66
2020-21	90,392,657	11,603,518	78,789,138	5,312,056	6,786,038	12,098,094	6.51
2021-22	92,868,632	11,838,424	81,030,208	5,312,056	6,790,273	12,102,329	6.70
2022-23	95,394,126	12,071,028	83,323,098	5,452,056	6,197,160	11,649,216	7.15
2023-24	97,970,131	12,315,424	85,654,707	10,795,056	6,191,270	16,986,326	5.04
2024-25	100,597,656	12,564,708	88,032,948	10,990,556	5,894,050	16,884,606	5.21
2025-26	103,277,731	12,818,978	90,458,753	11,447,556	5,009,500	16,457,056	5.50
2026-27	106,011,407	13,078,333	92,933,075	12,416,806	3,840,500	16,257,306	5.72
2027-28	108,799,758	13,342,875	95,456,883	11,530,806	3,264,750	14,795,556	6.45
2028-29	111,643,875	13,612,708	98,031,167	12,799,056	2,055,000	14,854,056	6.60
2029-30	114,544,874	13,887,938	100,656,937	11,975,056	1,984,750	13,959,806	7.21
2030-31	117,503,894	14,168,672	103,335,222	10,104,306	1,984,000	12,088,306	8.55
2031-32	120,522,094	14,455,021	106,067,073	9,695,056	1,249,250	10,944,306	9.69
2032-33	123,600,658	14,747,097	108,853,561	9,567,806	1,247,000	10,814,806	10.07
2033-34	126,740,793	15,045,014	111,695,779	9,573,556	1,252,250	10,825,806	10.32
2034-35	129,943,731	15,348,890	114,594,841	9,624,681	829,500	10,454,181	10.96
2035-36	133,210,728	15,658,843	117,551,884	10,034,200	-	10,034,200	11.72
2036-37	136,543,064	15,974,996	120,568,068	9,071,800	-	9,071,800	13.29
2037-38	139,942,047	16,297,471	123,644,576	7,108,400	-	7,108,400	17.39

(1) Gross tax increment revenues are calculated at a 1.0% tax rate plus estimated unitary revenue of $939,000; adjusted for currently pending appeals and property sales information from January 1, 2018 through June 30, 2018; supplemental and aircraft revenues are not included. Assumes increases in assessed valuations of 2% per annum.
(2) Reflects County administrative charges and payments on Senior Obligations. See the captions "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—Property Tax Administrative Costs" and "SECURITY FOR THE BONDS—Senior Obligations—Other Senior Obligations."
(3) Reflects Gross Tax Increment Revenues (as described in Footnote 1) less payments on Senior Obligations.
(4) Reflects debt service payable in calendar year that begins in such Fiscal Year.
(5) Reflects debt service on 2018A Bonds, 2018B Bonds and 2014 Bonds.
(6) Reflects Tax Revenues divided by Total Parity Debt.
Source: Stifel, Nicolaus & Company, Incorporated.

Table 8
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
Estimated Parity Debt Service Coverage (No Growth Assumption)

Fiscal Year	*Gross Tax Increment Revenues*[(1)]	*County Administrative Charge and Senior Obligations*[(2)]	*Tax Revenues*[(3)]	*2018A Bonds and 2018B Bonds*[(4)]	*2014 Bonds*[(4)]	*Total Parity Debt*[(5)]	*Parity Debt Coverage*[(6)]
2019-20	$85,140,962	$10,939,923	$74,201,038	$ 4,928,408	$6,643,543	$11,571,951	6.41
2020-21	84,778,437	11,066,923	73,711,514	5,312,056	6,786,038	12,098,094	6.09
2021-22	84,778,437	11,066,923	73,711,514	5,312,056	6,790,273	12,102,329	6.09
2022-23	84,778,437	11,059,923	73,718,514	5,452,056	6,197,160	11,649,216	6.33
2023-24	84,778,437	11,059,923	73,718,514	10,795,056	6,191,270	16,986,326	4.34
2024-25	84,778,437	11,059,923	73,718,514	10,990,556	5,894,050	16,884,606	4.37
2025-26	84,778,437	11,059,923	73,718,514	11,447,556	5,009,500	16,457,056	4.48
2026-27	84,778,437	11,059,923	73,718,514	12,416,806	3,840,500	16,257,306	4.53
2027-28	84,778,437	11,059,923	73,718,514	11,530,806	3,264,750	14,795,556	4.98
2028-29	84,778,437	11,059,923	73,718,514	12,799,056	2,055,000	14,854,056	4.96
2029-30	84,778,437	11,059,923	73,718,514	11,975,056	1,984,750	13,959,806	5.28
2030-31	84,778,437	11,059,923	73,718,514	10,104,306	1,984,000	12,088,306	6.10
2031-32	84,778,437	11,059,923	73,718,514	9,695,056	1,249,250	10,944,306	6.74
2032-33	84,778,437	11,059,923	73,718,514	9,567,806	1,247,000	10,814,806	6.82
2033-34	84,778,437	11,059,923	73,718,514	9,573,556	1,252,250	10,825,806	6.81
2034-35	84,778,437	11,059,923	73,718,514	9,624,681	829,500	10,454,181	7.05
2035-36	84,778,437	11,059,923	73,718,514	10,034,200	-	10,034,200	7.35
2036-37	84,778,437	11,059,923	73,718,514	9,071,800	-	9,071,800	8.13
2037-38	84,778,437	11,059,923	73,718,514	7,108,400	-	7,108,400	10.37

(1) Gross tax increment revenues are calculated at a 1.0% tax rate plus estimated unitary revenue of $939,000; adjusted for currently pending appeals; supplemental and aircraft revenues are not included.
(2) Reflects County administrative charges and payments on Senior Obligations. See the captions "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—Property Tax Administrative Costs" and "SECURITY FOR THE BONDS—Senior Obligations—Other Senior Obligations."
(3) Reflects Gross Tax Increment Revenues (as described in Footnote 1) less payments on Senior Obligations.
(4) Reflects debt service payable in calendar year that begins in such Fiscal Year.
(5) Reflects sum of debt service on 2018A Bonds, 2018B Bonds and 2014 Bonds.
(6) Reflects Tax Revenues divided by Total Parity Debt.
Source: Stifel, Nicolaus & Company, Incorporated.

RISK FACTORS

Investment in the Bonds involves elements of risk. Certain specific risk factors that may affect the payment and security of the Bonds are described below. The following discussion of risks is not meant to be an exhaustive list of the risks that are associated with the purchase of the Bonds, and the order of discussion of such risks does not necessarily reflect the relative importance of the various risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal of and/or interest on the Bonds. Potential investors are advised to consider the following factors, along with all other information in this Official Statement, in evaluating the 2018 Bonds. There can be no assurance that other risk factors which are not discussed under this caption will not become material in the future.

Plan Limits

The University Corridor/Sycamore Canyon Merged Redevelopment Project Area, the Downtown/Airport Merged Redevelopment Project Area, the Casa Blanca Redevelopment Project Area and the Arlington Redevelopment Project Area are subject to time period limits on the receipt of tax increment revenues. In addition, certain Project Areas (or sub-areas therein) have cumulative limits on the amount of tax increment revenues that can be allocated to the Agency under the respective redevelopment plans.

Pursuant to SB 107, the time limits for receiving tax increment revenues for the University Corridor/Sycamore Canyon Merged Redevelopment Project Area, the Downtown/Airport Merged Redevelopment Project Area, the Casa Blanca Redevelopment Project Area and the Arlington Redevelopment Project Area, and the cumulative limits on the amount of tax increment revenues that can be allocated to the Agency, are not effective for purposes of paying the Bonds. Accordingly, the projections that are set forth in this Official Statement and in the Fiscal Consultant Report that is attached to this Official Statement as Appendix A do not take into account such time limits or cumulative tax increment amount limits.

Reduction in Taxable Value

Tax Revenues allocated to the Redevelopment Property Tax Trust Fund are determined by the amount of incremental taxable value in the Project Areas and the current rate or rates at which property in the Project Areas is taxed. The reduction of taxable values of property in the Project Areas caused by economic factors beyond the Agency's control, such as relocation out of the Project Areas by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation or the complete or partial destruction of such property caused by, among other eventualities, earthquake, flood, drought, windstorm, wildfire or other natural disaster, could cause a reduction in the Tax Revenues that provide for the repayment of and secure the Bonds. Such reduction in Tax Revenues could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the Bonds. These risks may be greater where project areas have a high concentration of major taxpayers. Based on the Fiscal Year 2018-19 tax roll, the ten largest taxpayers in the Project Areas accounted for approximately 11.2% of the total assessed value of the Project Area, or approximately 16.5% of the total incremental assessed value of the Project Areas. The Fiscal Consultant has projected that, if the Agency lost the assessed value of the ten largest taxpayers in the Project Areas, gross tax increment revenues for Fiscal Year 2018-19 (estimated at \$71,533,855) would still be approximately 3.18 times greater than payments on the Senior Obligations, the 2014 Bonds and the Bonds in Fiscal Year 2019-20 (\$22,511,874). See Table 3 under the caption "THE PROJECT AREAS—General." See also the caption "—Concentration of Ownership" below.

As described in greater detail under the caption "PROPERTY TAXATION IN CALIFORNIA—Article XIIIA of the State Constitution," Article XIIIA provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the Bonds could reduce Tax Revenues securing the Bonds. There can be no assurance that the projections of Tax Revenues that are set forth herein will not be affected by decreases in the Consumer Price Index, changes in assessed valuations or other factors. Since Article XIIIA was approved, the annual adjustment for inflation has fallen below the 2% limitation several times, and in Fiscal Year 2010-11 the inflationary value adjustment was negative for the first time at -0.237%.

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

Concentration of Ownership

The risk of reduction in assessed valuations as a result of the factors that are described in this Official Statement may generally increase where the assessed value within the Project Areas is concentrated among a relatively few number of property owners. Ownership of property in the Project Areas is lightly concentrated, with the ten largest property owners accounting for approximately 11.2% of the Fiscal Year 2017-18 secured assessed valuation and 16.5 % of the Fiscal Year 2017-18 incremental secured assessed valuation for the Project Areas. Significant reductions in the assessed valuations of the ten largest property owners could, by itself or in combination with other factors, have a material adverse effect on the Agency's ability to pay debt service on the Bonds as such payments become due and payable. See Table 3 under the caption "THE PROJECT AREAS—General."

Risks to Real Estate Market

The Agency's ability to make payments on the Bonds is dependent upon the economic strength of the Project Areas. The general economy of the Project Areas is subject to all of the risks that are generally associated with urban real estate markets. Real estate prices and development may be adversely affected by changes in general economic conditions, tax reform legislation such as the Tax Cuts and Jobs Act of 2017 (as discussed below), fluctuations in the real estate market and interest rates, unexpected increases in development costs, the supply of or demand for competitive properties in such area, the market value of property in the event of sale or foreclosure and other similar factors. Furthermore, real estate development within the Project Areas could be adversely affected by limitations of infrastructure or future governmental policies, including governmental policies to restrict or control development, changes in real estate tax rates and other operating expenses, zoning laws and laws relating to threatened and endangered species and hazardous materials and fiscal policies, as well as natural disasters (including, without limitation, earthquakes, wildfires, windstorms, landslides, droughts and floods), which may result in uninsured losses. See the captions "—Future Land Use Regulations" and "—Development Risks." In addition, if there is a decline in the general economy of the Project Areas, the owners of property within the Project Areas may be less able or less willing to make timely payments of property taxes or may petition for reduced assessed valuation causing a delay or interruption in the receipt of Tax Revenues by the Agency from the Project Areas.

The Tax Cuts and Jobs Act of 2017 (Pub. L. No. 115-97), which was enacted into law on December 22, 2017, reduces the amount of mortgage interest expense and state and local income tax and property tax expense that individuals may deduct from their gross income for federal income tax purposes. Either of such limitations may have the effect of increasing the cost of home ownership within the Project Areas and slowing the growth in assessed valuations. The act provides that, for tax years beginning after December 31, 2017 and before January 1, 2026, a taxpayer may deduct interest expense on no more than $750,000 in mortgage indebtedness incurred on a qualifying home. The Fiscal Consultant has indicated that the average sale price of a single family residence in the Project Areas was approximately $424,400 in 2017, so the $750,000 limitation on the deductibility of mortgage interest may have no effect on many properties in the Project Areas. The act also suspends the mortgage interest deduction with respect to interest on home equity indebtedness for tax years beginning after December 31, 2017, and before January 1, 2026. In addition, the act limits the aggregate amount of state and local income and property taxes (or sales taxes) that may be deducted to no more than $10,000 for tax years beginning after December 31, 2017 and before January 1, 2026. The Agency cannot predict the effect of these limitations on the cost of home ownership or the price of homes in the Project Areas, or on the ability or willingness of homeowners to pay property taxes when due.

Because assessed values do not necessarily indicate fair market values, the declines in fair market values in recent years may have been even greater than the declines in assessed valuations, although it is also possible that market values could be greater than assessed valuations at any given time. No assurance can be given that the individual parcel owners will pay property taxes in the future or that they will be able to pay such taxes on a timely basis. See the caption "—Bankruptcy and Legal Delays" for a discussion of certain limitations on the City's ability to pursue judicial proceedings with respect to delinquent parcels.

Future Land Use Regulations and Growth Control Initiatives

In the past, citizens of a number of local communities in the State have placed measures on the ballot that were designed to limit the issuance of building permits or impose other restrictions to control the rate of future growth in those areas. It is possible that future initiatives could be enacted that could be applicable to the City and have a negative impact on the ability of developers in the Project Areas to complete any existing or proposed development. Although most of the Project Areas, with the exception of the Hunter Park/Northside Redevelopment Project Area, are substantially developed, Bond Owners should assume that any event that significantly affects the ability to develop or redevelop land in the City could cause the land values within the Project Areas to decrease substantially and could affect the willingness and ability of the owners of land within the Project Areas to pay property taxes when due. The projections of Tax Revenues in Tables 5 and 7 in this Official Statement assume that assessed valuations will increase by approximately 2% per annum. See the caption "TAX REVENUES." However, there can be no assurance that such projections will be realized if land use or growth control regulations are adopted within the City, the County or Statewide.

There can be no assurance that land development within the City will not be adversely affected by future governmental policies, including, but not limited to, government policies to restrict or control development. Under current State law, it is generally accepted that proposed development is not exempt from future land use regulations until building permits have been issued and substantial work has been performed and substantial liabilities have been incurred in good faith reliance on the permits prior to the adoption of such regulations.

Development Risks

Although the Project Areas are substantially developed, there remain undeveloped areas within certain Project Areas, particularly within the Hunter Park/Northside Redevelopment Project Area. See Table 4 entitled "Assessed Valuations by Land Uses (Fiscal Year 2017-18)" under the caption "THE PROJECT AREAS—General" and the caption "THE PROJECT AREAS—Hunter Park/Northside Redevelopment Project Area—General."

The remaining developments within the Project Areas will be subject to all of the risks that are generally associated with real estate development. Projected development within the Project Areas may be subject to unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development operations within the Project Areas could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development in the Project Areas is delayed or halted, the economy of the Project Areas could be affected. If such events lead to a decline in assessed values, they could cause a reduction in Tax Revenues. In addition, if there is a decline in the general economy of the Project Areas, the owners of property within the Project Areas may be less able or less willing to make timely payments of property taxes causing a delay or stoppage of the Tax Revenues received by the Agency from the Project Areas. In addition, the insolvency or bankruptcy of one or more large owners of property within the Project Areas could delay or impair the receipt of Tax Revenues by the Agency.

The projected Tax Revenues which are set forth in Tables 5 through 8 under the caption "TAX REVENUES" do not include projections of Tax Revenues from newly completed developments and developments that are currently under construction, and do not assume other future development within the Project Areas.

Reduction in Inflation Rate

Article XIIIA of the State Constitution provides that the full cash value of real property used in determining taxable value may be adjusted from year to year to reflect the rate of inflation, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Because Article XIIIA limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIIIA was approved, the annual adjustment for inflation has fallen below the 2% limitation several times, and in Fiscal Year 2010-11 the inflationary value adjustment was negative for the first time at -0.237%. In Fiscal Year 2011-12, the inflationary value adjustment was 0.753%, which also is below the 2% limitation. The Agency is unable to predict if any adjustments to the full cash value of real property within the Project Areas, whether an increase or a reduction, will be realized in the future.

Levy and Collection of Taxes

The Agency has no independent power to levy or collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the security for and the ability of the Agency to repay the Bonds.

Likewise, delinquencies in the payment of property taxes by the owners of land in the Project Areas, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes, could have an adverse effect on the Agency's ability to make timely payments on the Bonds. As discussed under the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—Delinquencies," pursuant to its adoption of the Teeter Plan, the County Auditor-Controller distributes 100% of tax increment revenues allocated to each redevelopment successor agency in the County without regard to delinquencies in the payment of property taxes. However, there can be no assurance that such policy will not be changed in the future. Any reduction in Tax Revenues, whether for any of these reasons or any other reasons, could have an adverse effect on the Agency's ability to pay the principal of and interest on the Bonds.

State Budget Issues

General. AB X1 26 and AB 1484 were enacted by the State Legislature and Governor as trailer bills necessary to implement provisions of the State's budget acts for its fiscal years 2011-12 and 2012-13, respectively, as efforts to address structural deficits in the State general fund budget. In general terms, these bills implemented a framework to transfer cash assets that were previously held by redevelopment agencies to cities, counties and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs (with then-projected savings of $1.5 billion).

SB 107, which made extensive amendments to the Dissolution Act, was enacted following the adoption of the State fiscal year 2015-16 budget, after having initially been presented as AB 113, a trailer bill to the State fiscal year 2015-16 budget. SB 107 changed the process for submitting Recognized Obligation Payment Schedules from a six-month to an annual process, authorized successor agencies to submit and obtain DOF approval of a Last and Final ROPS to govern all remaining payment obligations of successor agencies, altered the provisions governing the distribution of Redevelopment Property Tax Trust Fund moneys attributable to pension and State Water Project tax rate overrides and eliminated the impact of financial and time limitations in redevelopment plans for purposes of paying enforceable obligations, among other changes to the Dissolution Act. These statutory amendments impact the manner in which successor agencies claim Redevelopment Property Tax Trust Fund moneys for enforceable obligations and, for some successor agencies, impact the amount of Redevelopment Property Tax Trust Fund moneys that will be available for payment of a successor agency's enforceable obligations.

There can be no assurance that additional legislation will not be enacted in the future to implement provisions relating to the State budget or otherwise that may affect successor agencies or tax increment revenues, including Tax Revenues.

2018-19 Budget. The information below concerning the State's budget for State fiscal year 2018-19 has been obtained from publicly available information that the Agency believes to be reliable; however, the Agency and the Underwriter take no responsibility for the accuracy or completeness thereof and have not independently verified such information. 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 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, the Agency or the Underwriter, and the City, the Agency and the Underwriter take no responsibility for the continued accuracy of these Internet addresses or for the accuracy, completeness or timeliness of information posted thereon, and such information is not incorporated herein by these references.

On June 27, 2018, the Governor signed into law the State budget for State fiscal year 2018-19 (the "**2018-19 Budget**"). The following information is drawn from the LAO's preliminary review of the 2018-19 Budget.

To protect against potential future economic recessions, the 2018-19 Budget fully funds the Budget Stabilization Account (the "**BSA**"), the State's primary "rainy day" reserve fund, with a total deposit of over $4.4 billion, including a $2.6 billion optional deposit in addition to the Constitutionally-required deposit, and adds two additional reserves to State law: the Safety Net Reserve Fund, which is intended to hold money for future expenditures of the CalWORKs and Medi-Cal programs; and the Budget Deficit Savings Account (the "**BDSA**"), which will temporarily hold the $2.6 billion optional BSA deposit until May 2019. In May 2019, the optional BSA deposit amount will be adjusted as necessary to reflect updated estimates of revenues, at which point it will be transferred to the BSA. The projected ending balance in the BSA at the end of State fiscal year 2018-19 is expected to equal the BSA's current constitutional maximum of 10% of estimated State general fund revenues for State fiscal year 2018-19.

For State fiscal year 2017-18, the 2018-19 Budget projects total general fund revenues and transfers of approximately $129.8 billion and total expenditures of approximately $127.0 billion. The State is projected to end State fiscal year 2017-18 with total available general fund reserves of approximately $16.7 billion, including approximately $7.3 billion in the traditional general fund reserve and approximately $9.4 billion in the BSA. For State fiscal year 2018-19, the 2018-19 Budget projects total general fund revenues of approximately $133.3 billion and authorizes expenditures of approximately $138.7 billion. The State is projected to end State fiscal year 2018-19 with total available general fund reserves of approximately $15.9

billion, including $2.0 billion in the traditional general fund reserve, $13.8 billion in the BSA and $200 million in the Safety Net Reserve Fund.

With respect to education funding, the 2018-19 Budget revises the Proposition 98 minimum funding guarantees for both State fiscal years 2016-17 and 2017-18 as a result of higher general fund revenues. The 2018-19 Budget sets the Proposition 98 minimum funding guarantee for State fiscal year 2016-17 at approximately $71.6 billion, an increase of approximately $252 million from the prior State fiscal year. The 2018-19 Budget revises the minimum funding guarantee for State fiscal year 2017-18 to $75.6 billion. As part of the increase in the minimum funding guarantee for State fiscal year 2017-18, the State is making an additional maintenance factor payment of $789 million on top of a previous $536 million payment. After making the approximately $1.3 billion total payment, the State will have eliminated all remaining maintenance factor for the first time since 2005-06. In both State fiscal year 2016-17 and 2017-18, the State is spending at the calculated minimum guarantee.

For State fiscal year 2018-19, the 2018-19 Budget sets the minimum funding guarantee at approximately $78.4 billion, reflecting an increase of approximately $2.8 billion (or 3.7%) from the revised prior-State fiscal year level. State fiscal year 2018-19 is projected to be a "Test 2" year, with the increase in the minimum funding guarantee attributable to a 3.67% increase in per capita personal income. With respect to K-12 education, the 2018-19 Budget sets Proposition 98 funding at approximately $67.9 billion, including approximately $47.5 billion from the State general fund, reflecting an increase of approximately $1.3 billion (or 2.7%) from the prior State fiscal year. Per-pupil spending increases by $579 (or 5.2%) from the prior year, up to $11,640.

Other significant features of the 2018-19 Budget include the following:

- Local Control Funding Formula – An increase of approximately $3.7 billion in Proposition 98 funding to fully implement the Local Control Funding Formula, reaching the target funding targets and funding the statutory 2.71% cost of living adjustment to the adjusted Base Grants for the prior State discal year. Additionally, the 2018-19 Budget provides nearly an extra 1 percentage point increase in the Local Control Funding Formula rates.

- One-Time Discretionary Funding – An increase of approximately $1.1 billion in one-time Proposition 98 funding for school districts, charter schools and county offices of education to use at local discretion. Similar to features included in prior State budgets, these funds would offset any applicable mandate reimbursement claims for these entities.

- Proposition 51 – The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative approved at the November 8, 2016 election that authorizes the sale and issuance of $9 billion in general obligation bonds for the new construction and modernization of K-14 facilities. The 2018-19 Budget allocates $594 million of such bond funds for K-12 school facility projects.

For additional information regarding the 2018-19 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

The full text of the 2018-19 Budget may be obtained from the "Official California Legislative Information" website maintained by the Legislative Counsel of the State of California pursuant to State law, at the following web link: http://www.leginfo.ca.gov/bilinfo.html. Information about the State budget and State spending is available at various State-maintained websites.

Certain litigation is challenging some of the terms of the Dissolution Act, and it is anticipated that there will be additional future legislation in this area. See the caption "—Challenges to Dissolution Act." The

Agency cannot predict what measures may be proposed or implemented for the current fiscal year or in the future.

None of the websites or webpages that are referenced above is in any way incorporated into this Official Statement. They are cited for informational purposes only. The Agency makes no representation whatsoever as to the accuracy or completeness of any of the information on such websites.

Recognized Obligation Payment Schedule

The Dissolution Act provides that, commencing on the date that the first Recognized Obligation Payment Schedule is valid thereunder, only those obligations that are listed in the Recognized Obligation Payment Schedule may be paid by the Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each February 1, with respect to the following fiscal year, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency's oversight board and the DOF for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as described under the caption "SECURITY FOR THE BONDS—Recognized Obligation Payment Schedule") of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Agency's Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the June 1 property tax distribution date. See the captions "SECURITY FOR THE BONDS—Recognized Obligation Payment Schedule" and "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—Recognized Obligation Payment Schedule."

In the event that the Agency were to fail to file a Recognized Obligation Payment Schedule with respect to a fiscal year, the availability of Tax Revenues to the Agency could be adversely affected for such period. If a successor agency fails to submit to the DOF an oversight board-approved Recognized Obligation Payment Schedule complying with the provisions of the Dissolution Act within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations, the DOF may determine if any amount should be withheld by the applicable county auditor-controller for payments for enforceable obligations from distribution to taxing entities pursuant to clause (iv) below, pending approval of a Recognized Obligation Payment Schedule. Upon notice provided by the DOF to the county auditor-controller of an amount to be withheld from allocations to taxing entities, the county auditor-controller must distribute to taxing entities any moneys in the Redevelopment Property Tax Trust Fund in excess of the withholding amount set forth in the notice, and the county auditor-controller must distribute withheld funds to the successor agency only in accordance with a Recognized Obligation Payment Schedule when and as approved by the DOF.

Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, the county auditor-controller is to distribute funds for each six-month period (after retention of amounts due to county auditor-controllers for administrative fees)in the following order specified in Section 34183 of the Dissolution Act:

(i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act (as described under the caption "SECURITY FOR THE BONDS—Tax Increment Financing") and no later than each January 2 and June 1, to each local agency and school entity, to the extent applicable, amounts required for pass-through payments that such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including pursuant to the Pass-Through Agreements and Statutory Pass-Through Amounts. Pension or State Water Project override revenues that are not pledged to or not needed for debt service on Agency debt will be allocated and paid to the entity that levies the override;

(ii) second, to the Agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule;

(iii) third, to the Agency for the administrative cost allowance, as defined in the Dissolution Act; and

(iv) fourth, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to each taxing entity's share of property tax revenues in the tax rate area in such fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

If the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations and the DOF does not provide a notice to the County Auditor-Controller to withhold funds from distribution to taxing entities, amounts in the Redevelopment Property Tax Trust Fund for such six-month period would be distributed to taxing entities pursuant to clause (iv) above.

The Agency has covenanted in the Indenture to take all actions required under the Dissolution Act to include in each Recognized Obligation Payment Schedule debt service on the Bonds and any Parity Debt that does not constitute Bonds, so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required to enable the Agency to pay timely principal of, and interest on, the Bonds coming due with respect the applicable Semiannual Period, including inclusion on the applicable Recognized Obligation Payment Schedule of: (a) the amounts of debt service set forth in the Recognized Obligation Debt Service Payment Schedule attached to the Indenture, as amended; and (b) the amounts of debt service set forth in the Recognized Obligation Debt Service Payment Schedule attached to any Supplemental Indenture, as amended, and the inclusion of any amount required to be deposited in the 2018 Reserve Account, in order to maintain in the 2018 Reserve Account the amount of the 2018 Reserve Requirement. See Appendix B.

AB 1484 added provisions to the Dissolution Act implementing certain penalties in the event that the Agency does not timely submit a Recognized Obligation Payment Schedule for each fiscal year. Specifically, a Recognized Obligation Payment Schedule must be submitted by the Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the DOF and the State Controller by February 1 in each year with respect to the following fiscal year. If the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by such deadline, the City will be subject to a civil penalty equal to $10,000 per day for every day that the schedule is not submitted to the DOF. Additionally, the Agency's administrative cost allowance will be reduced by 25% for any fiscal year if the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule within 10 days of the February 1 deadline. If the Agency fails to submit a Recognized Obligation Payment Schedule by the February 1 deadline, any creditor of the Agency, the DOF or any affected taxing entity will have standing to, and may request a writ of mandate to, require the Agency to immediately perform this duty. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the 2018 Bonds, see the caption "SECURITY FOR THE BONDS—Recognized Obligation Payment Schedule."

The estimated cash flow under the Fiscal Year 2018-19 Recognized Obligation Payment Schedule is set forth below. The subordinate obligation debt service shown in the below table assumes the refunding of the Refunded Bonds and the issuance of the Bonds, while the actual Fiscal Year 2018-19 Recognized Obligation Payment Schedule that was submitted to the Oversight Board for approval included scheduled debt service on the Refunded Bonds rather than the Bonds.

Table 9
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
2015 ESTIMATED RECOGNIZED OBLIGATION PAYMENT SCHEDULES

	Estimated ROPS After Refunding (January 2019 Distribution)	*Estimated ROPS After Refunding (June 2019 Distribution)*
Gross Tax Revenues (Based on Fiscal Year)		
Tax Increment	$42,282,243	$42,282,243
Unitary Revenue	460,110	478,890
Total Gross Tax Revenues	**$42,742,353**	**$42,761,133**
Deductions		
Property Tax Administrative Fee	$ 953,791	$ 29,499
AB 1290 Tax Sharing Payments	4,999,502	4,999,502
Breezewood Agreement[(1)]	120,000	192,000
Total Deductions	**$ 6,073,293**	**$ 5,221,001**
Tax Increment Revenues Available for Debt Service on Senior Obligations and Bonds	**$36,669,060**	**$37,540,132**
Senior Obligations		
Senior Obligations		
SERAF Payment (La Sierra/Arlanza)	$ 916,050	$ 916,050
SERAF Loan (Arlington)	11,450	11,450
Property Maintenance/Disposition (La Sierra/Arlanza)	8,500	8,500
Total Senior Obligations	**$ 936,000**	**$ 936,000**
Tax Revenues	**$35,733,060**	**$36,604,132**
Maximum Annual Debt Service on Parity Debt		
2014A Bonds	$ 2,993,125	$ 2,993,125
2014B Bonds	102,510	102,510
2018A Bonds	4,599,890	4,599,890
2018B Bonds	797,638	797,638
Total Parity Debt	$ 8,493,163	$ 8,493,163
Remaining for Other Obligations	$27,239,897	$28,110,969

(1) Constitutes a Senior Obligation. See the caption "SECURITY FOR THE BONDS—Senior Obligations—Breezewood Agreement."
Source: Stifel, Nicolaus & Company, Incorporated.

Last and Final Recognized Obligation Payment Schedule

SB 107 amended the Dissolution Act to permit certain successor agencies with limited remaining obligations to submit a Last and Final ROPS for approval by their oversight board and the DOF. The Last and Final ROPS must list the remaining enforceable obligations of the successor agency, including the total outstanding obligation amount and a schedule of remaining payments for each enforceable obligation. The Last and Final ROPS must also establish the maximum amount of Redevelopment Property Tax Trust Fund moneys to be distributed to the successor agency for each remaining fiscal year until all obligations have been fully paid.

Any revenues, interest and earnings of the successor agency, including proceeds from the disposition of real property, that are not authorized for use pursuant to the approved Last and Final ROPS will be remitted to the county auditor-controller for distribution to the affected taxing entities. A successor agency may not expend more than the amount that has been approved for each enforceable obligation listed on the approved

Last and Final ROPS and, once the successor agency has received Redevelopment Property Tax Trust Fund moneys equal to the amount of the total outstanding obligations approved in the Last and Final ROPS, the county auditor-controller will not allocate further Redevelopment Property Tax Trust Fund moneys to the successor agency.

Successor agencies may only amend an approved Last and Final ROPS twice. If the Agency prepares and obtains DOF approval of a Last and Final ROPS and subsequently amends the Last and Final ROPS two times, the Agency may be unable to make unexpected or unscheduled reserve deposits or payments due to the bond insurers or the Surety Provider or with respect to other Parity Debt.

See the caption "SECURITY FOR THE BONDS—Last and Final Recognized Obligation Payment Schedule" for a discussion of the requirements for a Last and Final ROPS and the mechanics for allocation of Redevelopment Property Tax Trust Fund moneys pursuant to an approved Last and Final ROPS. The Agency is not currently eligible to seek approval of a Last and Final ROPS because certain of its outstanding obligations are variable in nature. The Agency does not currently expect to seek approval of a Last and Final ROPS in the future, although there can be no assurance that such expectations will not change.

Santa Ana Unified School District Case

The Fourth District of the California Court of Appeal has rendered a decision in *Santa Ana Unified School District vs. Orange County Development Agency* (the "**Santa Ana USD Case**") which involves the allocation of tax increment revenues pursuant to Section 33676(a) of the Redevelopment Law as it existed before the passage of AB 1290 (which is discussed under the caption "PROPERTY TAXATION IN CALIFORNIA—Former Redevelopment Time Limits." Generally, before AB 1290, Section 33676(a) provided that, prior to the adoption of a redevelopment plan (or an amendment adding territory to a project area), under certain conditions, "any affected taxing agency may elect, and every school and community college district shall elect, to be allocated all or any portion of the tax revenues" derived based on an annual adjustment of the base year assessed value of real properties in the project area (or the added territory). The words "every school and community college district shall elect" were added pursuant to a 1984 amendment. The amount of property taxes that a taxing entity may receive under the former Section 33676(a) is derived by increasing the base year value of taxable real property in the project area (or the added territory) by an inflationary factor of not greater than 2% per year (the "**2% Allocation**"). In effect, the 2% Allocation reduced the tax increment revenues that a redevelopment agency received from the project area (or, if applicable, an added area to the project area).

In the Santa Ana USD Case, the redevelopment plan at issue was adopted in 1986. In 1996, the Santa Ana Unified School District ("**Santa Ana USD**") adopted a resolution electing to be paid its share of the 2% Allocation. The Orange County Development Agency took the position that Santa Ana USD was not entitled to the 2% Allocation because the election to receive such allocation should have been made before the adoption of the redevelopment plan for the project area. In turn, Santa Ana USD argued that the mandatory nature of the words "shall elect" in the statute made the allocation mandatory with respect to a school district. The lower court ruled in favor of Santa Ana USD. In an opinion published June 29, 2001, the Court of Appeal affirmed. As a result, Santa Ana USD received the award it had requested, i.e., its share of the 2% Allocation from 1996, the year Santa Ana USD made the Section 33676 election. The State Supreme Court denied review of the Santa Ana USD Case on September 19, 2001.

The case affects redevelopment agencies, such as the Agency, which added territory between the years 1983 to 1994 by amending a redevelopment plan. However, none of the taxing agencies in the Project Areas made a Section 33676 election and none could in the future receive Section 33676 payments from tax revenues. Accordingly, the projections of Tax Revenues that are set forth in this Official Statement do not reflect any Section 33676 payments to taxing agencies.

Bankruptcy and Foreclosure

The payment of the property taxes from which Tax Revenues are derived and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights (such as the Soldiers' and Sailors' Relief Act of 1940 discussed below) or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure action could be delayed due to crowded local court calendars or delays in the legal process. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings because federal bankruptcy laws may provide for an automatic stay of foreclosure and sale of tax sale proceedings. Such delay would increase the possibility of delinquent tax installments not being paid in full and thereby increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds. Moreover, if the value of the subject property is less than the lien of property taxes, such excess could be treated as an unsecured claim by the bankruptcy court. Further, should remedies be exercised under the federal bankruptcy laws, payment of property taxes may be subordinated to bankruptcy law priorities. Thus, certain claims may have priority over property taxes in a bankruptcy proceeding even though they would not outside of a bankruptcy proceeding.

In addition, the United States Bankruptcy Code might prevent moneys on deposit in the Redevelopment Obligation Retirement Fund from being applied to pay interest on the Bonds and/or to redeem Bonds if bankruptcy proceedings were brought by or against a landowner and if the court found that any of such landowner had an interest in such moneys within the meaning of Section 541(a)(1) of the United States Bankruptcy Code.

Other laws generally affecting creditors' rights or relating to judicial foreclosure may affect the ability to enforce payment of property taxes or the timing of enforcement thereof. For example, the Soldiers and Sailors Civil Relief Act of 1940 affords protections such as a stay in enforcement of the foreclosure covenant, a six-month period after termination of military service to redeem property sold to enforce the collection of a tax or assessment and a limitation on the interest rate on the delinquent tax or assessment to persons in military service if a court concludes that the ability to pay such taxes or assessments is materially affected by reason of such service.

As discussed under the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—Delinquencies," pursuant to the Teeter Plan, the County Auditor-Controller distributes 100% of tax increment revenues allocated to each redevelopment successor agency without regard to delinquencies in the payment of property taxes. However, there can be no assurance that this policy will not be changed in the future.

Estimated Revenues

In estimating that Tax Revenues will be sufficient to pay debt service on the Bonds, the Agency has made certain assumptions with regard to present and future assessed valuation in the Project Areas, future tax rates and tax collections. The Agency believes these assumptions to be reasonable, but there is no assurance that these assumptions will be realized. To the extent that the assessed valuation and the tax rates are less than expected, the Tax Revenues that are available to pay debt service on the Senior Obligations, the Bonds and Parity Debt will be less than those projected and such reduced Tax Revenues may be insufficient to provide for the payment of principal of, premium (if any) and interest on the Bonds.

Hazardous Substances

While governmental taxes, assessments, and charges are a common claim against the value of a taxable parcel, other less common claims may be relevant. One example is a claim with regard to a hazardous substance.

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a taxable parcel may be required by law to remedy conditions of the parcel 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 State and local 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 of the taxable parcels be affected by a hazardous substance is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller. Such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of the property that is realizable upon a delinquency and foreclosure.

Furthermore, it is possible that liabilities may arise in the future with respect to taxable parcels resulting from the existence, currently, on the parcel of a substance that is presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance that is not presently classified as hazardous but which may in the future be so classified. All of these possibilities could significantly affect the value of a taxable parcel that is realizable upon a delinquency.

The Agency is not aware of the presence of hazardous substances in, on or under real property within the Project Areas. The Agency notes that property owned by private parties within the Project Areas related to everyday commercial activities such as automobile repair shops, gas stations and dry cleaning businesses may contain underground storage tanks or other small contamination sources and does not expect that the presence of hazardous substances on such sites will have a material adverse effect on property values in the Project Areas. However, there can be no assurance that the discovery, after the issuance of the Bonds, of additional sites which contain hazardous substances will not have an effect on property values in the Project Areas.

Natural Disasters

The value of the property in the Project Areas in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements, landslides and floods and climatic conditions such as high winds or droughts, as well as wildfires. In the event that one or more of such conditions occur, such occurrence could cause damages of varying seriousness to the land and improvements and the value of property in the Project Areas could be diminished in the aftermath of such events. A substantial reduction of the value of such properties could affect the ability or willingness of the property owners to pay their property taxes when due.

The City, like most communities in California, is in an area of unpredictable seismic activity, and therefore, is subject to potentially destructive earthquakes. Faults capable of producing earthquakes that are strong enough to damage surface structures underlie most of the Southern California region in a manner that puts most of the region at some risk of earthquake damage. There are several identified faults within close proximity to or within the boundaries of the Project Areas that could potentially result in damage to buildings, roads, bridges, and property within the Project Areas in the event of an earthquake. Past experiences have resulted in minimal damage to the infrastructure and property within the Project Areas. A majority of the property within the Project Areas has been developed in conformity with the 1988 Uniform Building Code standards. Nonetheless, the occurrence of severe seismic activity in the City could result in substantial damage to property located in the Project Areas, and could lead to successful appeals for reduction in assessed values of such property. Such a reduction could result in a decrease in Tax Revenues.

The City has undertaken measures which include building inspection and enforcement of building codes, community education and seismic assessment of new development projects.

In recent years, including 2017, areas near the City (but no areas within City limits) have experienced outbreaks of wildfires that have burned hundreds of acres at a time and destroyed thousands of homes and structures. Such wildfires have occurred in the County and in nearby counties.

Tax Collection Fees

Legislation enacted by the State Legislature authorizes county auditors to determine property tax administration costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. Subsequent legislation specifically includes redevelopment agencies among the entities which are subject to a property tax administration charge. Actual tax increment disbursements are reduced to reflect the tax collection fee charged by the County Auditor-Controller pursuant to Senate Bill 2577. The tax collection fee varies slightly from year to year. Pledged Tax Revenues do not include and are reduced by County tax collection charges. In Fiscal Year 2017-18, the County charged the Agency administrative fees of $961,668, representing approximately 1.25% of the total gross tax increment revenues received by the Agency in Fiscal Year 2017-18 for the Project Areas. The tax collection fee charged by the County will decrease the amount of Tax Revenues from the Project Areas that are available to pay the Bonds. See the captions "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—Property Tax Administrative Costs" and "TAX REVENUES—Projected Tax Revenues."

Changes in the Law

There can be no assurance that the State electorate will not at some future time adopt initiatives or that the State Legislature will not enact legislation that will amend the Dissolution Act, the Redevelopment Law or other laws or the Constitution of the State in such a manner that Tax Revenues, which could have an adverse effect on the Agency's ability to pay debt service on the Bonds.

Investment Risk

Funds held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See Appendix B for a summary of the definition of Permitted Investments. The funds and accounts of the Agency, into which a portion of the proceeds of the Bonds will be deposited and into which Tax Revenues are deposited, may be invested by the Agency in any investment authorized by law. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal.

The Agency cannot predict the effects on the receipt of Tax Revenues if the County were to suffer significant losses in its portfolio of investments or if the County or the City were to become insolvent or declare bankruptcy. See Appendix E for information regarding the City's finances. See also the caption "—Bankruptcy and Foreclosure."

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds, or, if a secondary market exists, that the Bonds can be sold for any particular price. Although the Agency has committed to provide certain financial and operating information on an annual basis, there can be no assurance that such information will be available to Bond Owners on a timely basis. See the caption "CONCLUDING INFORMATION—Continuing Disclosure" and Appendix G. Any failure to provide annual financial information, if required, does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances. Such prices could be substantially different from the original purchase price.

No Validation Proceeding Undertaken

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

The Agency has not undertaken or endeavored to undertake any validation proceeding in connection with the issuance of the Bonds. The Agency and Bond Counsel have relied on the provisions of AB 1484 authorizing the issuance of the Bonds and specifying the related deadline for any challenge to the Bonds to be brought. Specifically, Section 34177.5(e) of the Dissolution Act provides that notwithstanding any other law, an action to challenge the issuance of bonds (such as the Bonds), the incurrence of indebtedness, the amendment of an enforceable obligation, or the execution of a financing agreement authorized under Section 34177.5 must be brought within 30 days after the date on which the oversight board approves the resolution of the successor agency approving such financing. Such challenge period expired with respect to the Bonds and the Oversight Board Resolution in July 2018.

It is possible that the definition of Tax Revenues could be affected by changes in law or judicial decisions relating to the dissolution of redevelopment agencies. The Indenture provides that if, and to the extent, that the applicable property tax revenue provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid, and in place of any such invalid provisions, then Tax Revenues will include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time which provides for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the State Constitution. Additionally, any action by a court to invalidate provisions of the Dissolution Act required for the timely payment of principal of, and interest on, the Bonds could be subject to challenges regarding unconstitutional impairment of contracts and unconstitutional taking without just compensation. The Agency believes that the aforementioned considerations would provide some protections against the adverse consequences upon the Agency and the availability of Tax Revenues for the payment of debt service on the Bonds in the event of successful challenges to the Dissolution Act or portions thereof. However, the Agency provides no assurance that any other lawsuit challenging the Dissolution Act or portions thereof will not result in an outcome that may have a detrimental effect on the Agency's ability to pay debt service on the Bonds in a timely manner.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2018A Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar municipal obligations).

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2018A Bonds, the Agency has covenanted in the Indenture and the Tax Certificate relating to the 2018A Bonds not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the 2018A Bonds under Section 103 of the Internal Revenue Code of 1986, as amended. Interest on the 2018A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance, as a result of acts or omissions of the Agency subsequent to the issuance of the 2018A Bonds in violation of such covenants with respect to the 2018A Bonds. Should such an event of taxability occur, the 2018A Bonds are not subject to redemption by reason thereof and will remain outstanding until maturity or unless earlier redeemed pursuant to the redemption provisions of the Indenture.

Early Redemption of Premium Bonds

Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("**Premium Bonds**") will be treated for federal tax purposes as having amortizable premium. If such Premium Bonds are redeemed prior to maturity (or, in some cases, prior to a scheduled redemption date) as described under the caption "THE BONDS—Redemption," not all of the amortized premium may be realized by the Owner. The Premium Bonds are treated like all other Bonds for purposes of selection for redemption prior to maturity as described in this Official Statement.

Bonds Are Limited Obligations

Neither the faith and credit nor the taxing power of the Agency, the City, the State or any political subdivision thereof is pledged to the payment of the Bonds. The Bonds are special obligations of the Agency; and, except as provided in the Indenture, they are payable solely from Tax Revenues. Tax Revenues could be insufficient to pay debt service on the Bonds as a result of delinquencies in the payment of property taxes or the insufficiency of proceeds derived from the sale of land within the Agency following a delinquency in the payment of the applicable property taxes. As discussed under the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—Delinquencies," pursuant to the Teeter Plan, the County Auditor-Controller distributes 100% of tax increment revenues allocated to each redevelopment successor agency in the County without regard to delinquencies in the payment of property taxes. However, there can be no assurance that this policy will not be changed in the future. The Agency has no obligation to pay debt service on the Bonds in the event of insufficient Tax Revenues, except to the extent that money is available for such purpose in the Redevelopment Obligation Retirement Fund, the Debt Service Fund and the 2018 Reserve Account.

Limitations on Remedies

Remedies available to the Owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other similar laws affecting generally the enforcement of creditors' rights, by equitable principles and by the exercise of judicial discretion. In addition, the Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Indenture. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Owners.

Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the Agency, may become subject to the United States 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, 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, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against governmental entities in the State. See the caption "—Bankruptcy and Foreclosure."

Acceleration on Default

Under the Indenture, the principal due on the Bonds is subject to acceleration upon the occurrence of an Event of Default. If an Event of Default occurs under the Indenture, as a practical matter, Bond Owners will be limited to enforcing the obligation of the Agency to repay the Bonds on an annual basis to the extent of the availability of Tax Revenues. No real or personal property in the Project Areas is pledged to secure the Bonds, and it is not anticipated that the Agency will have available moneys in an amount that is sufficient to redeem all of the Bonds upon the occurrence of an Event of Default. All Agency obligations must be approved by the Oversight Board and the DOF as described herein.

TAX MATTERS

2018A Bonds

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2018A Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax, although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Agency comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2018A Bonds. The Agency has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2018A Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a 2018A Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a 2018A Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium are disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2018A Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2018A Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2018A Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2018A Bonds who purchase the 2018A Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2018A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2018A Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2018A Bonds under federal individual alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2018A Bond (said term being the shorter of the 2018A Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2018A Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2018A Bond is amortized each year over the term to maturity of the 2018A Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2018A Bond premium is not deductible for federal income tax purposes. Owners of premium 2018A Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2018A Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the 2018A Bonds is exempt from California personal income taxes.

Form of Opinion. At the time of issuance of the 2018A Bonds, Bond Counsel expects to deliver an opinion for the 2018A Bonds in substantially the form set forth in Appendix C.

2018B Bonds

Federal Tax Status. The interest on the 2018B Bonds is not intended by the Agency to be excluded from gross income for federal income tax purposes.

California Tax Status. In the opinion of Bond Counsel, interest on the 2018B Bonds is exempt from California personal income taxes.

Form of Opinion. At the time of issuance of the 2018B Bonds, Bond Counsel expects to deliver an opinion for the 2018B Bonds in substantially the form set forth in Appendix C.

Other Tax Considerations

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, as applicable, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions, if applicable, may also affect the market price for, or marketability of, the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the Bonds, or as to the consequences of owning or receiving interest on the Bonds, as of any future date. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Bonds, the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

CONCLUDING INFORMATION

Underwriting

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**") pursuant to a Bond Purchase Agreement, dated August 30, 2018 (the "**Purchase Agreement**"), by and between the Underwriter and the Agency. The Underwriter has agreed to purchase the Bonds at a price of $129,126,598.20 (being the aggregate principal amount thereof, plus a net original issue premium of $14,759,376.70 and less an Underwriter's discount of $447,778.50). The Purchase Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering prices stated on the inside front cover page of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

Legal Opinion

The opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, approving the validity of the Bonds and stating that interest on the 2018A Bonds is excluded from gross income for federal income tax purposes and that interest on the Bonds is exempt from California personal income taxes under present State income tax laws will be furnished to the purchaser at the time of delivery of the Bonds at the expense of the Agency. Compensation for Bond Counsel's services is entirely contingent upon the sale and delivery of the Bonds.

A copy of the proposed form of Bond Counsel's final approving opinion with respect to the Bonds is attached hereto as Appendix C. The legal opinion is only as to legality and is not intended to be nor is it to be interpreted or relied upon as a disclosure document or an express or implied recommendation as to the investment quality of the Bonds.

In addition, certain legal matters will be passed on for the Underwriter by Stradling Yocca Carlson & Rauth, Newport Beach, California, as Disclosure Counsel, for the Agency by the City Attorney of the City of Riverside, as counsel to the Agency, for the Underwriter by Kutak Rock LLP, Los Angeles, California, and for the Trustee by its counsel.

Litigation

There is no action, suit or proceeding known to the Agency to be pending and notice of which has been served upon and received by the Agency, or threatened, restraining or enjoining the execution or delivery of the Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Agency taken with respect to any of the foregoing.

Rating

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), is expected to assign the Bonds the rating of "AA". Such rating reflects only the views of S&P, and any desired explanation of the significance of such rating may be obtained from S&P. Generally, a rating agency bases its ratings on the information and materials that are furnished to it (which may include information and material from the City or the Agency that is not included in this Official Statement) and on investigations, studies and assumptions of its own. There is no assurance that such rating will be maintained for any given period of time or that the rating will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Continuing Disclosure

The Agency has covenanted in a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") for the benefit of the holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the Agency by each March 31 following the end of the Agency's Fiscal Year (currently its Fiscal Year ends on June 30) (the "**Annual Report**"), commencing April 1, 2019 with the report for Fiscal Year ended June 30, 2018, and to provide notices of the occurrence of certain enumerated events.

The Annual Report and the notices of enumerated events will be filed by the Agency with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, which is maintained on the Internet at http://emma.msrb.org/. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events are set forth in Appendix G. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934 ("**Rule 15c2-12**").

The City and its related governmental entities – specifically those entities (such as the Prior Agency and the Agency) for whom City staff is responsible for undertaking compliance with continuing disclosure undertakings – have previously entered into numerous disclosure undertakings under Rule 15c2-12 in connection with the issuance of long-term obligations.

In the past, to assist the City and its related governmental entities, including the Prior Agency and the Agency, 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, including the Agency, have not, on a handful of occasions during the past five years, fully complied, in all material respects, with their disclosure undertakings under Rule 15c2-12. On certain occasions in the last five years, the City did not timely file notice of rating changes to bond insurers and liquidity providers for City debt obligations.

The City and its related governmental entities, including the Agency, have made filings to correct all known instances of non-compliance during the last five years prior to the marketing of the Bonds. The City and the Agency believe that they have established internal processes, including a written continuing disclosure policy, that will ensure that the City and its related governmental entities, including the Agency, will meet all material obligations under their respective continuing disclosure undertakings. The City also now handles its and its related governmental entities', including the Agency's, continuing disclosure obligations internally, and no longer uses third-party dissemination agents for such purpose. Additionally, the City has engaged 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.

Municipal Advisor

The Agency has retained CSG Advisors Incorporated, San Francisco, California (the "**Municipal Advisor**") as municipal advisor in connection with the sale of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

Fiscal Consultant

The Agency has retained the firm of DHA Consulting, LLC, Long Beach, California to act as the Fiscal Consultant for the Agency in connection with the sale of the Bonds. As part of its duties, the Fiscal Consultant has prepared a Fiscal Consultant Report concerning the Agency and the Project Areas. The full text of the Fiscal Consultant Report is attached hereto as Appendix A.

Conflicts of Interest

Some or all of the fees of the Underwriter, Bond Counsel, Disclosure Counsel and the Municipal Advisor are contingent on the sale of the Bonds. Furthermore, from time to time, Bond Counsel and Disclosure Counsel serve as counsel to the Underwriter and other parties involved with the Bonds with respect to transactions other than the issuance of the Bonds.

Miscellaneous

All of the preceding summaries of the Indenture, the Bond Law, the Dissolution Act, the Redevelopment Law, other applicable legislation, the redevelopment plans for the Project Areas, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Agency for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Bonds. Any statements in this Official Statement which involve 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 by the City Manager, as the chief administrative officer of the Agency, has been duly authorized by the Agency.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE

By: /s/Al Zelinka
City Manager

APPENDIX A

FISCAL CONSULTANT REPORT

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City of Riverside
Successor Agency

Fiscal Consultant Report

August 6, 2018

Prepared By:

DHA Consulting, LLC
Long Beach, California
(562) 426-1150

Successor Agency of the
City of Riverside
Multiple Redevelopment Project Areas
Fiscal Consultant Report

Section A - Introduction

The Successor Agency of the City of Riverside (Agency or Successor Agency) is proposing to issue refunding tax allocation bonds to be secured by former tax increment revenues from all of its redevelopment project areas (the Project Areas) with the exception of the Eastside Project Area which expired in accordance with its redevelopment plan. The proposed bonds are intended to hold a parity lien with the 2014 Tax Allocation Bonds, Series A and B. In connection with the proposed financing, the Agency has retained DHA Consulting, LLC to conduct a review of assessed values and prepare a projection of future tax increment revenues for the Project Areas. This report summarizes the findings of that review.

Prior law authorized the Agency to receive that portion of property tax revenue generated from the increase of the current year Project Areas taxable values over the taxable values that existed at the time of the Project Areas' adoption. This portion of property tax revenue is referred to as tax increment revenue. The law provided that the tax increment revenue may be pledged by redevelopment agencies for the repayment of redevelopment project area indebtedness. In 2011, redevelopment agencies were dissolved although their successors, successor agencies, are allowed to continue to receive former tax increment revenue to repay debt and can issue new bonds, with the approval of the state, to refund existing bonds under certain circumstances. Please see Section B, Redevelopment Dissolution Act, for more information about the dissolution of redevelopment agencies.

This Fiscal Consultant Report will present an examination of valuations and tax collections and a projection of future tax increment revenues for the Project Areas. The projections are based on assumptions determined by a review of the taxable value history of the Project Areas; factors which will likely change taxable value such as property tax assessment appeals; and the property tax assessment and property tax apportionment procedures of Riverside County. This report, which was initially prepared in April 2018, was updated in July 2018 to reflect the preliminary 2018-19 assessed values reported by the County, and is based on the assessed value and appeal information as available during that timeframe.

This report is organized into the following sections:

A. Introduction
B. Redevelopment Dissolution Act
C. The Project Areas
D. Taxable Values and Historical Revenues
E. Assessment Appeals
F. Tax Allocation and Disbursement
G. Tax Increment Projections
H. Agency Obligations
I. La Sierra/Arlanza and Auto Center Expenditures

Section B – Redevelopment Dissolution Act

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

Under the Dissolution Act, tax increment is no longer deemed to flow directly to the Successor Agency. Rather, all funds are considered property taxes. The requirement to deposit a portion of the tax increment into a low and moderate income housing fund has been interpreted to not be required. The Dissolution Act allows the Agency to issue refunding bonds so long as the refunding results in debt service savings. The Agency is authorized to pledge the property tax revenues that were formerly tax increment revenues to secure repayment of the refunded bonds.

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

Under the Dissolution Act, the money in the Trust Fund will be applied in the following sequence:

1. Allocate to the County property tax administrative fees and other costs needed to implement the Dissolution Act.
2. Pay all pass-through payments to the taxing entities. Payments required for the Project Areas pursuant to former Section 33401, and Sections 33607.5 and 33607.7 of the Community Redevelopment Law (CRL) continue as an obligation under the Dissolution Act.
3. Pay obligations required per the approved Recognized Obligation Payment Schedule (ROPS), including debt service on the Bonds.
4. Pay the administrative allowance, which goes to the Successor Agency to be used to wind down the affairs of the Agency.
5. Distribute the balance to the taxing entities pursuant to Sections 34183 and 34188 of the Dissolution Act.

In the event that revenues in the Trust Fund are anticipated to be insufficient to meet Agency debt service on the obligations that are senior to the pass through payments to the taxing entities, the Agency can notify the County Auditor Controller, which is authorized to deduct funds required for bond debt service from subordinate pass through payments, but only to the extent that the amounts remaining to be distributed to taxing entities under 5 above and the Agency's administrative allowance distributed under 4 above have been exhausted.

All payments included on a ROPS are subject to approval by the Oversight Board and DOF. A successor agency may dispute DOF's conclusions on a ROPS filing, with such dispute addressed in a "meet and confer" process, as outlined in the Dissolution Act, between DOF and the successor agency. Please see "Recognized Obligation Payment Schedule (ROPS)" under Section F, "Tax Allocation and Disbursement" for additional discussion about the ROPS process. Once approved by the Oversight Board and the state Department of Finance (DOF), the County Auditor-Controller releases the Trust Fund revenues to pay for the obligations on the ROPS. Any excess Trust Fund revenue not needed to meet the various obligations shown in items one through four above would be allocated to the taxing entities as residual distributions.

SB 107

Legislation enacted in September 2015 has resulted in changes to the dissolution process. Perhaps the major change with respect to bonds is the elimination of the time and dollar limitations that were set forth in the redevelopment plans, which change can provide increased debt service coverage in later years when some of the older subareas of the Project Areas would be no longer eligible to receive tax increment under the old rules.

Other changes resulting from SB 107 include going to an annual (as opposed to semi-annual) ROPS process and allowing for a qualifying Agency to file a "last and final" ROPS. Under SB 107, the annual ROPS is due by February 1st and can be amended in October if the Oversight Board and DOF approve the changes. Payments under the annual ROPS will be paid on June 1st and January 2nd of the following calendar years. The ROPS fiscal year designated by the legislation actually bifurcates the fiscal year of the Successor Agency, meaning it includes the payment received in one fiscal year (June 1st) with revenues received in the subsequent fiscal year (January 2nd). By way of illustration, revenues that correlate with expenditures on the 2018-19 ROPS are revenues received in June 2018 (Fiscal Year 2017-18) and January 2019 (Fiscal Year 2018-19).

Section C – The Project Areas

This Report covers the following Project Areas: Arlington; Casa Blanca; Merged Downtown/Airport; Hunter Park/Northside; La Sierra/Arlanza; Magnolia Center; and University Corridor/Sycamore Canyon. The Merged Downtown/Airport Project Area consists of two previously separate redevelopment project areas, the Riverside Mall and White Park Redevelopment Project (the “Downtown Project Sub-Area”) and the Airport Industrial Redevelopment Project (the “Airport Project Sub-Area”). These latter two Project Areas were merged in 1990 under allowable provisions of the CRL (Section 33486 et. seq.) In 2009, Hunter Park/Northside was merged with the Downtown/Airport Project, thereby creating a large merged area.

This report presents information for the Hunter Park/Northside Area separately from the Downtown/Airport. In 1997, the Agency added territory to the Project Areas now known as University Corridor (the “University Corridor Project Sub-Area”) and Sycamore Canyon (the “Sycamore Canyon Project Sub-Area”) and then merged them to form the University Corridor/Sycamore Canyon Redevelopment Project Area. (The University Corridor Project Area was formerly known as Central Industrial.) The other Project Areas involved in the proposed financing are individual Project Areas and are not part of any merged project.

Over time, territory was added to both of the merged project areas as well as the Arlington Project Area. As a result, each of these project areas has a number of added areas or subareas. This Report may make reference to one or more of the various subareas based on the reporting categories used by the County. A summary of the references used in this Report is as follows:

Report Reference	Description
Arlington Project	**Project Area with all subareas**
• Arlington Original	• 1978 adoption of Arlington Project
• Arlington 1999 Annex	• Area added in 1999
• Arlington 2003 A-D Annex	• Area added in 2003 without restrictions
• Arlington 2003 E & F Annex	• Area added in 2003 (Auto Center)
Casa Blanca	**Project Area**
• No Subareas	

Report Reference (cont.)	**Description**
Merged Downtown/Airport	**Project Area with all subareas**
• Downtown Original	• 1971 adoption and area added in 1972
• Downtown 1975 Annex	• Area added in 1974 and 1975
• Downtown 1985 Annex	• Area added in 1984
• Airport Original	• 1976 adoption of the Airport Project
• Airport 1980 Annex	• Area added in 1980
• Airport 1985 Annex	• Area added in 1984
Hunter Park/Northside	**Individual Project Area**
• No Subareas	• (Merged with Downtown/Airport in 2009)
La Sierra/Arlanza	**Individual Project Area**
• No Subareas	
Magnolia Center	**Individual Project Area**
• No Subareas	
UC/Sycamore Canyon Merged	**Project Area with all subareas**
• University Corridor Original	• 1977 adoption of University Corridor
• University Corridor 1985 Annex	• Area added in 1984
• University Corridor 1998 Annex	• Area added in 1997
• Sycamore Canyon Original	• 1983 adoption of Sycamore Canyon
• Sycamore Canyon 1998 Annex	• Area added in 1997

Assessed Value by Land Use

In aggregate, the Project Areas consist of over 16,000 acres in various locations around the City of Riverside. Major uses include commercial, residential and industrial land uses. Many of the industrial uses in the Project Areas represent heavy industrial uses with significant levels of taxable equipment and personal property. A summary of assessed values among the various types of land uses in the Project Areas is shown below.

Table 1
The Project Areas
2018-19 Land Use Assessed Value Distribution

Category	**No. of Parcels**	**2018-19**	**% of Total**
Residential	19,074	$ 5,271,938,668	42.24%
Commercial	1,914	3,644,746,369	29.20%
Industrial	906	2,297,825,563	18.41%
Recreational	12	49,951,038	0.40%
Institutional	96	44,291,534	0.35%
Vacant Land	1,454	242,697,421	1.94%
Cross Reference (1)	985	83,925,624	0.67%
Unsecured (1)	4,026	826,396,349	6.62%
Misc/Unknown	11	18,312,134	0.15%
Total	**23,467**	**$ 12,480,084,700**	**100.00%**

1. The total shown above under “No. of Parcels” excludes the categories of SBE (state assessed property, Cross Reference and Unsecured assessments as they represent duplicate parcel counts.

As shown above, assessed values for the Project Areas are distributed among a number of different types of properties with residential being predominant at 42 percent, followed by commercial and industrial at 29 percent and 18 percent respectively.

Major Taxpayers

The following table shows the major taxpayers in the Project Areas.

Table 2
The Project Areas
Major Taxpayers 2018-19

No.	Assessee Name	Project Area	Predominant Use	# of Assmts.	2018-19 Value	% Total Value	% Incr. Value
1	Riverside Healthcare System (1)	Downtown	Hospital	16	315,872,749	2.5%	3.7%
2	Tyler Mall Limited Partnership (1)	La Sierra	Shopping Center	9	220,072,702	1.8%	2.6%
3	Rohr Inc.(1)	Airport	Industrial	12	161,444,027	1.3%	1.9%
4	Cpt Riverside Plaza (1) (3)	Magnolia Center	Shopping Center	10	159,170,604	1.3%	1.9%
5	La Sierra University / College	La Sierra	Res/Comm/Vacant	42	135,947,264	1.1%	1.6%
6	Ralph's Grocery Company (1) (2)	Sycamore	Food Distr.Facility	4	113,723,341	0.9%	1.3%
7	Advance Group 13 107	La Sierra	Residential Apartments	2	104,101,710	0.8%	1.2%
8	Edgemont Community Services Dist (1) (4)	Sycamore	Industrial	5	67,508,795	0.5%	0.8%
9	Syc Canyons and Sierra	Sycamore	Industrial	2	62,118,850	0.5%	0.7%
10	Sterling Riverside 2 (1)	Hunter Park	Residential Apartments	1	57,003,077	0.5%	0.7%
			TOTAL MAJORS (6)	**103**	**1,396,963,119**	**11.2%**	**16.5%**

1. These properties have assessment appeals outstanding.
2. Includes $23.9 million in unsecured value. Previous assessee for secured property was State Street Bank.
3. Formerly Vestar Riverside Plaza.
4. Although Edgemont is a community services district, it owns several industrial buildings in the Sycamore Canyon Area that are taxable.

As shown above, the first and third largest assessees are in the Merged Downtown/Airport Project and include Riverside Healthcare System in the Downtown Project Sub-Area at $315.9 million and the Rohr property in the Airport Project Sub-Area at $161.4 million. Riverside Healthcare is a hospital facility, Riverside Community Hospital, which was tax exempt in years prior to 1999, when the property transferred ownership. The Riverside Community Hospital campus includes a level two trauma center, medical office space and related surface and structured parking. The Hospital has been in an expansion mode since 2013 that includes new construction activity, resulting in substantial increases in taxable value for the properties.

The Rohr property is the property assessee for a UTC Aerospace Systems facility located in the Airport 1985 Annex area near the local airport. UTC Aerospace Systems was formed in August 2012 by merging two companies: Goodrich Corporation and Hamilton Sundstrand. (Rohr, Inc. was acquired by the Goodrich Corporation in 1997, although it remained a separately incorporated entity.) The 2012 merger was ruled by the state to be indirect sale of Rohr's Riverside holdings and therefore subject to reappraisal under Proposition 13. The value of the Rohr holdings increased from prior assessments primarily as a result of the 2012 sale, although the increase was not reflected in the assessed values reported for the facility until 2016-17. Multi-year delays in processing reassessments from property transfers are not uncommon in these types of corporation mergers.

Two of the larger assessees are in the La Sierra/Arlanza Project Area and include a regional shopping mall, the Galleria at Tyler, owned by the Tyler Mall Limited Partnership, and taxable property held by La Sierra University/College. The Galleria at Tyler, originally a one story shopping mall, added a second story and Nordstrom's in the early 1990's and added movie theaters and additional destination restaurants, such as the Cheesecake Factory and PF Chang's, in about 2012. La Sierra University/College owns or co-owns a number of different taxable uses in the area including luxury apartments, some vacant land and some commercial and related uses near the college campus which La Sierra University/College also owns. The college campus and certain related uses are largely tax exempt.

The fourth largest assessee is Riverside Plaza, an open air shopping center in the Magnolia Center Project Area for which a recent sale resulted in an increase in value of $69 million over 2017-18 levels. The shopping center was originally an indoor 1980's style mall, but was replaced in 2002, in part, with a neighborhood retail center, movie theater and restaurant space.

Most of the major assessments are under appeal, which is not uncommon for properties with large valuations and hence large tax bills.

Plan Limitations

Redevelopment Law required that redevelopment project areas contain certain limitations. The limitations which most directly impacted the receipt of tax increment over time included a limit as to the number of years each subarea could receive tax increment and, for sub-areas adopted before 1994, a limit on the number of dollars of tax increment revenue that could be received over the life of the Plan. SB 107, enacted in September 2015, provides that, for the purpose of paying enforceable obligations, successor agencies are not subject to time or dollar limitations.

Section D – Taxable Values and Historical Revenues

Taxable Values

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

Locally assessed real property is subject to the provisions of Article XIII A of the California Constitution, commonly referred to as Proposition 13. Under Proposition 13, property is valued based either on its value in 1975-76 or, if newly constructed or sold after this date, then on the full cash value of the property at that time. Property values may only increase annually by an inflation factor of up to 2 percent annually. The Proposition 13 value of property is sometimes referred to as the factored base year value. Pursuant to Section 51 (b) of the Revenue and Taxation Code, assessors must enroll the lesser of the market value or the factored base year value of property.

Personal property values can be classified as either secured or unsecured property. Personal property is not subject to the provisions of Proposition 13. Such property is annually appraised at the full cash value of the property.

State-assessed property is also not subject to the provisions of Proposition 13, and is valued by the State Board of Equalization based on the full cash value of the property. State-assessed property is categorized as secured property and is either unitary or non-unitary property. Since 1987-88, unitary property has been reported on a county-wide basis, with unitary revenues allocated to taxing entities and redevelopment projects pursuant to a formula contained in the Revenue & Taxation Code (R&T Code). Starting in 2007-08, unitary railroad value has been reported on a county-wide basis with the resulting revenues allocated under a separate formula. State-assessed non-unitary values are reported based on the location of the improvements.

Project Area Value Trends

The values reported by the County for the Project Areas in each of the last 6 years are summarized in Table 3 below. A longer history of taxable values for the Project Areas is enclosed as Exhibit I. Project Area values are initially reported by the County in July and then are generally updated in August and again in October. The 2018-19 values shown below are as reported by the County in July 2018.

Table 3
Historical Taxable Values
The Project Areas
000's Omitted

Project Area	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Arlington	$ 876,700	$ 928,198	$ 942,937	$ 989,022	$ 1,038,939	$ 1,106,921
Casa Blanca	341,417	352,030	377,303	388,332	411,752	444,263
Downtown	783,440	779,458	808,419	836,315	930,031	1,049,916
Airport	562,507	543,512	574,955	633,255	647,434	674,451
Hunter Park	1,462,802	1,531,646	1,581,845	1,627,651	1,696,332	1,818,878
La Sierra	3,613,761	3,947,632	4,158,564	4,401,002	4,620,643	4,910,708
Magnolia Center	622,744	653,974	655,172	686,774	701,067	796,624
University Corridor	527,193	530,748	563,885	581,595	607,513	641,450
Sycamore Canyon	770,069	794,082	821,754	861,726	969,370	1,036,874
TOTAL VALUE	$ 9,560,634	$10,061,282	$10,484,834	$11,005,672	$11,623,080	$12,480,085
% Change	2.0%	5.2%	4.2%	5.0%	5.6%	7.4%
Base Year	4,023,636	4,023,636	4,023,636	4,023,636	4,023,636	4,023,636
Total Increment (AV)	**$ 5,536,998**	**$ 6,037,646**	**$ 6,461,198**	**$ 6,982,036**	**$ 7,599,444**	**$ 8,456,449**
% Change	**3.6%**	**9.0%**	**7.0%**	**8.1%**	**8.8%**	**11.3%**
Prop 13 Inflationary Trend	2.00%	0.45%	2.00%	1.53%	2.00%	2.00%

As shown in Table 3 above, assessed value growth in the Project Areas has been strong over the last 5 years, averaging over 5 percent annual growth. Overall, growth has been the result of numerous taxable value changes in the Project Areas for property transfers, new construction, the restoration of previously reduced values from Proposition 8 appeals and the annual inflationary growth allowed under Proposition 13. As real estate values continue to improve, the value increases resulting from property transfers are often resulting in large increases in taxable values. While overall growth has been good, there have been some reductions to values as a result of the resolution of appeals and public property acquisitions, and to a lesser extent, property sales at amounts less than the existing taxable values.

Some of the largest changes in assessed value reported for the Project Areas involve the following properties:

- Riverside Healthcare System: The value for Riverside Healthcare, which is the Riverside Community Hospital campus, increased by over $183.4 million since 2014-15, with $111.3 million of the increase occurring in 2017-18 and an additional $42.5 million in 2018-19. This increase is primarily the result of the Hospital's new construction and expansion, which expansion effort commenced in 2013.

- Rohr: The value for Rohr increased to $161.4 million in 2018-19 from $97 million in 2014-15, an increase of $64 million, most of which was included in the 2016-17 assessment for the property.

All categories of property increased: land, improvements and fixtures/equipment primarily as a result of the indirect sale of the property through a corporate merger. See Section C, The Project Areas – Major Taxpayers above for details.

- Riverside Plaza, is an open air shopping center in the Magnolia Center Project Area for which a recent sale resulted in an increase in 2018-19 assessed values of $69 million from 2017-18 levels. The shopping center was originally an indoor 1980’s style mall, but was replaced in 2002, in part, with a neighborhood retail center, movie theater and restaurant space.

- A major office building in the Downtown Project Area was purchased by the City of Riverside for use by its public utilities department as its office space. This caused a reduction in assessed value of $35 million in 2017-18. Successor Agency staff report that no similar major acquisitions are currently planned.

Section E – Assessment Appeals

Types of Appeals

Taxpayers may dispute, or appeal, their property tax assessments. Depending on the outcome of the appeal, taxes paid in the current year may be either higher or lower than the initial assessment. An appeal which results in a lower valuation is referred to in this Report as a successful appeal.

In California, there are two types of appeals: a Proposition 8 appeal and a base year appeal. A Proposition 8 appeal is based on Section 51 of the Revenue and Taxation Code and allows for temporary reductions in the taxes paid on properties because the assessed value of a property somehow becomes higher than its actual market value. This can be the result of the damage or removal of property, or reductions in real estate values. Once the property damage is restored, or the real estate market improves, an assessment subject to Proposition 8 reduction can be returned to its pre-appeal value, plus inflation. The second type of appeal is a base year assessment appeal where an owner challenges the original or base year, valuation assigned by the Assessor. Any reduction resulting from a base year assessment appeal is permanent and can only increase above the allowable inflationary adjustment if the property is sold or experiences new construction. Challenges to base year assessed values most commonly occur when a property is newly constructed or sold.

There are also two methods for achieving a reduction in the valuation of property. One way is for the applicant to file an assessment appeal application; the other way is for the Assessor’s office to process an “automatic” assessment reduction. Any automatic reduction would almost always be a Proposition 8 appeal, although filed appeals can be either Proposition 8 or base year appeals.

Proposition 8 Assessment Appeals

Starting in 2007-08, Riverside County, like many other counties throughout California, began processing temporary assessed value reductions for certain properties (Proposition 8 reductions in response to declining residential real estate values). These reductions were made by the County without prompting from individual taxpayers for properties where the assessed values exceeded the current market value of properties as of the tax lien date (January 1). (This report refers to the County’s processing of assessment reductions without being requested by the taxpayers as automatic reductions.) The County reviewed single family homes and condominiums which transferred ownership starting in 1999 and made substantial reductions in 2008-09 and 2009-10. Lesser reductions were processed in 2007-08, 2010-11 and 2011-12. The County also processed reductions to other types of properties, such as apartments, but did not possess the computer capability to perform mass reappraisals and so any reviews and reductions for these properties were less systematic and often required initiation by the taxpayer.

As the real estate market improves, the County can increase the value of properties with lower Proposition 8 values by some or all of the previously reduced value, plus the actual annual Proposition 13 inflation rate. Assessed value growth that has occurred in the Project Areas over the last 5 years is the result, in part, of the restoration of previous Proposition 8 reductions.

Estimating the value that may be added in future fiscal years as a result of the future reversals of Proposition 8 reductions is difficult to do because there are so many factors involved that can affect the restoration of value, particularly for commercial/industrial properties that often have significant fixtures and equipment subject to taxation in addition to land and improvements. The taxable value for many types of equipment and personal property can change annually. For this reason, an estimate of the remaining valuation increases from reversals of Proposition 8 appeals has been limited to residential properties that have been identified by the County as having received a Proposition 8 reduction. Specifically, the previous peak value of these properties was compared to the 2018-19 taxable values. The difference between the two values is value that could be added to the tax roll in 2019-20 or thereafter. An estimate of the amount of potential value is shown below.

2018-19 Inflation Adjusted Peak AV (1)	$	578,099,439
2018-19 Reduced Prop 8 AV		447,706,165
Future Prop 8 Recapture Potential	$	130,393,274
# of Prop 8 Residential Parcels Remaining		1,204

1. Represents the estimated peak assessed values for properties believed to have received assessed value declines through Proposition 8, plus the annual inflation rate each year allowable under Proposition 13.

As shown above, it is estimated that there are still about 1,204 residential properties within the Project Areas with an aggregate 2018-19 taxable value of $447.7 million that received a Proposition 8 reduction and have not been sold or fully restored to their peak assessed value for fiscal year 2018-19. The peak inflation adjusted value for these properties is estimated to equal $578 million, resulting in approximately $130.3 million available to be added to the tax rolls if and when there are additional increases in residential values. Some increased assessed values resulting from the restoration of the Proposition 8 values to current market values are likely to occur over the next several years, but the impact of this increase has not been included in the enclosed revenue estimates.

Filed Assessment Appeals

When a taxpayer believes that the assessed value of his property is in excess of market value, he may appeal the property tax assessment through the filing of an appeal application. If the Assessor's office believes the taxpayer is correct, it can reduce the assessed value of the property without a formal hearing process. If however, the Assessor's office believes that the assessed value assigned to the property is not above market value, the dispute is heard before an assessment appeals board which determines the appropriate value for a property. If the taxpayer is successful in getting the value of his property reduced, any previously paid taxes on the higher value are repaid to the taxpayer with interest. In Riverside County, revenues allocated to successor agencies are not reduced to reflect any refunds due or paid to taxpayers as a result of the resolution of appeals. As a result, the impact to appeals in Riverside County for successor agencies is limited to future assessed value reductions. (Revenues allocated to other taxing entities in Riverside County are impacted by these types of refunds, but only on a countywide basis.)

A summary of total outstanding and resolved appeals in the Project Areas since 2013-14 has been included in Exhibit II. Additional details on appeals that have been filed and are still outstanding for the largest 25 taxpayers in the Project Areas are shown below in Table 4.

Table 4
Outstanding Appeals
by Top 25 Major Taxpayers

No.	Assessee (1)	Years Outstanding	No. of Parcels	Contested Value (2)
1	Riverside Healthcare System	2018	3	$212,289,836
2	Tyler Mall LP	2016	2	178,802,817
3	Rohr	2014 - 2018	12	148,268,489
6	Ralphs Grocery Company	2017 - 2018	6	40,267,718
8	Edgemont Community Services District	2017	4	61,149,300
10	Sterling Riverside 2	2016	1	55,885,371
15	SSC Riverside Apartments (3)	2018	1	48,149,691
16	Waterstone Magolia Fee Owner	2018	2	45,479,367
18	Carbonlite Industries, LLC	2015, 2017 - 2018	1	42,130,389
20	Citrus Towers	2014 - 2018	1	47,901,846
23	Pancal Sycamore Canyon	2015 - 2017	1	35,575,004
24	University Village Towers	2018	1	41,255,802
	Total	**N/A**	**35**	**$957,155,630**

1. Assessees shown above are part of the 2018-19 largest 25 taxpayers for the Project Areas. The number ranking is shown under the column entitled "No.”.
2. Equals the value for the taxpayers' holdings that are under appeal, per the County appeal application database, and will often not match the current assessed value for the taxpayers' total holdings.
3. Formerly HSRE Pep Riverside.

Appeals that are currently outstanding are assumed to be resolved in a manner that results in assessed value reductions similar to those which actually occurred over the last 5 years. Actual assessment declines resulting from successful appeals have been compared to both successful appeals and all resolved appeals (successful and unsuccessful) in each year since 2013-14. The historical declines resulting from assessment appeals are summarized in Table 5 below. It should be noted that appeals for 2018-19 are not yet available as taxpayers have until the end of December to file an appeal for the current fiscal year and it takes the County several months to fully reflect those appeals in its appeals database.

Table 5
Historical Reductions from Appeals

Year	Original AV Resolved Appeals	Original AV Successful Appeals	% of Appeals Successful	Change in Value (1)	Revised AV Successful Appeals	Reduction as a % of All Appeals (1)	Reduction as a % of Successful Appeals
2013-14	$1,947,545,730	$256,272,931	13.2%	($34,340,987)	$221,931,944	-1.8%	-13.4%
2014-15	1,198,057,882	91,168,886	7.6%	(27,852,450)	63,316,436	-2.3%	-30.6%
2015-16	921,849,948	46,175,483	5.0%	(18,917,922)	27,257,561	-2.1%	-41.0%
2016-17	567,842,741	19,174,404	3.4%	(6,336,816)	12,837,588	-1.1%	-33.0%
2017-18 (2)	53,923,737	-	0.0%	-	-	0.0%	0.0%
TOTAL	**$4,689,220,038**	**$412,791,704**	**8.8%**	**(87,448,175)**	**325,343,529**	**-1.9%**	**-21.2%**

1. Amounts shown as reductions resulting from successful appeals are likely understated because in Riverside County only reductions made by the Appeals Board or formally stipulated are reflected. More informal agreements for reductions between the taxpayer and the Assessor are not generally reflected in the appeals data.
2. In 2017-18 none of the appeals resolved through July 10, 2018 resulted in declines in assessed values, although appeals are still pending. See Exhibit II.

As shown above, the value for successful appeals decreased, on average, by 21.2 percent over the original assessed value. When compared to all resolved appeals, however, the decrease drops to 1.9 percent because only 8.8 percent of the resolved appeals resulted in assessed value reductions.

The impact to future assessed values has been estimated based on these historical trends. Based on such trends over the last 5 years, only a portion of the currently outstanding appeals are likely to be successful. Per the data base, 8.8 percent of resolved appeals were successful, resulting in an overall reduction rate of 1.9 percent if compared to all resolved appeals. To allow for the fact that not all assessed value reductions are included in the above figures, twice as many successful appeals are assumed compared with the historical average shown above, or 17.6 percent versus 8.8 percent. This results in an estimated overall reduction rate of 3.7 percent, which percentage has been applied to the value of appeals that are currently outstanding in the Project Areas.

Before applying the 3.7 percent overall reduction rate, the total amount of outstanding assessment appeals has been reduced to delete multi-year appeals by the same taxpayer. Multi-year appeals by the same taxpayer can only impact future assessed values once. For instance, Rohr, Inc. has appeals outstanding for the 2013-14 to 2017-18 fiscal years. If the appeals are resolved in Rohr's favor, tax refunds would be due for all three years, but only the most recent appeal reduction is likely to affect future assessed values. The following table summarizes the estimate of assessment appeal impacts for future valuations reported for the Project Areas.

Table 6
Appeals Impact Estimate
For Assessed Values

Description	No. of Appeals	Value of Appeals
Years Applicable		2014 - 2018
Contested Value Pending Appeals	390	$ 3,189,135,169
Less: Multi-Year Appeals (1)	114	1,229,540,234
Value for Appeals Estimated to Impact AV	276	$ 1,959,594,935
Decline Assumed (2)		3.7%
Estimated Assessed Value Reduction		**$ (72,505,013)**
Reduced AV by Fiscal Year:		
2019-20		($36,252,507)
2020-21		(36,252,507)

1. Appeals eliminated from the estimate of assessed value impact because they represent multi-year appeals for the same properties. If successful, these appeals will be due tax refunds, but, because of Riverside County's tax allocation practices, the revenues allocated to the Successor Agency will not be impacted.
2. Estimated factor of decline for currently outstanding appeals, which is based, in part, of the history of the resolution of appeals in the Project Areas since 2013-14. See Table 5.

As shown above, estimated reductions are assumed to impact assessed values in fiscal years 2019-20 and 2020-21. However, it is possible that all of the appeals currently outstanding could get resolved during 2018-19 and impact only 2019-20 values, or be outstanding for a longer timeframe than that assumed. The tax increment projections, which are discussed in the next section of this Report, include the appeal assumptions discussed above.

Section F – Tax Allocation and Disbursement

Tax Rates

Tax increment revenues included in this analysis are computed based upon incremental assessed values for the Project Area multiplied by a 1.0 percent tax rate. Since redevelopment agencies were dissolved in 2011, actual taxes allocated by the County to the RPTTF include the rate in excess of 1.0 percent, but 100 percent of those taxes are then passed through to the applicable taxing entities that levied the taxes. As a result, the revenues available to the Agency are based on the 1.0 percent tax rate.

Recognized Obligation Payment Schedule (ROPS)

Under the Dissolution Act, property taxes are allocated semi-annually on January 2nd and June 1st to each successor agency based on the lesser of the amount of tax increment generated by all of the successor agency's project areas or the maximum amount of debt[1] due for all project areas in the upcoming six month period. Successor agencies are required to complete a form, known as a Recognized Obligation Payment Schedule, or ROPS, outlining the specific amount of debt and other expenses due in the upcoming period. Commencing with 2016-17, the ROPS system changed to an annual process with the annual ROPS due February 1st for the June 1st and following January 2nd payment allocation dates.

The following is a summary of the timing of the ROPS semi-annual payment system:

ROPS	ROPS Pmt. Dates	Period of Expenditure
ROPS 2014-15A	6/1/2014	July 2014 to December 2014
ROPS 2014-15B	1/2/2015	January 2015 to June 2015
ROPS 2015-16A	6/1/2015	July 2015 to December 2015
ROPS 2015-16B	1/2/2016	January 2016 to June 2016
ROPS 2016-17	6/1/2016 & 1/2/2017	July 2016 to June 2017
ROPS 2017-18	6/1/2017 & 1/2/2018	July 2017 to June 2018
ROPS 2018-19	6/1/2018 & 1/2/2019	July 2018 to June 2019

In addition to listing its outstanding debt items with payments due in the ensuing 6 month period, a successor agency must also prepare and file a "Prior Year Payments" schedule in which the Agency is required to compare actual expenditures to approved expenditures for the preceding six month period. If revenues were allocated by the County in the prior payment cycle in excess of actual expenditures for approved ROPS items, the difference is deducted from the amount otherwise needed for the following payment. This revenue offset is made under the assumption that those revenues are available to be spent for the upcoming obligations. In the case of the Bonds, or other obligations where payments are required to come first from RPTTF revenues before other obligations are paid, DOF typically allows successor agencies to "reserve" revenues for payments coming due outside of the ROPS payment cycle but due later in the bond year.

The estimates of revenues presented in the enclosed tables include 100 percent of revenues estimated to be generated by the Project Areas in a given fiscal year. In reality, the revenues the Agency will receive will be limited to amount needed to meet its obligations, including the Bonds.

[1] Debt included on the ROPS includes all bonded debt, subordinate debt and administrative costs. The priority for payment of debt in the event that a given payment is less than the total amount due in a given six month period gives priority to bonds secured by property taxes/former tax increment revenue over other types of debt obligations and administrative costs.

Property Tax Allocations

The County allocates successor agencies up to 100 percent of the calculated tax increment due the project area without adjustment for delinquencies, redemption payments or roll adjustments, with two minor exceptions. Other taxing entities are impacted by delinquencies and value changes on a county-wide basis and are therefore only indirectly impacted by changes within their specific jurisdictions. The two exceptions for successor agencies are unitary and supplemental revenues. These taxes are allocated to successor agencies and other taxing entities based on actual taxes collected in the respective jurisdiction.

The result of the policy is that the Project Areas are somewhat insulated from the impacts of appeals, tax refunds and taxable value adjustments. Taxable value adjustments, a term which refers to value changes that occur after the initial tax assessment, can increase or decrease the initial assessment and can be the result of an appeal, an escaped assessment, or the correction/update of an initial tax assessment. The County's allocation policies are set administratively and are therefore subject to change.

Prior to February 1, 2012, the County distributed all tax increment revenues to the Agency[2]. Since the enactment of the Dissolution Act (February 1, 2012), however, the County only distributes to the Agency an amount sufficient to pay debt, including authorized reserves, in the upcoming year. Revenue amounts shown below as "Total Tax Revenues" represent total deposits into the Agency's revenue account held by the County and not revenues that were actually paid to the Agency.

Historical Tax Increment Revenues

In order to confirm the implementation of the County's tax allocation policies, tax collections were compared with beginning-of-the-year estimates of tax increment revenues. A summary of that comparison is shown in Table 7 below. Additional details concerning tax collections by ROPS period and amounts retained by the County for pass through payments and administrative costs are shown in Exhibit III-1 and Exhibit III-2.

Table 7
The Project Areas
Historical Tax Receipts

Description	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**
Estimated Tax Levy	$56,017,134	$61,084,844	$65,335,980	$70,737,359	$ 76,933,444
Tax Collections: (1)					
January 2nd Payment	29,030,302	31,122,916	33,221,350	36,337,204	39,241,397
June 1st Payment	29,065,507	31,644,531	34,362,712	38,021,422	41,832,815
Total Tax Revenues	$58,095,809	$62,767,447	$67,584,062	$74,358,626	$81,074,212
% of Gross Tax Levy	**103.7%**	**102.8%**	**103.4%**	**105.1%**	**105.4%**

As shown above, total taxes allocated to the Agency's revenue fund have ranged from 102.8 percent to 105.4 percent of the original estimated tax levy since 2013-14. The primary reason that tax collections are higher than the levy amount is because collections include supplemental revenues, which revenues can vary from year to year but have ranged from $1.1 million to $3.8 million since 2013-14.

[2] Redevelopment agencies were required to establish sufficient debt through the filing of a statement of indebtedness to be entitled to receive all taxes generated, but the test was based on overall indebtedness not the annual or semi-annual amount due.

Section G – Tax Increment Projections

County auditor-controllers are required to calculate the funds that are available to be allocated to the Agency as if the redevelopment agency still existed. As such, revenues are calculated like former tax increment revenues: by first subtracting the base year value of a project area from the current year taxable value in order to determine the incremental taxable value. The 1.0 percent tax rate is then applied to the incremental taxable value in order to determine tax increment revenues.

In addition to revenues allocated based on incremental values, the Agency also receives unitary revenues, which are allocated by the County based on a formula and aircraft revenue resulting from the taxation of aircraft in the Airport Project Sub-Area. The amount of unitary revenue the Project Areas are entitled to receive is minor relative to overall tax increment revenue: the total amount allocated to the Project Areas from unitary revenue for 2017-18 fiscal year was $936,855, or about 1.1 percent of gross tax increment revenue. Generally, the Agency receives unitary revenue on the basis of amounts that were received in the prior fiscal year. The amount of revenue allocated for aircraft varies from year to year and is based on the incremental value of the unsecured assessments on aircraft tethered at the Riverside Municipal Airport as of the January 1st tax lien date. This amount varies from year to year and has ranged from $94,000 to $279,000 over the past 5 years.

Current and Future Revenues

Revenues for the current year have been estimated based on assessed values reported by the County in July for the 2018-19 fiscal year, a 1.0% tax rate and estimated unitary revenues in the amount of $939,000. The revenue estimates exclude revenues for supplemental revenues and aircraft revenues because the year to year variation in these amounts makes it difficult to prepare such estimates. Revenues estimated for the current 2018-19 fiscal year are shown for each individual Project Area in Exhibit IV.

Projections of tax increment revenues for years beyond 2018-19 for the combined Project Areas have been prepared and are shown in Exhibits V-1 and V-2 and Exhibits VI-1 and VI-2. Like the current year estimate, the 2018-19 values for real and other property for the Project Areas, as reported by Riverside County in July 2018, form the basis of the revenue estimates. Real property consists of locally reported secured and unsecured land and improvement values. The other property category includes personal property and state assessed values.

Two estimates of future revenues have been prepared: one which includes both positive and negative changes to future assessed values and one which assumes that values and revenues remain constant at 2018-19 levels, with the exception of deductions assumed for appeals. A discussion of the assumptions employed in preparing both estimates is included below:

Exhibit V - 2.0% Trend Assumptions: The tax revenue estimates included in Exhibit V include assumptions regarding changes to certain taxable values. Changes are made to 2018-19 assessed values in future years as a result of assumptions concerning inflationary growth, property sales and appeals.

- **Inflationary Growth:** Proposition 13 allows that the assessed values for properties can be increased each year by the County Assessor by an inflation factor of up to 2 percent, depending on the actual rate of inflation. Since Proposition 13 was enacted in 1979, the inflation factor has essentially equaled the 2.0 percent maximum in all but about 8 fiscal years. The estimates included in Exhibit V are based on the assumption that the trend in future fiscal years equals 2.0 percent. This trend factor is applied only to real property: other property has been held at 2018-19 levels throughout the projection.

- **Property Transfers:** Assessed values for 2018-19 are assumed to be increased by the values associated with actual sales which occurred and for which transfer information is available for the period from January 2018 through June 30, 2018.

- **Appeals:** Assumptions regarding the resolution of appeals that are utilized in the revenue projections in both Exhibits V and VI are as shown in Tables 5 and 6 and are presented in the above "Assessment Appeals" section.

The table below shows the estimated year by year taxable value adjustments for property transfers and appeals.

Table 8
The Project Areas
Taxable Value Changes

Description	Taxable Value Added	----- Added by Fiscal Year ----- 2019-20	2019-20
Property Transfers 1/1/2018 to 6/30/2018	80,149,327	80,149,327	-
Estimate of AV Impact from Appeals	(72,505,013)	(36,252,507)	(36,252,507)
	$ 7,644,314	$ 43,896,820	$ (36,252,507)

<u>Exhibit VI – 0% Trend Assumptions:</u> Exhibit VI includes the more conservative estimate. This estimate holds assessed values and revenues constant with the exception of assessed value reductions resulting from the estimated resolution of pending appeals. The treatment of appeals, discussed above, is the same under Exhibit VI assumptions as under the assumptions employed for the estimates included in Exhibit V.

Factors Not Included in the Revenue Projections

A number of factors that can affect future values have not been included in the revenue estimates. These factors include:

- **Supplemental Revenue:** The Agency also routinely receives supplemental property taxes for the Project Areas. Since 2013-14, the amount of supplemental revenue received each year for all the Project Areas combined has ranged from $1.1 million to $3.8 million. In the most recent completed fiscal year, 2017-18, the amount of supplemental revenue was $3.8 million.

- **Aircraft Revenue:** The Agency routinely receives revenue generated by the assessment and taxation of airplanes and other aircraft in the Airport project area. These revenues are allocated by the County pursuant to a slightly different allocation methodology and have varied significantly from year to year. Over the last 5 years, these revenues have ranged from $94,000 to 279,000. Because of this variation in amounts paid, no revenues have been estimated for this category of property.

- **Proposition 8 Automatic Reductions:** In general, assessed values are not expected to be reduced because current market values are less than the assessed values for properties in the Project Areas.

- **Proposition 8 Restorations:** Assessed values may increase in future fiscal years as a result of the reversal of temporary reductions to assessed values that were processed by the County during the recession. For additional information, see "Automatic Assessment appeals" above.

- **New Development:** The enclosed estimates do not include the assessed value for construction projects which may have occurred but not yet be fully assessed or which will occur in the future.

- **Future Property Transfers:** Sales which may occur in July 1, 2018 or thereafter have not been included in the revenue estimates. Changes in assessed values as a result of verifiable sales through June 30, 2018, however, have been included in the Exhibit V revenue projections.

Section H – Agency Obligations

The Project Areas have differing obligations that have the effect of reducing the amount of tax increment revenue otherwise available to the Agency. A quantification of the various obligations required to be deducted from tax increment revenue is shown in the tax increment projections in Exhibits V and VI. These obligations are described below.

One of the major types of such deductions is the requirement to return to the base year taxing entities a portion of the revenue generated by the Project Areas, referred to as tax sharing requirements or pass through payments. The Agency's Project Areas are subject to differing tax sharing requirements, depending upon the year the project sub-area was adopted, negotiations with base year taxing entities, if applicable, and certain other subsequent actions of the Agency. The newer Project Areas, including Arlington, Hunter Park/Northside, La Sierra/Arlanza, and Magnolia Center, do not have written tax sharing agreements but are subject to tax sharing provisions, also known as pass through payments, under 1994 legislation, AB 1290. The Project Areas subject to written tax sharing agreements include Casa Blanca, Downtown/Airport Merged Project and the University Corridor/Sycamore Canyon Merged Project, although the portions of the Projects added in 1998 are subject to AB 1290 rather than the written tax sharing agreements. In addition, Casa Blanca and the older subareas of the Merged Projects have been amended to modify their debt incurrence deadlines, and as such, became subject to the tax sharing requirements of AB 1290 commencing in 2004-05.

A description of the types of obligations of the Agency and their impact on the Project Areas is included below.

AB 1290 Pass Through Payments

Legislation adopted in 1993 required that all new redevelopment project areas, as well as geographical areas added to existing projects, be subject to uniform tax sharing payments. Brief summaries of the provisions of the legislation as they relate to the different circumstances in the Project Areas are included below.

Post-1993 Project Areas/Subareas: For the first ten years a newly adopted Project Area, if adopted after 1993, receives tax increment revenue, an agency must share with all affected taxing entities an amount equal to 20 percent of gross tax increment revenue. In years 11 through 30, an agency must also share 16.8 percent of that portion of gross taxes that represent an increase over the year 10 levels. Amounts required to be passed through increase again in year 31 and thereafter.

Adding Territory: When an area is added to an existing project area, the amended area is subject to the tax sharing provisions described above for any subareas adopted after 1993 while the areas which existed before the amendment continue to be subject to the tax sharing provisions in effect, if any, when the area was previously adopted and/or amended.

Other Amendments: AB 1290 pass through payments are also applicable when an existing project is amended to increase one or more of its former time and/or revenue limitations. The AB 1290 pass through requirement is triggered when the first original deadline that was amended is reached. For instance, for those project areas where the debt incurrence limit is the first limit to be reached, the AB 1290 pass through would be payable in the fiscal year after the limit is reached, in many cases fiscal year 2004-05. The amount payable to all taxing entities would equal 20 percent of the increase above the 2003-04 levels, not

20 percent of all tax increment revenue. The second tier of tax sharing would become applicable 10 years later, in 2014-15. The amount due would equal 16.8 percent of the increase above the 2013-14 level. In addition, these AB 1290 pass through payments are not due to taxing entities already receiving tax sharing payments as a result of written tax sharing agreements.

Written Tax Sharing Agreements

Written tax sharing agreements are not standard like AB 1290 tax sharing payments. Each agreement specifies unique terms and conditions. At the basis of each, however, is an agreement to pay all or a portion of each taxing entity's share of tax increment revenues. The taxing entity's share is defined as the amount of revenue the entity would have received had the redevelopment project area not been formed. The following Project Areas are subject to the provisions of written tax sharing agreements:

- Casa Blanca
- Downtown/Airport Merged Project
- University Corridor/Sycamore Canyon Merged Project

Summaries of the terms and provisions of the tax sharing agreements applicable to the above Project Areas are included in Exhibits VII-1 through VII-3.

Housing Set-Aside

Prior to the Dissolution Act, the Redevelopment Agency was required to deposit not less than 20 percent of the tax increment generated in the Project Areas into a special fund to be used for qualified low and moderate income housing programs (Housing Set-Aside). The Dissolution Act has been interpreted to no longer require such a deposit and as such, the projection of tax revenues included herein does not include a reduction to revenues for deposit into the Housing Set-Aside fund.

County Administrative Charge

Reductions to the tax increment revenues shown in Exhibits IV and V are included to allow for property tax administrative fees. State law allows counties to charge taxing entities, including former redevelopment agencies, the cost of administering the property tax collection system. The fees have been estimated at 1.15 percent of gross tax revenues and are based on Riverside County's historical charges.

Other Senior Obligations

The Successor Agency has a few other obligations that are considered obligations that have a senior lien on tax increment revenues of the Successor Agency. Those obligations are described below and are shown in Exhibit VIII.

Breezewood: The former Redevelopment Agency incurred an obligation payable from former Housing Set-Aside revenues in the Downtown/Airport Project Area through the execution of an agreement, commonly known as the Breezewood Pledge Agreement, or Agreement. The Agreement was entered into by the Agency with KDF Breezewood, LP on October 20, 2003. Under the Agreement, the Agency is obligated to provide annual loan proceeds to Breezewood in the amount of $312,000 annually through fiscal year 2018-19. Payments will not be due on this obligation in 2019-20 or thereafter.

Redevelopment Plan Restrictions: Two of the Project Areas included in the proposed financing contain somewhat unusual restrictions in their Redevelopment Plans. Briefly, those restrictions are as follows:

- **La Sierra/Arlanza**: The Redevelopment Plan for the La Sierra/Arlanza Project Area includes certain restrictions to the effect that revenues generated by the Project Area must be spent only in the Project Area with some narrowly defined exceptions.

- **Arlington:** The 2003 Amendment Area of the Arlington Project Area was adopted with certain restrictions as to where the tax increment revenues are spent. The 2003 Amendment Area is bifurcated into two separate areas with component subareas: Subareas A through D comprise the primary amendment area and the Auto Center, or Subareas E and F, is the secondary amendment area. Taxes generated by the Auto Center subarea are to be spent only in the Auto Center area, at least for the first 15 years. Conversely, taxes generated by the Arlington Original, 1999 Annex and 2003 A – D Annex cannot be spent in the Auto Center, at least for the first 15 years. After 15 years, somewhat lessened restrictions come into effect.

Bond Counsel has opined that, because of dissolution, the revenues of these areas could be pledged to the proposed 2018 Bonds, but only after meeting all other annual costs from the respective areas. While some of the obligations for these areas are fixed amounts for a predetermined length of time, others are costs that are dependent on variables that cannot be precisely determined, and as such, actual future costs are likely to vary from the enclosed estimates. Descriptions of these obligations is included below in Section I "La Sierra and Auto Center Expenditures".

Section I – La Sierra/Arlanza and the Auto Center Expenditures

As discussed above, expenses from the La Sierra/Arlanza Project Area and the Auto Center hold a prior lien on former tax increment revenues to the proposed 2018 Bonds. Descriptions of the various expenses for these areas and the methodology used to estimate the annual expenditures are included below by type of expense. The estimated costs associated with these obligations are shown in Exhibit VIII and have been deducted from the revenues available for debt service on the Bonds in Exhibit V and Exhibit VI.

SERAF Loan Repayments (La Sierra/Arlanza and Auto Center)

Prior to dissolution, redevelopment agencies were from time to time required by the state to pay a certain portion of tax increment revenues into a state fund for schools, known as the Educational Revenue Augmentation Fund (ERAF) or Supplemental Educational Revenue Augmentation Fund (SERAF). Agencies were generally allowed to use Housing Funds to make the payment but only through a borrowing that was to be repaid to the Housing Fund when funds became available. The Dissolution Act provides that any monies borrowed from the Housing Fund are to be repaid before any monies borrowed from the city are to be repaid. These loans are to be repaid by the Successor Agency to the Housing Successor Agency and must be used for low and moderate income housing purposes. Further, the Act stipulates a formula by which the loans are to be repaid. The formula for payment is tied to combined revenues and expenditures for all Project Areas; it is not calculated for individual areas.

The Agency borrowed $20,571,233 from the Housing Set-Aside Fund to make the SERAF payments on May 10, 2010 and May 10, 2011. Agency staff report that the SERAF loan will be fully repaid once the repayment amounts that are included on ROPS 2018-19 are actually paid. The total remaining payments, as included in the 2018-19 ROPS totals $3,327,280

Since the repayment formula is based on revenue and expenditures for all Project Areas, the shares for La Sierra/Arlanza and the Auto Center have been estimated based on the amount each area loaned the Agency for the original SERAF payments. The La Sierra/Arlanza Housing Set-Aside Fund loaned $11.3 million, or 55.1 percent of the total $20.6 million SERAF loan. The Housing Fund for the Arlington Project as a whole loaned $1.2 million or 5.8 percent of the total: a distinction was not made in Agency records of the amounts paid from the Auto Center versus the rest of the Arlington Project. As a result, the amount coming from the Auto Center was estimated based on the relative property tax revenue historically generated in the Auto Center versus the rest of the Arlington Project. As the Auto Center only generated about 12 percent of the revenue of the entire Project Area, the Auto Center's share is 12 percent of 5.8 percent or less than 1 percent of the total SERAF loan (0.69 percent).

Property Maintenance (La Sierra/Arlanza)

Revenues from the La Sierra/Arlanza Project will be spent over the next few years to maintain and prepare for sale several properties currently held by the Successor Agency for resale. Costs include property maintenance and troubleshooting, appraisals, land surveys, the costs for preparation of Purchase and Sale Agreements, obtaining approval from the state Department of Finance and other miscellaneous costs. These costs have been estimated given that two properties closed escrow in 2017, and assuming that two properties will close escrow by December 31, 2019 and one will close escrow by the end of 2020. Actual costs related to the disposition of these properties are likely to vary somewhat from the enclosed estimates.

There are no properties located in the Auto Center Area that are owned by the Agency so the Agency will not incur these types of disposition costs for the Auto Center.

Galleria Improvements Reimbursement (La Sierra/Arlanza)

The Agency and the City entered into an agreement with the owner of for the Tyler Galleria regional shopping center to provide for the upgrade and expansion of the shopping center in 2005 (Agreement Regarding Financing and Construction of Parking Facility and Other Public Improvements). Additional parking was added as well as a movie theater, bookstore and free-standing destination restaurants. The Agreement provides that the City/Agency would assist the owner with the construction of certain public improvements that needed to be installed to expand and improve the shopping center. The financial assistance provided by the former Redevelopment Agency equaled the net property taxes associated with the improvements covered by the Agreement. The shopping center is located in the La Sierra/Arlanza Project Area. The amount of the reimbursement has been calculated and paid each year by the Agency. The last payment due under the agreement was made during 2017-18.

Caveats

The value and revenue estimates contained in this Report are based upon information, data and assumptions believed to be reasonable and accurate. The assessment practices and county allocation procedures discussed in this Report are based on information provided by representatives of Riverside County. Assessment practices and allocation procedures are set, in part, administratively and can be changed. Except as specifically disclosed in the preceding pages, nothing came to the fiscal consultant's attention during this review to indicate that any changes are imminent. To a certain extent, the estimates of revenue are based on assumptions that are subject to a degree of uncertainty and variation and therefore are not represented as results that will actually be achieved. The analyses presented herein, however, have been conscientiously prepared on the basis of the fiscal consultant's experience in the field of financial analysis for redevelopment agencies.

Exhibit I
City of Riverside Successor Agency
Historical Taxable Values
The Project Areas

	1	2	3	4	5	6	7	8	9	10	11
Project Area	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19 (1)**
Arlington	$963,219,754	$930,243,474	$903,724,101	$894,881,093	$854,509,065	$876,700,393	$928,198,179	$942,937,062	$989,021,782	$1,038,938,994	$1,106,920,503
Casa Blanca	365,338,491	338,580,209	329,446,287	323,180,540	327,430,731	341,417,003	352,030,382	377,303,235	388,332,085	411,751,533	444,263,186
Downtown	804,304,472	804,747,298	753,591,675	746,247,779	759,516,963	783,440,252	779,458,293	808,418,617	836,315,183	930,031,119	1,049,915,841
Airport	519,032,950	568,923,852	543,181,934	569,871,000	563,287,635	562,507,430	543,512,177	574,954,943	633,255,350	647,434,121	674,451,156
Hunter Park	1,546,577,865	1,421,212,507	1,384,298,870	1,355,908,415	1,435,101,551	1,462,801,971	1,531,646,261	1,581,844,945	1,627,651,423	1,696,331,717	1,818,878,416
La Sierra	3,915,073,748	3,514,974,685	3,435,935,839	3,507,180,746	3,494,395,509	3,613,761,115	3,947,632,241	4,158,564,054	4,401,001,643	4,620,643,165	4,910,707,869
Magnolia Center	623,532,791	619,733,030	615,131,021	622,035,383	607,467,515	622,744,106	653,973,903	655,171,693	686,774,243	701,067,344	796,624,488
University Corridor	588,489,916	571,615,603	559,041,151	564,286,804	547,631,443	527,193,043	530,748,123	563,885,171	581,594,538	607,512,697	641,449,694
Sycamore Canyon	709,942,104	793,867,394	806,694,685	797,163,424	779,679,454	770,069,156	794,082,300	821,754,272	861,725,685	969,369,788	1,036,873,547
Total Value	**10,035,512,091**	**9,563,898,052**	**9,331,045,563**	**9,380,755,184**	**9,369,019,866**	**9,560,634,469**	**10,061,281,859**	**10,484,833,992**	**11,005,671,932**	**11,623,080,478**	**12,480,084,700**
% Change	4.91%	-4.70%	-2.43%	0.53%	-0.13%	2.05%	5.24%	4.21%	4.97%	5.61%	7.37%
Base Year (2)	4,072,653,147	4,072,653,147	4,023,636,038	4,023,636,038	4,023,636,038	4,023,636,038	4,023,636,038	4,023,636,038	4,023,636,038	4,023,636,038	4,023,636,038
Incremental Value	**5,962,858,944**	**5,491,244,905**	**5,307,409,525**	**5,357,119,146**	**5,345,383,828**	**5,536,998,431**	**6,037,645,821**	**6,461,197,954**	**6,982,035,894**	**7,599,444,440**	**8,456,448,662**
% Change	**8.56%**	**-7.91%**	**-3.35%**	**0.94%**	**-0.22%**	**3.58%**	**9.04%**	**7.02%**	**8.06%**	**8.84%**	**11.28%**
Prop 13 Inflation %	2.00%	2.00%	-0.02%	0.75%	2.00%	2.00%	0.45%	2.00%	1.53%	2.00%	2.00%

(1) Assessed values for 2018-19 are preliminary values reported by the County on July 6, 2018
(2) The Agency deleted property from the La Sierra/Arlanza Project in 2003 and again in 2006. The reduced base year from the 2006 deletion was not reported by the County until 2010-1

Source: Riverside County tax records.

Exhibit II
City of Riverside Successor Agency
The Project Areas
Assessment Appeals Information
Historical Appeal Summary

	---------- Actual Historical Activity ----------						---------- Pending Appeals ----------		
Year	**Total # of Appeals Filed (1)**	**Resolved Appeals**	**AV of All Resolved Appeals (1)**	**Change in Value (2)**	**Actual Reduction as a % of AV Resolved**	**Appeals Pending**	**AV of Pending Appeals**	**Taxpayer (3) Requested AV Reduction**	**Reduction as a % of AV Outstanding**
2013-14	360	352	1,947,545,730	(34,340,987)	-1.8%	8	174,313,676	(132,907,548)	-76.2%
2014-15	279	258	1,198,057,882	(27,852,450)	-2.3%	21	259,378,173	(138,046,815)	-53.2%
2015-16	272	229	921,849,948	(18,917,922)	-2.1%	43	576,130,629	(317,568,545)	-55.1%
2016-17	246	129	567,842,741	(6,336,816)	-1.1%	117	791,335,156	(313,554,492)	-39.6%
2017-18	218	17	53,923,737	-	0.0%	201	1,387,977,535	(591,067,969)	-42.6%
2018-19 (4)									
TOTALS	**1,375**	**985**	**$4,689,220,038**	**$ (87,448,175)**	**-1.9%**	**390**	**$3,189,135,169**	**$ (1,493,145,369)**	**-46.8%**

(1) The number and value of appeals even for prior years can change if appeals information was input late into the County's data base, or if the reassessment on the property occurred later due to a valuation change or an escaped assessment.
(2) Amounts shown as the reductions resulting from successful appeals are likely understated because in Riverside County only reductions made by the Appeals Board or formally stipulated are reflected. More informal agreements for reductions between the taxpayer and the Assessor are not generally reflected in the appeals data.
(3) Amounts shown under "Taxpayer Requested AV Reduction" may be overstated because County records often do not include a taxpayer opinion of value and, in those instances, is included for this analysis as - 0 -.
(4) Appeals for 2018-19 are not yet available as taxpayers have through the end of December to file an appeal for the current fiscal year and it takes the County several months to fully reflect those appeals in its appeals database.

Source: Riverside County Assessor's Appeal Database, updated through July 10, 2018.

Exhibit III-1
City of Riverside Successor Agency
The Project Areas
Historical Tax Collections

Description	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Secured	8,577,643,835	8,786,297,098	9,223,875,364	9,689,588,835	10,218,318,132	10,800,961,485
Unsecured	791,376,031	774,337,371	837,406,495	795,245,157	787,353,800	822,118,993
Total Value	9,369,019,866	9,560,634,469	10,061,281,859	10,484,833,992	11,005,671,932	11,623,080,478
Base Year Valuation	4,023,636,038	4,023,636,038	4,023,636,038	4,023,636,038	4,023,636,038	4,023,636,038
Incremental AV	5,345,383,828	5,536,998,431	6,037,645,821	6,461,197,954	6,982,035,894	7,599,444,440
Estimated Tax Levy	$ 54,062,198	$ 56,017,134	$ 61,084,844	$ 65,335,980	$ 70,737,359	$ 76,933,444
Tax Collections: (1)						
January 2nd Payment	27,008,895	29,030,302	31,122,916	33,221,350	36,337,204	39,241,397
June 1st Payment	27,600,547	29,065,507	31,644,531	34,362,712	38,021,422	41,832,815
Total Tax Revenues	54,609,442	58,095,809	62,767,447	67,584,062	74,358,626	81,074,212
Percentage of Gross Tax Levy	**101.0%**	**103.7%**	**102.8%**	**103.4%**	**105.1%**	**105.4%**
Gross Collections (from above)	$ 54,609,442	$ 58,095,809	$ 62,767,447	$ 67,584,062	$ 74,358,626	$ 81,074,212
Less: Administrative Fees	817,526	746,749	792,740	739,909	898,292	861,004
Pass Through Payments (2)	16,041,008	16,520,214	17,840,312	19,774,289	22,310,473	24,988,734
Housing Requirement (3)	-	-	-	-	-	-
Actual Net Tax Revenues	**$ 37,750,908**	**$ 40,828,846**	**$ 44,134,395**	**$ 47,069,864**	**$ 51,149,861**	**$ 55,224,474**

(1) Tax collections shown include all revenues collected including supplemental and aircraft revenues but exclude any revenues generated by taxes in excess of 1.0% (Debt Service Revenues). While the County allocates Debt Service Revenues to the Agency's trust fund, 100% of the revenues are passed through to the levying taxing entities.
(2) Includes payments made for tax sharing agreements and statutory AB 1290 pass through payments.
(3) Prior to redevelopment dissolution, the Project Area was subject to a 20 percent Housing Set-Aside requirement.

Source: Riverside County Tax Records and City Finance Department.

Exhibit III-2
City of Riverside Successor Agency
The Project Areas
Semi-Annual Tax Collections

	Fiscal Year 2014-15		Fiscal Year 2015-16		Fiscal Year 2016-17		Fiscal Year 2017-18	
	2014-15B	**2015-16A**	**2015-16B**	**2016-17A**	**2016-17B**	**2017-18A**	**2017-18B**	**2018-19A** `
Payment Date	1/2/15	6/1/15	1/2/16	6/1/16	1/2/17	6/1/17	1/2/18	6/1/18
Actual Collections (1)	$31,122,916	$31,644,531	$33,221,350	$34,362,712	$36,337,204	$38,021,422	$39,241,397	$41,832,815
Less: County Admin Fees	770,314	22,426	728,092	11,817	851,083	47,209	856,016	4,988
Less: Written Tax Sharing Agmts	4,668,732	4,688,076	4,952,105	5,056,347	5,290,407	5,326,173	5,703,725	5,956,769
Less: Statutory Pass Throughs	4,124,472	4,359,032	4,728,467	5,037,370	5,605,147	6,088,746	6,380,816	6,947,424
Available for Enforceable Obligations (2)	**$21,559,398**	**$22,574,997**	**$22,812,686**	**$24,257,178**	**$24,590,567**	**$26,559,294**	**$26,300,840**	**$28,923,634**

(1) Tax collections shown include all revenues collected including supplemental and aircraft revenues but exclude any revenues generated by taxes in excess of 1.0% (Debt Service Revenues). While the County allocates Debt Service Revenues to the Agency's trust fund, 100% of the revenues are passed through to the levying taxing entities.
(2) Amounts available to pay all other senior and subordinate obligations and administrative costs, as approved on the applicable ROPS.

Source: Riverside County Tax Records and City Finance Department.

Exhibit IV
City of Riverside Successor Agency
The Project Areas Combining
2018-19 Estimated Revenues

Description	Arlington	Casa Blanca	Downtown / Airport	Hunter Park	La Sierra / Arlanza	Magnolia Center	UC / Sycamore Canyon	Merged Total
ASSESSED VALUES (1)								
Secured (including SBE)								
Land	$ 352,244,322	$ 121,791,336	$ 387,792,295	$ 491,393,754	$ 1,313,079,951	$ 231,657,463	$ 392,268,625	$ 3,290,227,746
Improvements	780,816,250	268,202,945	1,189,635,623	1,177,523,437	3,838,302,056	526,851,802	1,139,560,720	8,920,892,833
Personal Property	15,878,609	248,605	130,458,003	8,108,270	31,967,134	2,570,848	8,932,812	198,164,281
Other Exemptions	(104,699,429)	(9,768,958)	(83,263,964)	(40,881,349)	(440,984,018)	(26,478,870)	(49,519,921)	(755,596,509)
Total Secured	1,044,239,752	380,473,928	1,624,621,957	1,636,144,112	4,742,365,123	734,601,243	1,491,242,236	11,653,688,351
Unsecured								
Land	-	2,250	-	5,346	-	-	5,085	12,681
Improvements	25,292,643	41,881,956	45,816,773	102,351,090	94,861,634	29,638,802	124,118,305	463,961,203
Personal Property	37,410,108	21,905,052	58,146,385	81,063,162	96,341,260	32,665,681	63,429,872	390,961,520
Other Exemptions	(22,000)	-	(4,218,118)	(685,294)	(22,860,148)	(281,238)	(472,257)	(28,539,055)
Unsecured Total	62,680,751	63,789,258	99,745,040	182,734,304	168,342,746	62,023,245	187,081,005	826,396,349
TOTAL VALUE	**$ 1,106,920,503**	**$ 444,263,186**	**$ 1,724,366,997**	**$ 1,818,878,416**	**$ 4,910,707,869**	**$ 796,624,488**	**$ 1,678,323,241**	**$12,480,084,700**
TAX REVENUE								
Total Value	1,106,920,503	444,263,186	1,724,366,997	1,818,878,416	4,910,707,869	796,624,488	1,678,323,241	12,480,084,700
Less: Base Year	441,758,688	19,167,136	162,212,525	747,435,274	2,234,668,726	311,033,930	107,359,759	4,023,636,038
Incremental Value	665,161,815	425,096,050	1,562,154,472	1,071,443,142	2,676,039,143	485,590,558	1,570,963,482	8,456,448,662
Tax Increment @ 1.0%	6,651,618	4,250,961	15,621,545	10,714,431	26,760,391	4,855,906	15,709,635	84,564,487
Estimated Unitary	50,000	53,000	470,000	62,000	138,000	28,000	138,000	939,000
GROSS TAX INCREMENT	**$6,701,618**	**$4,303,961**	**$16,091,545**	**$10,776,431**	**$26,898,391**	**$4,883,906**	**$15,847,635**	**$85,503,487**
OFFSETS TO TAX INCREMENT								
Housing Set-Aside (2)	-	-	-	-	-	-	-	-
Admin Charge	77,069	49,496	185,053	123,929	309,332	56,165	182,248	983,290
Senior Tax Sharing Payments	-	-	5,217,129	-	-	-	4,781,876	9,999,005
Other Senior Obligations	22,900	-	312,000	-	1,849,100	-	-	2,184,000
PLEDGED TAX REVENUE	**$6,601,650**	**$4,254,465**	**$10,377,363**	**$10,652,502**	**$24,739,960**	**$4,827,741**	**$10,883,511**	**$72,337,192**
% of Total Tax Revenue	**9.1%**	**5.9%**	**14.3%**	**14.7%**	**34.2%**	**6.7%**	**15.0%**	**100.0%**
Memo: Subordinate Tax Sharing	$1,696,348	$780,633	$1,458,172	$2,753,495	$6,997,645	$1,272,279	$2,019,282	$16,977,856

(1) Assessed values for 2018-19 as reported by the County in July 2018
(2) Commencing with the dissolution of redevelopment agencies, the Agency is no longer required to set-aside a portion of revenues for housing purposes

Source: County of Riverside and DHA Consulting

Exhibit V-1
City of Riverside Successor Agency
The Project Areas
Tax Increment Projection - 2.0% Trend

Fiscal Year	Real Property	Other Property	Total (1) Property	Est. Appeal Reductions (2)	Total Value	Less Base $4,023,636,038	Gross Tax Revenue (3)
2018-19	11,890,958,899	589,125,801	12,480,084,700	-	12,480,084,700	8,456,448,662	85,503,487
2019-20	12,128,778,077	589,125,801	12,717,903,878	43,896,821	12,761,800,699	8,738,164,661	88,320,647
2020-21	12,416,128,396	589,125,801	13,005,254,197	(36,252,506)	12,969,001,692	8,945,365,654	90,392,657
2021-22	12,627,473,408	589,125,801	13,216,599,209	-	13,216,599,209	9,192,963,171	92,868,632
2022-23	12,880,022,877	589,125,801	13,469,148,678	-	13,469,148,678	9,445,512,640	95,394,126
2023-24	13,137,623,334	589,125,801	13,726,749,135	-	13,726,749,135	9,703,113,097	97,970,131
2024-25	13,400,375,801	589,125,801	13,989,501,602	-	13,989,501,602	9,965,865,564	100,597,656
2025-26	13,668,383,317	589,125,801	14,257,509,118	-	14,257,509,118	10,233,873,080	103,277,731
2026-27	13,941,750,983	589,125,801	14,530,876,784	-	14,530,876,784	10,507,240,746	106,011,407
2027-28	14,220,586,003	589,125,801	14,809,711,804	-	14,809,711,804	10,786,075,766	108,799,758
2028-29	14,504,997,723	589,125,801	15,094,123,524	-	15,094,123,524	11,070,487,486	111,643,875
2029-30	14,795,097,677	589,125,801	15,384,223,478	-	15,384,223,478	11,360,587,440	114,544,874
2030-31	15,090,999,631	589,125,801	15,680,125,432	-	15,680,125,432	11,656,489,394	117,503,894
2031-32	15,392,819,623	589,125,801	15,981,945,424	-	15,981,945,424	11,958,309,386	120,522,094
2032-33	15,700,676,016	589,125,801	16,289,801,817	-	16,289,801,817	12,266,165,779	123,600,658
2033-34	16,014,689,536	589,125,801	16,603,815,337	-	16,603,815,337	12,580,179,299	126,740,793
2034-35	16,334,983,327	589,125,801	16,924,109,128	-	16,924,109,128	12,900,473,090	129,943,731
2035-36	16,661,682,993	589,125,801	17,250,808,794	-	17,250,808,794	13,227,172,756	133,210,728
2036-37	16,994,916,653	589,125,801	17,584,042,454	-	17,584,042,454	13,560,406,416	136,543,064
2037-38	17,334,814,986	589,125,801	17,923,940,787	-	17,923,940,787	13,900,304,749	139,942,047

(1) Assessed values for 2018-19 as reported by the County of Riverside in July, 2018. Real property values (land and improvements) are assumed to increase each year by the maximum annual inflationary factor allowable under Proposition 13 (2.0%).

(2) Estimated taxable value increases to reflect property transfers through June 30, 2018 offsetting, in part, reductions for currently outstanding appeals. See Table 8 in Section G, "Tax Increment Projections" and "Filed Assessment Appeals" in Section E of the preceding report.

(3) Gross tax revenue is calculated at a 1.0% tax rate plus estimated unitary revenue of $939,000: supplemental and aircraft revenues are not included.

Exhibit V-2
City of Riverside Successor Agency
The Project Areas
Offsets to Property Tax Revenues - 2.0% Trend

Fiscal Year	Gross Tax Revenue (1)	County Admin Chg	Senior (2) Obligations	Senior (3) Tax Sharing	Pledged Tax Revenues	Subordinate Tax Sharing (4)	AB 1290 (5) Tax Sharing	Other Obligations	Net Tax Revenue
2018-19	85,503,487	983,290	2,184,000	9,999,005	72,337,192	1,888,415	15,089,440	-	55,359,336
2019-20	88,320,647	1,015,687	17,000	10,207,301	77,080,659	1,920,119	15,941,895	-	59,218,645
2020-21	90,392,657	1,039,516	7,000	10,557,003	78,789,138	1,945,199	16,574,164	-	60,269,775
2021-22	92,868,632	1,067,989	7,000	10,763,435	81,030,208	1,974,428	17,311,445	-	61,744,334
2022-23	95,394,126	1,097,032	-	10,973,996	83,323,098	2,004,242	18,063,472	-	63,255,384
2023-24	97,970,131	1,126,657	-	11,188,768	85,654,707	2,034,652	18,830,540	-	64,789,515
2024-25	100,597,656	1,156,873	-	11,407,835	88,032,948	2,065,670	19,612,948	-	66,354,329
2025-26	103,277,731	1,187,694	-	11,631,284	90,458,753	1,819,276	20,411,005	-	68,228,472
2026-27	106,011,407	1,219,131	-	11,859,202	92,933,075	1,845,987	21,225,023	-	69,862,065
2027-28	108,799,758	1,251,197	-	12,091,678	95,456,883	1,873,231	22,055,322	-	71,528,329
2028-29	111,643,875	1,283,905	-	12,328,803	98,031,167	1,901,021	22,903,970	-	73,226,175
2029-30	114,544,874	1,317,266	-	12,570,672	100,656,937	1,929,367	23,790,634	-	74,936,936
2030-31	117,503,894	1,351,295	-	12,817,377	103,335,222	1,958,279	24,695,032	-	76,681,911
2031-32	120,522,094	1,386,004	-	13,069,017	106,067,073	1,987,770	25,639,317	-	78,439,986
2032-33	123,600,658	1,421,408	-	13,325,689	108,853,561	2,017,850	26,602,488	-	80,233,223
2033-34	126,740,793	1,457,519	-	13,587,495	111,695,779	2,048,533	27,636,590	-	82,010,656
2034-35	129,943,731	1,494,353	-	13,854,537	114,594,841	2,079,828	28,872,246	-	83,642,766
2035-36	133,210,728	1,531,923	-	14,126,920	117,551,884	2,111,750	30,134,542	-	85,305,592
2036-37	136,543,064	1,570,245	-	14,404,751	120,568,068	2,144,310	31,422,084	-	87,001,674
2037-38	139,942,047	1,609,334	-	14,688,138	123,644,576	2,177,522	32,735,376	-	88,731,678

Costs associated with certain obligations determined by Bond Counsel to be senior to the proposed 2018 Bonds. See Exhibit VIII and "Other Senior Obligations" in Section H of the pr

(1) See Exhibit V-1.

(2) Costs associated with certain obligations determined by Bond Counsel to be senior to the proposed 2018 Bonds. See Exhibit VIII and "Other Senior Obligations" in Section H of the preceding Report.

(3) Senior Tax Sharing: Includes written tax sharing agreements with the County, Flood and Superintendent of Schools for Downtown/Airport and University Corridor/Sycamore Canyon except for the Flood Control Agreement covering the University Corridor Project Sub-Area, formerly the Central Industrial Project Area, which is not a senior obligation.

(4) Includes written tax sharing agreements with the Superintendent of Schools, the Riverside Unified School District, the Riverside Community College Districts. Also includes tax sharing agreements with County for the Casa Blanca Project and Flood Control District for the Casa Blanca and University Corridor Projects.

(5) Subordination to the proposed 2018 Bonds was obtained for the statutory pass through payments to taxing entities without written tax sharing agreements.

Exhibit VI-1
City of Riverside Successor Agency
The Project Areas
Tax Increment Projection - 0% Trend

Fiscal Year	Real Property	Other Property	Total (1) Property	Est. Appeal Reductions (2)	Total Value	Less Base $4,023,636,038	Gross Tax Revenue (3)
2018-19	11,890,958,899	589,125,801	12,480,084,700	-	12,480,084,700	8,456,448,662	85,503,487
2019-20	11,890,958,899	589,125,801	12,480,084,700	(36,252,506)	12,443,832,195	8,420,196,157	85,140,962
2020-21	11,854,706,394	589,125,801	12,443,832,195	(36,252,506)	12,407,579,689	8,383,943,651	84,778,437
2021-22	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437
2022-23	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437
2023-24	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437
2024-25	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437
2025-26	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437
2026-27	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437
2027-28	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437
2028-29	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437
2029-30	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437
2030-31	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437
2031-32	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437
2032-33	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437
2033-34	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437
2034-35	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437
2035-36	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437
2036-37	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437
2037-38	11,818,453,888	589,125,801	12,407,579,689	-	12,407,579,689	8,383,943,651	84,778,437

(1) Assessed values for 2018-19 as reported by the County of Riverside in July 2018. Values are estimated to remain at 2018-19 levels throughout the term of the projections with the exception of reductions for currently outstanding appeals.
(2) Estimated reductions to reflect the resolution of currently outstanding appeals. See "Filed Assessment Appeals" in Section E of the preceding Report.
(3) Gross tax revenue is calculated at a 1.0% tax rate plus estimated unitary revenue of $939,000: supplemental and aircraft revenues are not included.

Exhibit VI-2
City of Riverside Successor Agency
The Project Areas
Offsets to Property Tax Revenues - 0% Trend

Fiscal Year	Gross Tax Revenue (1)	County Admin Chg	Senior (2) Obligations	Senior (3) Tax Sharing	Pledged Tax Revenues	Subordinate Tax Sharing (4)	AB 1290 (5) Tax Sharing	Other Obligations	Net Tax Revenue
2018-19	85,503,487	983,290	2,184,000	9,999,005	72,337,192	1,888,141	15,089,440	-	55,359,610
2019-20	85,140,962	979,121	17,000	9,943,802	74,201,038	1,884,494	14,997,073	-	57,319,471
2020-21	84,778,437	974,952	7,000	10,084,971	73,711,514	1,880,848	14,904,706	-	56,925,959
2021-22	84,778,437	974,952	7,000	10,084,971	73,711,514	1,880,848	14,904,706	-	56,925,959
2022-23	84,778,437	974,952	-	10,084,971	73,718,514	1,880,848	14,904,706	-	56,932,959
2023-24	84,778,437	974,952	-	10,084,971	73,718,514	1,880,848	14,904,706	-	56,932,959
2024-25	84,778,437	974,952	-	10,084,971	73,718,514	1,880,848	14,904,706	-	56,932,959
2025-26	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	-	57,175,003
2026-27	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	-	57,175,003
2027-28	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	-	57,175,003
2028-29	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	-	57,175,003
2029-30	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	-	57,175,003
2030-31	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	-	57,175,003
2031-32	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	-	57,175,003
2032-33	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	-	57,175,003
2033-34	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	-	57,175,003
2034-35	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	-	57,175,003
2035-36	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	-	57,175,003
2036-37	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	-	57,175,003
2037-38	84,778,437	974,952	-	10,084,971	73,718,514	1,638,804	14,904,706	-	57,175,003

(1) See Exhibit VI-1.
(2) Costs associated with certain obligations determined by Bond Counsel to be senior to the proposed 2018 Bonds. See Exhibit VIII and "Other Senior Obligations" in Section H of the preceding Report.
(3) Senior Tax Sharing: Includes written tax sharing agreements with the County, Flood and Superintendent of Schools for Downtown/Airport and University Corridor/Sycamore Canyon except for the Flood Control Agreement covering the University Corridor Project Sub-Area, formerly the Central Industrial Project Area, which is not a senior obligation.
(4) Includes written tax sharing agreements with the Superintendent of Schools, the Riverside Unified School District, the Riverside Community College Districts. Also includes tax sharing agreements with County for the Casa Blanca Project and Flood Control District for the Casa Blanca and University Corridor Projects.
(5) Subordination to the proposed 2018 Bonds was obtained for the statutory pass through payments to taxing entities without written tax sharing agreements.

Exhibit VII-1
Redevelopment Agency of the City of Riverside
Casa Blanca Redevelopment Project Area
Tax Sharing Agreements Summary

Taxing Entity	Description of the Agreement	Applies to:	Basis	Approx Percentage Share	Portion Currently Paid	2018-19 Payment Amt / % (1)	Potential Future Increases	Lien on Tax Revenue
County General	The County receives an annual payment equal to $100,000 plus a cumulative CPI adjustment. Also, receives a 2.0% inflationary adjustment payment (2)	N/A	Escalating Fee Plus 2.0% Pmt (2)	29.0%	$275,000	6.4%	CPI Increases; 2.0% 33676-Like Pmt	Subordinate
Flood Control (3)	The District receives 37.5% of its share of net tax increment plus a 2.0% inflationary adjustment payment (2)	Entire Project	Net 1.0% Plus 2.0% Pmt (2) (3)	3.3%	37.5%	1.1%	2.0% 33676-Like Pmt	Subordinate
County Super of Schools	The District receives 37.5% of its share of net tax increment increases above 1989-90 levels	Entire Project	Net ETV (4)	3.0%	37.5%	0.6%	None (5)	Subordinate
Riverside Unified Schools	The District receives 30.0% of its share of net tax increment increases above 1989-90 levels	Entire Project	Net ETV (4)	43.0%	30.0%	7.4%	None (5)	Subordinate
Riverside City Comm College	The District receives 30.0% of its share of net tax increment increases above 1989-90 levels	Entire Project	Net ETV (4)	5.2%	30.0%	0.9%	None (5)	Subordinate
TOTAL SENIOR						**0.0%**	**N/A**	**N/A**
TOTAL SUBORDINATE						**16.4%**	**Slight (2) (5)**	**Subordinate**
GRAND TOTAL						**16.4%**	**Slight (2) (5)**	**Subordinate**

(1) Amount shown equals the approximate percentage the pass through payment represents compared to gross tax increment from the entire Casa Blanca Project Area.
(2) Both the County and Flood Agreements include basic payments, plus an annual payment calculated like a 33676 inflationary payment. Payments under 33676, also referred to inflationary payments, are based on an assumed inflationary increase (up to 2.0%) in the base year taxable value.
(3) Net tax increment means tax increment without unitary, less housing and less the administrative charge.
(4) ETV means "Excess Taxable Value". In Casa Blanca it equals net property taxes (deducting unitary, housing and the administrative charge) above 1989-90 levels, which amount is designated as the "Artificial Base Year" for the purpose of calculating amounts due: $132,104,368 is the amount of the Artificial Base Year.
(5) Because these payments are based on the value in excess of the Artificial Base Year, the percentage of total tax increment payable will increase slightly over time.

Exhibit VII-2
Redevelopment Agency of the City of Riverside
Downtown/Airport Merged Project Area
Tax Sharing Agreements Summary

Taxing Entity	Description of the Agreement	Applies to:	Basis	Approx Percentage Share	Portion Currently Paid	2018-19 Payment Amt / % (1)	Potential Future Increases	Lien on Tax Revenue
County General (2)	The County receives a portion of its share up to 100%. Since 2004-05, the Agency has been paying the County 100% of its share of gross tax increment.	All Subreas	1.0%/Receipts	29.1%	100.0%	29.1%	None	Senior
Flood Control	The District receives a portion of its share up to 100%. Since 2002-03, the Agency has been paying the District 100% of its share of gross tax increment.	All Areas	1.0%/Receipts	3.3%	100.0%	3.3%	None	Senior
Alvord School District	The term of the agreement with Alvord was for 15 years, which expired in 2001.	No Longer Applies	N/A	N/A	Nothing Due	--	N/A	Senior
County Super of Schools	The District receives 37.5% of its share of net taxes, but only in the 1985 Annexes	1985 Annexes Only	Net 1.0% (4)	2.9% DT 4.3% Airport	37.5%	0.2%	None	Subordinate
Riverside Unified Schools (3)	The District receives the lesser of 31% of its share of net tax increment revenues, or $700,000	Where Applicable (5)	Net 1.0% (4)	43.0% DT 29.5% Airport	$ 700,000	4.3%	Decreasing Percentage as TI Increases	Subordinate
Riverside City Comm College	The District receives 30% of its share of net tax increment revenues from the Project	All Areas	Net 1.0% (4)	5.2%	30.0%	1.2%	None	Subordinate
TOTAL SENIOR						**32.4%**	**None**	**Senior**
TOTAL SUBORDINATE						**5.7%**	**None**	**Subordinate**
GRAND TOTAL						**38.1%**	**None**	**Both**

(1) Amount shown equals the approximate percentage the pass through payment represents compared to gross tax increment from the entire Downtown/Airport Merged Project.
(2) Share payable to the County increased to 100% when Agency retained $23.1 million of the County's Share.
(3) Maximum payment under the tax sharing agreement is $700,000 from all areas of the Downtown/Airport Merged Project.
(4) Net equals tax increment without unitary, less housing and less the administrative charge.
(5) Riverside Unified Schools is not one of the base year taxing entities in the Airport 1985 Amendment Area and is therefore not entitled to pass through payments from revenues generated by the Area.

Exhibit VII-3
Redevelopment Agency of the City of Riverside
University Corridor/Sycamore Canyon Merged Project Area
Tax Sharing Agreements Summary

Taxing Entity	Description of the Agreement	Applies to:	Basis	Approx Percentage Share	Portion Currently Paid	2018-19 Payment Amt / % (1)	Potential Future Increases	Lien on Tax Revenue
County General (2)	The County receives a portion of its share up to 100%. Since 2004-05, the Agency has been paying the County 100% of its share of gross tax increment.	All Pre-1994 Areas	1.0%/Receipts	29.0% UC 30.2% Syc	100.0%	28.9%	None	Senior
Flood Control (3)	The District receives a portion of its share up to 100%. In Sycamore Canyon, the Agency is paying 48% and will begin paying 100% in 2020-21. Agency has been paying 100% in University Corridor since 2002-03.	All Pre-1994 Areas	1.0%/Receipts	3.3% UC 3.8% Syc	100% UC 48% Syc	1.2%. Sr. 1.1% Sub.	> +/- 2.0%	Senior in Sycamore
County Super of Schools	The District receives 30.0% of its share of net taxes, but only in the 1985 Annex	1985 Annex UC Only	Net 1.0% (4)	3.0% UC N/A Syc	30.0%	0.2%	None	Senior
Riverside Unified Schools	The District received an annual flat fee amount; the last payment of which was due and paid in 2000	Where Applicable	Net 1.0% (4)	43.0% UC 0.0% Syc	$ -	0.0%	Last pmt made in 2000 (5)	N/A
Riverside City Comm College	The District receives 37.5% of its share of net tax increment revenues from the Project	Original &1985 Annex UC Only	Net 1.0% (4)	5.2% UC N/A Syc	37.5%	0.5%	None	Subordinate with Certificate Notice
TOTAL SENIOR						**30.3%**	**Slight (3)**	**Senior**
TOTAL SUBORDINATE						**1.6%**	**None**	**Subordinate**
GRAND TOTAL						**31.9%**	**Slight (3)**	**Both**

(1) Amount shown equals the approximate percentage the pass through payment represents compared to gross tax increment from the entire University Corridor/Sycamore Canyon Merged Project.
The University Corridor 1998 Annex and the Sycamore Canyon 1998 Annex are not subject to the tax sharing terms of the written tax sharing agreements, but are subject to AB 1290 tax sharing provisions.
(2) Share payable to the County increased to 100% when Agency retained $4.0 million and $4.2 million of the County's Share from University Corridor and Sycamore Canyon, respectively.
(3) The payment to the Flood Control District in Sycamore Canyon will increase from 48% of its share payable in 2018-19 to 100% of its share (3.8%) of gross tax increment in 2020-21.
(4) Net equals tax increment without unitary, less housing and less the administrative charge.
(5) The last payment to RUSD under the terms of the written tax sharing agreements from any portion of the University Corridor/Sycamore Canyon Merged Project was due in 2000.

Exhibit VIII
City of Riverside Successor Agency
Other Senior Obligations by Type

	Downtown/Airport	La Sierra/Arlanza Senior Obligations				Arlington 2003 Amendment Subareas E & F			
Fiscal Year	Breezewood Pledge (1) Agreement	SERAF Loan Allocation (2) 55.1%	Galleria (3) Improvements Reimbursement	Costs for Property Disposition (4)	Total Obligations	SERAF Loan Allocation (2) 0.7%	New Car Dealers (5) Agreement	Total Subarea E & F Obligations	Total Senior Obligations
2018-19	312,000	1,832,100	-	17,000	1,849,100	22,900	-	22,900	2,184,000
2019-20		-	-	17,000	17,000	-	-	-	17,000
2020-21				7,000	7,000		-	-	7,000
2021-22				7,000	7,000			-	7,000
2022-23				-	-			-	-
2023-24				-	-			-	-
2024-25				-	-			-	-
2025-26					-			-	-
2026-27					-			-	-
2027-28					-			-	-
2028-29					-			-	-
2029-30					-			-	-
2030-31					-			-	-
2031-32					-			-	-
2032-33					-			-	-
2033-34					-			-	-
2034-35					-			-	-
2035-36					-			-	-
2036-37					-			-	-

(1) Costs associated with the Breezewood Pledge Agreement in the Downtown/Airport Project Area equal $312,000 and are due through 2018-19 only.
(2) The La Sierra/Arlanza Project Area's share of the annual SERAF payment has been estimated by computing the ratio of SERAF funds loaned from the La Sierra/Arlanza Housing Fund to total funds loaned from all Housing Funds. This ratio is then applied to the total amounts included on the ROPS, which amounts will result in the loan being fully repaid if the 2018-19 payments are made as approved. The amount of funds loaned from Subareas E and F of the Arlington Project Area was estimated based on the ratio of tax increment generated in the Subareas E and F to the rest of the Arlington Project Area.
(3) The last payment due under this Agreement was made in 2017-18. The amount due was based on increases in taxable value (above 2006 levels) for parcels on which the improvements to the Galleria Shopping Center were constructed.
(4) Estimated costs associated with the maintenance and disposition of 4 properties in the La Sierra/Arlanza Project Area. One property closed escrow in October 2017. Two other properties, known as Site B, are anticipated to be sold together by the end of 2019, with the final property, known as Site C, sold by the end of 2020. Amounts included above are based on estimated sales costs not funded through escrow as well as maintenance costs prior to sale of the properties.
(5) The Agreement with the New Car Dealer's Association, which provides for payments from the Agency (from Subareas E & F of the Arlington Project Area) in the amount of $100,000 through June 30, 2021, was disapproved by the state as an enforceable obligation and so has not been included as a senior obligation.

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture of Trust, as supplemented by the First Supplement to Indenture of Trust, the Second Supplement to Indenture of Trust and the Third Supplement to Indenture of Trust (as so supplemented, the “Indenture”) authorizing the Bonds that are not otherwise described in the text of this Official Statement. Such summary is not intended to be definitive, and reference is made to the actual Indenture (copies of which may be obtained from the Trustee) for the complete terms thereof.

Definitions

Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this summary:

"Annual Debt Service" means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds and any Parity Debt that does not constitute Bonds in such Bond Year, and (b) the principal amount of the Outstanding Bonds and any Parity Debt that does not constitute Bonds payable by their terms in such Bond Year.

"Bond" or "Bonds" means the 2014A Bonds, the 2014B Bonds, the 2018A Bonds, the 2018B Bonds and any Parity Debt that is issued as bonds pursuant to a Supplemental Indenture.

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Successor Agency, of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

“Bond Proceeds Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Bond Year" means, any twelve-month period beginning on September 2 in any year and ending on the next succeeding September 1, both dates inclusive, except that the first Bond Year shall begin on the Closing Date, and end on September 1, 2019.

"Business Day" means a day of the year on which banks in Los Angeles, California, or the city where the Principal Corporate Trust Office is located, are not required or permitted to be closed and on which the New York Stock Exchange is not closed.

“City” means the City of Riverside, California, a municipal corporation and chartered city duly organized and existing under the laws of the State.

"Closing Date" means the date on which the 2018 Bonds are delivered by the Successor Agency to the original purchaser thereof.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced in the Indenture) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate relating to the 2018 Bonds executed by the Successor Agency dated as of the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Successor Agency relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to City and Successor Agency administrative staff costs, printing expenses, bond insurance and surety bond premiums, rating agency fees, filing and recording fees, initial fees and charges and first annual administrative fee of the Trustee and fees and expenses of its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

"County" means the County of Riverside, a county duly organized and existing under the Constitution and laws of the State.

"Debt Service Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Defeasance Obligations” means (i) cash, (ii) Federal Securities and (iii) Permitted Investments listed under subsection (b) of the definition thereof excluding Permitted Investments listed under (b) (iv) and (b) (vi).

“Dissolution Act” means Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code, as amended from time to time.

"Event of Default" means any of the events described in the Indenture.

"Federal Securities" means any direct, noncallable general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and CATS and TGRS), or obligations the payment of principal of and interest on which are unconditionally guaranteed by the United States of America.

"Fiscal Year" means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve month period selected and designated by the Successor Agency to the Trustee in writing as its official fiscal year period.

"Former Agency" means the Redevelopment Agency of the City of Riverside, a public body corporate and politic duly organized and existing under the Redevelopment Law and dissolved in accordance with the Dissolution Act.

"Independent Accountant" means any accountant or firm of such accountants duly licensed or registered or entitled to practice as such under the laws of the State, appointed by the Successor Agency, and who, or each of whom:

(a) is in fact independent and not under domination of the Successor Agency;

(b) does not have any substantial interest, direct or indirect, with the Successor Agency; and

(c) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

"Independent Redevelopment Consultant" means any consultant or firm of such consultants appointed by the Successor Agency, and who, or each of whom:

(a) is judged by the Successor Agency to have experience in matters relating to the collection of property tax revenues deposited into the Redevelopment Property Tax Trust Fund or otherwise with respect to the financing of redevelopment projects;

(b) is in fact independent and not under domination of the Successor Agency;

(c) does not have any substantial interest, direct or indirect, with the Successor Agency; and

(d) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

"Interest Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Interest Payment Date" means March 1, 2019, and March 1 and September 1 in each year thereafter so long as any of the Bonds remain Outstanding under the Indenture.

"Law" means the Community Redevelopment Law of the State, constituting Part 1 of Division 24 of the Health and Safety Code of the State, and the Dissolution Act.

"Maximum Annual Debt Service" means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year as certified in writing by the Successor Agency to the Trustee.

"Moody's" means Moody's Investors Service and its successors.

“Notice of Insufficiency” means the notice described in Health & Safety Code Section 34183(b).

"Outstanding" when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds except:

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning within the Indenture; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Successor Agency pursuant the Indenture.

"Oversight Board" means the Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Riverside, duly constituted from time to time pursuant to Section 34179 of the California Health and Safety Code.

"Owner" or "Bondowner" means, with respect to any Bond, the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"Parity Debt" means any loan, bonds (including any bonds issued pursuant to a Supplemental Indenture), notes, advances or indebtedness payable from Tax Revenues on a parity with the Bonds as authorized by the provisions of the Indenture.

"Parity Debt Instrument" means any resolution, indenture of trust, loan agreement, trust agreement or other instrument authorizing the issuance of any Parity Debt, including, without limitation, a Supplemental Indenture authorized by the Indenture.

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) Federal Securities;

(b) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) obligations of the Federal Financing Bank; (iv) debentures of the Federal Housing Administration; (v) participation certificates of the General Services Administration; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financings of the U.S. Maritime Administration; (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development;

(c) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of the Federal National Mortgage Association (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal); (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations (but only the interest component of stripped obligations) of the Resolution Funding Corporation; and (vi) consolidated system wide bonds and notes of the Farm Credit System;

(d) money market funds (including funds of the Trustee or its affiliates) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G", "AAAm", or "AAm", and, if rated by Moody's, rated Aaa, Aa1 or Aa2, including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services;

(e) certificates of deposit secured at all times by collateral described in (a) or (b) above, which have a maturity of one year or less, which are issued by commercial banks, including affiliates of the Trustee, savings and loan associations or mutual savings banks, and such collateral must be held by a third party, and the Trustee on behalf of the Bond Owners must have a perfected first security interest in such collateral;

(f) certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation;

(g) investment agreements, including guaranteed investment contracts, which, are general obligations of an entity whose long term debt obligations, or claims paying ability, respectively, which are rated in one of the two highest rating categories by Moody's or S&P or which are collateralized so as to be rated in one of the two highest rating categories by Moody's or S&P;

(h) commercial paper rated, at the time of purchase, "Prime-1" by Moody's and "A-1" or better by S&P;

(i) bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;

(j) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P;

(k) repurchase agreements for thirty (30) days or less (more than thirty (30) days which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date, which satisfy the following criteria:

> (i) repurchase agreements must be between the Trustee and (A) a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the Securities Investors Protection Corporation and which are rated

"A" or better by Moody's and S&P, or (B) a bank rated "A" or better by Moody's and S&P;

(ii) the written repurchase agreement contract must include the following: (A) securities acceptable for transfer, which may be direct U.S. government obligations, or federal agency obligations backed by the full faith and credit of the U.S. government; (B) the term of the repurchase agreement may be up to 30 days; (C) the collateral must be delivered to the Trustee or a third party acting as agent for the Trustee simultaneous with payment (perfection by possession of certificated securities); (D) the Trustee must have a perfected first priority security interest in the collateral; (E) the collateral must be free and clear of third-party liens and, in the case of a broker which falls under the jurisdiction of the Securities Investors Protection Corporation, are not subject to a repurchase agreement or a reverse repurchase agreement; (F) failure to maintain the requisite collateral percentage, after a two day restoration period, will require the Trustee to liquidate the collateral; (G) the securities must be valued weekly, marked-to-market at current market price plus accrued interest and the value of collateral must be equal to 104% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest (unless the securities used as collateral are obligations of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, in which case the collateral must be equal to 105% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest). If the value of securities held as collateral falls below 104% of the value of the cash transferred by the Trustee, then additional cash and/or acceptable securities must be transferred; and

(iii) a legal opinion must be delivered to the Trustee to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds;

(l) pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P; provided, however, pre-refunded municipal bonds rated by S&P only (i.e., no Moody's rating) are acceptable if such pre-refunded municipal bonds were pre-refunded with cash, direct U.S. or U.S. guaranteed obligations or AAA rated pre-refunded municipal bonds; and

(m) the Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to deposit and withdraw from such investment directly in its own name.

"<u>Plan Limits</u>" means the limitation contained in a Redevelopment Plan on the number of dollars of taxes which may be divided and allocated to the Successor Agency pursuant to the Redevelopment Plan, as such limitation is prescribed by Section 33333.4 of the Redevelopment Law.

"<u>Principal Account</u>" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Principal 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 Successor Agency. Except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the corporate trust office of U.S. Bank National Association in St. Paul, Minnesota or such other office or agency of the Trustee at which at any particular time, its corporate trust agency shall be conducted.

"Project Areas" has the meaning given that term in the Recitals of the Indenture.

“Recognized Obligation Payment Schedule” means the schedule by that name prepared before each six-month fiscal period in accordance with the requirements of Section 34177(l) of the California Health and Safety Code.

“Redevelopment Obligation Retirement Fund” means the fund established and held by the Successor Agency pursuant to Section 34170.5(a) of the California Health and Safety Code.

"Redevelopment Plans" has the meaning given that term in the Recitals of the Indenture.

“Redevelopment Property Tax Trust Fund” means the fund established pursuant to Section 34170.5(b) of the California Health and Safety Code and administered by the Riverside County Auditor–Controller.

"Registration Books" means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

“Refunded Bonds” has the meaning given that term in the Recitals of the Indenture.

"Report" means a document in writing signed by an Independent Redevelopment Consultant and including:

(a) a statement that the person or firm making or giving such Report has read the pertinent provisions of the Indenture to which such Report relates;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and

(c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

"S&P" means Standard & Poor's Ratings Services and its successors.

“Semiannual Period” means (a) each six-month period beginning on January 1 of any calendar year and ending on June 30 of such calendar year, and (b) each six-month period beginning on July 1 of any calendar year and ending on December 31 of such calendar year.

“Senior Obligation Indenture” means the indenture or other instrument providing for the issuance or payment of the Senior Obligations.

“Senior Obligations” has the meaning given that term in the Recitals of the Indenture.

"State" means the State of California.

"Subordinate Debt" means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Successor Agency that are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues that is subordinate to (i) the pledge of and lien upon the Tax Revenues under the Indenture for the security of the Bonds, (ii) the Successor Agency's obligation to pay Policy Costs to the Reserve Insurer pursuant to the Indenture and (iii) the Successor Agency's obligation to reimburse the provider of a letter of credit surety bond or similar instrument for the debt service reserve account for any Parity Debt.

"Successor Agency" means the Successor Agency to the Redevelopment Agency of the City of Riverside, a public entity duly organized and existing under the Law.

"Supplemental Indenture" means any resolution, agreement or other instrument which has been duly adopted or entered into by the Successor Agency, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Tax Revenues" means, for each Fiscal Year, all moneys deposited in the Redevelopment Property Tax Trust Fund, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act, excluding (i) for each Senior Obligation, (A) the amount pledged under the Senior Obligation Indenture to make payments on such Senior Obligation, but only to the extent required to make such payments and (B) if there is no pledge under the Senior Obligation Indenture, the amount payable under the Senior Obligation Indenture, and (ii) amounts payable pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Bonds. For purposes of illustrating the scope of the exclusion set forth in clause (i) of the preceding sentence, if the amounts pledged for repayment of a Senior Obligation under a Senior Obligation Indenture are tax increment revenues from a specific Project Area, then the amount excluded by clause (i) is only the tax increment from such Project Area that is actually used to make payments on such Senior Obligation; clause (i) does not exclude either (A) tax increment revenue from such Project Area that is not used to make payments on such Senior Obligation or (B) tax increment revenue from other Project Areas of the Successor Agency that are not pledged for repayment of such Senior Obligation but that, under the Dissolution Act, might otherwise be available to pay make payments on such Senior Obligation if the pledged revenues are not sufficient to make the payments.

"Term Bonds" means any Bonds subject to mandatory sinking fund redemption, as set forth in a Supplemental Indenture.

"Trustee" means U.S. Bank National Association, as trustee under the Indenture, or any successor thereto appointed as trustee under the Indenture in accordance with the provisions of the Indenture.

"2014 Bonds" means, collectively, the 2014A Bonds and the 2014B Bonds.

"2014A Bond" or "2014A Bonds" means the Successor Agency to the Redevelopment Agency of the City of Riverside 2014 Subordinate Tax Allocation Refunding Bonds, Series A.

"2018 Bonds" means, collectively, the 2018A Bonds and the 2018B Bonds.

"2018 Reserve Account" means the account by that name within the Debt Service Fund established and held by the Trustee pursuant to the Indenture.

"2018 Reserve Insurer" means Assured Guaranty Municipal Corp., and its successors and assigns, as issuer of the 2018 Reserve Policy.

"2018 Reserve Policy" means the municipal bond debt service reserve insurance policy (Policy Number 219005-S) relating to the 2018 Bonds issued by the 2018 Reserve Insurer.

"2018 Reserve Requirement" means $11,737,991.56.

"2018A Bond" or "2018A Bonds" means the Successor Agency to the Redevelopment Agency of the City of Riverside 2018 Tax Allocation Refunding Bonds, Series A.

"2014B Bond" or "2014B Bonds" means the Successor Agency to the Redevelopment Agency of the City of Riverside 2014 Subordinate Tax Allocation Refunding Bonds, Taxable Series B.

"2018B Bond" or "2018B Bonds" means the Successor Agency to the Redevelopment Agency of the City of Riverside 2018 Tax Allocation Refunding Bonds, Taxable Series B.

"Written Request of the Successor Agency" or "Written Certificate of the Successor Agency" means a request or certificate, in writing signed by the Executive Director, Secretary or Treasurer of the Successor Agency or by any other officer of the Successor Agency duly authorized by the Successor Agency for that purpose.

Pledge of Tax Revenues

Security of Bonds; Equal Security**.** The Successor Agency may not issue additional bonds or incur additional obligations that are payable from moneys deposited in the Redevelopment Property Tax Trust Fund on a senior basis to the Bonds and any Parity Debt.

Pursuant to Section 34177.5(g) of the Dissolution Act, except as provided in the Indenture, the Bonds and any Parity Debt shall be equally secured by a pledge of, security interest in and lien on all of the Tax Revenues, including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund and all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account and the Reserve Account, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest on the Bonds.

In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, the Indenture shall be deemed to be and shall constitute a contract between the Successor Agency and the Owners from time to time of the Bonds, and the covenants and agreements set forth in the Indenture to be performed on behalf of the Successor Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided in the Indenture.

Establishment of Funds and Accounts; Flow of Funds

Redevelopment Obligation Retirement Fund; Deposit of Tax Revenues**.** The Successor Agency has established the Redevelopment Obligation Retirement Fund pursuant to Section 34170.5(a) of the Dissolution Act and, so long as any of the Bonds are Outstanding, the Successor Agency shall continue to hold and maintain such fund as a separate fund in its treasury (which shall be a separate account from other accounts of the Successor Agency and the City of Riverside into which no other moneys shall be deposited). The Successor Agency shall deposit all of the Tax Revenues received with respect to any Semiannual Period into the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Successor Agency.

All Tax Revenues received by the Successor Agency with respect to a Bond Year in excess of the amount required to pay debt service on the Bonds and any Parity Debt, and except as may be provided to the contrary in any Senior Obligation Indenture or Parity Debt Instrument, shall be released from the pledge and lien under the Indenture and shall be applied in accordance with the Law, including but not limited to the payment of any amounts due and owing to the United States of America pursuant to the Indenture. Prior to the payment in full of the principal of and interest and premium, if any, on the Bonds and the payment in full of all other amounts payable under the Indenture and under any Supplemental Indentures, the Successor Agency shall not have any beneficial right or interest in the moneys on deposit in the Redevelopment Obligation Retirement Fund, except as may be provided in the Indenture and in any Supplemental Indenture.

Deposit of Amounts by Trustee**.** A separate trust fund shall be established to be known as the Debt Service Fund, which shall be held by the Trustee under in the Indenture in trust. Concurrently with transfers with respect to Parity Debt pursuant to Parity Debt Instruments, moneys in the Redevelopment Obligation Retirement Fund shall be transferred by the Successor Agency to the Trustee in the following amounts, at the following times, and deposited by the Trustee in the following respective special accounts, which are hereby established in the Debt Service Fund, and in the following order of priority:

Interest Account. On or before the fourth (4th) Business Day preceding each Interest Payment Date, the Successor Agency shall withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee, for deposit in the Interest Account an amount which when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. All moneys 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.

Principal Account. On or before the fourth (4th) Business Day preceding September 1 in each year beginning September 1, 2015, the Successor Agency shall withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then contained in the Principal Account, will be equal to the principal becoming due and payable on the Outstanding Bonds, including the aggregate principal amount of the Term Bonds required to be redeemed pursuant to the Indenture or a Supplemental Indenture, on the next September 1. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next September 1 on all of the Outstanding Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds, including the aggregate principal amount of the Term Bonds required to be redeemed pursuant to the Indenture or a Supplemental Indenture, as it shall become due and payable.

2018 Reserve Account. Within the Debt Service Fund a separate account shall be established to be known as the "2018 Reserve Account" solely as security for payments on the 2018 Bonds payable by the Successor Agency pursuant to the Indenture, which shall be held by the Trustee in trust for the benefit of the Owners of the Bonds. The 2018 Reserve Requirement for the 2018 Bonds shall be satisfied by the delivery of the 2018 Reserve Policy by the 2018 Reserve Insurer to the Trustee on the Closing Date. The Trustee shall draw on the 2018 Reserve Policy in accordance with its terms and conditions and the terms of the Indenture.

The amounts available under the 2018 Reserve Policy shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts for purposes of the payment when due of the scheduled principal and interest on the 2018 Bonds then Outstanding.

The Trustee shall comply with all documentation relating to the 2018 Reserve Policy as shall be required to maintain the 2018 Reserve Policy in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the Indenture.

The Successor Agency shall have no obligation to replace the 2018 Reserve Policy or to fund the 2018 Reserve Account with cash if, at any time that the 2018 Bonds are Outstanding, (i) amounts are not available under the 2018 Reserve Policy or (ii) any rating assigned to the 2018 Reserve Insurer is downgraded, suspended or withdrawn.

Redemption Account. On or before the Business Day preceding any date on which Bonds are to be redeemed pursuant to the Indenture, the Trustee shall withdraw from the Debt Service Fund any amount transferred by the Successor Agency pursuant to the Indenture for deposit in the Redemption Account, such amount being the amount required to pay the principal of and premium, if any, on the Bonds to be redeemed on such date pursuant to the Indenture and similar provisions in one or more Supplemental Indentures. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Bonds to be redeemed pursuant to the Indenture and similar provisions in one or more Supplemental Indentures on the date set for such redemption. Interest due on Bonds to be redeemed on the date set for redemption shall, if applicable, be paid from funds available therefor in the Interest Account.

2018 Reserve Policy. With respect to the 2018 Reserve Policy, notwithstanding anything to the contrary set forth in the Indenture, the Successor Agency and the Trustee agree to comply with the following provisions:

(a) The Successor Agency shall repay any draws under the 2018 Reserve Policy and pay all related reasonable expenses incurred by the 2018 2018 Reserve Insurer and shall pay interest thereon from the date of payment by the 2018 Reserve Insurer at the Late Payment Rate. "Late Payment Rate" means the lesser of (x) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 5%, and (ii) the then applicable highest rate of interest on the 2018 Bonds and (y) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the 2018 Reserve Insurer shall specify. If the interest provisions of this subparagraph (a) shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created herein, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied as additional interest for any later periods of time when amounts are outstanding hereunder to the extent that interest otherwise due hereunder for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by the 2018 Reserve Insurer, with the same force and effect as if the Successor Agency had specifically designated such extra sums to be so applied and the 2018 Reserve Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created herein exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to the 2018 Reserve Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the 2018 Reserve Insurer on account of principal due, the coverage under the 2018 Reserve Policy will be increased by a like amount, subject to the terms of the 2018 Reserve Policy. The obligation to pay Policy Costs shall be secured by a valid lien on the Tax Revenues (which lien shall be subordinate only to the lien securing the Bonds and any Parity Debt and which lien shall be on a parity with the lien securing the obligation of the Successor Agency to replenish the reserve account for any series of the Bonds or Parity Debt and to reimburse the provider of a letter of credit, surety bond or similar instrument related to the debt service reserve fund for any series of the Bonds Parity Debt).

All cash and investments in the 2018 Reserve Account shall be transferred to the Interest Account and the Principal Account for payment of debt service on the 2018 Bonds before any drawing may be made on the 2018 Reserve Policy or any other Qualified Reserve Account Credit Instrument credited to the Reserve Account in lieu of cash ("Credit Facility"). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the 2018 Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Account. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Account. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable Credit Facilities without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(b) Upon any failure to pay any Policy Costs in accordance with the requirements of subparagraph (a) hereof or any other breach of the terms set forth in the Indenture, the 2018 Reserve Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than (i) acceleration of the maturity of the 2018 Bonds or (ii) remedies which would adversely affect owners of the 2018 Bonds.

(c) The Indenture shall not be discharged until all Policy Costs owing to the 2018 Reserve Insurer shall have been paid in full. The Successor Agency's obligation to pay such amounts shall expressly survive payment in full of the 2018 Bonds.

(d) The Successor Agency shall include all amounts payable to the 2018 Reserve Insurer on each Recognized Payment Obligation Schedule ("ROPS") submission; provided, that if any amounts payable to the 2018 Reserve Insurer are not included on any current ROPS and the Successor Agency is then legally permitted to amend such ROPS, the Issuer will amend its current ROPS to include such amounts payable to the 2018 Reserve Insurer, and the Successor Agency will not submit a Last and Final ROPS without the prior consent of the 2018 Reserve Insurer.

(e) The Trustee shall ascertain the necessity for a claim upon the 2018 Reserve Policy in accordance with the provisions of subparagraph (a) hereof and provide notice to the 2018 Reserve Insurer in accordance with the terms of the 2018 Reserve Policy at least five Business Days prior to each date upon which interest or principal is due on the 2018 Bonds. Where deposits are required to be made by the Successor Agency with the Trustee to the Interest Account and the Principal Account for the 2018 Bonds more often than semi-annually, the Trustee shall give notice to the 2018 Reserve Insurer of any failure of the Successor Agency to make timely payment in full of such deposits within two Business Days of the date due.

(f) The Successor Agency will pay or reimburse the 2018 Reserve Insurer any and all charges, fees, costs, losses, liabilities and expenses which the 2018 Reserve Insurer may pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (i) any accounts established to facilitate payments under the 2018 Reserve Policy, (ii) the administration, enforcement, defense or preservation of any rights in respect of the Indenture or any document executed in connection with the 2018 Bonds (the "Related Documents"), including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the Successor Agency) relating to Indenture or any other Related Document, any party to the Indenture or any other Related Document or the transactions contemplated by the Related Documents, (iii) the foreclosure against, sale or other disposition of any collateral securing any obligations under the Indenture or any other Related Document, if any, or the pursuit of any remedies under the Indenture or any other Related Document, to the extent such costs and expenses are not recovered from such foreclosure, sale or other disposition, (iv) any amendment, waiver or other action with respect to, or related to the Indenture, the 2018 Reserve Policy or any other Related Document whether or not executed or completed, or (v) any action taken by the 2018 Reserve Insurer to cure a default or termination or similar event (or to mitigate the effect thereof) under the Indenture or any other Related Document; costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of the 2018 Reserve Insurer spent in connection with the actions described in clauses (i) through (v) above. The 2018 Reserve Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Related Document. Amounts payable by the Successor Agency hereunder shall bear interest at the Late Payment Rate from the date such amount is paid or incurred by the 2018 Reserve Insurer until the date the 2018 Reserve Insurer is paid in full.

(g) The obligation of the Successor Agency to pay with Tax Revenues all amounts due to the 2018 Reserve Insurer shall be an absolute and unconditional obligation of the Successor Agency and will be paid or performed strictly in accordance with the provisions of the Indenture, irrespective of: (i) any lack of validity or enforceability of or any amendment or other modifications of, or waiver with respect to the 2018 Bonds, the Indenture or any other Related Document; (ii) any amendment or other modification of, or waiver with respect to the 2018 Reserve Policy; (iii) any exchange, release or nonperfection of any security interest in property securing the 2018 Bonds, the Indenture or any other Related Documents; (iv) whether or not such Bonds are contingent or matured, disputed or undisputed, liquidated or unliquidated; (v) any amendment, modification or waiver of or any consent to departure from the 2018 Reserve Policy, the Indenture or all or any of the other Related Documents; (vi) the existence of any claim, setoff, defense (other than the defense of payment in full), reduction, abatement or other right which the Successor Agency may have at any time against the Trustee or any other person or entity other than the 2018 Reserve Insurer, whether in connection with the transactions contemplated herein or in any other Related Documents or any unrelated transactions; (vii) any statement or any other document presented under or in connection with the 2018 Reserve Policy proving in any and all respects invalid, inaccurate, insufficient, fraudulent or forged or any statement therein being untrue or inaccurate in any respect; or (viii) any payment by the 2018 Reserve Insurer under the 2018 Reserve Policy against presentation of a certificate or other document which does not strictly comply with the terms of the 2018 Reserve Policy.

(h) The Successor Agency shall fully observe, perform, and fulfill each of the provisions (as each of those provisions may be amended, supplemented, modified or waived with the prior written consent of the 2018 Reserve Insurer) of the Indenture applicable to it, each of the provisions thereof being expressly incorporated into the Indenture by reference solely for the benefit of the 2018 Reserve Insurer as if set forth directly herein. No provision of the Indenture or any other Related Document shall be amended, supplemented, modified or waived, without the prior written consent of the 2018 Reserve Insurer, in any material respect or otherwise in a manner that could adversely affect the payment obligations of the Successor Agency hereunder or the priority accorded to the reimbursement of Policy Costs under the Indenture. The 2018 Reserve Insurer is hereby expressly made a third party beneficiary of the Indenture and each other Related Document.

(i) The Successor Agency covenants to provide to the 2018 Reserve Insurer, promptly upon request, any information regarding the 2018 Bonds or the financial condition and operations of the Successor Agency as reasonably requested by the 2018 Reserve Insurer. The Successor Agency will permit the 2018 Reserve Insurer to discuss the affairs, finances and accounts of the Successor Agency or any information the 2018 Reserve Insurer may reasonably request regarding the security for the 2018 Bonds with appropriate officers of the Successor Agency and will use commercially reasonable efforts to enable the 2018 Reserve Insurer to have access to the facilities, books and records of the Successor Agency on any Business Day upon reasonable prior notice.

(j) Notices and other information to the 2018 Reserve Insurer shall be sent to the following address (or such other address as the 2018 Reserve Insurer may designate in writing): Assured Guaranty Municipal Corp., 1633 Broadway, New York, New York 10019, Attention: Managing Director - Surveillance, Re: Policy No. 219005-S.

Deposit and Investment of Moneys in Funds

Moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Reserve Account and the Costs of Issuance Account shall be invested by the Trustee in Permitted Investments as directed by the Successor Agency in the Written Request of the Successor Agency filed with the Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such Written Request of the Successor Agency, the Trustee shall invest any such moneys in Permitted Investments described in clause (d) of the definition thereof, which by their terms mature prior to the date on which such moneys are required to be paid out under the Indenture. The Trustee shall be entitled to rely conclusively upon the written instructions of the Successor Agency directing investments in Permitted Investments as to the fact that each such investment is permitted by the laws of the State, and shall not be required to make further investigation with respect thereto. Moneys in the Redevelopment Obligation Retirement Fund may be invested by the Successor Agency in any obligations in which the Successor Agency is legally authorized to invest its funds. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee under the Indenture shall be deposited in the Interest Account. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made at the direction of the Successor Agency or otherwise made pursuant to the Indenture.

The Successor Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Successor Agency the right to receive brokerage confirmations of security transactions as they occur, the Successor Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Successor Agency periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee under the Indenture.

All moneys held by the Trustee shall be held in trust, but need not be segregated from other funds unless specifically required by the Indenture. Except as specifically provided in the Indenture, the Trustee shall not be liable to pay interest on any moneys received by it, but shall be liable only to account to the Successor Agency for earnings derived from funds that have been invested.

The Successor Agency covenants that all investments of amounts deposited in any fund or account created by or pursuant to the Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by the Indenture or the Code) at Fair Market Value. The Trustee has no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Successor Agency in any Written Certificate or Written Request of the Successor Agency.

The term "Fair Market Value" shall mean the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

Other Covenants of the Successor Agency

Issuance of Parity Debt; Subordinate Debt; Senior Debt**.** In addition to the Bonds, the Successor Agency may issue or incur additional Parity Debt in such principal amount as shall be determined by the Successor Agency for refunding purposes only. The Successor Agency may issue and deliver any such Parity Debt subject to the following specific conditions that are hereby made conditions precedent to the issuance and delivery of such Parity Debt issued under the Indenture:

(a) The additional Bonds must have been issued in compliance with the refunding provisions of the Dissolution Act;

(b) The Successor Agency shall certify that the aggregate principal of and interest on the Bonds, the Senior Obligations and any Parity Debt (including the Parity Debt to be incurred) and Subordinate Debt coming due and payable and the Policy Costs will not exceed the maximum amount of Tax Revenues permitted under any Plan Limit to be allocated and paid to the Successor Agency with respect to the Project Areas after the issuance of such Parity Debt; and

(c) The Successor Agency shall deliver to the Trustee a Written Certificate of the Successor Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth above have been satisfied.

The Successor Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Successor Agency. Any Subordinate Debt that is issued as bonds or incurred in the form of a loan shall be payable on the same dates as the Bonds.

In addition, from and after the Closing Date, the Successor Agency may not issue or incur any bonds, notes, loans, advances or other indebtedness that are secured by a pledge of moneys deposited in the Redevelopment Property Tax Trust Fund, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act, on a basis senior or superior to the Bonds.

Extension of Payment**.** The Successor Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any Bond or claim for interest on any of the Bonds and will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding the Bonds or claims for interest in any other manner. In case the maturity of any such Bond or claim for interest shall be extended or funded, whether or not with the consent of the Successor Agency, such Bond or claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Payment of Claims. The Successor Agency shall promptly pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Successor Agency or upon the Tax Revenues or other amounts pledged to the payment of the Bonds, or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds. Nothing contained in the Indenture shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of said claims.

Books and Accounts; Financial Statements. The Successor Agency shall at all times keep, or cause to be kept, proper and current books and accounts in which accurate entries are made of the financial transactions and records of the Successor Agency, which shall be subject to inspection by the Reserve Insurer at all times during normal business hours and upon reasonable notice by the Reserve Insurer to the Successor Agency. Within one hundred eighty (180) days after the close of each Fiscal Year an Independent Certified Public Accountant shall prepare an audit of the financial transactions and records of the Successor Agency for such Fiscal Year. To the extent permitted by law, such audit may be included within the annual audited financial statements of the City. The Successor Agency shall furnish a copy of such financial statements to any Owner upon reasonable request of such Owner and at the expense of such Owner. The Trustee shall have no duty to review such audits. The Successor Agency agrees, consents and will cooperate in good faith to provide information reasonably requested by the Reserve Insurer and will further provide appropriately designated individuals and officers to discuss the affairs, finances and accounts of the Successor Agency or any other matter as the Reserve Insurer may reasonably request.

Protection of Security and Rights of Owners. The Successor Agency will preserve and protect the security of the Bonds and the rights of the Owners. From and after the Closing Date, the Bonds shall be incontestable by the Successor Agency.

Payments of Taxes and Other Charges. Except as otherwise provided in the Indenture, the Successor Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Successor Agency or the properties then owned by the Successor Agency in the Project Areas, or upon the revenues therefrom when the same shall become due. Nothing contained in the Indenture shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of said taxes, assessments or charges. The Successor Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Project Areas or any part thereof.

Compliance with the Law; Recognized Obligation Payment Schedules; Notice of Insufficiency. The Successor Agency shall comply with all of the requirements of the Law. Pursuant to Section 34177 of the Law, not less than 90 days prior to each January 2 and June 1, the Successor Agency shall submit to the Oversight Board and the State Department of Finance, a Recognized Obligation Payment Schedule. The Successor Agency shall take all actions required under the Law to include in a Recognized Obligation Payment Schedule for each Semiannual Period payments due on the Senior Obligations, as applicable, all Policy Costs, and debt service on the Bonds and any Parity Debt that does not constitute Bonds, so as to enable the Riverside County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required to enable the Successor Agency to pay timely payments on the Senior Obligations, all Policy Costs and the principal of, and interest on, the Bonds and any Parity Debt coming due with respect the applicable Semiannual Period, including inclusion on the applicable Recognized Obligation Payment Schedule of (a) the amounts of debt service set forth in the Recognized Obligation Debt Service Schedules attached as Exhibit B and Exhibit I to the Indenture and hereby made a part hereof or as such Schedule may be hereafter amended and (b) the amounts of debt service set forth in the Recognized Obligation Debt Service Schedule attached to any Supplemental Indenture and hereby made a part hereof or as such Schedule may be hereafter amended, and the inclusion of any amount required to be deposited in the Reserve Account, in order to maintain in the Reserve Account the amount of the Reserve Requirement. Such actions shall further include, without limitation, placing on the periodic Recognized Obligation Payment Schedules for approval by the Oversight Board and the State Department of Finance, the amounts to be held by the Successor Agency as a reserve until the next Semiannual Period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to provide for the payment of principal and interest hereunder when the next property tax allocation is projected to be insufficient to pay all obligations due hereunder for the next payment due in the following Semiannual Period. Notwithstanding anything to the contrary, the Successor Agency shall include in the Recognized Obligation Payment Schedule for the January 2 distribution, (i) the annual principal and interest payment amount on the Senior Obligations, (ii) interest on the Bonds and other Parity Debt coming due on March 1, (iii) 50% of the principal payment on the Bonds coming due on September 1 and (iv) all Policy Costs due in the applicable Semiannual Period. The Recognized Obligation Debt Service Schedule shall not be amended except by Supplemental Indenture entered into pursuant to the Indenture.

The Successor Agency covenants that it will, on or before May 1 and December 1 of each year, file a Notice of Insufficiency with the County Auditor-Controller if the amount of Tax Revenues available to the Successor Agency from the Redevelopment Property Tax Trust Fund on the upcoming July 1 or January 2, as applicable, is insufficient to pay debt service on the Bonds, to pay debt service on any Parity Debt and to deposit into the Reserve Account an amount required in order to maintain in the Reserve Account the amount of the Reserve Requirement.

Plan Limit**.** If and to the extent that the Plan Limits apply to the Successor Agency under the Law, the Successor Agency shall annually review the total amount of property tax revenues available to be deposited into the Redevelopment Property Tax Trust Fund under the Plan Limits, as well as future cumulative annual payments on the Senior Obligations, the Bonds, any Parity Debt, any subordinate bonds payable from property tax revenues deposited into the Redevelopment Property Tax Trust Fund and any Policy Costs. If the property tax revenues available to be deposited into the Redevelopment Property Tax Trust Fund under the Plan Limits are less than one hundred five percent (105%) of all future payments on the Senior Obligations, the Bonds, any Parity Debt, any subordinate bonds payable from property tax revenues deposited into the Redevelopment Property Tax Trust Fund and any Policy Costs, all property tax revenues deposited into the Redevelopment Property Tax Trust Fund not needed to pay current or any past due debt service on any Successor Agency obligations or to replenish the Reserve Account to the Reserve Requirement shall be deposited into a Trustee-held escrow account (the "Escrow Account") and invested in Defeasance Obligations. Moneys in the Escrow Account must be used only to pay debt service, first, on the Senior Obligations and, second, pro rata on the Bonds and any Parity Debt, or to redeem Bonds and any Parity Debt that does not constitute Bonds.

Dissolution Act Invalid; Maintenance of Tax Revenues**.** In the event that the applicable property tax revenues provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid and, in place of the invalid provisions, provisions of the Redevelopment Law or the equivalent become applicable to the Bonds, the Successor Agency shall comply with all requirements of the Redevelopment Law or the equivalent to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and, in the case of amounts payable by the State, appropriate officials of the State and shall apply any such Tax Revenues received by the Successor Agency in the manner set forth in the Indenture. In the event that the applicable property tax revenues provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid and neither provisions of the Redevelopment Law nor the equivalent replace the invalid provisions, then the Successor Agency shall use good faith efforts to insure the allocation and payment to it of the Tax Revenues and, if and to the extent the Tax Revenues are thereafter insufficient for the Successor Agency to satisfy its obligations under the Indenture, an Event of Default shall be deemed to have occurred and the remedies upon an Event of Default contained in the Indenture shall apply.

No Arbitrage**.** The Successor Agency shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the 2018A Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2018A Bonds would have caused the 2018A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

Private Activity Bond Limitation. The Successor Agency shall assure that the proceeds of the 2018A Bonds are not so used as to cause the 2018A Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

Federal Guarantee Prohibition. The Successor Agency shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the 2018A Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

Rebate Requirement. The Successor Agency shall take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

Maintenance of Tax-Exemption. The Successor Agency shall take all actions necessary to assure the exclusion of interest on the 2018A Bonds from the gross income of the Owners of the 2018A Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the 2018A Bonds.

Continuing Disclosure. The Successor Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate related to the 2018 Bonds. Notwithstanding any other provision of the Indenture, failure of the Successor Agency to comply with the Continuing Disclosure Certificate shall not be an Event of Default under the Indenture. However, any Participating Underwriter or any holder or beneficial owner of the 2018 Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Successor Agency to comply with its obligations under the Indenture.

Further Assurances. The Successor Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in the Indenture.

Amendment of Indenture

Amendment With And Without Consent of Owners. The Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption and, but without the consent of the Owners, to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Successor Agency in the Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers reserved in the Indenture to or conferred upon the Successor Agency; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Successor Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not, in the reasonable determination of the Successor Agency, materially adversely affect the interests of the Owners; or

(c) to amend any provision hereof relating to the requirements of or compliance with the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exemption from federal income taxation of interest on any of the Bonds, in the opinion of Bond Counsel; or

(d) to amend the Recognized Obligation Debt Service Payment Schedule set forth in Exhibit B of the Indenture to take into account the redemption of any Bond prior to its maturity; or

(e) to provide for the issuance of Parity Debt pursuant to a Supplemental Indenture, as such issuance is authorized by the Indenture.

Except as set forth in the Indenture, the Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Successor Agency to pay the principal or interest at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, or (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification. In no event shall any Supplemental Indenture modify any of the rights or obligations of the Trustee without its prior written consent. In addition, the Trustee shall be entitled to an opinion of counsel concerning the Supplemental Indenture's lack of any material adverse effect on the Owners.

Effect of Supplemental Indenture**.** From and after the time any Supplemental Indenture becomes effective pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement or Replacement of Bonds After Amendment**.** After the effective date of any amendment or modification hereof pursuant to the Indenture, the Successor Agency may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the Successor Agency, as to such amendment or modification and in that case upon demand of the Successor Agency the Owners of such Bonds shall present such Bonds for that purpose at the Principal Corporate Trust Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the Successor Agency may determine that new Bonds shall be prepared at the expense of the Successor Agency and executed in exchange for any or all of the Bonds, and in that case, upon demand of the Successor Agency, the Owners of the Bonds shall present such Bonds for exchange at the Trust Office of the Trustee, without cost to such Owners.

Amendment by Mutual Consent**.** The provisions of the Indenture shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

Trustee's Reliance. The Trustee may conclusively rely, and is protected in relying, upon a Certificate of the Successor Agency and an opinion of Bond Counsel stating that all requirements of the Indenture relating to the amendment or modification hereof have been satisfied and that such amendments or modifications do not materially adversely affect the interests of the Bond Owners.

Events of Default and Remedies

Events of Default and Acceleration of Maturities**.** The following events shall constitute Events of Default under the Indenture:

(a) if default shall be made by the Successor Agency in the due and punctual payment of the principal of or interest on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made by the Successor Agency in the observance of any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds or any Parity Debt Instrument contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of thirty (30) days following receipt by the Successor Agency of written notice from the Trustee or any Owner of the occurrence of such default, provided that if in the reasonable opinion of the Successor Agency the failure stated in the notice can be corrected, but not within such 30 day period, such failure will not constitute an event of default if corrective action is instituted by the Successor Agency within such 30 day period and the Successor Agency thereafter diligently and in good faith cures such failure in a reasonable period of time; or

(c) If a default is made under a Senior Obligation Indenture; or

(d) If the Successor Agency files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction will approve a petition seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will approve a petition, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Successor Agency or of the whole or any substantial part of its property.

If an Event of Default has occurred under the Indenture and is continuing, the Trustee may, or if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) the Trustee shall, subject to the provisions of the Indenture, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity.

Immediately upon receiving notice or actual knowledge of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Successor Agency by telephone promptly confirmed in writing. Such notice shall also state whether the principal of the Bonds shall have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (c) above the Trustee shall, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Owners by mail, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject under the Indenture to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Successor Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law), and the reasonable fees and expenses of the Trustee, (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee shall promptly give written notice of the foregoing to the Owners of all Bonds then Outstanding, and the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Successor Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration. All of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee under the Indenture upon the date of the declaration of acceleration as provided in the Indenture, and all sums thereafter received by the Trustee thereunder, shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture, including reasonable compensation to its agents, attorneys (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and counsel and any outstanding fees, expenses of the Trustee; and

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however,* that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Owner's Right to Sue. No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest on such Bond as provided in the Indenture, shall not be impaired or affected without the written consent of such Owner, notwithstanding any other provision of the Indenture.

Non-Waiver**.** Nothing in the Indenture or in the Bonds, shall affect or impair the obligation of the Successor Agency, which is absolute and unconditional, to pay from the Tax Revenues and other amounts pledged under the Indenture, the principal of and interest on the Bonds to the respective Owners on the respective Interest Payment Dates, as provided in the Indenture, or affect or impair the right of action, which is also absolute and unconditional, of the Owners or the Trustee to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner or the Trustee shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners and the Trustee by the Law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners and the Trustee.

If a suit, action or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to the Owners or the Trustee, the Successor Agency, the Trustee and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Actions by Trustee as Attorney-in-Fact**.** Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, *provided, however,* the Trustee shall have no duty or obligation to exercise any such right or remedy unless it has been indemnified to its satisfaction from any loss, liability or expense (including fees and expenses of its outside counsel and the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel).

Remedies Not Exclusive. No remedy conferred upon or reserved under the Indenture to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter 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 Law or any other law.

Defeasance of Bonds

Defeasance of Bonds. If the Successor Agency shall pay and discharge the entire indebtedness on all Bonds or any portion thereof in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the principal of and interest and redemption premium (if any) on all or the applicable portion of Outstanding Bonds, as and when the same become due and payable; or

(ii) by irrevocably depositing with the Trustee or an escrow agent, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, is fully sufficient to pay all or the applicable portion of Outstanding Bonds, including all principal, redemption premium (if any) and interest, or;

(iii) by irrevocably depositing with the Trustee or an escrow agent, in trust, Defeasance Obligations in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds or the applicable portion thereof (including all principal, redemption premium (if any) and interest) at or before maturity; or

(iv) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

then, at the election of the Successor Agency, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in the Indenture and all other obligations of the Trustee and the Successor Agency under the Indenture shall cease and terminate with respect to all Outstanding Bonds or, if applicable, with respect to that portion of the Bonds which has been paid and discharged, except only (a) the covenants of the Successor Agency under the Indenture with respect to the Code, (b) the obligation of the Trustee to transfer and exchange Bonds under the Indenture, (c) the obligations of the Successor Agency under the Indenture, and (d) the obligation of the Successor Agency to pay or cause to be paid to the Owners, from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee all fees, expenses and costs of the Trustee. In the event the Successor Agency shall, pursuant to the foregoing provision, pay and discharge any portion or all of the Bonds then Outstanding, the Trustee shall be authorized to take such actions and execute and deliver to the Successor Agency all such instruments as may be necessary or desirable to evidence such discharge, including, without limitation, selection by lot of Bonds of any maturity of the Bonds that the Successor Agency has determined to pay and discharge in part.

In the case of a defeasance or payment of all of the Bonds Outstanding, any funds thereafter held by the Trustee which are not required for said purpose or for payment of amounts due the Trustee pursuant to the Indenture shall be paid over to the Successor Agency for deposit in the Redevelopment Retirement Obligation Fund.

In connection with the defeasance of Bonds under the Indenture, the Successor Agency shall enter into an escrow agreement with the Trustee or other fiduciary which shall provide that:

(a) Any substitution of securities shall require the delivery of Verification Report and an opinion of Bond Counsel that such substitution will not adversely affect the exclusion from gross income of the interest on the Bonds for federal income tax purposes.

(b) If applicable, the Successor Agency will not exercise any prior optional redemption of Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds (if any), and (ii) as a condition to any such redemption the Successor Agency has delivered to the Trustee a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

APPENDIX C

FORM OF BOND COUNSEL OPINION

Upon issuance of the Bonds, Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

September 27, 2018

Successor Agency to the Redevelopment
Agency of the City of Riverside
3900 Main St.
Riverside, CA 92501

OPINION: $74,435,000 Successor Agency to the Redevelopment Agency of the City of Riverside 2018 Tax Allocation Refunding Bonds, Series A; and $40,380,000 Successor Agency to the Redevelopment Agency of the City of Riverside 2018 Tax Allocation Refunding Bonds, Taxable Series B

Members of the Successor Agency:

We have acted as bond counsel in connection with the issuance by the Successor Agency to the Redevelopment Agency of the City of Riverside (the "Successor Agency"), of $74,435,000 Successor Agency to the Redevelopment Agency of the City of Riverside 2018 Tax Allocation Refunding Bonds, Series A (the "Series A Bonds") and of $40,380,000 Successor Agency to the Redevelopment Agency of the City of Riverside 2018 Tax Allocation Refunding Bonds, Taxable Series B (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds"), pursuant to the Community Redevelopment Law, constituting Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California (the "Law"), Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code (the "Dissolution Act"), and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Refunding Law"). The Series A Bonds are being issued pursuant to an Indenture of Trust, dated as of October 1, 2014 (the "Master Indenture"), by and between the Successor Agency and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented, including by a Second Supplement to Indenture of Trust, dated as of September 1, 2018. The Series B Bonds are being issued pursuant to the Master Indenture as supplemented, including by a Third Supplement to Indenture of Trust, dated as of September 1, 2018, by and between the Successor Agency and the Trustee. The Master Indenture, as supplemented, is referred to herein as the "Indenture". We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Successor Agency contained in the Indenture, and in certified proceedings and other certifications of public officials furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Successor Agency is duly created and validly existing as a public entity, with the power to enter into the Indenture, perform the agreements on its part contained therein, and issue the Bonds.

2. The Indenture has been duly approved by the Successor Agency, and constitutes a valid and binding obligation of the Successor Agency, enforceable against the Successor Agency in accordance with its terms.

3. Pursuant to the Law, the Dissolution Act and the Refunding Law, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds, subject to no prior lien granted under the Law, the Dissolution Act and the Refunding Law, except to the extent described in the Indenture.

4. The Bonds have been duly authorized, executed and delivered by the Successor Agency, and are valid and binding special obligations of the Successor Agency, payable solely from the sources provided therefor in the Indenture.

5. The interest on the Series A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax, although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the Successor Agency comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Series A Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Successor Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series A Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series A Bonds.

6. The interest on the Series B Bonds is not intended to be excluded from gross income for federal income tax purposes.

7. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds, and the enforceability of the Bonds and the Indenture, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, and may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and the Agency takes no responsibility for the completeness or accuracy thereof. The Agency cannot and does not give any assurances 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 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium (if any), and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Bonds are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, representing the Bonds will be printed and delivered to DTC in accordance with the provisions of the Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Agency believes to be reliable, but the Agency takes no responsibility for the accuracy thereof.

APPENDIX E

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2017

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COMPREHENSIVE
ANNUAL FINANCIAL REPORT

CITY OF RIVERSIDE, CALIFORNIA

CITY OF RIVERSIDE

YEAR ENDED
JUNE 30, 2017

CITY OF RIVERSIDE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2017

Prepared by the Finance Department
Adam Raymond, Chief Financial Officer/Treasurer

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

This report was printed on recycled stock

CITY OF
RIVERSIDE

CITY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

CITY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

FINANCIAL SECTION (CONT.)

STATISTICAL SECTION

October 31, 2017

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, 2017.

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 Macias Gini & O'Connell 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, 2017. 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 annual 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 each 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 25 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 75.

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 4.2 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 326,792 which places it as the 12th largest in Southern California.

Unemployment in the MSA is currently at 6.1% down from 6.6% for the same period last year with modest improvements in the real estate and home building sectors.

The MSA is projected to grow in future years because land values continue to remain well below those in Los Angeles, Orange and San Diego Counties. Among the City's challenges is a lack of available space for manufacturing and industrial development within current boundaries.

Goals and Vision: 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 2.0 Strategic Plan was formed to implement the vision. The purpose of the Riverside 2.0 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 2.0 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 2.0 also includes five effective government principles that are reinforced through management's actions:

- **Accountability**
- **Transparency**
- **Responsiveness**
- **Financial Prudence**
- **Deciveness**

The City is in the initial implementation phase of the Strategic Plan and provides the City Council with periodic updates until the goals of the Strategic Plan have been fully implemented which is anticipated to be in several years.

Long-term financial planning: For the fiscal year (FY) 2016-17 and 2017-18 Budget Cycle, the City's first two-year budget in the context of a five-year financial plan was presented. It is a process designed to bring enhanced 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 first 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, 2021.

The first two years included anticipated funding source for 87 projects in FY 2016-17 and 70 projects in FY 2017-18. The funded CIP projects are incorporated into the City's proposed FY 2016-18 Biennial Budget. The last three years of the CIP plan, from FY 2018-19 through 2020/21, contain projects that are anticipated to be funded during the term of the Five-Year CIP Plan.

The CIP two-year budget is $93 million for FY 2016-17 and $65 million for FY 2017-18. The CIP five-year plan presents a $348 million planned CIP revenue and expenditure budget for FY 2016-17 through FY 2020-21. The proposed 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.

Also for the first time, the City's CIP document includes a list of Unfunded CIP Projects. This is an initial 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.

Measure Z: Measure Z is a one-cent transaction and use tax, with revenues going directly to the City of Riverside. Measure Z was approved by voters on November 8, 2016 to help pay for critical unfunded City programs and services, such as public safety, prevention of homelessness, road maintenance and tree trimming, recreation and parks, and more. The one-cent increase in sales tax is estimated to generate between $48 million and $52 million annually specifically for the City of Riverside's General Fund, which pays for most services.

The City began receiving these revenues in May-June 2017, with the anticipated collection of approximately $12 million in FY 2016-17 and the entire years' worth of $50 million in FY 2017-18.On May 16, 2017, the City Council approved a Measure Z Spending Plan, which appropriated $9.5 million in FY 2016-17 and $20.5 million in FY 2017-18 to cover the projected General Fund shortfalls and increase the General Fund Reserves to 15% in the first year, and 20% in the second year.

General Fund Restructuring: As part of the Mid-Cycle Budget Update, staff analyzed all General Fund activity and determined that restructuring of the General Fund for FY 2017-18 was required in order to provide for greater transparency between true General Fund activity and other financial activity that has historically been in the General Fund. New funds have been established for Civic

Entertainment and Special Districts. While the majority of these items are self-supported by specific revenues, certain operations will require a General Fund operating transfer to ensure expenditures are supported by revenues. These changes reduce the size of the General Fund by approximately $19.1 million, from $275.7 million based on projections to $256.6 million. This may reduce the transfer of Measure Z funds to the General Fund at the end of FY 2017-18 to maintain a 20% reserve

Finally, staff consolidated three separate debt funds into one general government debt fund. While this does not reduce the size or financial requirements of the General Fund, it was a necessary measure to ensure transparency.

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. As a result, the City formally adopted a General Fund, Water Fund, Sewer Fund and Electric Fund reserve policy; the City is in the process of adopting a Self-Insurance Trust Fund reserve policy. The policy establishes minimum required reserve balances for each of those funds.

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.

Budget Engagement Commission (BEC): On January 10, 2017, the City Council adopted the final reading of an ordinance to establish the BEC. The purpose of BEC is to advise the City Council on spending and policy priorities based on the information received through quarterly financial and performance reports, including revenues from Measure Z. The BEC will also work with staff to maximize public engagement on municipal budgetary issues.

The BEC is composed of 18 members, consisting of 1) nine resident members, with seven nominated by each of the Council members to represent each of the City’s wards, and two Citywide nominations made by the Mayor; and 2) nine business members, with seven nominated by each of the Council members who own a business in their ward or live in their ward or own a business in any ward, and two Citywide nominations made by the Mayor. BEC members were appointed on February 14, 2017.

Awards and Acknowledgements

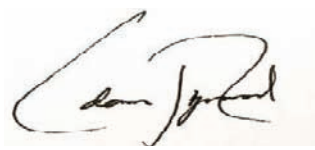
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (Program) to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the twenty-eighth consecutive year that the City has 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.

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, 2016. 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,



Adam Raymond
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, 2016

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, 2016.

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

John A. Russo	City Manager*
Alex Nguyen	Assistant City Manager
Al Zelinka	Assistant City Manager
Marianna Marysheva	Assistant City Manager

Colleen J. Nicol	City Clerk*
Gary Geuss	City Attorney*
Sergio G. Diaz	Chief of Police
Lea Deesing	Chief Innovation Officer
Rafael Guzman	Community & Economic Development Director
Adam Raymond	Chief Financial Officer/Treasurer
Michael Moore	Fire Chief
Kris Martinez	Public Works Director
Stephanie Holloman	Human Resources Director
Tonya Kennon	Library Director
Alex Nguyen	Interim Museum & Cultural Affairs Director
Adolfo Cruz	Parks, Recreation & Community Svcs. Director
Girish Balachandran	General Manager - Public Utilities
Carl Carey	General Services Director

*Appointed by City Council

CITY OF RIVERSIDE

Independent Auditors' Report

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 the City of Riverside, California (the City), as of and for the year ended June 30, 2017, 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.

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

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

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 as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the fiscal 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 on pages 3 -18, pension schedule of changes in net pension liability and related ratios during the measurement period on page 67, pension schedule of plan contributions on page 68 and other post-employment benefits schedules of funding progress on page 69, 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 combining and individual fund statements and schedules and other information, such as the introductory and statistical section as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund 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. Such 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 fund 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Newport Beach, California
October 31, 2017

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, 2017. 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, 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 19-20 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 thirteen 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 and Capital Outlay Fund, which are major funds. Data from the other eleven 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 71-77 in this report.

The City adopted an annual appropriated budget for its General Fund for the Year ended June 30, 2017. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 21-25 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, Refuse, Public Parking, Airport and Transportation 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 four 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 79-88 in this report.

The basic proprietary fund financial statements can be found on pages 26-30 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 31-32 of this report, and the combining statement for the agency fund can be found on page 90.

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 33 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 267,671	$ 273,925	$ 709,575	$ 736,950	$ 977,246	$ 1,010,875
Capital assets, net	1,356,278	1,377,609	1,834,007	1,778,027	3,190,285	3,155,636
Total assets	1,623,949	1,651,534	2,543,582	2,514,977	4,167,531	4,166,511
Deferred Outflows of Resources	178,732	131,318	103,067	98,835	281,799	230,153
Current liabilities	64,559	76,188	138,896	162,967	203,455	239,155
Long-term liabilities	828,551	772,609	1,418,369	1,416,469	2,246,920	2,189,078
Total liabilities	893,110	848,797	1,557,265	1,579,436	2,450,375	2,428,233
Deferred Inflows of Resources	64,455	92,935	47,854	58,836	112,309	151,771
Net position:						
Net investment in capital assets	1,102,409	1,123,910	702,844	654,870	1,805,253	1,778,780
Restricted	104,853	106,488	93,570	85,526	198,423	192,014
Unrestricted	(362,146)	(389,278)	245,116	235,144	(117,030)	(154,134)
Total net position	$ 845,116	$ 841,120	$ 1,041,530	$ 975,540	$ 1,886,646	$ 1,816,660

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,886,646 at June 30, 2017, an increase of $69,986 from June 30, 2016.

By far the largest portion of the City's net position of 96% 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 11% 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, $245,116 is held by the business-type activities and $(362,146) net deficit is held by the governmental activities.

Unrestricted net position in the amount of $(117,030), a decrease of 24% 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 standards 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 $3,996 to $845,116 for the year ended June 30, 2017, accounting for 6% of the City's total increase in net position. The primary result of this increase is due to an increase in deferred outflows related to the City's pension obligations which are changes in total pension liability and fiduciary net position that are to be recognized in future pension expense. Governmental activities operating results is discussed on page 9 and business-type operating results is discussed on page 12.

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, 2017 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.

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(Amount presented in Thousands)

	Governmental Activities		Business type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charge for services	$ 57,340	$ 46,354	$ 517,941	$ 493,094	$ 575,281	$ 539,448
Operating Grants and Contributions	19,374	16,321	3,751	2,322	23,125	18,643
Capital Grants and Contributions	7,617	31,216	24,151	18,868	31,768	50,084
General Revenues:						
Sales taxes	75,883	60,976	-	-	75,883	60,976
Property taxes	59,526	55,545	-	-	59,526	55,545
Other taxes and fees	39,394	39,651	-	-	39,394	39,651
Investment income	6,145	729	2,650	6,888	8,795	7,617
Other	2,195	12,185	14,662	22,666	16,857	34,851
Total Revenues	267,474	262,977	563,155	543,838	830,629	806,815
Expenses:						
General government	45,110	24,483	-	-	45,110	24,483
Public safety	160,665	161,284	-	-	160,665	161,284
Highways and streets	38,585	38,836	-	-	38,585	38,836
Culture and recreation	48,806	47,762	-	-	48,806	47,762
Interest on long-term debt	16,028	16,387	-	-	16,028	16,387
Electric	-	-	317,335	307,925	317,335	307,925
Water	-	-	62,189	57,769	62,189	57,769
Sewer	-	-	38,305	39,978	38,305	39,978
Airport	-	-	1,998	1,799	1,998	1,799
Refuse	-	-	21,953	21,652	21,953	21,652
Transportation	-	-	4,221	4,113	4,221	4,113
Public parking	-	-	5,448	5,141	5,448	5,141
Total expenses	309,194	288,752	451,449	438,377	760,643	727,129
Increase (decrease) in net position	(41,720)	(25,775)	111,706	105,461	69,986	79,686
Transfers, net	45,716	41,216	(45,716)	(41,216)	-	-
Total changes in net position	3,996	15,441	65,990	64,245	69,986	79,686
Net position - beginning	841,120	825,679	975,540	911,295	1,816,660	1,736,974
Net position - ending	$ 845,116	$ 841,120	$ 1,041,530	$ 975,540	$ 1,886,646	$ 1,816,660

Governmental activities. Total net position for governmental activities increased by $3,996 from prior year. Governmental activities net position in the prior fiscal year increased by $15,441. 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 $4.5 million or 2%, which is largely attributable to a decrease in capital grants and contributions offset by significant increases in sales tax and charges for services. Capital grants and contributions decreased by approximately $23.6 million or 76%. The largest component of the decrease relates to capital outlay projects. Specifically, the City completed several major grade separation projects in the prior fiscal year such as Streeter and Riverside Avenue grade separations. Prior year expenses for these grade separation projects account for $14.4 million of the decrease.
- The City experienced increases in charges for services from its Convention Center and the Riverside Municipal Auditorium in the amounts of $1.3 million and $1.42 million, respectively. In addition, revenues were up almost $1.0 million on residential development fees which coincides with recent increases in the economic outlook. As the result of Measure Z, a one cent sales tax initiative that was approved by voters in November 2016, the City experienced a significant increase in sales tax revenue of $14.9 million of which $12.0 million is directly related to the passing and implementation of Measure Z.

Expenses:

- While variances between years exist for the various expense functions, the total net increase was approximately $20.0 million or 7%. This is primarily related to an increase of approximately $17.9 million in pension expense related to the annual recording of the City's pension liability. Increases in other expense categories were minimal and in line with anticipated results.

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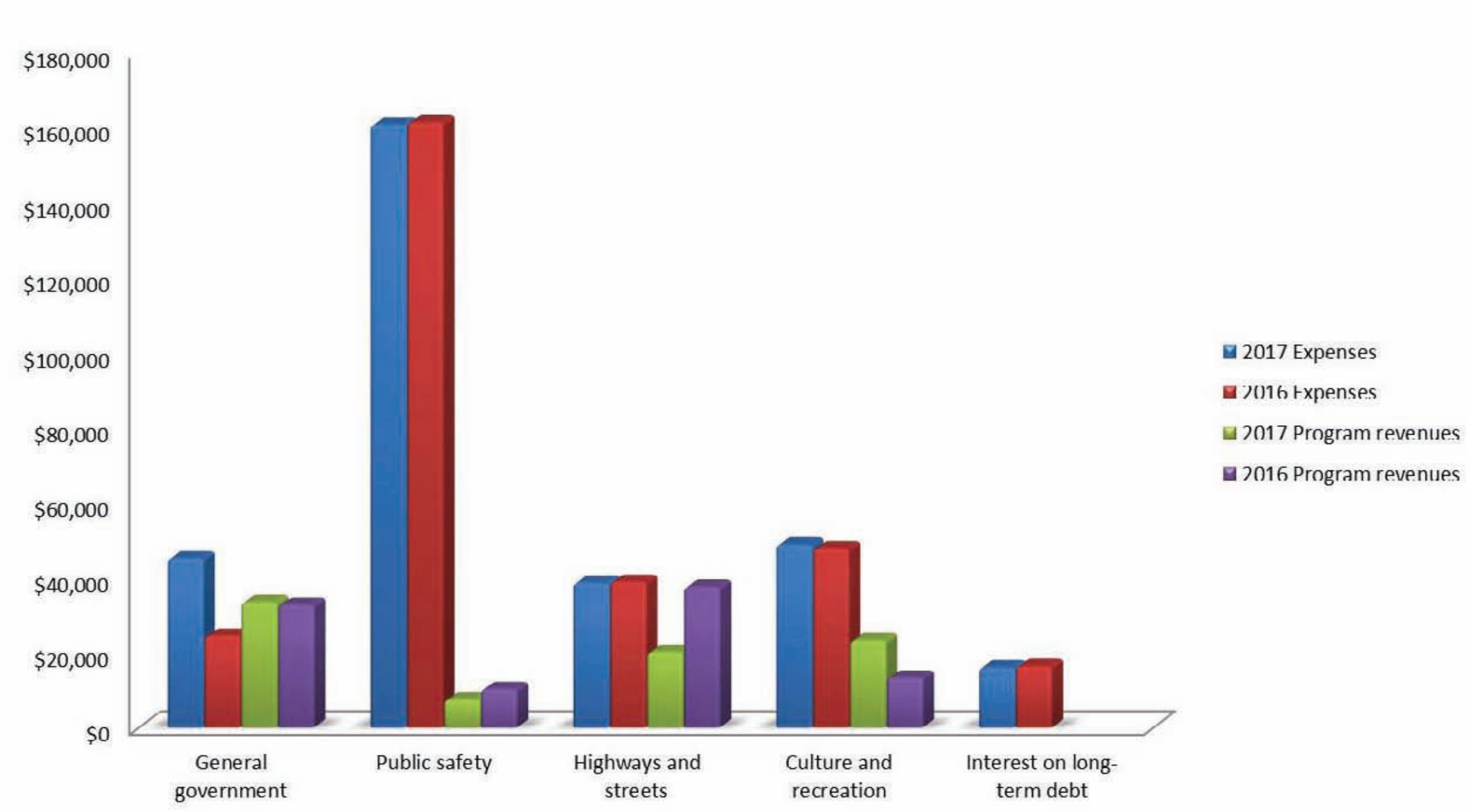
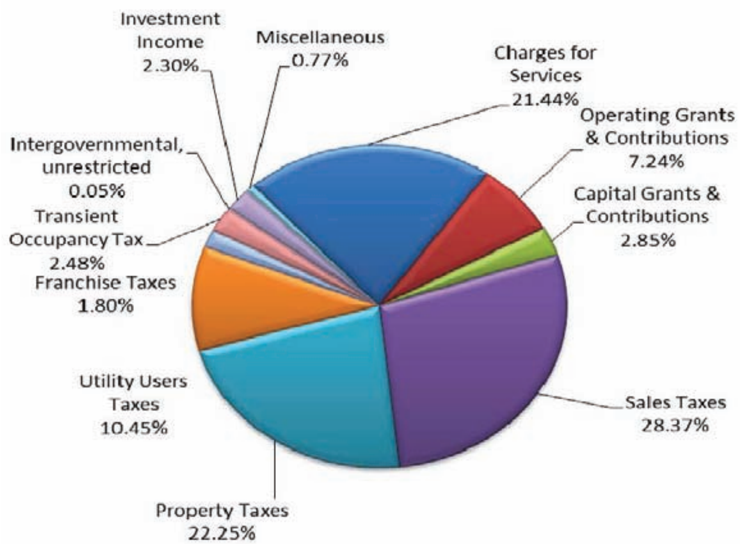
Program Revenues and Expenses – Governmental Activities – Fiscal Year Comparison 2017 vs. 2016

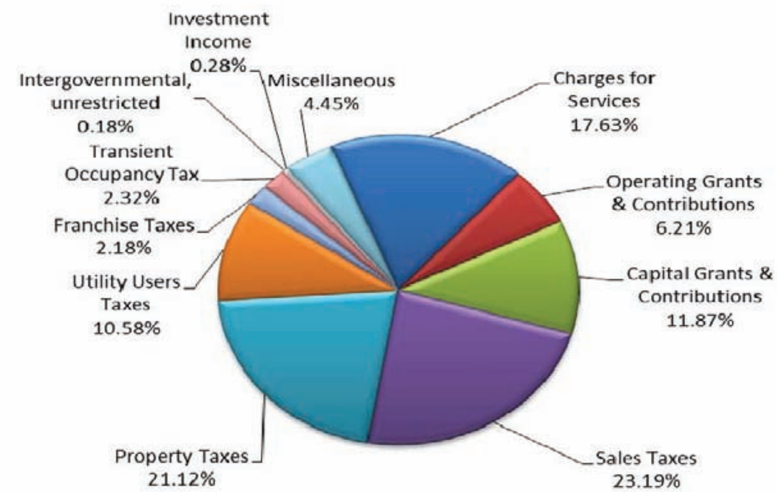


Revenues by Source – Governmental Activities – Fiscal Year Comparison 2017 vs. 2016

2017



2016

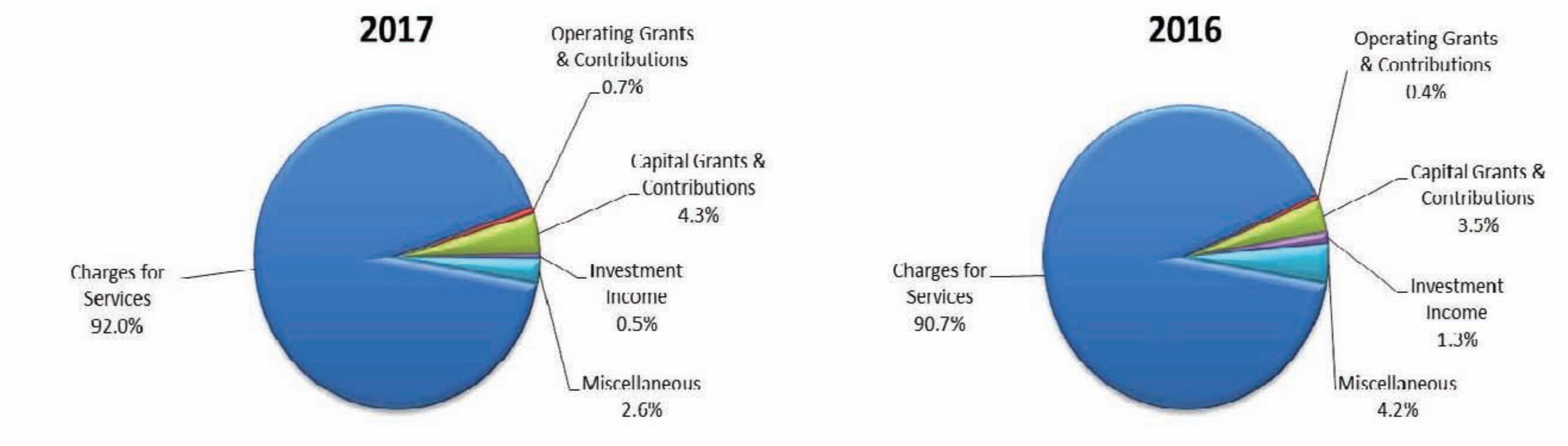


Business-type activities. The net position of business-type activities increased by $65,990 accounting for a 6% increase in total net position. The net position of business-type activities increased by $65,990 in the prior year. Key elements of this year's activity in relation to the prior year are as follows:

- Charges for services increased by $24,847 or 5%. The Electric Utility experienced an increase in charges for services of approximately $11.5 million primarily in the areas of retail sales, transmission and other operating revenue. Retail sales increased $4.1 million due to increased consumption brought on by warmer weather. Transmission revenue increased $2.6 million due to the City's high voltage specific utility rate and other operating revenue increased $5.5 million due to an increase in proceeds on the sale of renewable energy credits and on the sale of cap and trade allowances. In addition, Water Utility and Sewer charges for services were up approximately $4,300 and $7,100 million, respectively. The increase in Water Utility revenues was a result of increased consumption after the lifting of State water restriction mandates and warmer weather during the summer season. Sewer revenues increased $7,071 primarily as a result of an 8% increase in sewer rates and significant infrastructure improvements and developments that came online during the year.

- Overall expenses increased by $13,072 primarily as the result of increased expenses in the Electric and Water Fund of $9,410 and $4,420, respectively, were directly related to increases in energy and water distribution costs.

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		Other Governmental Funds		Total Governmental Funds	
	2017	2016	2017	2016	2017	2016	2017	2016
Total assets	$ 125,798	$ 106,710	$ 23,681	$ 29,387	$ 100,635	$ 124,654	$ 250,114	$ 260,751
Total liabilities	$ 36,536	$ 33,042	$ 2,559	$ 5,132	$ 10,440	$ 12,702	$ 49,535	$ 50,876
Deferred inflows of resources								
Unavailable revenue	6,192	8,090	3,176	5,582	37,688	37,535	47,056	51,207
Fund balances								
Nonspendable	26,168	23,094	-	-	1,601	1,619	27,769	24,713
Restricted	2,651	3,067	17,946	18,673	50,930	72,798	71,527	94,538
Assigned	14,968	9,922	-	-	-	-	14,968	9,922
Unassigned	39,283	29,495	-	-	(24)	-	39,259	29,495
Total fund balance	83,070	65,578	17,946	18,673	52,507	74,417	153,523	158,668
Total liabilities, deferred inflows and fund balances	$ 125,798	$ 106,710	$ 23,681	$ 29,387	$ 100,635	$ 124,654	$ 250,114	$ 260,751

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $153,523 a decrease of $5,145 compared to the prior year. Additionally, 18% of the fund balance $27,769 is *nonspendable*, which comprises the portion of fund balance that cannot be spent due to form. $71,527 or 47% 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. $14,968 or 10% 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 is *unassigned*, meaning it is available for spending at the City's discretion. The City's governmental funds reported combined total assets of $250,114 at June 30, 2017, a decrease of $10,637 compared to the prior year. Liabilities and deferred inflows of resources amounted to $96,591, a decrease of $5,492. Other Governmental Funds was the primary contributor to the decrease in overall assets and deferred inflows. A loan payoff in the form of an advance to the Successor

Agency was received earlier than anticipated from a hotel development project in the amount of $17.9 million. Additional other similar recurring loan payments were received in the current year that contributed to the additional decrease in total asset receivables. This was offset to a small degree by an increase in total assets for the General Fund primarily due to an increase in cash and investments and increased sales tax revenue.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, total fund balance equaled $83,070 in comparison to $65,578 in the prior year. The portion of fund balance classified as unassigned was $39,283 set aside for future economic contingencies.

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 $207,042, $27,550, and $18,614 respectively. The unrestricted net position for the Electric, Water and Sewer Funds in the prior year was $203,050, $36,569, and $5,093, respectively. The increase in unrestricted net position of the Electric and Sewer Fund was the result of increased operating activities. The decrease in unrestricted net position for the Water Fund is primarily a result of operating activities as described below.

Electric Fund operating results experienced an increase in charges for services of $11,536 or 3.3%, primarily from the effects of an increase in retail load as a result of warmer than normal temperature. Retail sales (residential, commercial, industrial, and other sales) represent 84.4% of total revenues. Retail sales, net of reserve/recovery were $308,790 and $304,486 for years ended June 30, 2017 and 2016, respectively. The increase in sales was primarily due to increased customer consumption; increased voltage utility specific rate per the annual filing with the Federal Energy Regulatory Commission; increased proceeds on sale of renewable energy credits and on the sale of cap and trade allowances. Operating expenses increased $9,814 or 3.50%, which primarily relates to a non-cash pension expense credit of $5 million in the prior year as a result of pension accounting standards. In addition, in the current year, the City's refinancing of pension obligation bonds resulted in an allocated increase of $2.6 million for the Electric Utility's share of the obligation.

The Water Fund reported higher operating results, with retail sales higher than the previous year's results by $4,304. Retail sales (residential, commercial, industrial, and other sales) represent 87.2% of total revenues. Retail sales, net of reserve/recovery were $54,596 and $50,195 for the years ended June 30, 2017 and 2016, respectively. The increase in retail sales was primarily due to the lifting of water restriction mandates and warmer weather during the summer season. Distribution expenses were higher which primarily relates to a pension expense credit of $1.8 million in the prior year as a result of pension accounting standards. In addition, there was an increase in production costs resulting from higher consumption and general operating expenses.

Net position of the Sewer Fund increased by $25,436 and $14,570 for the years ended June 30, 2017 and 2016, respectively. Operating revenues increased by $7,071 or 13.4% primarily as a result of an annual rate increase of 8% and increased sewer connection fees related to infrastructure building unit development. In addition, operating expenses decreased by $1,233 compared to prior year boosting the funds net position.

General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Total Revenues	217,236	237,996	238,018	$22
Expenditures:				
General Government	19,664	22,016	16,451	5,565
Public Safety	158,246	167,773	162,868	4,905
Highways & Streets	19,815	21,747	17,504	4,243
Culture & Recreation	37,986	42,570	40,440	2,130
Capital Outlay	227	7,979	3,361	4,618
Debt Service	19,214	50,359	49,463	896
Total Expenditures	255,152	312,444	290,087	22,357
Deficiency of Revenue Under Expenditures	(37,916)	(74,448)	(52,069)	22,379
Other Financing Sources	35,560	69,491	69,561	70
Net Change in Fund Balances	(2,356)	(4,957)	17,492	22,449
Beginning Fund Balance	65,578	65,578	65,578	-
Ending Fund Balance	63,222	$60,621	$83,070	$22,449

Final budgeted revenues increased from the amount originally budgeted as a result of grant related programs. In addition, final budgeted expenditures increased from the amount originally budgeted as a result of grant related appropriations made during the year.

Actual amounts differed from the final fund budget as follows:

Actual expenditures were less than final budgeted amounts by approximately $22.4 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).

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for governmental and business-type activities as of June 30, 2017 amounted to $3,190,285 (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 $34,649 (a decrease of $21,331 for governmental activities and an increase of $55,980 for business-type activities).

Major capital improvements during the current fiscal year included: new infrastructure, consisting primarily of a tertiary treatment plant of $291 million; $12 million in Water Utility upgrades primarily related to system expansion and improvements, and continued pipeline replacement programs; and $39 million in Electric Utility capital improvements primarily related to improvements to the Electric system in the form of substations, transformers, neighborhood streetlights and distribution line extensions and replacements to serve customers.

Construction in progress totaled $125,244 at June 30, 2017 a decrease of $266,268 or 68.0%. The decrease in construction in progress is primarily related to the completion and capitalization of an upgrade to the City's Water Quality Control Plant in the amount of $291 million. The main construction project still in process is the Riverside Transmission Reliability Project (RTRP) and related reliability improvements to the Utility's 230 KV Transmission Substation. Depreciation expense during the fiscal year was $48,564 for governmental activities and $58,249 for business-type activities.

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

(Amount presented in Thousands)

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	$343,918	$342,792	$80,246	$63,839	$424,164	$406,631
Construction in progress	44,310	41,535	80,934	349,977	125,244	391,512
Buildings	115,087	119,786	471,137	187,285	586,224	307,071
Improvements other than Buildings	197,482	205,750	1,123,191	1,101,988	1,320,673	1,307,738
Machinery and equipment	22,971	25,075	37,080	34,228	60,051	59,303
Intangibles	131	175	41,419	40,710	41,550	40,885
Infrastructure	632,379	642,496	-	-	632,379	642,496
Total	$1,356,278	$1,377,609	$1,834,007	$1,778,027	$3,190,285	$3,155,636

Additional information on the City's capital assets can be found in note 5 on page 43-44 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of $1,661,144 which includes bonded debt of $1,478,820.

City of Riverside's Long-Term Debt

(Amounts presented in Thousands)

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	$11,513	$12,567	$ -	$ -	$11,513	$12,567
Pension Obligation Bonds	92,592	101,000	-	-	92,592	101,000
Certificates of Participation	156,516	181,429	-	-	156,516	181,429
Lease Revenue Bonds	37,854	39,398	-	-	37,854	39,398
Revenue Bonds	-	-	1,180,345	1,208,851	1,180,345	1,208,851
Loans Payable	41,325	43,482	-	-	41,325	43,482
Notes Payable	-	-	35,255	37,793	35,255	37,793
Capital Leases	17,193	12,006	6,209	4,694	23,402	16,700
Landfill Capping	-	-	5,390	5,686	5,390	5,686
Water Acquisition Rights	-	-	938	938	938	938
Compensated Absences	22,790	22,444	8,279	8,120	31,069	30,564
Claims liability	44,945	43,269	-	-	44,945	43,269
Total	$424,728	$455,595	$1,236,416	$1,266,082	$1,661,144	$1,721,677

The City's total debt decreased by $60,533 or 3.64% during the current fiscal year. The net decrease is primarily related to principal obligation payments on bonded debt.

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. 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 $720,357 at June 30, 2017, which applies only to general obligation debt. At June 30, 2017, the City had $11,513 of general obligation debt, resulting in available legal debt capacity of $708,844.

Additional information on the City's long-term debt can be found in note 6 beginning on page 44 of this report.

Economic Factors and Next Year's Budget and Rates

- ❑ Unemployment in the City of Riverside is 6.1% as compared to 6.5% for the prior year.
- ❑ The required employer normal cost contribution rates as a percentage of payroll for the City's retirement program will be changing effective July 1, 2017. Additionally, beginning with Fiscal Year 2017-18 CalPERS will 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. As a result, the following lists the two required contribution components per plan as follows :

    - Miscellaneous Plan – 22.978% to 12.136%. Unfunded Liability Payment of $15,126,070.
    - Safety Plan – 34.836% to 19.867%. Unfunded Liability Payment of $11,912,989.

At the time of the two-year budget preparation for the fiscal year 2016-17 and 2017-18 budget cycle, the economic outlook for the City was considered to be stable. However, there were significant structural shortfalls projected over the next five fiscal years in the General Fund. The City's administration has implemented balancing measures to address the fiscal challenges that will replenish the General Fund Reserve over a five year period. In addition, the City successfully passed a one cent sales tax initiative (Measure Z). The one-cent increase in the City's sales tax rate from 7.75% to 8.75% authorized by Measure Z took effect on April 1, 2017. It is anticipated Measure Z will generate an additional $51.5 million per year in sales tax revenue.

The Budget Engagement Commission (BEC), a group of city residents and business owners appointed to represent the community in advising the City Council on budget matters, held seven meetings to review staff's recommendations for Measure Z spending and to formulate its own proposal for the City Council's consideration. During these meetings, the BEC heard presentations and comments about spending priorities and community needs from city staff, other commissions and boards, and the public. On May 9, 2017, the BEC presented its recommendations to City Council. The recommendation included a five-year plan for spending $218 Million on community needs. The City Council heard presentations from city staff and public comments recommending spending priorities. On May 16, 2017, the City Council adopted a five-year spending plan for Measure Z revenue. The spending plan addresses 33 of the community's critical needs with 6 major categories: Public Safety; Fiscal Discipline/Responsibility; Quality of Life; Critical Operating Needs; Facility Capital Needs and Technology.

The General Fund Budget for fiscal year 2017 of approximately $267 million was adopted. It represents an increase from the prior year of approximately 4.0%, largely related to increased personnel costs associated with new labor agreements, CalPERS increases and increases related to the Riverside Convention Center and Municipal Auditorium.

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

City of Riverside
Statement of Net Position
June 30, 2017
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	$ 129,686	$ 387,368	$ 517,054
Receivables, net	87,705	57,824	145,529
Inventory	6,000	2,622	8,622
Prepaid items	2,623	31,355	33,978
Deposits	300	1,272	1,572
Internal balances	16,814	(16,814)	-
Restricted assets:			
Cash and cash equivalents	-	71,741	71,741
Cash and investments at fiscal agent	13,740	158,619	172,359
Other	-	990	990
Advances to Successor Agency Trust Fund	7,531	4,665	12,196
Land and improvements held for resale	3,272	-	3,272
Regulatory assets	-	9,933	9,933
Land and other capital assets not being depreciated	388,228	182,672	570,900
Capital assets (net of accumulated depreciation)	968,050	1,651,335	2,619,385
Total assets	1,623,949	2,543,582	4,167,531
Deferred Outflows of Resources			
Changes in derivative values	15,955	21,038	36,993
Charge on refunding	4,192	16,446	20,638
Pension contributions, changes in assumptions and differences in experience	158,585	65,583	224,168
Total deferred outflows of resources	178,732	103,067	281,799
Liabilities			
Accounts payable and other current liabilities	31,627	20,326	51,953
Accrued interest payable	2,652	14,990	17,642
Unearned revenue	2,164	1,440	3,604
Deposits	7,750	6,748	14,498
Derivative instruments	20,366	30,718	51,084
Decommissioning liability	-	64,674	64,674
Noncurrent liabilities:			
Due within one year	51,791	38,725	90,516
Due in more than one year	372,937	1,197,691	1,570,628
OPEB obligation	19,427	15,497	34,924
Net pension liability	384,396	166,456	550,852
Total liabilities	893,110	1,557,265	2,450,375
Deferred Inflows of Resources			
Regulatory charges	-	16,602	16,602
Pension contributions, changes in assumptions and differences in experience	64,455	31,252	95,707
Total deferred inflows of resources	64,455	47,854	112,309
Net Position			
Net investment in capital assets	1,102,409	702,844	1,805,253
Restricted for:			
Expendable:			
Capital projects	25,270	-	25,270
Debt service	-	57,220	57,220
Economic development	17,956	-	17,956
Landfill capping	-	1,738	1,738
Public works	16,220	-	16,220
Housing	43,830	-	43,830
Programs and regulatory requirements	-	34,612	34,612
Nonexpendable	1,577	-	1,577
Unrestricted	(362,146)	245,116	(117,030)
Total net position	$ 845,116	$ 1,041,530	$ 1,886,646

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, 2017
(amounts expressed in thousands)

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:								
General government	$ 45,110	$ (17,189)	$ 27,441	$ 5,620	$ 393	$ 5,533	$ -	$ 5,533
Public safety	160,665	8,730	1,167	4,564	1,760	(161,904)	-	(161,904)
Highways and streets	38,585	4,752	5,930	8,965	5,224	(23,218)	-	(23,218)
Culture and recreation	48,806	3,707	22,802	225	240	(29,246)	-	(29,246)
Interest on long-term debt	16,028	-	-	-	-	(16,028)	-	(16,028)
Total governmental activities	309,194	-	57,340	19,374	7,617	(224,863)	-	(224,863)
Business type activities:								
Electric	317,335	-	366,066	-	19,684	-	68,415	68,415
Water	62,189	-	62,627	-	3,525	-	3,963	3,963
Sewer	38,305	-	59,735	-	-	-	21,430	21,430
Airport	1,998	-	1,578	-	161	-	(259)	(259)
Refuse	21,953	-	22,567	-	-	-	614	614
Transportation	4,221	-	359	3,751	781	-	670	670
Public parking	5,448	-	5,009	-	-	-	(439)	(439)
Total business type activities	451,449	-	517,941	3,751	24,151	-	94,394	94,394
Total	$ 760,643	-	$ 575,281	$ 23,125	$ 31,768	$ (224,863)	$ 94,394	$ (130,469)

	Governmental Activities	Business type Activities	Total
General revenues:			
Taxes:			
Sales	75,883	-	75,883
Property	59,526	-	59,526
Utility users	27,958	-	27,958
Franchise	4,814	-	4,814
Transient occupancy tax	6,622	-	6,622
Intergovernmental, unrestricted	145	-	145
Investment income	6,145	2,650	8,795
Miscellaneous	2,050	14,662	16,712
Subtotal	183,143	17,312	200,455
Transfers, net	45,716	(45,716)	-
Total general revenues and transfers	228,859	(28,404)	200,455
Change in net position	3,996	65,990	69,986
Net position - beginning	841,120	975,540	1,816,660
Net position - ending	$ 845,116	$ 1,041,530	$ 1,886,646

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

City of Riverside
Balance Sheet
Governmental Funds
June 30, 2017
(amounts expressed in thousands)

Assets	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Cash and investments	$ 59,347	$ 14,352	$ 37,466	$ 111,165
Cash and investments at fiscal agent	1,943	9	11,788	13,740
Receivables (net of allowance for uncollectibles)				
Interest	23	64	118	205
Property taxes	4,274	-	-	4,274
Sales tax	20,360	-	-	20,360
Utility billed	1,210	-	-	1,210
Accounts	6,525	2,858	60	9,443
Intergovernmental	4,050	6,398	3,861	14,309
Notes	1	-	37,244	37,245
Prepaid items	2,599	-	24	2,623
Deposits	300	-	-	300
Due from other funds	1,722	-	-	1,722
Advances to other funds	22,715	-	-	22,715
Advances to Successor Agency Trust Fund	554	-	6,977	7,531
Land & improvements held for resale	175	-	3,097	3,272
Total assets	$ 125,798	$ 23,681	$ 100,635	$ 250,114
Liabilities				
Accounts payable	$ 9,291	$ 627	$ 941	$ 10,859
Accrued payroll	19,072	-	-	19,072
Retainage payable	1	41	161	203
Intergovernmental	149	-	-	149
Unearned revenue	273	1,891	-	2,164
Deposits	7,750	-	-	7,750
Due to other funds	-	-	1,415	1,415
Advances from other funds	-	-	7,923	7,923
Total liabilities	36,536	2,559	10,440	49,535
Deferred Inflows of Resources				
Unavailable revenue	6,192	3,176	37,688	47,056
Total deferred inflows of resources	6,192	3,176	37,688	47,056
Fund Balances				
Nonspendable:				
Inventories, prepaids and deposits	2,899	-	24	2,923
Advances	23,269	-	-	23,269
Permanent fund principal	-	-	1,577	1,577
Restricted for:				
Housing and redevelopment	175	-	24,098	24,273
Debt service	1,884	-	6,455	8,339
Transportation and public works	-	17,946	16,232	34,178
Other purposes	592	-	4,145	4,737
Assigned to:				
General government	2,387	-	-	2,387
Public safety	2,357	-	-	2,357
Highways and streets	1,032	-	-	1,032
Culture and recreation	728	-	-	728
Continuing projects	8,464	-	-	8,464
Unassigned	39,283	-	(24)	39,259
Total fund balances	83,070	17,946	52,507	153,523
Total liabilities, deferred inflows of resources, and fund balances	$ 125,798	$ 23,681	$ 100,635	$ 250,114

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, 2017
(amounts expressed in thousands)

Total fund balances - governmental funds		$ 153,523
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.		1,348,644
Deferred refunding charges are not available resources and, therefore, are not reported in the funds.		4,192
Deferred amounts on pensions related to contributions after the measurement date		155,649
Deferred amounts on pensions related to the net difference between projected and actual earnings on pension plan investments		(63,095)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		47,056
Accrued interest payable for the current portion of interest due on various debt issues has not been reported in the governmental funds.		(2,652)
Long-term liabilities, as listed below, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds	$ (140,150)	
Certificates of participation	(155,350)	
Capital leases	(17,193)	
Loan payable	(41,325)	
Bond premiums	(2,975)	
OPEB obligation	(18,523)	
Net pension liability	(377,006)	
Compensated absences	(22,354)	
		(774,876)
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	$ (20,366)	
Deferred amount related to the hedgeable portion of the derivative instrument	15,955	
		(4,411)
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.		(18,914)
Net position of governmental activities		$845,116

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, 2017
(amounts expressed in thousands)

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 174,803	$ -	$ -	$ 174,803
Licenses and permits	9,815	-	4,640	14,455
Intergovernmental	7,318	10,643	13,479	31,440
Charges for services	31,384	-	-	31,384
Fines and forfeitures	1,975	-	1	1,976
Special assessments	4,443	956	2,179	7,578
Rental and investment income	2,768	25	1,925	4,718
Miscellaneous	5,512	136	1,604	7,252
Total revenues	238,018	11,760	23,828	273,606
Expenditures				
Current:				
General government	16,451	-	4,199	20,650
Public safety	162,868	-	844	163,712
Highways and streets	17,504	-	-	17,504
Culture and recreation	40,440	-	203	40,643
Capital outlay	3,361	9,487	18,152	31,000
Debt service:				
Principal	44,225	-	28,475	72,700
Interest	5,209	-	10,906	16,115
Bond issuance costs	29	-	-	29
Total expenditures	290,087	9,487	62,779	362,353
Excess (deficiency) of revenues over (under) expenditures	(52,069)	2,273	(38,951)	(88,747)
Other financing sources (uses)				
Transfers in	76,948	-	17,573	94,521
Transfers out	(13,497)	(3,000)	(32,308)	(48,805)
Issuance of long-term debt	-	-	31,578	31,578
Capital lease financings	2,109	-	-	2,109
Proceeds from the sale of capital assets	4,001	-	198	4,199
Total other financing sources (uses)	69,561	(3,000)	17,041	83,602
Net change in fund balances	17,492	(727)	(21,910)	(5,145)
Fund balances - beginning	65,578	18,673	74,417	158,668
Fund balances - ending	$ 83,070	$ 17,946	$ 52,507	$ 153,523

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, 2017
(amounts expressed in thousands)

Net change in fund balances - total governmental funds		$ (5,145)
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	$ 28,766	
Depreciation expense	(47,650)	(18,884)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.		(3,025)
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.		(4,151)
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	$ 72,700	
Net pension liability	(1,064)	
Net OPEB obligation	(1,480)	
Compensated absences	(361)	
Interest	888	
Issuance of long-term debt	(37,405)	33,278
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.		1,923
Change in net position of governmental activities		$ 3,996

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, 2017
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 166,691	$ 176,691	$ 174,803	$ (1,888)
Licenses and permits	9,825	9,825	9,815	(10)
Intergovernmental	1,520	10,441	7,318	(3,123)
Charges for services	26,350	26,513	31,384	4,871
Fines and forfeitures	1,737	1,737	1,975	238
Special assessments	4,504	4,504	4,443	(61)
Rental and investment income	4,024	4,024	2,768	(1,256)
Miscellaneous	2,585	4,261	5,512	1,251
Total revenues	217,236	237,996	238,018	22
Expenditures				
General government:				
Mayor	989	1,105	1,078	27
Council	1,705	1,707	1,719	(12)
Manager	6,378	6,253	6,379	(126)
Attorney	5,415	5,908	4,689	1,219
Clerk	1,873	1,868	1,661	207
Community development	15,382	15,376	13,130	2,246
Human resources	3,871	4,452	3,289	1,163
General services	21,290	21,411	21,798	(387)
Finance	13,164	13,658	13,429	229
Innovation & technology	11,562	12,243	11,002	1,241
Subtotal	81,629	83,981	78,174	5,807
Allocated expenditures	(61,965)	(61,965)	(61,723)	(242)
Total general government	19,664	22,016	16,451	5,565

continued

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Public safety:				
Police	97,798	105,026	100,555	4,471
Fire	50,064	52,386	52,215	171
Animal regulation	3,409	3,511	3,128	383
Building and zoning inspection	2,481	2,356	2,408	(52)
Street lighting	4,494	4,494	4,562	(68)
Total public safety	158,246	167,773	162,868	4,905
Highways and streets	19,815	21,747	17,504	4,243
			-	
Culture and recreation				
Library	7,554	8,534	8,076	458
Museum & cultural affairs	12,792	13,675	14,306	(631)
Parks, recreation & community services	17,640	20,361	18,058	2,303
Total culture and recreation	37,986	42,570	40,440	2,130
Capital outlay	227	7,979	3,361	4,618
Debt service:				
Principal	13,620	44,765	44,225	540
Interest	5,404	5,404	5,209	195
Bond issuance costs	190	190	29	161
Total debt service	19,214	50,359	49,463	896
Total expenditures	255,152	312,444	290,087	22,357
Deficiency of revenue under expenditures	(37,916)	(74,448)	(52,069)	22,379
Other financing sources (uses)				
Transfers in	45,075	44,902	76,948	32,046
Transfers out	(13,648)	(13,648)	(13,497)	151
Issuance of long-term debt	-	31,145	-	(31,145)
Capital lease financings	-	2,959	2,109	(850)
Proceeds from the sale of capital assets	4,133	4,133	4,001	(132)
Total other financing sources	35,560	69,491	69,561	70
Net change in fund balance	(2,356)	(4,957)	17,492	22,449
Fund balance, beginning	65,578	65,578	65,578	-
Fund balance (deficit), ending	$ 63,222	$ 60,621	$ 83,070	$ 22,449

City of Riverside
Statement of Net Position
Proprietary Funds
June 30, 2017
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
Assets	**Electric**	**Water**	**Sewer**	**Other Enterprise Funds**	**Total Enterprise Funds**	**Governmental Activities-Internal Service Funds**
Current assets:						
Cash and investments	$ 255,496	$ 63,503	$ 61,941	$ 6,428	$ 387,368	$ 18,521
Receivables (net allowances for uncollectibles)						
Interest	891	231	218	30	1,370	43
Utility billed	14,604	3,606	3,050	1,038	22,298	-
Utility unbilled	16,411	3,329	2,295	774	22,809	-
Accounts	4,415	1,504	415	1,767	8,101	23
Intergovernmental	2	1,670	772	802	3,246	593
Inventory	1,097	-	1,525	-	2,622	6,000
Prepaid items	22,234	164	30	-	22,428	-
Deposits	1,272	-	-	-	1,272	-
Due from other funds	183	78	-	-	261	-
Restricted assets:						
Cash and cash equivalents:						
Rate stabilization cash and cash equivalents	-	-	14,500	-	14,500	-
Other restricted cash and cash equivalents	47,133	8,370	-	1,738	57,241	-
Public benefit programs receivable	927	63		-	990	-
Total current assets	364,665	82,518	84,746	12,577	544,506	25,180
Non-current assets:						
Restricted assets:						
Cash and investments at fiscal agent	82,941	2,283	73,395	-	158,619	-
Regulatory assets	3,056	-	1,596	5,281	9,933	-
Prepaid items - non-current	8,927	-	-	-	8,927	-
Advances to other funds	-	-	4,986	-	4,986	3,538
Advances to Successor Agency Trust Fund	4,665	-	-	-	4,665	-
Capital assets:						-
Land	37,845	20,484	2,737	19,180	80,246	458
Intangible assets, non-depreciable	10,651	10,841	-	-	21,492	-
Intangible assets, depreciable	20,950	3,528	119	-	24,597	219
Accumulated depreciation - intangible assets, depreciable	(3,808)	(820)	(42)	-	(4,670)	(88)
Buildings	61,054	19,662	490,365	35,903	606,984	4,065
Accumulated depreciation - buildings	(9,004)	(6,216)	(112,743)	(7,884)	(135,847)	(597)
Improvements other than buildings	920,657	602,935	143,134	29,253	1,695,979	1,315
Accumulated depreciation - improvements other than buildings	(341,187)	(198,705)	(21,535)	(11,361)	(572,788)	(369)
Machinery and equipment	41,774	14,847	16,418	23,578	96,617	11,307
Accumulated depreciation - machinery and equipment	(21,776)	(12,556)	(8,375)	(16,830)	(59,537)	(8,676)
Construction in progress	51,636	13,973	15,161	164	80,934	-
Total non-current assets	868,381	470,256	605,216	77,284	2,021,137	11,172
Total assets	1,233,046	552,774	689,962	89,861	2,565,643	36,352
Deferred Outflows of Resources						
Changes in derivative values	17,157	3,881	-	-	21,038	-
Charge on refunding	9,772	6,674	-	-	16,446	-
Pension contributions, changes in assumptions and differences in experience	38,247	13,542	8,490	5,304	65,583	2,936
Total deferred outflows of resources	65,176	24,097	8,490	5,304	103,067	2,936

Continued

City of Riverside
Statement of Net Position
Proprietary Funds
June 30, 2017
(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	11,497	2,667	4,273	1,307	19,744	1,344
Retainage payable	162	193	227	-	582	-
Unearned revenue	51	185	3	1,201	1,440	-
Deposits	5,996	752	-	-	6,748	-
Due to other funds	-	-	-	307	307	261
Capital leases - current	806	210	-	-	1,016	-
Water stock acquisitions - current	-	150	-	-	150	-
Notes payable - current	-	837	774	1,014	2,625	-
Landfill capping - current	-	-	-	250	250	-
Claims and judgments - current	-	-	-	-	-	10,765
Compensated absences - current	4,177	1,394	976	517	7,064	302
Current liabilities payable from restricted assets:						
Revenue bonds	13,795	5,415	8,410	-	27,620	-
Decommissioning liability	8,607	-	-	-	8,607	-
Accrued interest	5,215	1,619	8,156	-	14,990	-
Total current liabilities	50,306	13,422	22,819	4,596	91,143	12,672
Non-current liabilities:						
Revenue bonds	547,122	184,949	420,654	-	1,152,725	-
Notes payable	-	12,927	1,446	18,257	32,630	-
Capital leases	3,098	2,095	-	-	5,193	-
Advances from other funds	12,312	4,439	2,821	2,182	21,754	1,562
Decommissioning liability	56,067	-	-	-	56,067	-
Derivative instruments	22,525	8,193	-	-	30,718	-
Claims and judgments	-	-	-	-	-	34,180
Water stock acquisitions	-	788	-	-	788	-
Landfill capping	-	-	-	5,140	5,140	-
Compensated absences	808	288	78	41	1,215	134
OPEB obligation	7,905	3,266	2,320	2,006	15,497	904
Net pension liability	96,193	34,465	21,980	13,818	166,456	7,390
Total non-current liabilities	746,030	251,410	449,299	41,444	1,488,183	44,170
Total liabilities	796,336	264,832	472,118	46,040	1,579,326	56,842
Deferred Inflows of Resources						
Regulatory charges	-	111	16,491		16,602	-
Pension contributions, changes in assumptions and differences in experience	17,685	6,510	4,312	2,745	31,252	1,360
Total deferred inflows of resources	17,685	6,621	20,803	2,745	47,854	1,360
Net Position						
Net investment in capital assets	229,432	269,789	150,891	52,732	702,844	7,634
Restricted for debt service	16,510	6,068	34,642	-	57,220	-
Restricted for landfill capping	-	-	-	1,738	1,738	-
Restricted for programs and regulatory requirements	31,217	2,011	1,384	-	34,612	-
Unrestricted	207,042	27,550	18,614	(8,090)	245,116	(26,548)
Total net position (deficit)	$ 484,201	$ 305,418	$ 205,531	$ 46,380	$ 1,041,530	$ (18,914)

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, 2017
(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	$ 366,066	$ 62,627	$ 59,735	$ 29,513	$ 517,941	$ 24,381
Operating expenses:						
Personnel services	46,931	12,890	9,673	8,907	78,401	4,517
Contractual services	6,971	1,909	1,154	6,354	16,388	1,474
Maintenance and operation	190,626	8,857	8,891	7,284	215,658	2,615
General	13,061	14,409	5,683	4,533	37,686	2,444
Materials and supplies	865	744	3,260	1,462	6,331	303
Claims/Insurance	899	397	1,260	258	2,814	10,231
Depreciation and amortization	32,642	14,320	7,734	3,959	58,655	915
Total operating expenses	291,995	53,526	37,655	32,757	415,933	22,499
Operating income (loss)	74,071	9,101	22,080	(3,244)	102,008	1,882
Non-operating revenues (expenses):						
Operating grants	-	-	-	3,751	3,751	-
Interest income	1,809	17	798	26	2,650	76
Other	7,174	1,838	831	1,370	11,213	5
Gain (loss) on retirement of capital assets	420	61	(28)	(309)	144	29
Capital improvement fees	-	-	3,305	-	3,305	-
Interest expense and fiscal charges	(25,340)	(8,663)	(650)	(863)	(35,516)	(69)
Total non-operating revenues (expenses)	(15,937)	(6,747)	4,256	3,975	(14,453)	41
Income (loss) before capital contributions and transfers	58,134	2,354	26,336	731	87,555	1,923
Cash capital contributions	2,367	3,313	-	887	6,567	-
Noncash capital contributions	17,317	212	-	55	17,584	-
Transfers in	-	-	-	825	825	-
Transfers out	(39,230)	(5,673)	(900)	(738)	(46,541)	-
Change in net position	38,588	206	25,436	1,760	65,990	1,923
Net position (deficit) - beginning	445,613	305,212	180,095	44,620	975,540	(20,837)
Net position (deficit) - ending	$ 484,201	$ 305,418	$ 205,531	$ 46,380	$ 1,041,530	$ (18,914)

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, 2017
(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	$ 366,039	$ 62,443	$ 58,934	$ 28,753	$ 516,169	$ 23,818
Cash paid to employees for services	(55,359)	(19,945)	(9,609)	(8,754)	(93,667)	(2,805)
Cash paid to other suppliers of goods or services	(212,409)	(18,232)	(21,541)	(19,932)	(272,114)	(17,377)
Other receipts	7,174	794	916	1,776	10,660	5
Net cash provided by operating activities	105,445	25,060	28,700	1,843	161,048	3,641
Cash flows from noncapital financing activities:						
Transfers in	-	-	-	825	825	-
Transfers out	(39,230)	(5,673)	(900)	(738)	(46,541)	-
Operating grants	-	-	-	3,751	3,751	-
Receipts on interfund advances	683	101	1,044	100	1,928	5,394
Payments on interfund advances	(712)	(306)	-	(276)	(1,294)	(1,021)
Net cash (used) provided by noncapital financing activities	(39,259)	(5,878)	144	3,662	(41,331)	4,373
Cash flows from capital and related financing activities:						
Purchase of capital assets	(27,999)	(18,634)	(28,604)	(2,213)	(77,450)	(1,493)
Proceeds from the sale of capital assets	426	92	-	19	537	29
Principal paid on long-term obligations	(14,109)	(5,180)	(9,577)	(976)	(29,842)	-
Interest paid on long-term obligations	(26,274)	(8,522)	(18,978)	(863)	(54,637)	(69)
Capital improvement fees	-	-	3,305	-	3,305	-
Capital lease proceeds	-	2,305	-	-	2,305	-
Capital contributions	2,285	2,913	-	887	6,085	-
Net cash (used) for capital and related financing activities	(65,671)	(27,026)	(53,854)	(3,146)	(149,697)	(1,533)
Cash flows from investing activities:						
Sale and (purchase) of investments	9,452	-	(95)	(13)	9,344	(10)
Interest from investments	1,568	(32)	798	26	2,360	76
Net cash (used) provided by investing activities	11,020	(32)	703	13	11,704	66
Net change in cash and cash equivalents	11,535	(7,876)	(24,307)	2,372	(18,276)	6,547
Cash and cash equivalents, beginning (including $41,847 for Electric, $8,491 for Water, $128,379 for Sewer and $413 for Other Enterprise Funds in restricted accounts.)	291,094	82,032	174,143	5,794	553,063	11,974
Cash and cash equivalents, ending (including $47,133 for Electric, $10,653 for Water, $87,895 for Sewer and $1,738 for Other Enterprise Funds in restricted accounts.)	$ 302,629	$ 74,156	$ 149,836	$ 8,166	$ 534,787	$ 18,521

Continued

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

Continued

	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating Income (loss)	$ 74,071	$ 9,101	$ 22,080	$ (3,244)	$ 102,008	$ 1,882
Other receipts	7,174	794	831	1,370	10,169	5
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	32,642	14,320	7,734	3,959	58,655	915
Changes in assets, liabilities and deferred inflows/outflows of resources:						
Utility billed receivable	(225)	(385)	(143)	(11)	(764)	-
Utility unbilled receivable	(502)	(281)	(233)	(27)	(1,043)	-
Accounts receivable	(225)	816	(322)	(360)	(91)	(2)
Intergovernmental receivable	-	(772)	(103)	(494)	(1,369)	(561)
Inventory	-	-	4	-	4	(86)
Prepaid and deposit items	(2,775)	4	(29)	-	(2,800)	-
Benefit programs receivable	(30)	39	-	-	9	-
Regulatory assets	-	-	150	406	556	-
Accounts payable	(1,687)	638	(1,160)	475	(1,734)	(224)
Retainage payable	47	160	(108)	-	99	-
Other payables	465	499	117	99	1,180	55
Deposits payable	956	213	-	-	1,169	-
Landfill capping	-	-	-	(296)	(296)	-
Claims and judgments	-	-	-	-	-	1,676
Net pension liability and related changes in deferred outflows and inflows of resources	(247)	(86)	(53)	(34)	(420)	(19)
Deferred regulatory charges	-	-	(65)	-	(65)	-
Decommissioning liability	(4,219)	-	-	-	(4,219)	-
Net cash provided by operating activities	$ 105,445	$ 25,060	$ 28,700	$ 1,843	$ 161,048	$ 3,641
Schedule of noncash financing and investing activities:						
Capital Contributions - capital assets	$ 17,317	$ 212	$ -	$ 55	$ 17,584	$ -
Payment on note payable including interest offset by rent credit	-	1,044	-	-	1,044	-
Loss on retirement of capital assets	-	-	(28)	(328)	(356)	-
Borrowing under capital lease	902	-	-	-	902	-
Proceeds of refunding debt	-	-	-	-	-	

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, 2017
(amounts expressed in thousands)

	Successor Agency Private-Purpose Trust Fund	Agency Fund
Assets		
Cash and investments	$ 34,428	$ 3,181
Cash and investments at fiscal agent	13,236	5,068
Receivables:		
Interest	113	8
Accounts	109	-
Notes	3,164	-
Direct financing lease receivable	16,675	-
Deposits	2	-
Property tax receivables	-	34
Land and improvements held for resale	9,899	-
Capital assets:		
Land	185	-
Equipment	6	-
Accumulated depreciation - equipment	(6)	-
Total assets	77,811	8,291
Liabilities		
Accounts payable	10	-
Accrued interest	3,995	-
Advances from other funds	12,196	-
Bonds payable	217,147	-
Notes payable	4,728	-
Held for bond holders	-	8,291
Total liabilities	238,076	8,291
Deferred Inflows of Resources		
Deferred charge on refunding	1,261	-
Total deferred inflows of resources	1,261	-
Net Position/(Deficit)		
Held by Successor Agency	(161,526)	-
Total net position/(deficit)	$ (161,526)	$ -

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, 2017
(amounts expressed in thousands)

	Successor Agency Private-Purpose Trust Fund
Additions	
Property tax revenue	$ 30,019
Miscellaneous	222
Total additions	30,241
Deductions	
Professional services and other deductions	1,861
Redevelopment projects	464
Interest expense	11,433
Total deductions	13,758
Change in Net Position/(Deficit)	16,483
Net position/(deficit) - beginning	(178,009)
Net position/(deficit) - ending	$ (161,526)

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 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 $1.6 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, 2017, the City had an allowance for doubtful account balance of $5,922.

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.

For the year ended June 30, 2017 (amounts expressed in thousands)

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, 2017, business-type activities capitalized net interest costs of $20,572 in the government-wide financial statements. Total interest expense incurred by the business-type activities before capitalization was $56,088.

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 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 9 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

<u>Long-Term Debt</u>

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 $70,324 in cash investments with the trustee and $6,590 in an internally designated decommissioning reserve as the Electric Utility's estimated share of the decommissioning cost of SONGS as of June 30, 2017. 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, 2017, the Electric Utility has paid to date $18,887 in decommissioning obligations, of which $9,899 has been reimbursed by the trust funds with the balance to be reimbursed in the next fiscal year.

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, 2017, 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 7.

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. No amounts have been reported within this category of fund balance.
- 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. New Accounting Pronouncements

Effective June 30, 2017, the accompanying financial statements reflect the implementation of Governmental Accounting Standards Board Statement No. 77 (GASB 77), *Tax Abatement Disclosures*. The primary objective of GASB 77 is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand 1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and 2) the impact those abatements have on a government's financial position and economic condition. The City implemented this Statement resulting in additional disclosures (Note 17).

Effective July 1, 2016, the accompanying financial statements reflect the implementation of Governmental Accounting Standards Board Statement No. 82 (GASB 82), *Pension Issues – An Amendment of GASB Statement No. 67, No. 68, and No. 73*. The primary objective of GASB 82 is to address certain issues that have been raised with respect to Statements No. 67 *Financial Reporting for Pension Plans,* No. 68, *Accounting and Financial Reporting for Pensions,* and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan members) contribution requirements. The City implemented this Statement resulting in revisions to the presentation of payroll-related measures in certain pension schedules presented as required supplementary information.

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.

(amounts expressed in thousands)

3. Cash and Investments

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

Investments	$ 564,521
Investments at fiscal agent	186,633
	751,154
Cash on hand and deposits with financial institutions	64,899
Non-negotiable certificates of deposit	1,014
	$ 817,067

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

Cash and investments	$ 517,054
Restricted cash and cash equivalents	71,741
Restricted cash and investments at fiscal agent	172,359
Total per statement of net position	761,154
Fiduciary fund cash and investments	37,609
Fiduciary fund cash and investments with fiscal agent	18,304
	$ 817,067

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.

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:

	Max Maturity	Max % of Portfolio
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	N/A
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	15%
Collateralized Time Deposits	5 Years	15%
Federally Insured Time Deposits	5 Years	15%
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.

(amounts expressed in thousands)

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.

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 City does not value any of its investments using Level 1 and Level 3 inputs.

The City has the following recurring fair value measurements as of June 30, 2017:

	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	$ 86,372	$ -	$ 86,372	$ -
Federal Agency Securities	10,149	-	10,149	-
U.S. Treasury Notes/Bonds	310,871	-	310,871	-
Corp. Medium Term Notes	17,291	-	17,291	-
Negotiable Certificates of Deposits	11,189	-	11,189	-
Held by Fiscal Agent				
Money Market Funds	84,176	-	84,176	-
Commercial Paper	2,243	-	2,243	-
U.S. Treasury Notes/Bonds	12,901	-	12,901	-
Federal Agency Securities	15,472	-	15,472	-
Corp. Medium Term Notes	11,421	-	11,421	-
Total	562,085	$ -	$ 562,085	$ -
Investments not subject to fair value hierarchy:				
State Investment Pool	178,308			
Investment Contracts	10,761			
Total Investments	$ 751,154			

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:

(amounts expressed in thousands)

		Remaining Maturity (in Months)			
	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Money Market Funds	$ 86,372	$ 86,372	$ -	$ -	$ -
Federal Agency Securities	10,149	10,149	-	-	-
U.S. Treasury Notes/Bonds	310,871	45,910	99,286	165,675	-
Corp. Medium Term Notes	17,291	8,749	8,542	-	-
State Investment Pool	128,649	128,649	-	-	-
Negotiable Certificates of Deposit	11,189	3,723	4,479	2,987	-
Held by Fiscal Agent					
Money Market Funds	84,176	84,176	-	-	-
State Investment Pool	49,659	49,659	-	-	-
Investment Contracts	10,761	-	-	-	10,761
Commercial Paper	2,243	2,243	-	-	-
U.S. Treasury Notes/Bonds	12,901	9,627	3,274	-	-
Federal Agency Securities	15,472	13,780	1,326	366	-
Corp. Medium Term Notes	11,421	3,998	7,423	-	-
Total	$ 751,154	$ 447,035	$ 124,330	$ 169,028	$ 10,761

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.

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

		Ratings as of Year End			
	Total	AAA	AA	A	Unrated
Money Market Funds	$ 86,372	$ -	$ 81,272	$ 5,100	$ -
Federal Agency Securities	10,149	10,149	-	-	-
U.S. Treasury Notes/Bonds	310,871	310,871	-	-	-
Corp. Medium Term Notes	17,291	3,533	11,954	1,804	-
State Investment Pool	128,649	-	-	-	128,649
Negotiable Certificates of Deposits	11,189	-	-	-	11,189
Held by Fiscal Agent					
Money Market Funds	84,176	59,255	-	24,921	-
State Investment Pool	49,659	-	-	-	49,659
Investment Contracts	10,761	-	-	-	10,761
Commercial Paper	2,243	-	-	2,243	-
U.S. Treasury Notes/Bonds	12,901	12,901	-	-	-
Federal Agency Securities	15,472	15,472	-	-	-
Corp. Medium Term Notes	11,421	-	-	11,421	-
Total	$ 751,154	$ 412,181	$ 93,226	$ 45,489	$ 200,258

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, 2017, 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.

(amounts expressed in thousands)

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:

Fiscal Year	
2018	$ 2,598
2019	2,625
2020	2,659
2021	2,692
2022	2,724
Thereafter	8,368
Total Due	21,666
Less: Amount applicable to interest	(4,991)
Total direct financing lease receivable	$ 16,675

5. Capital Assets

The following is a summary of changes in the capital assets during the fiscal year ended June 30, 2017.

Governmental activities:	Beginning Balance	Additons/ Transfers In	Deletions/ Transfers Out	Ending Balance
Capital assets, not depreciated:				
Land	$ 342,792	$ 1,906	$ (780)	$ 343,918
Construction in progress	41,535	14,298	(11,523)	44,310
Total capital assets not depreciated	384,327	16,204	(12,303)	388,228
Capital assets being depreciated:				
Buildings	183,596	4,245	(4,200)	183,641
Improvements other than buildings	309,836	4,568	-	314,404
Machinery and equipment	92,067	3,985	(6,551)	89,501
Intangibles, depreciable	219	-	-	219
Infrastructure	998,997	14,779	-	1,013,776
Total capital assets being depreciated	1,584,715	27,577	(10,751)	1,601,541
Less accumulated depreciation for:				
Buildings	(63,810)	(4,744)	-	(68,554)
Improvements other than buildings	(104,086)	(12,836)	-	(116,922)
Machinery and equipment	(66,992)	(6,044)	6,506	(66,530)
Intangibles, depreciable	(44)	(44)	-	(88)
Infrastructure	(356,501)	(24,896)	-	(381,397)
Total accumulated depreciation	(591,433)	(48,564)	6,506	(633,491)
Total capital assets being depreciated, net	993,282	(20,987)	(4,245)	968,050
Governmental activities capital assets, net	$ 1,377,609	$ (4,783)	$ (16,548)	$ 1,356,278

For the year ended June 30, 2017 (amounts expressed in thousands)

Business-type activities:	Beginning Balance	Additons/ Transfers In	Deletions/ Transfers Out	Ending Balance
Capital assets, not depreciated:				
Land	$ 63,839	$ 16,407	$ -	$ 80,246
Intangibles, non-depreciable	21,492	-	-	21,492
Construction in progress	349,977	93,641	(362,684)	80,934
Total capital assets not depreciated	435,308	110,048	(362,684)	182,672
Capital assets being depreciated:				
Buildings	315,379	291,605	-	606,984
Improvements other than buildings	1,633,910	63,199	(1,130)	1,695,979
Machinery and equipment	89,273	9,293	(1,949)	96,617
Intangibles, depreciable	21,433	3,164	-	24,597
Total capital assets being depreciated	2,059,995	367,261	(3,079)	2,424,177
Less accumulated depreciation for:				
Buildings	(128,094)	(7,753)	-	(135,847)
Improvements other than buildings	(531,922)	(41,963)	1,097	(572,788)
Machinery and equipment	(55,045)	(6,078)	1,586	(59,537)
Intangibles, depreciable	(2,215)	(2,455)	-	(4,670)
Total accumulated depreciation	(717,276)	(58,249)	2,683	(772,842)
Total capital assets being depreciated, net	1,342,719	309,012	(396)	1,651,335
Business-type activities capital assets, net	$ 1,778,027	$ 419,060	$ (363,080)	$ 1,834,007

Depreciation expense was charged to various functions as follows:

Governmental activities:	
General government	$ 5,178
Public safety	5,683
Highway and streets, including general infrastructure	25,833
Culture and recreation	11,870
Total depreciation expense - governmental activities	$ 48,564
Business-type activities:	
Electric	$ 32,642
Water	14,320
Sewer	7,734
Airport	707
Refuse	1,324
Transportation	530
Public Parking	992
Total depreciation expense - business-type activities	$ 58,249

6. Long-Term Obligations

Changes in Long-Term Obligations: Below is a summary of changes in long-term obligations during the fiscal year:

Governmental activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligations bond	$ 12,567	$ -	$ (1,054)	$ 11,513	$ 1,110
Pension obligation bonds	101,000	31,578	(39,986)	92,592	12,830
Certificates of participation	181,429	-	(24,913)	156,516	5,645
Lease revenue bonds	39,398	-	(1,544)	37,854	1,485
Loan payable	43,482	-	(2,157)	41,325	2,222
Capital leases	12,006	7,955	(2,768)	17,193	3,741
Compensated absences	22,444	14,128	(13,782)	22,790	13,993
Claims liability	43,269	10,284	(8,608)	44,945	10,765
	$ 455,595	$ 63,945	$ (94,812)	$ 424,728	$ 51,791

Business-type activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	$ 1,208,851	$ -	$ (28,506)	$ 1,180,345	$ 27,620
Notes payable	37,793	-	(2,538)	35,255	2,625
Capital leases	4,694	2,305	(790)	6,209	1,016
Landfill capping	5,686	-	(296)	5,390	250
Water stock acquisition rights	938	-	-	938	150
Compensated absences	8,120	7,091	(6,932)	8,279	7,064
	$ 1,266,082	$ 9,396	$ (39,062)	$ 1,236,416	$ 38,725

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.

Long-Term Obligations at June 30, 2017:

Revenue Bonds: Principal Outstanding

Electric

$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

For the year ended June 30, 2017 (amounts expressed in thousands)

rate of 3.1% and 3.2% for the Series A & C bonds, respectively. See Note 9 for information on the swap agreements. Bonds are due in annual installments from $700 to $7,835 through October 1, 2035.	$112,515
$209,740 2008 Electric Revenue Bonds; Series D fixed rate bonds, 3.6% to 5.0%, due in annual installments from $3,460 to $25,345 through October 1, 2038.	209,740
$34,920 2009 Electric Refunding/Revenue Bonds; Series A fixed rate bonds, 4.0% to 5.0%, due in annual installments from $1,150 to $7,035 through October 1, 2018. The bonds refunded the 1998 series and partially refunded the 2001 series.	2,490
$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.	140,285
$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 9. Bonds are due in annual installments from $725 to $5,175 through October 1, 2035.	41,925
$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.	46,560
Subtotal	553,515
Add: Unamortized bond premium	7,402
Subtotal	$560,917
Water	
$58,235 2008 Water Revenue Bonds; Series B fixed rate bonds, 4.0% to 5.0%, due in annual installments from $1,210 to $7,505 through October 1, 2038.	$56,625
$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.	9,760
$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 9. Bonds are due in annual installments from $600 to $3,950 through October 1, 2035.	54,125
Subtotal	188,300
Add: Unamortized bond premium	2,064
Subtotal	$190,364
Sewer	
$240,910 2009 Sewer Revenue Bonds; Series A & B fixed rate bonds, 4% to 7.2%, due in annual installments from $5,555 to $13,350 through August 1, 2039.	$204,075
$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.	200,030
Subtotal	404,105
Add: Unamortized bond premium	24,959
Subtotal	$429,064
Total Revenue Bonds	$1,180,345

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:

(amounts expressed in thousands)

	Electric Utility Fund			Water Utility Fund		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2018	$ 13,795	$ 24,279	$ 38,074	$ 5,415	$ 7,577	$ 12,992
2019	14,445	23,636	38,081	5,635	7,352	12,987
2020	14,995	23,066	38,061	5,865	7,120	12,985
2021	15,535	22,506	38,041	6,080	6,889	12,969
2022	16,085	21,922	38,007	6,320	6,658	12,978
2023-2027	90,180	99,426	189,606	35,270	29,439	64,709
2028-2032	110,540	78,362	188,902	42,730	21,747	64,477
2033-2037	136,375	51,229	187,604	51,960	12,229	64,189
2038-2042	136,440	15,509	151,949	29,025	1,648	30,673
2043-2047	5,125	259	5,384	-	-	-
Premium	7,402	-	7,402	2,064	-	2,064
Total	$ 560,917	$ 360,194	$ 921,111	$ 190,364	$ 100,659	$ 291,023

	Sewer Utility Fund		
Fiscal Year	Principal	Interest	Total
2018	$ 8,410	$ 18,900	$ 27,310
2019	13,515	18,488	32,003
2020	14,075	17,929	32,004
2021	10,820	17,372	28,192
2022	11,345	16,844	28,189
2023-2027	65,630	75,336	140,966
2028-2032	83,340	57,623	140,963
2033-2037	106,035	34,919	140,954
2038-2042	90,935	8,174	99,109
Premium	24,959	-	24,959
Total	$ 429,064	$ 265,585	$ 694,649

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.	$ 11,390
Add: Unamortized bond premium	123
Total General Obligation Bonds	$11,513

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
2018	$ 1,110	$ 544	$ 1,654
2019	1,195	492	1,687
2020	1,290	436	1,726
2021	1,380	373	1,753
2022	1,475	306	1,781
2023-2027	4,940	418	5,358
Premium	123	-	123
Total	$ 11,513	$ 2,569	$ 14,082

Pension Obligation Bonds – Governmental Activities:	Principal Outstanding
$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.	$ 50,840
$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.	10,135
$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. The refunding transaction resulted in an economic gain of approximately $1,000.	31,960
Less: Bond Discount	343
Total Pension Obligation Bonds	$92,592

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:

For the year ended June 30, 2017 (amounts expressed in thousands)

Fiscal Year	Principal	Interest	Total
2018	$ 12,830	$ 4,263	$ 17,093
2019	13,985	3,679	17,664
2020	13,760	3,023	16,783
2021	11,875	2,360	14,235
2022	12,855	1,775	14,630
2023-2027	27,630	2,177	29,807
Discount	(343)	-	(343)
Total	$ 92,592	$ 17,277	$ 109,869

Certificates of Participation – Governmental Activities:

	Principal Outstanding
$19,945 2006 Galleria at Tyler Public Improvements Certificates of Participation; 4.0% to 5.0%, due in annual installments from $435 to $1,270 through September 1, 2036.	$17,040
$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 9. Due in annual installments from $2,900 to $7,200 through March 1, 2037.	105,700
$35,235 2013 Pavement Rehab Certificates of Participation; 4.0% to 5.0%, due in annual installments from $1,285 to $2,855 through June 1, 2034.	32,610
Subtotal	155,350
Plus: Unamortized bond premium	1,166
Total Certificates of Participation	$156,516

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
2018	$ 5,645	$ 5,897	$ 11,542
2019	5,825	5,694	11,519
2020	6,120	5,468	11,588
2021	6,420	5,232	11,652
2022	6,625	4,984	11,609
2023-2027	37,130	20,827	57,957
2028-2032	45,250	12,961	58,211
2033-2037	42,335	4,086	46,421
Premium	1,166	-	1,166
Total	$ 156,516	$ 65,149	$ 221,665

Lease Revenue Bonds – Governmental Activities:

	Principal Outstanding
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.	$35,825
Add: Unamortized bond premium	2,029
Total Lease Revenue Bonds – Governmental Activities	$37,854

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:

(amounts expressed in thousands)

Fiscal Year	Principal	Interest	Total
2018	$ 1,485	$ 1,588	$ 3,073
2019	1,560	1,511	3,071
2020	1,640	1,431	3,071
2021	1,725	1,347	3,072
2022	1,810	1,259	3,069
2023-2027	9,940	4,963	14,903
2028-2032	12,090	2,474	14,564
2033-2037	5,575	225	5,800
Premium	2,029	-	2,029
Total	$ 37,854	$ 14,798	$ 52,652

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. 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%.	$ 2,151
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. 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 9. 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.	39,174
Total Loans Payable – Governmental Activities	$41,325

Remaining loans payable 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
2018	$ 2,222	$ 1,282	$ 3,504
2019	2,283	1,220	3,503
2020	2,365	1,139	3,504
2021	2,430	1,073	3,503
2022	2,505	999	3,504
2023-2027	11,217	3,965	15,182
2028-2032	13,054	2,127	15,181
2033-2037	5,249	253	5,502
Total	$ 41,325	$ 12,058	$ 53,383

Notes Payable – Enterprise Funds:	Principal Outstanding
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	$ 1,290
Sewer fund loan from State of California for Headworks project, 1.803%, payable in net annual installments of $477, beginning November 6, 1999 through November 6, 2018	930
Public parking fund loan for Fox Entertainment Plaza project, 3.85%, payable in net annual installments of $1,747, beginning June 16, 2011 through December 16, 2031	19,271
In 2014, the Water fund purchased property from Hillwood Enterprises, L.P. (Hillwood). The property was subsequently leased back to Hillwood, which is to be developed into a logistics center. In consideration of the costs to purchase the property the Water fund will make payments to Hillwood in the form of a credit equal to Hillwood's rental payments to the Water fund for the first 15 years of the lease. Rent will commence the earlier of when Hillwood starts construction of the logistic center or May 20, 2016.	13,764
Total notes payable – Enterprise Funds	$35,255

(amounts expressed in thousands)

Remaining notes payable debt service payments will be made from unrestricted revenues of the Sewer fund. Annual debt service requirements to maturity are as follows:

Sewer Fund

Fiscal Year	Principal	Interest	Total
2018	$ 774	$ 43	$ 817
2019	788	28	816
2020	326	14	340
2021	332	7	339
Total	$ 2,220	$ 92	$ 2,312

Public Parking Fund

Fiscal Year	Principal	Interest	Total
2018	$ 1,014	$ 732	$ 1,746
2019	1,054	693	1,747
2020	1,095	652	1,747
2021	1,138	609	1,747
2022	1,182	565	1,747
2023-2027	6,634	2,100	8,734
2028-2032	7,154	706	7,860
Total	$ 19,271	$ 6,057	$ 25,328

Water Fund

Fiscal Year	Principal	Interest	Total
2018	$ 837	$ 228	$ 1,065
2019	873	214	1,087
2020	910	198	1,108
2021	947	183	1,130
2022	986	166	1,152
2023-2027	5,559	560	6,119
2028-2030	3,652	92	3,744
Total	$ 13,764	$ 1,641	$ 15,405

Contracts – Enterprise Funds:	Principal Outstanding
Water stock acquisition rights payable on demand to various water companies	$938

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:

Debt Issue	LOC Provider	LOC Expiration Date	Annual Commitment Fee
2008 Certificates of Participation	Bank of America, N.A.	2018	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.

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:

(amounts expressed in thousands)

Asset		Governmental Activities		Business-type Activities
Buildings and improvements	$	1,103	$	-
Machinery and equipment		20,610		5,715
Subtotal		21,713		5,715
Less: Accumulated depreciation		(8,756)		(1,821)
Total	$	12,957	$	3,894

The future minimum lease obligations as of June 30, 2017 were as follows:

Fiscal Year		Governmental Activities		Business-type Activities
2018	$	4,067	$	1,141
2019		3,761		1,141
2020		2,581		1,128
2021		2,581		819
2022		2,021		819
Thereafter		3,380		1,664
Total minimum lease payments		18,391		6,712
Less: Amount representing interest (rates ranging from 1.2% to 9%)		(1,198)		(503)
Total capital lease payable	$	17,193	$	6,209

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, 2017:

Governmental long-term obligations:		
Certificates of participation	$	8,767
Total	$	8,767
Enterprise funds:		
Electric	$	10,801
Sewer		16,459
Total	$	27,260

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		Pledged Revenue (net of expenses, where required)		Payments (all of debt secured by this revenue)		Ratio for FY 06/30/16
Electric revenues	$	117,206	$	39,585	$	2.96
Water revenues		27,818		13,610		2.04
Sewer revenues		48,416*		28,631		1.69

* Includes cash set-aside in a rate stabilization account in accordance with applicable bond covenants.

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.

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, 2017 was 100%. The remaining post closure period is currently 13 years.

The estimated costs as determined by an independent consultant and updated by the City's Engineering 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.

7. 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% for earthquake and $100 for flood. Workers' compensation insurance coverage has a limit of $25,000, with a self-insured retention of $3,000 per occurrence. The City carries commercial liability insurance in the amount of $20,000 for general and auto liability claims greater than $3,000. 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.

(amounts expressed in thousands)

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:

Unpaid claims, June 30, 2015	$ 38,795
Incurred claims (including IBNR's)	14,581
Claim payments and adjustments	(10,107)
Unpaid claims, June 30, 2016	43,269
Incurred claims (including IBNR's)	10,284
Claim payments and adjustments	(8,608)
Unpaid claims, June 30, 2017	$ 44,945

8. 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):
Successor Agency Trust:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Redevelopment Agency Bonds	$ 226,290	$ -	$ (9,143)	$ 217,147	$ 8,920
Notes Payable	5,093	-	(365)	4,728	418
	$ 231,383	$ -	$ (9,508)	$ 221,875	$ 9,338

Redevelopment Agency Bonds:	Principal Outstanding
$13,285 1991 Public Financing Authority Revenue Bonds, Series A, Multiple Project Areas; $1,470 serial revenue bonds 7.15% to 7.6%, due in annual installments from $100 to $145 through Feb. 1, 2003; and $4,175 term bonds, 8.0%, due in annual installments from $155 to $450 through Feb. 1, 2018 (portion not refunded).	$ 25
$26,255 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series A; 2% to 5% due in annual installments from $545 to $2,230 through Oct. 1, 2024.	14,200
$4,810 State of California Dept. of General Services Project, 2003 Lease Revenue Refunding Bonds, Series B; $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.	2,330
$8,340 Downtown/Airport Merged Project Area and Casa Blanca Project Area 2007 Tax Allocation Bonds, Tax Exempt, Series A, serial bonds 4.0% to 4.25% due in annual installments from $20 to $590 through Aug. 1, 2025; $4,980 term bonds at 4.5% due Aug. 1, 2029; $410 term bonds at 4.375% due Aug. 1, 2037.	8,145
$14,850 Downtown/Airport Merged Project Area and Casa Blanca Project Area 2007 Tax Allocation Bonds, Taxable, Series B, $4,050 term bonds at 5.2% due Aug. 1, 2017; $10,800 term bonds at 5.8% due Aug. 1, 2028.	11,150
$89,205 University Corridor/Sycamore Canyon Merged Project Area, Arlington Project Area, Hunter Park/Northside Project Area, Magnolia Center Project Area, and La Sierra/Arlanza Project Area 2007 Tax Allocation Bonds, Tax-Exempt, Series C, serial bonds 4.0% to 5.0% due in annual installments from $50 to $3,210 through Aug. 1, 2025; $17,955 term bonds at	

(amounts expressed in thousands)

4.5% due Aug. 1, 2030; $47,775 term bonds at 5.0% due Aug. 1, 2037.	85,355
$43,875 University Corridor/Sycamore Canyon Merged Project Area, Arlington Project Area, Hunter Park/Northside Project Area, Magnolia Center Project Area, and La Sierra/Arlanza Project Area 2007 Tax Allocation Bonds, Taxable, Series D, $15,740 term bonds at 5.24% due Aug. 1, 2017; $28,135 term bonds at 5.89% due Aug. 1, 2032.	29,625
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.	54,995
Subtotal	205,825
Add: Unamortized bond premium	11,322
Total Redevelopment Agency Bonds	$217,147

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
2018	$ 8,920	$ 10,222	$ 19,142
2019	9,320	9,778	19,098
2020	9,830	9,288	19,118
2021	10,805	8,762	19,567
2022	11,405	8,197	19,602
2023-2027	58,550	31,787	90,337
2028-2032	47,175	18,308	65,483
2033-2037	43,045	7,087	50,132
2038-2042	6,775	169	6,944
Premium	11,322	-	11,322
Total	$ 217,147	$ 103,598	$ 320,745

Notes Payable – Successor Agency:	Principal Outstanding
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.	2,987
HUD Section 108 loan for Mission Village Project, 6.15% to 6.72%, payable in semi-annual installments beginning Aug. 1, 1999 of $110 to $420 through Aug. 1, 2018.	810
Smith's Food & Drug Centers Inc., 6% payable in variable installments, subject to payment of annual Community Facilities District assessment.	931
Total Notes Payable – Successor Agency	$ 4,728

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:

For the year ended June 30, 2017 (amounts expressed in thousands)

Fiscal Year	Principal	Interest	Total
2018	$ 418	$ 332	$ 750
2019	451	317	768
2020	34	307	341
2021	38	304	342
2022	42	300	342
2023-2027	1,217	1,423	2,640
2028-2032	471	1,238	1,709
2033-2037	777	933	1,710
2038-2042	1,280	430	1,710
Total	$ 4,728	$ 5,584	$ 10,312

As a result of action by the State of California to dissolve all redevelopment agencies in the state, the Successor Agency no longer receives the full amount of tax increment previously pledged by the dissolved redevelopment agency to its bondholders. In its place is a new revenue stream provided to the Successor Agency that represents only that portion of tax increment that is necessary to pay the enforceable obligations approved by the California Department of Finance.

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 for the Successor Agency 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)	Debt Service Coverage Ratio for FY 06/30/17
Property Taxes:			
Non-Housing	$ 50,230	$ 14,052	3.57
Housing	9,580	2,442	3.92

* The computations above are based on the total tax increment generated for the year ended June 30, 2017 for each project area that had been pledged as collateral for the Bonds. As discussed above, only a portion of tax increment has been actually remitted to the Successor Agency and reported as revenue in the accompanying financial statements.

Assessment Districts and Community Facilities Districts Bonds (Not obligations of the City):

As of June 30, 2017, the City has several series of Assessment District and Community Facility District Bonds outstanding in the amount of $44,170. 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.

9. 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, 2017:

	Notional Amount	Fair Value as of 06/30/17	Change in Fair Value for Fiscal Year
Governmental activities			
2008 Renaissance Certificates of Participation	$ 105,700	$ (19,499)	$ 9,019
2012 Convention Center Financing	36,712	(867)	2,079
Business-type activities			
2008 Electric Refunding/Revenue Bonds Series A	68,525	(7,665)	4,319
2008 Electric Refunding/Revenue Bonds Series C	41,975	(7,441)	3,680
2011 Electric Refunding/Revenue Bonds Series A	41,925	(7,419)	3,676
2011 Water Refunding/Revenue Bonds Series A	54,125	(8,193)	4,205

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

For the year ended June 30, 2017 (amounts expressed in thousands)

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 lease interest rate on the Convention Center has a cap at the lesser of 12% or the highest rate permitted by applicable law whereas the related swap does not have a cap. The swaps have notional amounts equal to the principal amounts stated above. The notional value of the swaps and the principal amounts of the associated debt decline by $975 to $7,200 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, 2017, 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
	Rates	Rates	Rates
Interest rate swap:			
Fixed payment to counterparty	3.11100%	3.20400%	3.20100%
Variable payment from counterparty	-0.40870%	-0.40948%	-0.32275%
Net interest rate swap payments	2.70230%	2.79452%	2.87825%
Variable rate bond coupon payments	0.32339%	0.32271%	0.22165%
Synthetic interest rate on bonds	3.02569%	3.11723%	3.09990%

	2011 Water Refunding/ Revenue Bonds Series A	2008 Renaissance COPs	2012 Convention Center Financing
	Rates	Rates	Rates
Interest rate swap:			
Fixed payment to counterparty	3.20000%	3.36200%	3.36200%
Variable payment from counterparty	-0.31124%	-0.37380%	-0.37380%
Net interest rate swap payments	2.88876%	2.98820%	2.98820%
Variable rate bond coupon payments	0.30060%	0.34689%	0.34689%
Synthetic interest rate on bonds	3.18936%	3.33509%	3.33509%

Fair Value: As of June 30, 2017, in connection with all swap arrangements, the transactions had a combined net negative fair value of ($51,084). 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, 2017, 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.

(amounts expressed in thousands)

Swap payments and associated debt: As of June 30, 2017, 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.

	Variable-Rate Bonds			
Fiscal Year	Principal	Interest	Interest Rate Swaps, Net	Total
2018	$ 7,217	$ 1,668	$ 9,960	$ 18,845
2019	13,516	1,610	9,639	24,765
2020	16,610	1,528	9,198	27,336
2021	17,262	1,451	8,725	27,438
2022	17,823	1,369	8,231	27,423
2023-2027	87,702	5,564	33,958	127,224
2028-2032	101,159	3,239	21,098	125,496
2033-2037	92,149	761	6,050	98,960
Total	$ 353,438	$ 17,190	$ 106,859	$ 477,487

10. Economic Contingency

A portion of unassigned fund balance within the General Fund is set aside for future economic contingencies. The amount that has been set aside is equal to approximately 15% of General Fund expenditures.

11. 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, 2017:

Receivable Funds	Payable Funds	Amount
General Fund	Nonmajor Governmental Funds	$ 1,415
	Nonmajor Enterprise Funds	307
		1,722
Electric Fund	Central Stores Fund *	183
Water Fund	Central Stores Fund *	78
Total		$ 1,983

* Internal service fund

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, 2017:

Receivable Funds	Payable Funds	Amount
General Fund	Electric Fund	$ 12,312
	Water Fund	4,439
	Sewer Fund	2,821
	Nonmajor Governmental Funds	173
	Nonmajor Enterprise Funds	2,084
	Self-Insurance Trust Fund *	107
	Central Stores Fund *	149
	Central Garage Fund *	630
		22,715
Sewer Fund	Nonmajor Governmental Funds	4,986
Self-Insurance Trust Fund *	Nonmajor Enterprise Funds	98
	Central Garage Fund *	676
		774
Central Garage Fund *	Nonmajor Governmental Funds	2,764
		$ 31,239

* Internal service fund

For the year ended June 30, 2017 (amounts expressed in thousands)

In addition, the following advances to the former Redevelopment Agency are accounted for in the Private-Purpose Trust Fund of the Successor Agency:

Receivable Funds	Amount
General Fund	$ 554
Nonmajor Governmental Funds	6,977
Electric Fund	4,665
Total	$ 12,196

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, 2017:

Transfers In Funds	Transfers Out Funds	Amount
General Fund	Nonmajor Governmental Funds	$ 31,145
	Electric Fund	39,230
	Water Fund	5,673
	Sewer Fund	900
		76,948
Nonmajor Governmental Funds	General Fund	12,672
	Capital Outlay Fund	3,000
	Nonmajor Governmental Funds	1,163
	Nonmajor Enterprise Funds	738
		17,573
Nonmajor Enterprise Funds	General Fund	825
	Total	$ 95,346

12. Deficit Net Position

Deficit net position exists in the Self-Insurance Internal Service Fund ($31,653). This City adopted a Self-Insurance Reserve Policy that will address 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 payment obligations and plans to continue to control costs and increase rates. However, the Self-Insurance Reserve Policy specifically address minimum cash balance requirements in the Self-Insurance Trust Fund in-line with best practices. In conjunction with the new reserve policy, City Council has approved a funding plan to increase the cash reserve balances over the next two fiscal years. The plan calls for cash contributions of $2,500 in each of the next two fiscal years. Implementation of the reserve policy, the cash funding approved by City Council and the increased rates should provide the fund greater financial stability for future needs.

Deficit net position exists in the Successor Agency Private-Purpose Trust Fund ($162,046). 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.

13. 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.

The Water Utility is a plaintiff in a lawsuit against several entities that either owned or leased a property site in the City of Colton and City of Rialto that is contaminated by perchlorate. The lawsuit was filed March 31, 2009, and no trial date has been set.

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) - The retirement formula is 3% at age 50 for employees hired before February 16, 2012. The City pays the employee share (9%) of contributions on their behalf and for their account. Beginning January 2019, in the event of annual wage increases in excess of 2%, employees shall pay a portion of the required employer contribution of 1.5% annual capped at 6%.
- 2nd Tier (RPOA only) - The retirement formula is 3% at age 50 and new employees hired on or after February 17, 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 employee share (9%). 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. The City pays the employee share (9%) of contributions on their behalf and for their account. Effective January 2019, represented employees shall pay 2.5% of the required employer contribution with annual increases of 2.5% and 1% in January 2020 and December 2021, respectively capped at 8%.
- 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 and the employee must pay the employee share (9%). Classic members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.

Miscellaneous:

- 1st Tier - The retirement formula is 2.7% at age 55. The City pays the employee share (8%) of contributions on their behalf and for their account except for general SEIU employees, which contributed 6%, with the City paying the remaining 2% of the employee share.
- 2nd Tier - The retirement formula is 2.7% at age 55, and:
    - SEIU and SEIU Refuse employees hired on or after June 7, 2011 pay their share (8%) of contributions.
    - All other miscellaneous employees hired on or after October 19, 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 employee share ranging from 7-8% based on bargaining group classification. Classic members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.

Under the recently approved memorandums of understanding agreed to by all bargaining units, effective January 1, 2018, all employees in Tier 1, with the exception of the IBEW bargaining unit, will begin contributing 1-2% of additional annual earnings to a maximum of 8% rate by January 1, 2020 or January 1, 2021, depending on the bargaining unit. IBEW Tier 1 employees will begin to pay 2% per year starting November 1, 2017 and will contribute a total of 8% by November 1, 2020.

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, 2016, the following employees were covered by the benefit terms of each Plan: Inactive employees or beneficiaries currently receiving benefits are 2,040 and 729 for the Miscellaneous and Safety Plans, respectively. Inactive employees entitled to but not yet receiving benefits are 1,317 and 158 for Miscellaneous and Safety Plans, respectively. Active employees were 1,536 and 579 for Miscellaneous and Safety Plans, respectively.

For the year ended June 30, 2017 (amounts expressed in thousands)

(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, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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, 2015 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.50% (2)	7.50% (2)
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation

Discount Rate – The discount rate used to measure each plan's total pension liability as of June 30, 2016 was 7.65%. 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 (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

(amounts expressed in thousands)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Current Target Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period
(2) An expected inflation of 3.0% used for this period

(G) Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan follows:

Miscellaneous	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016	$ 1,214,579	$ 970,787	$ 243,792
Changes in the year:			
Service Cost	22,189	-	22,189
Interest on Total Pension Liability	90,913	-	90,913
Changes of Assumptions	-	-	-
Differences between Expected and Actual Experience	(8,417)	-	(8,417)
Contribution - employer	-	29,426	(29,426)
Contribution - employee	-	5,187	(5,187)
Net Investment Income	-	4,958	(4,958)
Benefit Payments, including Refunds of Employee Contributions	(57,702)	(57,702)	-
Asdministrative Expenses	-	(594)	594
Net Changes	46,983	(18,725)	65,708
Balance at June 30, 2017	$ 1,261,562	$ 952,062	$ 309,500

Safety	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016	$ 900,127	$ 708,689	$ 191,438
Changes in the year:			
Service Cost	18,144	-	18,144
Interest on Total Pension Liability	67,513	-	67,513
Changes of Assumptions	-	-	-
Differences between Expected and Actual Experience	(4,373)	-	(4,373)
Contribution - employer	-	26,483	(26,483)
Contribution - employee	-	1,837	(1,837)
Net Investment Income	-	3,478	(3,478)
Benefit Payments, including Refunds of Employee Contributions	(44,609)	(44,609)	-
Administrative Expenses	-	(428)	428
Net Changes	36,675	(13,239)	49,914
Balance at June 30, 2017	$ 936,802	$ 695,450	$ 241,352

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:

For the year ended June 30, 2017 (amounts expressed in thousands)

Miscellaneous	Discount Rate -1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Plan's Net Pension Liability/(Asset)	$ 480,387	$ 309,500	$ 168,952

Safety	Discount Rate -1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Plan's Net Pension Liability/(Asset)	$ 367,847	$ 241,352	$ 137,441

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, 2017, the City recognized pension expense of $55,749. At June 30, 2017, 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	$ 30,477	$ -
Differences between actual and acturarial determined contribution	9,103	-
Changes of assumptions	-	(7,729)
Differences between expected and actual experience	-	(14,058)
Net differences between projected and actual earnings on plan investments	85,493	(33,298)
Total	$ 125,073	$ (55,085)

Safety	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date, net	$ 26,775	$ -
Differences between actual and actuarial determined contributions	9,481	-
Changes of assumptions	-	(8,954)
Differences between expected and actual experience	-	(7,198)
Net differences between projected and actual earnings on plan investments	62,839	(24,470)
Total	$ 99,095	$ (40,622)

$57,252 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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:

Deferred Outflows of Resources

Fiscal Year	Miscellaneous	Safety
2018	$ 19,315	$ 13,813
2019	26,726	20,912
2020	24,114	19,434
2021	24,440	18,162
Total	$ 94,595	$ 72,321

Deferred Inflows of Resources

Fiscal Year	Miscellaneous	Safety
2018	$ (9,741)	$ (4,554)
2019	(27,663)	(18,310)
2020	(17,681)	(16,516)
2021	-	(1,242)
Total	$ (55,085)	$ (40,622)

15. Other Post-Employment Benefits

The City provides healthcare benefits to retirees in the form of an implied rate subsidy. Retirees and active employees are insured together as a group, thus creating a lower rate for retirees than if they were insured separately. Although the retirees are solely responsible for the cost of their health insurance benefits through this plan, the retirees receive the benefit of a lower rate. The difference between these amounts is the implied rate subsidy, which is considered an other post-employment benefit (OPEB) under GASB 45.

(amounts expressed in thousands)

Retiree coverage terminates either when the retiree becomes covered under another employer health plan, or when the retiree reaches Medicare eligibility age, which is currently age 65. Spousal coverage is available until the retiree becomes covered under another employer health plan, attains Medicare eligibility age, or dies. However, the retiree benefit continues to the surviving spouse if the retiree elects the CalPERS survivor annuity.

The contribution requirements are established by the City Council. 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.

The City's annual OPEB cost (expense) is reported based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) (UAAL) over a period not to exceed thirty years. The ARC for the year ended June 30, 2017 was $4,198, which consisted of normal cost of $2,034 and UAAL amortization of $2,164. The ARC as a percentage of payroll was 2.5% for the year ended June 30, 2017.

As of June 30, 2015, the most recent actuarial valuation date, the OPEB plan was 0.0% funded. The actuarial accrued liability for benefits was $40 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $40 million.

Determination of the net OPEB obligation as of June 30, 2017:

Annual required contribution	$ 4,198
Interest on net OPEB obligation	1,287
Amortization of net OPEB obligation	(1,583)
Annual OPEB cost	3,902
Less contributions made	(1,150)
Increase in net OPEB obligation	2,752
Net OPEB liability, beginning of year	32,172
Net OPEB liability, end of year	$ 34,924

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The method used by the actuary was the entry age normal cost method. The actuarial assumptions included (a) discount rate of 4.00%, (b) 2.75% inflation, (c) projected salary increases of 3.00% annually and (d) healthcare cost trend rates ranging from 5.0% to 7.0%.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the city and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Three-year trend information:

Fiscal Year	ARC	Actual Contributions	% of ARC Contributed
2015	$5,061	$1,431	25%
2016	4,076	977	28%
2017	4,198	1,150	27%

Fiscal Year	Annual OPEB Cost	% of OPEB Cost Contributed	Net OPEB Obligation
2015	$5,022	28%	$29,433
2016	3,716	26%	32,172
2017	3,902	29%	34,924

The table below displays the funding progress of the plan and is based upon the most recent actuarial valuation data:

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Liability (UL)	Funded Ratio	Annual Covered Payroll	UL as a % of Covered Payroll
06/30/15	$ 40,235	$ -	$ 40,235	0%	$ 165,775	24%

For the year ended June 30, 2017 (amounts expressed in thousands)

16. 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. 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 renewal subscription process. The Second Amendatory Power Sales Contract became effective March 16, 2016. The generation component of IPP under the Renewal Power Sales Contract (Repower Project) is envisioned to be a natural gas fueled combined cycle plant with total capacity of 1,200 MW. The Renewal Power Sales Contract contemplates a term of fifty years, through June 2077 for the Repower Project. The Electric Utility is authorized to participate in the subscription process for up to 5 percent of the Repower Project or approximately 60 MW. On January 5, 2017, the Electric Utility executed the Renewal Power Sales Contract and all other necessary documents for the first two rounds of the subscription process. 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. The IPP Repower Project renewal subscription process was completed after two rounds on January 17, 2017 and all entitlements in the project were fully subscribed. The Electric Utility's reduced power would allow it to diversify its energy portfolio in the future. 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.

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 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	Percentage Share	Entitlement	Final Maturity	Contract Expiration
Palo Verde Nuclear Generating Station (PV)	5.40%	12.3 MW	2017	2030
Southern Transmission System (STS)	10.20%	244.0 MW	2027	2027
Hoover Dam Uprating (Hoover)	31.90%	30.0 MW	2017	2017
Mead – Phoenix Transmission (MPP)	4.00%	18.0 MW	2020	2030
Mead – Adelanto Transmission (MAT)	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.

Outstanding debts associated with the take-or-pay obligations have variable interest rates for the Palo Verde Nuclear Generating Station Project and portions of the Mead Phoenix and Mead-Adelanto Transmission Projects. The remaining projects have fixed interest rates which range from 0.85 percent to 5.25 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.

Fiscal Year	IPA	SCPPA PV	SCPPA STS	SCPPA Hoover	SCPPA MPP	SCPPA MAT	Total
2018	$ 17,019	$ 679	$ 7,917	$ 699	$ 258	$ 2,909	$ 29,481
2019	18,613	-	7,893	-	257	2,881	29,644
2020	18,096	-	6,913	-	254	2,859	28,122
2021	16,470	-	7,926	-	189	2,136	26,721
2022	11,600	-	9,448	-	-	-	21,048
2023-2027	9,246	-	24,179	-	-	-	33,425
2028-2032	-	-	3,254	-	-	-	3,254
Total	$ 91,044	$ 679	$ 67,530	$ 699	$ 958	$ 10,785	$ 171,695

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, 2017 is as follows (in thousands):

Fiscal Year	IPA	PV	STS	Hoover	MPP	MAT	Total
2017	$ 23,000	$ 3,285	$ 2,712	$ 58	$ 64	$ 254	$ 29,373
2016	22,667	3,601	3,001	81	34	377	29,761

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 Uprating 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 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, 2017, unamortized purchased power was $124 with amortization of $496.

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 January 1, 2017, the Act limits liability from third-party claims to approximately $13.4 billion per incident. Under the industry wide retrospective assessment program provided for under the Act, assessments are limited to $127.3 million per reactor for each nuclear incident occurring at any nuclear reactor in the United States, with payments under the program limited to $19.0 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 and ownership in SONGS, the Electric Utility would be responsible for a maximum assessment of $5.8 million, limited to payments of $0.9 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 passed by the State Legislative and signed by the Governor. SBX1-2 revised the amount of statewide retail electricity sales from renewable resources in the State Renewable Energy Resources Program to 33 percent by December 31, 2020 in three stages: average of 20 percent of retail sales during 2011-2013; 25 percent of retail sales by December 31, 2016; and 33 percent of retail sales by December 31, 2020. The Riverside Public Utilities Board and City Council approved the 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 20 percent mandates from 2011-2013 and the 25 percent mandate by December 31, 2016. The additional future mandates are expected to be met with resource procurement actions as outlined in the Electric Utility's RPS Procurement Plan.

On September 11, 2015, California legislature passed Senate Bill 350 (SB 350) increasing the RPS mandate beyond December 31, 2020 above 33 percent to 50 percent by December 31, 2030. SB 350 was signed into law by the Governor on October 7, 2015. The Electric Utility expects to be able to substantially meet the increased RPS mandates imposed by SB 350 with the portfolio of renewable resources outlined below.

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) with various entities described below on a "take-and-pay" basis. The contracts in the following tables were executed as part of compliance with this standard.

Long-term renewable PPAs in operation (in thousands):

Supplier	Type	Maximum Contract [1]	Contract Expiration	Estimated Annual Cost For 2018
Salton Sea Power LLC	Geothermal	46.0 MW	5/31/2020	$ 28,730
Wintec Energy, Ltd.	Wind	1.3 MW	12/30/2018	243
WKN Wagner	Wind	6.0 MW	12/22/2032	1,293
SunEdison - AP North Lake	Photovoltaic	20.0 MW	8/11/2040	4,554
Dominion - Columbia II	Photovoltaic	11.1 MW	12/22/2034	2,314
Cabazon Wind	Wind	39.0 MW	1/1/2025	4,299
First Solar - Kingbird B	Photovoltaic	14.0 MW	12/31/2036	2,867
FTP Solar				
sPower - Summer Solar	Photovoltaic	10.0 MW	12/31/2041	1,748
sPower - Antelope Big Sky Ranch	Photovoltaic	10.0 MW	12/31/2041	1,748
sPower - Antelope DSR 1 Solar	Photovoltaic	25.0 MW	12/19/2036	3,826
Solar Star - Tequesquite Landfill Solar	Photovoltaic	7.3 MW	12/31/2040	1,321
CalEnergy - Salton Sea Portfolio Phase 1	Geothermal	20.0 MW	12/31/2039	12,007
Total		209.7 MW		$ 64,950

[1] All contracts are contingent on energy production from specific related generating facilities. The Electric Utility has no commitment to pay any amounts except for energy produced on a monthly basis from these facilities.

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 2	Geothermal	20.0 MW	1/1/2019	1/1/2019	21
CalEnergy - Salton Sea Portfolio Phase 3	Geothermal	46.0 MW	6/1/2020	6/1/2020	20
Total		66.0 MW			

[1] All contracts are contingent on energy production from specific related generating facilities. The Electric Utility has no commitment to pay any amounts except for energy produced on a monthly basis from these facilities.

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, 2017, the Electric Utility received $6,881 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 other 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 $16,123 as of June 30, 2017.

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 $1,097 as of June 30, 2017 and is recorded as inventory in the statements of net position.

17. 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 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, 2017 is $135.

CITY OF
RIVERSIDE

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) Funding Progress

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*

	6/30/2016		6/30/2015		6/30/2014	
	Miscellaneous	Safety	Miscellaneous	Safety	Miscellaneous	Safety
TOTAL PENSION LIABILITY						
Service Cost	$ 22,189	$ 18,144	$ 22,228	$ 18,187	$ 23,320	$ 18,818
Interest	90,913	67,513	87,436	64,815	84,965	62,249
Changes of Assumptions	-	-	(21,782)	(16,117)	-	-
Difference Between Expected and Actual Experience	(8,417)	(4,373)	(23,548)	(6,835)	-	-
Benefit Payments, Including Refunds and Employee Contribution	(57,702)	(44,609)	(53,853)	(42,076)	(50,770)	(38,981)
Net Change in Total Pension Liability	**$ 46,983**	**$ 36,675**	**$ 10,481**	**$ 17,974**	**$ 57,515**	**$ 42,086**
Total Pension Liability - Beginning	**1,214,579**	**900,127**	**1,204,098**	**882,153**	**1,146,583**	**840,067**
Total Pension Liability - Ending (a)	**$ 1,261,562**	**$ 936,802**	**$ 1,214,579**	**$ 900,127**	**$ 1,204,098**	**$ 882,153**
PLAN FIDUCIARY NET POSITION						
Contributions - Employer	$ 29,426	$ 26,483	$ 25,996	$ 23,384	$ 27,583	$ 23,156
Contributions - Employee	5,187	1,837	4,380	924	2,294	365
Net Investment Income	4,958	3,478	21,671	15,632	145,843	107,032
Benefit Payments, Including Refunds and Employee Contribution	(57,702)	(44,609)	(53,853)	(42,076)	(50,770)	(38,981)
Administrative and Other Expenses	(594)	(428)	(1,056)	(816)	-	-
Net Change in Fiduciary Net Position	**$ (18,725)**	**$ (13,239)**	**$ (2,862)**	**$ (2,952)**	**$ 124,950**	**$ 91,572**
Plan Fiduciary Net Position - Beginning	**970,787**	**708,689**	**973,649**	**711,641**	**848,699**	**620,069**
Plan Fiduciary Net Position - Ending (b)	**952,062**	**695,450**	**970,787**	**708,689**	**973,649**	**711,641**
Plan Net Pension Liability Ending (a)-(b)	**$ 309,500**	**$ 241,352**	**$ 243,792**	**$ 191,438**	**$ 230,449**	**$ 170,512**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**75.47%**	**74.24%**	**79.93%**	**78.73%**	**80.86%**	**80.67%**
Total - Employee Payroll	**$ 114,521**	**$ 64,778**	**$ 113,850**	**$ 64,648**	**$ 113,869**	**$ 64,715**
Net Pension Liability as a Percentage of Total - Employee Payroll	**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:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit also know as Golden Handshakes.

Changes of Assumptions: In 2016, there were no changes. In 2015, amounts reported reflected an adjustment of the discount rate from 7.5% (net of administrative expenses) to 7.65% (without a reduction for pension plan adminstrative expenses). In 2014, amounts reported were based on the 7.5% discount rate.

City of Riverside
Required Supplementary Information - Unaudited

Schedule of Plan Contributions (Thousands)
Last 10 Years *

	2016-17 *		2015-16 *		2014-15 *	
	Miscellaneous	Safety	Miscellaneous	Safety	Miscellaneous	Safety
Actuarially Determined Contribution	$24,885	$21,886	$21,063	$ 18,452	$ 20,505	$ 17,341
Contributions in Relation to the Actuarially Determined Contribution	(29,426)	(26,483)	(25,997)	(23,384)	(27,584)	(23,156)
Contribution Excess	$ (4,541)	$ (4,597)	$ (4,934)	$ (4,932)	$ (7,079)	$ (5,815)
Total Covered Payroll	$114,521	$64,778	$113,850	$64,648	$113,869	$64,715
Contributions as a Percentage of Total - Covered Payroll	21.73%	33.79%	18.50%	28.54%	18.01%	26.80%

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2013 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 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* - Historical information is required only for measurement periods where GASB 68 is applicable.

City of Riverside
Required Supplementary Information - Unaudited
Summary of Other Post Employment Benefits Funding Progress (Thousands)

Other Post-Employment Benefits - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Accrued Liability	Unfunded Liability AVA	Funded Ratios AVA	Annual Covered Payroll	UL as a % of Payroll
June 30, 2015	$ -	$ 40,235	$ 40,235	$ -	$ 165,775	24%
June 30, 2013	-	47,195	47,195	-	153,077	31%
June 30, 2011	-	56,060	56,060	-	149,321	38%

CITY OF
RIVERSIDE

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.

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.

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.

Debt Service Fund

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

The **General Debt Service Fund** accounts for the resources accumulated and payments made for principal, interest and related costs on long-term general obligation debt of governmental funds.

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, 2017
(amounts expressed in thousands)

	Special Revenue						
Assets	**Urban Areas Security Initiative**	**Gas Tax**	**Air Quality Improvements**	**Housing & Community Development**	**NPDES Storm Drain**	**Housing**	**Total**
Cash and investments	$ -	$ 15,047	$ 916	$ 2,422	$ -	$ 10,822	$ 29,207
Receivable (net of allowance for uncollectibles):							
Interest	-	49	3	5	-	30	87
Accounts	-	-	-	2	-	-	2
Intergovernmental	524	125	103	1,718	1,094	-	3,564
Notes	-	-	-	13,769	-	23,475	37,244
Prepaid items	24	-	-	-	-	-	24
Advances to Successor Agency Trust Fund	-	-	-	-	-	6,977	6,977
Land & improvements held for resale	-	-	-	443	-	2,654	3,097
Total assets	$ 548	$ 15,221	$ 1,022	$ 18,359	$ 1,094	$ 43,958	$ 80,202
Liabilities							
Accounts payable	$ -	$ 392	$ -	$ 354	$ 1	$ 4	$ 751
Retainage payable	-	142	-	-	-	-	142
Unearned revenue	-	-	-	-	-	-	-
Due to other funds	548	-	-	-	582	-	1,130
Advance from other funds	-	-	-	49	-	124	173
Total liabilities	548	534	-	403	583	128	2,196
Deferred Inflows of Resources							
Unavailable revenue	-	-	-	14,213	-	23,475	37,688
Total deferred inflows of resources	-	-	-	14,213	-	23,475	37,688
Fund Balances (Deficits)							
Nonspendable:							
Inventories, prepaids and deposits	24	-	-	-	-	-	24
Restricted for:							
Housing and redevelopment	-	-	-	3,743	-	20,355	24,098
Transportation and public works	-	14,687	1,022	-	511	-	16,220
Unassigned	(24)	-	-	-	-	-	(24)
Total fund balances	-	14,687	1,022	3,743	511	20,355	40,318
Total liabilities deferred inflows of resources, and fund balances	$ 548	$ 15,221	$ 1,022	$ 18,359	$ 1,094	$ 43,958	$ 80,202

Continued

City of Riverside
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017
(amounts expressed in thousands)

	Capital Projects					Permanent Fund	
Assets	**Special Capital Improvement**	**Storm Drain**	**Transportation**	**Total**	**General Debt Service**	**Library Special**	**Total Nonmajor Governmental Funds**
Cash and investments	$ 4,671	$ 1,272	$ -	$ 5,943	$ 739	$ 1,577	$ 37,466
Cash and investments at fiscal agent	2,994	-	-	2,994	8,794	-	11,788
Receivable (net of allowance for uncollectibles):							
Interest	23	4	-	27	4	-	118
Accounts	-	-	-	-	58	-	60
Intergovernmental	-	-	297	297	-	-	3,861
Notes	-	-	-	-	-	-	37,244
Prepaid items	-	-	-	-	-	-	24
Advances to Successor Agency Trust Fund	-	-	-	-	-	-	6,977
Land & improvements held for resale	-	-	-	-	-	-	3,097
Total assets	$ 7,688	$ 1,276	$ 297	$ 9,261	$ 9,595	$ 1,577	$ 100,635
Liabilities							
Accounts payable	$ -	$ 12	$ -	$ 12	$ 178	$ -	$ 941
Retainage payable	19	-	-	19	-	-	161
Due to other funds	-	-	285	285	-	-	1,415
Advance from other funds	4,788	-	-	4,788	2,962	-	7,923
Total liabilities	4,807	12	285	5,104	3,140	-	10,440
Deferred Inflows of Resources							
Unavailable revenue	-	-	-	-	-	-	37,688
Total deferred inflows of resources	-	-	-	-	-	-	37,688
Fund Balances (Deficits)							
Nonspendable:							
Inventories, prepaids and deposits	-	-	-	-	-	-	24
Permanent fund principal	-	-	-	-	-	1,577	1,577
Restricted for:							
Housing and redevelopment	-	-	-	-	-	-	24,098
Debt service	-	-	-	-	6,455	-	6,455
Transportation and public works	-	-	12	12	-	-	16,232
Other purposes	2,881	1,264	-	4,145	-	-	4,145
Unassigned	-	-	-	-	-	-	(24)
Total fund balances	2,881	1,264	12	4,157	6,455	1,577	52,507
Total liabilities, deferred inflows of resources, and fund balances	$ 7,688	$ 1,276	$ 297	$ 9,261	$ 9,595	$ 1,577	$ 100,635

City of Riverside
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

	Special Revenue						
	Urban Area Security Initiative	**Gas Tax**	**Air Quality Improvement**	**Housing & Community Development**	**NPDES Storm Drain**	**Housing**	**Total**
Revenues							
Intergovernmental	$ 844	$ 6,142	$ 422	$ 5,713	$ -	$ -	$ 13,121
Fines and forfeitures	-	-	-	-	-	1	1
Special assessments	-	-	-	-	1,093	-	1,093
Rental and investment income	-	9	3	67	-	192	271
Miscellaneous	-	-	208	215	-	549	972
Total revenues	844	6,151	633	5,995	1,093	742	15,458
Expenditures							
Current:							
General government	-	-	452	361	-	1,186	1,999
Public safety	844	-	-	-	-	-	844
Capital outlay	-	8,609	-	5,718	1,095	-	15,422
Debt service:							
Interest	-	-	-	10	-	-	10
Total expenditures	844	8,609	452	6,089	1,095	1,186	18,275
Excess (deficiency) of revenues over (under) expenditures	-	(2,458)	181	(94)	(2)	(444)	(2,817)
Other financing sources (uses)							
Transfers in	-	-	-	1,163	-	-	1,163
Transfers out	-	-	-	-	-	(1,163)	(1,163)
Proceeds on retirement of capital assets	-	308	-	-	-	(110)	198
Total other financing sources (uses)	-	308	-	1,163	-	(1,273)	198
Net change in fund balances	-	(2,150)	181	1,069	(2)	(1,717)	(2,619)
Fund balances - beginning	-	16,837	841	2,674	513	22,072	42,937
Fund balances - ending	$ -	$ 14,687	$ 1,022	$ 3,743	$ 511	$ 20,355	$ 40,318

Continued

City of Riverside
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

	Capital Projects					Permanent Fund	
	Special Capital Improvement	Storm Drain	Transportation	Total	General Debt Service	Library Special	Total Nonmajor Governmental Funds
Revenues							
Licenses and permits	$ 4,245	$ 395	$ -	$ 4,640	$ -	$ -	$ 4,640
Intergovernmental	-	61	297	358	-	-	13,479
Fines and forfeitures	-	-	-	-	-	-	1
Special assessments	-	-	-	-	1,086	-	2,179
Rental and investment income	26	-	-	26	1,616	12	1,925
Miscellaneous	-	-	-	-	483	149	1,604
Total revenues	4,271	456	297	5,024	3,185	161	23,828
Expenditures							
Current:							
General government	1,714	-	-	1,714	486	-	4,199
Public safety	-	-	-	-	-	-	844
Culture and recreation	-	-	-	-	-	203	203
Capital outlay	2,120	313	297	2,730	-	-	18,152
Debt service:							
Principal	-	-	-	-	28,475	-	28,475
Interest	63	-	-	63	10,833	-	10,906
Total expenditures	3,897	313	297	4,507	39,794	203	62,779
Excess (deficiency) of revenues over (under) expenditures	374	143	-	517	(36,609)	(42)	(38,951)
Other financing sources (uses)							
Transfers in	-	-	-	-	16,410	-	17,573
Transfers out	-	-	-	-	(31,145)	-	(32,308)
Issuance of long-term debt	-	-	-	-	31,578	-	31,578
Proceeds on retirement of capital assets	-	-	-	-	-	-	198
Total other financing sources (uses)	-	-	-	-	16,843	-	17,041
Net change in fund balances	374	143	-	517	(19,766)	(42)	(21,910)
Fund balances - beginning	2,507	1,121	12	3,640	26,221	1,619	74,417
Fund balances - ending	$ 2,881	$ 1,264	$ 12	$ 4,157	$ 6,455	$ 1,577	$ 52,507

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

	Special Revenue								
	Urban Area Security Initiative			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
Revenues									
Intergovernmental	$ 4,495	$ 844	$ (3,651)	$ 6,455	$ 6,142	$ (313)	$ 392	$ 422	$ 30
Rental and investment income	-	-	-	150	9	(141)	-	3	3
Miscellaneous	-	-	-	-	-	-	254	208	(46)
Total revenues	4,495	844	(3,651)	6,605	6,151	(454)	646	633	(13)
Expenditures									
Current:									
General government	-	-	-	-	-	-	1,028	452	576
Public safety	4,495	844	3,651	-	-	-	-	-	-
Capital outlay	-	-	-	21,882	8,609	13,273	-	-	-
Total expenditures	4,495	844	3,651	21,882	8,609	13,273	1,028	452	576
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(15,277)	(2,458)	12,819	(382)	181	563
Other financing sources (uses)									
Proceeds on retirement of capital assets	-	-	-	-	308	308	-	-	-
Total other financing sources (uses)	-	-	-	-	308	308	-	-	-
Net change in fund balances	-	-	-	(15,277)	(2,150)	13,127	(382)	181	563
Fund balances (deficit), beginning	-	-	-	16,837	16,837	-	841	841	-
Fund balances (deficit), ending	$ -	$ -	$ -	$ 1,560	$ 14,687	$ 13,127	$ 459	$ 1,022	$ 563

(continued)

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

	Special Revenue								
	Housing & Community Development			NPDES Storm Drain			Housing		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Intergovernmental	$ 7,284	$ 5,713	$ (1,571)	$ -	$ -	$ -	$ -	$ -	$ -
Fines and forfeitures	-	-	-	-	-	-	-	1	1
Special assessments	-	-	-	1,391	1,093	(298)	-	-	-
Rental and investment income	35	67	32	-	-	-	-	192	192
Miscellaneous	85	215	130	-	-	-	-	549	549
Total revenues	7,404	5,995	(1,409)	1,391	1,093	(298)	-	742	742
Expenditures									
Current:									
General government	2,136	361	1,775	-	-	-	2,533	1,186	1,347
Capital outlay	19,627	5,718	13,909	1,930	1,095	835	-	-	-
Debt service:									
Principal	32	-	32	-	-	-	-	-	-
Interest	13	10	3	-	-	-	6	-	6
Total expenditures	21,808	6,089	15,719	1,930	1,095	835	2,539	1,186	1,353
Excess (deficiency) of revenues over (under) expenditures	(14,404)	(94)	(14,310)	(539)	(2)	537	(2,539)	(444)	2,095
Other financing sources (uses)									
Transfers in (out)	1,163	1,163	-	-	-	-	(117)	(1,163)	(1,046)
Proceeds on retirement of capital assets	-	-	-	-	-	-	-	(110)	(110)
Total other financing sources (uses)	1,163	1,163	-	-	-	-	(117)	(1,273)	(1,156)
Net change in fund balances	(13,241)	1,069	(14,310)	(539)	(2)	537	(2,656)	(1,717)	939
Fund balances (deficit), beginning	2,674	2,674	-	513	513	-	22,072	22,072	-
Fund balances (deficit), ending	$ (10,567)	$ 3,743	$ (14,310)	$ (26)	$ 511	$ 537	$ 19,416	$ 20,355	$ 939

(continued)

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2017
(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	$ -	$ -	$ -	$ 2,600	$ 4,245	$ 1,645	$ 130	$ 395	$ 265	$ -	$ -	$ -
Intergovernmental	31,910	10,643	(21,267)	250	-	(250)	12,757	61	(12,696)	336	297	(39)
Special assessments	220	956	736	-	-	-	-	-	-	-	-	-
Rental and investment income	170	25	(145)	-	26	26	20	-	(20)	-	-	-
Miscellaneous	3,750	136	(3,614)	-	-	-	-	-	-	-	-	-
Total revenues	36,050	11,760	(24,290)	2,850	4,271	1,421	12,907	456	(12,451)	336	297	(39)
Expenditures												
Current:												
General government	-	-	-	1,114	1,714	(600)	-	-	-	-	-	-
Capital outlay	51,757	9,487	42,270	1,422	2,120	(698)	13,276	313	12,963	336	297	39
Debt service:												
Principal	-	-	-	1,389	-	1,389	-	-	-	-	-	-
Interest	-	-	-	62	63	(1)	-	-	-	-	-	-
Total expenditures	51,757	9,487	42,270	3,987	3,897	90	13,276	313	12,963	336	297	39
Excess (deficiency) of revenues over (under) expenditures	(15,707)	2,273	(13,434)	(1,137)	374	(763)	(369)	143	(226)	-	-	-
Other financing sources (uses)												
Transfers out	(3,000)	(3,000)	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(3,000)	(3,000)	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	(18,707)	(727)	(13,434)	(1,137)	374	(763)	(369)	143	(226)	-	-	-
Fund balances (deficit), beginning	18,673	18,673	-	2,507	2,507	-	1,121	1,121	-	70	12	(58)
Fund balances (deficit), ending	$ (34)	$ 17,946	$ (13,434)	$ 1,370	$ 2,881	$ (763)	$ 752	$ 1,264	$ (226)	$ 70	$ 12	$ (58)

CITY OF
RIVERSIDE

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.

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, 2017
(amounts expressed in thousands)

Assets	**Airport**	**Refuse**	**Transportation**	**Public Parking**	**Total**
Current assets:					
Cash and investments	$ 814	$ 5,237	$ 369	$ 8	$ 6,428
Receivables (net of allowance for uncollectibles)					
Interest	3	22	3	2	30
Utility billed	-	1,038	-	-	1,038
Utility unbilled	-	774	-	-	774
Accounts	81	773	16	897	1,767
Intergovernmental	-	-	781	21	802
Restricted assets:					
Other restricted cash and cash equivalents	-	1,738	-	-	1,738
Total current assets	898	9,582	1,169	928	12,577
Non-current assets:					
Regulatory assets	-	5,281	-	-	5,281
Capital assets:					
Land	9,988	-	-	9,192	19,180
Buildings	2,631	-	43	33,229	35,903
Accumulated depreciation-buildings	(1,442)	-	(15)	(6,427)	(7,884)
Improvements other than buildings	19,665	-	2,848	6,740	29,253
Accumulated depreciation-improvements other than buildings	(8,348)	-	(414)	(2,599)	(11,361)
Machinery and equipment	479	16,832	5,137	1,130	23,578
Accumulated depreciation-machinery and equipment	(394)	(11,977)	(3,339)	(1,120)	(16,830)
Construction in progress	164	-	-	-	164
Total non-current assets:	22,743	10,136	4,260	40,145	77,284
Total assets	23,641	19,718	5,429	41,073	89,861
Deferred Outflows of Resources					
Pension contributions, changes in assumptions and differences in experience	388	2,865	1,311	740	5,304
Total deferred outflows of resources	388	2,865	1,311	740	5,304

Continued

City of Riverside
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2017
(amounts expressed in thousands)

Liabilities	**Airport**	**Refuse**	**Transportation**	**Public Parking**	**Total**
Current liabilities:					
Accounts payable	11	1,149	15	132	1,307
Unearned revenue	5	1	1,195	-	1,201
Due to other funds	-	-	-	307	307
Notes payable - current	-	-	-	1,014	1,014
Landfill capping - current	-	250	-	-	250
Compensated absences - current	37	321	119	40	517
Total current liabilities	53	1,721	1,329	1,493	4,596
Non-current liabilities:					
Notes payables	-	-	-	18,257	18,257
Advances from other funds	245	1,050	498	389	2,182
Landfill capping	-	5,140	-	-	5,140
Compensated absences	3	26	9	3	41
OPEB obligation	126	1,099	525	256	2,006
Net pension liability	970	7,446	3,416	1,986	13,818
Total non-current liabilities	1,344	14,761	4,448	20,891	41,444
Total liabilities	1,397	16,482	5,777	22,384	46,040
Deferred Inflows of Resources					
Pension contributions, changes in assumptions and differences in experience	176	1,472	679	418	2,745
Total deferred inflows of resources	176	1,472	679	418	2,745
Net Position					
Net investment in capital assets	22,743	4,855	4,260	20,874	52,732
Restricted for landfill capping	-	1,738	-	-	1,738
Unrestricted	(287)	(1,964)	(3,976)	(1,863)	(8,090)
Total net position	$ 22,456	$ 4,629	$ 284	$ 19,011	$ 46,380

City of Riverside
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

	Airport	Refuse	Transportation	Public Parking	Total
Operating revenues:					
Charges for services	$ 1,578	$ 22,567	$ 359	$ 5,009	$ 29,513
Operating expenses:					
Personnel services	618	4,809	2,328	1,152	8,907
Contractual services	58	4,613	38	1,645	6,354
Maintenance and operation	285	5,812	501	686	7,284
General	267	3,656	521	89	4,533
Materials and supplies	22	1,195	228	17	1,462
Insurance	32	89	49	88	258
Depreciation and amortization	707	1,730	530	992	3,959
Total operating expenses	1,989	21,904	4,195	4,669	32,757
Operating Income (loss)	(411)	663	(3,836)	340	(3,244)
Nonoperating revenues (expenses):					
Operating grants	-	-	3,751	-	3,751
Interest income	5	17	-	4	26
Other	39	514	82	735	1,370
Gain (loss) on retirement of capital assets	19	(328)	-	-	(309)
Interest expense and fiscal charges	(9)	(49)	(26)	(779)	(863)
Total non-operating revenues	54	154	3,807	(40)	3,975
Income (loss) before capital contributions and transfers	(357)	817	(29)	300	731
Cash capital contributions	106	-	781	-	887
Noncash capital contributions	55	-	-	-	55
Transfers in	-	-	-	825	825
Transfers out	-	-	-	(738)	(738)
Change in net position	(196)	817	752	387	1,760
Net position - beginning	22,652	3,812	(468)	18,624	44,620
Net position - ending	$ 22,456	$ 4,629	$ 284	$ 19,011	$ 46,380

City of Riverside
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

	Airport	Refuse	Transportation	Public Parking	Totals
Cash flows from operating activities:					
Cash received from customers and users	$ 1,566	$ 22,416	$ -	$ 4,771	$ 28,753
Cash paid to employees for services	(598)	(4,737)	(2,280)	(1,139)	(8,754)
Cash paid to other suppliers of goods or services	(670)	(15,257)	(1,554)	(2,451)	(19,932)
Other nonoperating items	39	920	82	735	1,776
Net cash (used) provided by operating activities	337	3,342	(3,752)	1,916	1,843
Cash flows from noncapital financing activities:					
Transfers in	-	-	-	825	825
Transfers out	-	-	-	(738)	(738)
Operating grants	-	-	3,751	-	3,751
Receipts on interfund advances	55	13	-	32	100
Payments on interfund advances	-	-	(1)	(275)	(276)
Net cash (used) provided by noncapital financing activities	55	13	3,750	(156)	3,662
Cash flows from capital and related financing activities:					
Purchase of capital assets	(119)	(847)	(1,247)	-	(2,213)
Proceeds from the sale of capital assets	19	-	-	-	19
Principal paid on long-term obligations	-	-	-	(976)	(976)
Interest paid on long-term obligations	(9)	(49)	(26)	(779)	(863)
Capital contributions	106	-	781	-	887
Net cash (used) provided for capital and related financing activities	(3)	(896)	(492)	(1,755)	(3,146)
Cash flows from investing activities:					
Sale and (purchase) of investments	(2)	(9)	(1)	(1)	(13)
Interest from investments	5	17	-	4	26
Net cash (used) provided by investing activities	3	8	(1)	3	13
Net change in cash and cash equivalents	392	2,467	(495)	8	2,372
Cash and cash equivalents, beginning	422	4,508	864	-	5,794
Cash and cash equivalents, ending	$ 814	$ 6,975	$ 369	$ 8	$ 8,166

Continued

City of Riverside
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

Continued

	Airport	Refuse	Transportation	Public Parking	Totals
Reconciliation of operating income (loss) to net cash (used) provided by operating activities:					
Operating Income (loss)	$ (411)	$ 663	$ (3,836)	$ 340	$ (3,244)
Other nonoperating items	39	514	82	735	1,370
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	707	1,730	530	992	3,959
Changes in assets, liabilities and deferred inflows/outflows of resources:					
Utility billed receivable	-	(11)	-	-	(11)
Utility unbilled receivable	-	(27)	-	-	(27)
Accounts receivable	(12)	(113)	1	(236)	(360)
Intergovernmental receivable	-	-	(492)	(2)	(494)
Regulatory assets	-	406	-	-	406
Accounts payable	(11)	404	8	74	475
Other payables	29	89	(36)	17	99
Landfill capping	-	(296)	-	-	(296)
Net pension liability and related charges in deferred outflows and inflows of resources	(4)	(17)	(9)	(4)	(34)
Net cash (used) provided by operating activities	$ 337	$ 3,342	$ (3,752)	$ 1,916	$ 1,843
Schedule of noncash financing and investing activities:					
Capital Contributions - capital assets	$ 55	$ -	$ -	$ -	$ 55
Loss on retirement of capital assets	-	(328)	-	-	(328)

CITY OF
RIVERSIDE

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, 2017
(amounts expressed in thousands)

Assets	**Self-Insurance Trust**	**Central Stores**	**Central Garage**	**Total**
Current assets:				
Cash and investments	$ 13,900	$ -	$ 4,621	$ 18,521
Receivables (net of allowance for uncollectibles)				
Interest	28	-	15	43
Accounts	17	-	6	23
Intergovernmental	27	-	566	593
Inventory	-	5,670	330	6,000
Total current assets	13,972	5,670	5,538	25,180
Non-current assets:				
Advances to other funds	774	-	2,764	3,538
Capital assets:				
Land			458	458
Intangible assets, depreciable	219	-	-	219
Accumulated depreciation - intangible assets, depreciable	(88)	-	-	(88)
Buildings	-	-	4,065	4,065
Accumulated depreciation-buildings	-	-	(597)	(597)
Improvements other than buildings	-	-	1,315	1,315
Accumulated depreciation - improvements other than buildings	-	-	(369)	(369)
Machinery and equipment	5	139	11,163	11,307
Accumulated depreciation-machinery and equipment	(3)	(139)	(8,534)	(8,676)
Total non-current assets:	907	-	10,265	11,172
Total assets	14,879	5,670	15,803	36,352
Deferred Outflows of Resources				
Pension contributions, changes in assumptions and differences in experience	392	420	2,124	2,936
Total deferred outflows of resources	392	420	2,124	2,936
Liabilities				
Current liabilities:				
Accounts payable	646	422	276	1,344
Due to other funds	-	261	-	261
Claims and judgments - current	10,765	-	-	10,765
Compensated absences - current	26	56	220	302
Total current liabilities	11,437	739	496	12,672
Non-current liabilities:				
Advances from other funds	107	149	1,306	1,562
Claims and judgments	34,180	-	-	34,180
Compensated absences	12	25	97	134
OPEB obligation	121	147	636	904
Net pension liability	924	1,052	5,414	7,390
Total non-current liabilities	35,344	1,373	7,453	44,170
Total liabilities	46,781	2,112	7,949	56,842
Deferred Inflows of Resources				
Pension contributions, changes in assumptions and differences in experience	143	191	1,026	1,360
Total deferred inflows of resources	143	191	1,026	1,360
Net Position				
Net investment in capital assets	133	-	7,501	7,634
Unrestricted	(31,786)	3,787	1,451	(26,548)
Total net position	$ (31,653)	$ 3,787	$ 8,952	$ (18,914)

City of Riverside
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

	Self-Insurance Trust	Central Stores	Central Garage	Totals
Operating revenues:				
Charges for services	$ 13,600	$ 1,394	$ 9,387	$ 24,381
Operating expenses:				
Personnel services	557	674	3,286	4,517
Contractual services	1,379	-	95	1,474
Maintenance and operation	4	30	2,581	2,615
General	1,366	340	738	2,444
Materials and supplies	2	13	288	303
Claims/Insurance	10,151	6	74	10,231
Depreciation and amortization	45	-	870	915
Total operating expenses	13,504	1,063	7,932	22,499
Operating income (loss)	96	331	1,455	1,882
Non-operating revenues (expenses):				
Interest income	18	-	58	76
Other	5	-	-	5
Gain (loss) on retirement of capital assets	-	-	29	29
Interest expense and fiscal charges	(9)	(9)	(51)	(69)
Total non-operating revenue (expenses)	14	(9)	36	41
Change in net position	110	322	1,491	1,923
Net position - beginning	(31,763)	3,465	7,461	(20,837)
Net position - ending	$ (31,653)	$ 3,787	$ 8,952	$ (18,914)

City of Riverside
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

	Self-Insurance Trust	Central Stores	Central Garage	Total
Cash flows from operating activities:				
Cash received from customers and users	$ 13,605	$ 1,394	$ 8,819	$ 23,818
Cash paid to employees for services	1,128	(659)	(3,274)	(2,805)
Cash paid to other suppliers of goods or services	(13,108)	(348)	(3,921)	(17,377)
Other receipts	5	-	-	5
Net cash provided by operating activities	1,630	387	1,624	3,641
Cash flows from noncapital financing activities:				
Receipts on interfund advances	4,698	-	696	5,394
Payments on interfund advances	(75)	(378)	(568)	(1,021)
Net cash (used) provided by noncapital financing activities	4,623	(378)	128	4,373
Cash flows from capital and related financing activities:				
Purchase of capital assets	-	-	(1,493)	(1,493)
Proceeds from the sale of capital assets	-	-	29	29
Interest paid on long-term obligation	(9)	(9)	(51)	(69)
Net cash (used) for capital and related financing activities	(9)	(9)	(1,515)	(1,533)
Cash flows from investing activities:				
Sale and (purchase) of investments	(5)	-	(5)	(10)
Interest from investments	18	-	58	76
Net cash provided by investing activities	13	-	53	66
Net change in cash and cash equivalents	6,257	-	290	6,547
Cash and cash equivalents, beginning	7,643	-	4,331	11,974
Cash and cash equivalents, ending	$ 13,900	$ -	$ 4,621	$ 18,521

Continued

City of Riverside
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2017
(amounts expressed in thousands) Continued

Reconciliation of operating income (loss) to net cash (used) provided by operating activities:	Self-Insurance Trust	Central Stores	Central Garage	Total
Operating income (loss)	$ 96	$ 331	$ 1,455	$ 1,882
Other nonoperating items	5	-	-	5
Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities:				
Depreciation and amortization	45	-	870	915
Changes in assets, liabilities and deferred inflows/outflows of resources:				
Accounts receivable	-	-	(2)	(2)
Intergovernmental receivable	5	-	(566)	(561)
Inventory	-	(33)	(53)	(86)
Accounts payable	(206)	74	(92)	(224)
Other payables	12	18	25	55
Claims and judgments	1,676	-	-	1,676
Net pension liability and related charges in deferred outflows and inflows of resources	(3)	(3)	(13)	(19)
Net cash (used) provided by operating activities	$ 1,630	$ 387	$ 1,624	$ 3,641

CITY OF
RIVERSIDE

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, 2017
(amounts expressed in thousands)

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Assets				
Cash and investments	$ 3,085	$ 3,901	$ 3,805	$ 3,181
Cash and investments at fiscal agent	5,156	3,924	4,012	5,068
Interest receivable	6	58	56	8
Property taxes receivable	52	36	54	34
Total assets	$ 8,299	$ 7,919	$ 7,927	$ 8,291
Liabilities				
Accounts payable	$ 35	$ 66	$ 101	-
Held for bond holders	8,264	7,853	7,826	8,291
Total liabilities	$ 8,299	$ 7,919	$ 7,927	$ 8,291

CITY OF
RIVERSIDE

COMBINING GENERAL FUND SCHEDULE WITH MEASURE Z FUND ACTIVITY

City of Riverside
Balance Sheet
Combining General Fund Schedule
June 30, 2017
(amounts expressed in thousands)

Assets	**General Fund**	**Measure Z Fund**	**Total General Fund**
Cash and investments	$ 59,347	$ -	$ 59,347
Cash and investments at fiscal agent	1,943	-	1,943
Receivables (net of allowance for uncollectibles)			
Interest	22	1	23
Property taxes	4,274	-	4,274
Sales tax	11,196	9,164	20,360
Utility billed	1,210	-	1,210
Accounts	6,525	-	6,525
Intergovernmental	4,050	-	4,050
Notes	1	-	1
Prepaid items	2,599	-	2,599
Deposits	300	-	300
Due from other funds	1,722	-	1,722
Due from Measure Z Fund *	6,519	-	6,519
Advances to other funds	22,715	-	22,715
Advances to Successor Agency Trust Fund	554	-	554
Land & improvements held for resale	175	-	175
Total assets	$ 123,152	$ 9,165	$ 132,317
Liabilities			
Accounts payable	$ 9,286	$ 5	$ 9,291
Accrued payroll	19,072	-	19,072
Retainage payable	1	-	1
Intergovernmental	149	-	149
Unearned revenue	273	-	273
Deposits	7,750	-	7,750
Due to General Fund *	-	6,519	6,519
Total liabilities	36,531	6,524	43,055
Deferred Inflows of Resources			
Unavailable revenue	6,192	-	6,192
Total deferred inflows of resources	6,192	-	6,192
Fund Balances			
Nonspendable:			
Inventories, prepaids and deposits	2,899	-	2,899
Advances	23,269	-	23,269
Restricted for:			
Housing and redevelopment	175	-	175
Debt service	1,884	-	1,884
Other purposes	592	-	592
Assigned to:			
General government	2,387	-	2,387
Public safety	2,357	-	2,357
Highways and streets	1,032	-	1,032
Culture and recreation	728	-	728
Continuing projects	7,977	487	8,464
Unassigned	37,129	2,154	39,283
Total fund balances	80,429	2,641	83,070
Total liabilities, deferred inflows of resources, and fund balances	$ 123,152	$ 9,165	$ 132,317

* Per accounting standards, Due To/From within the same fund are not reflected in the Balance Sheet; however, they are reflected in this schedule for transparency purposes.

City of Riverside
Statement of Revenues, Expenditures and Changes in Fund Balances
Combining General Fund Schedule
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

	General Fund	Measure Z Fund	Total General Fund
Revenues			
Taxes	$ 162,198	$ 12,605	$ 174,803
Licenses and permits	9,815	-	9,815
Intergovernmental	7,318	-	7,318
Charges for services	31,384	-	31,384
Fines and forfeitures	1,975	-	1,975
Special assessments	4,443	-	4,443
Rental and investment income	2,767	1	2,768
Miscellaneous	5,512	-	5,512
Total revenues	225,412	12,606	238,018
Expenditures			
Current:			
General government	16,424	27	16,451
Public safety	162,419	449	162,868
Highways and streets	17,504	-	17,504
Culture and recreation	40,440	-	40,440
Capital outlay	3,361	-	3,361
Debt service:			
Principal	44,225	-	44,225
Interest	5,209	-	5,209
Bond issuance costs	29	-	29
Total expenditures	289,611	476	290,087
Excess (deficiency) of revenues over (under) expenditures	(64,199)	12,130	(52,069)
Other financing sources (uses)			
Transfers in	76,948	-	76,948
Transfers out	(13,497)	-	(13,497)
Transfers in from Measure Z Fund *	9,489	-	9,489
Transfers out to General Fund *	-	(9,489)	(9,489)
Capital lease financings	2,109	-	2,109
Proceeds from the sale of capital assets	4,001	-	4,001
Total other financing sources (uses)	79,050	(9,489)	69,561
Net change in fund balances	14,851	2,641	17,492
Fund balances - beginning	65,578	-	65,578
Fund balances - ending	$ 80,429	$ 2,641	$ 83,070

* 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

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.

Contents | **Page**

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)

	Fiscal Year									
	2008	**2009**	**2010**	**2011**	**2012[1]**	**2013**	**2014**	**2015**	**2016**	**2017**
Governmental activities										
Net investment in capital assets	$ 850,740	$ 950,496	$ 976,614	$ 1,019,892	$ 1,076,485	$ 1,083,485	$ 1,106,384	$ 1,126,220	$ 1,123,910	$ 1,102,409
Restricted	102,677	98,903	108,932	80,820	86,325	80,712	96,587	105,847	106,488	104,853
Unrestricted	(31,429)	(41,861)	(80,947)	(90,159)	23,145	17,989	(2,049)	(406,388)	(389,278)	(362,146)
Total governmental activities net position	$ 921,988	$ 1,007,538	$ 1,004,599	$ 1,010,553	$ 1,185,955	$ 1,182,186	$ 1,200,922	$ 825,679	$ 841,120	$ 845,116
Business-type activities										
Net investment in capital assets	$ 601,999	$ 659,904	$ 660,619	$ 654,974	$ 666,919	$ 609,691	$ 616,844	$ 626,166	$ 654,870	$ 702,844
Restricted	43,341	38,621	59,863	56,397	54,923	69,068	68,507	75,660	85,526	93,570
Unrestricted	225,281	207,405	219,720	256,038	285,062	330,833	359,698	209,469	235,144	245,116
Total business-type activities net position	$ 870,621	$ 905,930	$ 940,202	$ 967,409	$ 1,006,904	$ 1,009,592	$ 1,045,049	$ 911,295	$ 975,540	$ 1,041,530
Primary government										
Net investment in capital assets	$ 1,452,739	$ 1,610,400	$ 1,637,233	$ 1,674,866	$ 1,743,404	$ 1,693,176	$ 1,723,228	$ 1,752,386	$ 1,778,780	$ 1,805,253
Restricted	146,018	137,524	168,795	137,217	141,248	149,780	165,094	181,507	192,014	198,423
Unrestricted	193,852	165,544	138,773	165,879	308,207	348,822	357,649	(196,919)	(154,134)	(117,030)
Total primary government net position	$ 1,792,609	$ 1,913,468	$ 1,944,801	$ 1,977,962	$ 2,192,859	$ 2,191,778	$ 2,245,971	$ 1,736,974	$ 1,816,660	$ 1,886,646

[1] The increase in total governmental activities net position (and related unrestricted net position) is primarily due to the dissolution of the Redevelopment Agency.

(in thousands) Page 1 of 2

Table 2
City of Riverside
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	$ 113,897	$ 71,391	$ 85,110	$ 72,606	$ 48,731	$ 54,808	$ 39,331	$ 26,587	$ 24,483	$ 44,510
Public safety	122,783	142,353	137,338	139,364	148,605	147,652	149,555	154,123	161,284	160,665
Highways and streets	26,986	29,700	31,492	32,131	35,342	35,072	36,564	36,563	38,836	38,585
Culture and recreation	31,659	29,423	44,319	50,017	54,594	40,077	42,252	45,594	47,762	49,406
Interest on long-term debt	34,075	34,361	32,049	33,638	25,087	16,627	17,741	17,025	16,387	16,028
Total governmental activities expenses	329,400	307,228	330,308	327,756	312,359	294,236	285,443	279,892	288,752	309,194
Business-type activities:										
Electric	271,412	269,209	256,860	275,922	288,799	292,175	304,416	309,874	307,925	317,335
Water	47,570	53,931	55,402	56,390	56,715	58,768	60,030	62,792	57,769	62,189
Sewer	31,209	34,853	41,248	42,276	43,702	43,945	40,385	35,593	39,978	38,305
Airport	1,418	1,734	2,206	2,320	2,646	2,029	1,662	1,809	1,799	1,998
Refuse	18,430	18,425	20,527	20,046	19,979	20,581	20,831	20,007	21,652	21,953
Transportation	3,190	3,194	3,368	3,493	3,667	3,745	4,067	4,385	4,113	4,221
Public parking	4,093	5,095	4,024	4,401	4,984	5,051	4,610	5,604	5,141	5,448
Total business-type activities expenses	377,322	386,441	383,635	404,848	420,492	426,294	436,001	440,064	438,377	451,449
Total primary government expenses	$ 706,722	$ 693,669	$ 713,943	$ 732,604	$ 732,851	$ 720,530	$ 721,444	$ 719,956	$ 727,129	$ 760,643
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 23,969	$ 13,691	$ 12,933	$ 14,241	$ 14,662	$ 13,338	$ 13,775	$ 17,600	$ 24,944	$ 27,441
Public safety	9,924	8,414	8,177	8,075	7,837	7,793	7,444	7,256	3,243	1,167
Highways and streets	19,695	14,391	17,847	16,985	16,532	15,825	17,487	13,868	5,709	5,930
Culture and recreation	4,370	3,168	2,367	3,180	4,622	5,237	7,406	16,319	12,458	22,802
Operating grants and contributions	15,024	23,313	32,853	21,127	31,581	21,485	14,341	12,869	16,321	19,374
Capital grants and contributions	115,982	69,745	23,395	38,138	54,476	32,202	48,433	43,904	31,216	7,617
Total governmental activities program revenues	188,964	132,722	97,572	101,746	129,710	95,880	108,886	111,816	93,891	84,331
Business-type activities:										
Charges for services:										
Electric	305,299	314,164	309,910	313,703	333,029	347,933	344,037	347,621	354,530	366,066
Water	49,855	54,923	57,534	62,084	65,206	68,489	68,691	66,051	57,250	62,627
Sewer	22,525	23,247	27,342	32,769	37,747	43,772	46,162	50,336	52,664	59,735
Airport	1,423	1,232	1,315	1,342	1,524	1,396	1,100	1,260	1,549	1,578
Refuse	16,289	18,394	18,712	19,134	19,588	20,829	20,677	21,360	21,806	22,567
Transportation	313	336	328	344	352	344	413	385	377	359
Public parking	3,717	4,332	4,876	5,205	4,803	4,777	4,382	4,609	4,918	5,009
Operating grants and contributions	3,308	1,929	2,487	2,159	2,738	2,718	2,524	3,869	2,322	3,751
Capital grants and contributions	29,215	17,288	6,838	7,337	21,164	11,734	11,486	8,027	18,868	24,151
Total business-type activities program revenues	431,944	435,845	429,342	444,077	486,151	501,992	499,472	503,518	514,284	545,843
Total primary government program revenues	$ 620,908	$ 568,567	$ 526,914	$ 545,823	$ 615,861	$ 597,872	$ 608,358	$ 615,334	$ 608,175	$ 630,174

(continued)

Table 2
City of Riverside
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands)

	Fiscal Year									
	2008	**2009**	**2010**	**2011**	**2012[1]**	**2013[2]**	**2014**	**2015**	**2016**	**2017**
Net Revenues (Expense)										
Governmental activities	$ (140,436)	$ (174,506)	$ (232,736)	$ (226,010)	$ (182,649)	$ (198,356)	$ (176,557)	$ (168,076)	$ (194,861)	$ (224,863)
Business-type activities	54,622	49,404	45,707	39,229	65,659	75,698	63,471	63,454	75,907	94,394
Total primary government net expense	$ (85,814)	$ (125,102)	$ (187,029)	$ (186,781)	$ (116,990)	$ (122,658)	$ (113,086)	$ (104,622)	$ (118,954)	$ (130,469)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Sales	$ 50,526	$ 41,882	$ 39,645	$ 44,157	$ 47,701	$ 50,222	$ 55,096	$ 59,437	$ 60,976	$ 75,883
Property	114,176	116,420	104,087	100,802	74,179	52,904	51,323	54,864	55,545	59,526
Utility users	26,267	25,964	25,975	26,691	27,320	28,206	28,092	28,076	27,828	27,958
Franchise	4,972	5,144	4,477	4,937	4,883	4,959	5,046	5,543	5,730	4,814
Transient occupancy	3,795	2,912	2,488	2,731	2,995	3,703	4,189	5,280	6,093	6,622
Intergovernmental, unrestricted	2,074	4,569	1,339	1,285	351	337	263	3,153	477	145
Unrestricted grants and contributions	-	-	-	-	-	-	-	-	-	-
Investment earnings	25,670	15,941	8,289	7,439	4,440	2,786	2,759	3,233	729	6,145
Miscellaneous	9,480	5,137	3,344	9,544	9,273	9,208	5,425	12,395	11,708	2,050
Transfers	32,326	42,087	40,153	34,378	40,679	42,262	43,100	42,681	41,216	45,716
Extraordinary items	-	-	-	-	149,617	-	-	-	-	-
Total governmental activities	269,286	260,056	229,797	231,964	361,438	194,587	195,293	214,662	210,302	228,859
Business-type activities:										
Investment income	22,756	23,402	21,271	17,548	11,405	4,744	8,005	5,319	6,888	2,650
Miscellaneous	4,931	4,590	7,447	4,808	3,110	5,767	7,081	7,652	22,666	14,662
Transfers	(32,326)	(42,087)	(40,153)	(34,378)	(40,679)	(42,262)	(43,100)	(42,681)	(41,216)	(45,716)
Extraordinary items	-	-	-	-	-	(41,259)	-	-	-	-
Total business-type activities	(4,639)	(14,095)	(11,435)	(12,022)	(26,164)	(73,010)	(28,014)	(29,710)	(11,662)	(28,404)
Total primary government	264,647	245,961	218,362	219,942	335,274	121,577	167,279	184,952	198,640	200,455
Change in Net Position										
Governmental activities	$ 128,850	$ 85,550	$ (2,939)	$ 5,954	$ 178,789	$ (3,769)	$ 18,736	$ 46,586	$ 15,441	$ 3,996
Business-type activities	49,983	35,309	34,272	27,207	39,495	2,688	35,457	33,744	64,245	65,990
Total primary government	$ 178,833	$ 120,859	$ 31,333	$ 33,161	$ 218,284	$ (1,081)	$ 54,193	$ 80,330	$ 79,686	$ 69,986

[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)

	2012[1,2]	2013	2014	2015	2016	2017
General fund						
Nonspendable	$ 25,720	$ 26,421	$ 24,419	$ 23,642	$ 23,094	$ 26,168
Restricted	2,803	2,196	2,204	2,985	3,067	2,651
Assigned	6,380	10,711	14,505	13,965	9,922	14,968
Unassigned	39,347	37,763	37,732	39,059	29,495	39,283
Total general fund	$ 74,250	$ 77,091	$ 78,860	$ 79,651	$ 65,578	$ 83,070
All other governmental funds						
Nonspendable	$ 1,539	$ 1,441	$ 1,460	$ 1,625	$ 1,619	$ 1,601
Restricted for:						
Housing and redevelopment	26,911	26,410	26,223	25,523	24,746	24,098
Debt service	29,080	25,884	26,177	26,203	26,221	6,455
Transportation and public works	31,075	16,487	54,876	36,347	36,876	34,178
Other purposes	1,401	2,003	321	2,326	3,628	4,145
Unassigned	-	-	-	-	-	(24)
Total all other governmental funds	$ 90,006	$ 72,225	$ 109,057	$ 92,024	$ 93,090	$ 70,453

[1] The decrease in fund balance of the General Fund primarily relates to the transfer of land held for resale (in the amount of $76.3 million) to the Redevelopment Agency Capital Projects Fund, which had been transferred to the General Fund during the fiscal year ended June 30, 2011.

[2] The decrease in fund balance of all other governmental funds relates to the dissolution of the Redevelopment Agency.

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Taxes	$ 200,438	$ 192,322	$ 177,255	$ 179,318	$ 156,593	$ 139,994	$ 143,748	$ 153,200	$ 156,172	$ 174,803
Licenses and permits	10,027	7,368	6,899	7,657	9,292	10,173	9,244	11,168	11,611	14,455
Intergovernmental	79,423	86,873	60,550	61,082	66,618	50,734	59,348	49,892	51,896	31,440
Charges for services	11,325	9,099	9,570	10,720	11,774	12,062	15,734	24,737	26,443	31,384
Fines and forfeitures	4,573	6,213	7,512	8,928	6,293	6,234	7,283	3,957	1,941	1,976
Special assessments	5,245	5,431	5,464	6,014	6,276	6,669	6,272	6,757	7,039	7,578
Use of money and property	27,970	18,620	11,173	10,173	8,095	3,878	4,315	5,112	4,370	4,718
Miscellaneous	12,796	7,596	7,082	16,605	10,611	14,933	6,957	6,939	12,578	7,252
Total revenues	$ 351,797	$ 333,522	$ 285,505	$ 300,497	$ 275,552	$ 244,677	$ 252,901	$ 261,762	$ 272,050	$ 273,606
Expenditures:										
General government	$ 26,177	$ 25,995	$ 23,835	$ 26,090	$ 18,835	$ 15,713	$ 13,558	$ 17,799	$ 19,900	$ 20,650
Public safety	151,773	145,802	138,594	140,994	150,878	150,290	151,721	157,660	164,800	163,712
Highways and streets	25,209	18,452	14,987	14,587	16,651	16,294	16,944	16,594	17,416	17,504
Culture and recreation	30,622	26,859	40,373	44,345	57,538	45,356	34,275	37,527	39,583	40,643
Capital outlay	171,952	180,394	131,908	105,689	75,482	73,581	72,365	60,060	53,208	31,000
Debt Service:										
Principal	11,257	44,349	48,078	89,264	83,378	45,006	45,500	49,101	51,987	72,700
Interest	31,239	33,033	31,267	32,611	24,133	15,116	16,787	17,048	16,451	16,115
Debt issuance costs	697	259	231	174	169	581	843	172	180	29
Payment for advance refunding	-	-	-	-	-	3,521	-	-	-	-
Total expenditures	$ 448,926	$ 475,143	$ 429,273	$ 453,754	$ 427,064	$ 365,458	$ 351,993	$ 355,961	$ 363,525	$ 362,353
Excess of revenues over (under) expenditures	$ (97,129)	$ (141,621)	$ (143,768)	$ (153,257)	$ (151,512)	$ (120,781)	$ (99,092)	$ (94,199)	$ (91,475)	$ (88,747)

(continued)

(in thousands) Page 2 of 2

Table 4
City of Riverside
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other financing sources (uses):										
Transfers in	$ 62,841	$ 100,797	$ 88,303	$ 214,631	$ 196,859	$ 56,572	$ 58,469	$ 61,510	$ 61,384	$ 94,521
Transfers out	(30,515)	(58,710)	(48,150)	(180,280)	(156,305)	(14,178)	(15,369)	(18,829)	(20,168)	(48,805)
Issuance of long term debt	164,408	30,425	51,821	104,875	34,940	99,753	87,037	30,940	31,145	31,578
Capital lease financings	-	-	3,116	2,000	-	7,203	6,625	4,450	5,846	2,109
Sales of capital assets	8,931	(5,798)	529	(1,629)	156	82	931	(114)	261	4,199
Payments to refunded bond agent	(148,975)	-	-	-	-	(43,591)	-	-	-	-
Total other financing sources (uses)	56,690	66,714	95,619	139,597	75,650	105,841	137,693	77,957	78,468	83,602
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	$ (40,439)	$ (74,907)	$ (48,149)	$ (13,660)	$ (182,842)	$ (14,940)	$ 38,601	$ (16,242)	$ (13,007)	$ (5,145)
Debt service as a percentage of noncapital expenditures	16.947%	26.058%	23.211%	32.757%	32.507%	21.039%	21.803%	22.360%	21.714%	26.625%
	(1)	**(2)**		**(3)**	**(4)**					

(1) Increase in debt service related to the issuance of the 2007 Redevelopment Agency Tax Allocation Bonds and 2008 Riverside Renaissance Certificates of Participation.
(2) Increase relates to $30 million refinancing of 2005B pension bonds that took place in May 2008, which became due in-full in June 2009. The $30 million Pension Bond Anticipation Notes have been paid in-full and immediately re-issued each year in 2009, 2010, 2011, 2012, 2013 and 2014.
(3) 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.
(4) 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
2008	$ 99,981	$ 60,768	$ 92,697	$ 14,805	$ 5,425	$ 19,211	$ 12,405	$ 305,292
2009	105,525	65,532	97,100	4,674	5,684	18,673	12,250	309,438
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	21,779	366,617

Table 6
City of Riverside
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting) **(in thousands)**

Fiscal Year	Sales Tax[1]	Property Tax[2]	Utility Users Tax	Franchise Tax	Transient Occupancy Tax	Total Taxes
2008	$ 50,526	$ 114,176	$ 26,267	$ 4,972	$ 3,795	$ 199,736
2009	41,882	116,420	25,964	5,144	2,912	192,322
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

[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)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Apparel Stores	$ 167,869	$ 154,899	$ 152,564	$ 161,802	$ 168,352	$ 175,320	$ 178,349	$ 188,670	$ 203,001	$ 214,852
General Merchandise	530,900	466,096	435,230	432,303	444,125	450,988	463,355	475,147	477,903	478,538
Food Stores	171,998	172,195	170,151	167,259	169,380	181,719	193,368	209,022	217,902	168,854
Eating and Drinking Places	382,582	383,596	364,291	371,419	395,423	422,153	447,841	483,901	533,317	582,262
Building Materials	549,124	374,161	307,894	292,605	349,398	376,011	454,468	514,993	567,790	636,415
Auto Dealers and Supplies	1,250,136	949,747	786,012	847,986	965,529	1,118,907	1,280,633	1,461,217	1,548,385	1,608,231
Service Stations	417,086	424,252	301,654	350,904	419,497	430,322	418,110	413,128	370,257	338,762
Other Retail Stores	626,737	564,633	487,924	501,071	517,583	535,945	550,157	595,305	633,089	692,375
All Other Outlets	1,227,944	1,104,611	893,809	977,260	1,072,513	1,008,206	1,154,492	1,312,607	1,461,982	1,474,160
Total	$ 5,324,376	$ 4,594,190	$ 3,899,529	$ 4,102,609	$ 4,501,800	$ 4,699,571	$ 5,140,773	$ 5,653,990	$ 6,013,625	$ 6,194,449

Source: State of California Board of Equalization and the Hdl 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]				
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Rate[2]
2008	23,618,776	1,291,972	(6,960,666)	17,950,082	5,509,441	553,124	(138,490)	5,924,075	0.334
2009	24,428,633	1,330,053	(7,515,667)	18,243,019	5,998,768	581,943	(224,025)	6,356,686	0.343
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

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

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/2017
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]	0.185	0.259	0.284	0.301	0.332	0.325	0.390	0.377	0.487	0.495
City of Riverside Debt Service	0.006	0.007	0.006	0.006	0.006	0.006	0.007	0.006	0.006	0.006
Metropolitan Water District Original Area	0.005	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004
Riverside City Community College Debt Service	0.013	0.013	0.012	0.015	0.017	0.017	0.018	0.018	0.017	0.016
Total Direct & Overlapping[3] Tax Rates	**1.209**	**1.283**	**1.307**	**1.325**	**1.358**	**1.352**	**1.418**	**1.405**	**1.514**	**1.521**
City's Share of 1% Levy Per Prop 13[4]	0.145	0.145	0.145	0.145	0.145	0.145	0.145	0.145	0.145	0.145
General Obligation Debt Rate	0.006	0.007	0.006	0.006	0.006	0.006	0.007	0.006	0.006	0.006
Redevelopment Rate[5,7]	1.005	1.004	1.004	1.004	1.004	-	-	-	-	-
Total Direct Rate[6]	0.334	0.343	0.350	0.347	0.348	0.348	0.125	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: Alvord 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 2006/07 - 2015/16 Tax Rate Table.

Table 10
City of Riverside
Principal Property Taxpayers
Current Year and Nine Years Ago **(in thousands)**

	2017			2008		
Property Owner	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**
Tyler Mall	$ 202,716	1	0.8%	$ 154,056	3	0.6%
Riverside Healthcare System	160,948	2	0.6%	100,062	4	0.4%
Rohr Inc	147,335	3	0.5%	66,894	7	0.3%
State Street Bank and Trust Co	130,757	4	0.5%	81,756	5	0.3%
La Sierra University	127,172	5	0.5%	176,685	1	0.7%
Corona Pointe Apartments	100,004	6	0.4%	-		-
Cole ID	97,085	7	0.3%	-		-
CPT Riverside Plaza LLC	88,099	8	0.3%	-		-
Northrop Drive Apartments	79,399	9	0.3%	-		-
Canyon Springs Marketplace Corp	74,561	10	0.3%	60,269	9	0.3%
BRE Properties	-		-	175,841	2	0.7%
Mission Grove Plaza	-		-	70,457	6	0.3%
Press Enterprise Company	-		-	61,540	8	0.3%
Bottling Group	-		-	59,201	10	0.3%
	-		-			
Totals	$ 1,208,076		4.5%	$ 1,006,761		4.2%

Notes:
The amounts shown above include assessed value data for both the City and the Successor Agency.

Source: Riverside County Assessor 2016/17 and 2007/08 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
2008	$ 83,996	$ 82,345	98.03%	$ 1,651	$ 83,996	100.00%
2009	86,251	84,134	97.55%	2,117	86,251	100.00%
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%	-	49,585	99.12%
2017	53,655	53,252	99.25%	-	53,252	99.25%

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-though 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)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Type of Customer:										
Residential	734	733	701	666	688	726	700	711	726	730
Commercial	441	433	406	400	413	419	421	428	438	448
Industrial	960	946	906	912	969	1,003	997	995	983	996
Wholesale sales	357	137	44	7	2	14	4	2	-	1
Other	34	33	32	31	31	31	30	31	23	23
Total	2,526	2,282	2,089	2,016	2,103	2,193	2,152	2,167	2,170	2,198
Total direct rate										
Monthly Base Rate [1]	11.35	13.06	18.06	18.06	18.06	18.06	18.06	18.06	18.06	18.06

[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).

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
2008	0.13613	0.13781	0.09658	0.16099
2009	0.14389	0.15122	0.10271	0.17169
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

Source: Riverside Public Utilities, Finance Services

Table 14
City of Riverside
Top 10 Electricity Customers
Current Year and Nine Years Ago

	2017			2008		
Electricity Customer	**Electricity Charges**	**Rank**	**Percent of Total Electric Revenues**	**Electricity Charges**	**Rank**	**Percent of Total Electric Revenues**
Local University	$13,046,213	1	4.22%	$6,903,554	2	2.67%
Local Government	8,481,340	2	2.74%	7,328,364	1	2.83%
Local Government	7,737,210	3	2.50%	6,081,471	3	2.35%
Local School District	4,468,962	4	1.44%	4,299,987	4	1.66%
Corporation	4,179,049	5	1.35%	2,945,052	5	1.14%
Corporation	3,471,863	6	1.12%	2,346,808	6	0.91%
Corporation	3,069,783	7	0.99%	2,121,432	7	0.82%
Hospital	2,711,869	8	0.88%	-		-
Local University	2,492,966	9	0.81%	-		-
Local School District	2,088,299	10	0.68%	-		-
Corporation	-		-	1,828,885	7	0.71%
Corporation	-		-	1,726,147	9	0.67%
Hospital	-		-	1,684,620	10	0.65%
	$51,747,554		16.73%	$37,266,320		14.400%

Retail Sales Per Financial Statements $309,331,849 $ 258,871,586

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	Certificates of Participation	Capital Leases	Notes/Loans Payable
2008	18,774	292,244	-	142,170	200,273	9,391	9,040
2009	18,171	285,743	-	139,410	198,268	7,455	8,749
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

Fiscal Year	Business-Type Activities: Revenue Bonds	Notes/Loans Payable	Capital Leases	Total Primary Government	Percentage of Personal Income[1]	Debt Per Capita[1]
2008	720,749	8,569	211	1,401,421	21.51%	4.80
2009	670,512	7,915	2,574	1,342,931	20.15%	4.54
2010	968,393	7,249	2,151	1,637,049	24.83%	5.44
2011	1,071,554	76,747	1,720	1,826,921	27.58%	6.01
2012	1,063,853	73,821	1,332	1,494,516	21.94%	4.84
2013	1,031,839	70,798	2,558	1,482,049	21.41%	4.75
2014	1,094,290	36,030	2,266	1,557,390	22.54%	4.96
2015	1,239,634	37,225	1,720	1,689,493	24.64%	5.38
2016	1,208,851	37,793	4,694	1,641,220	23.93%	5.22
2017	1,180,345	35,255	6,209	1,578,802	22.11%	4.83

[1] These ratios are calculated using personal income and population data for the prior calendar year.

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 Capita [2]
2008	18,774	142,170	200,273	292,244	653,461	3.64%	2,239
2009	18,171	139,410	198,268	285,743	641,592	3.52%	2,167
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

Notes:
General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (which, the City has none.)

[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, 2017

2016-17 Assessed Valuation:	$ 25,457,848,060
Less Dissolved Redevelopment Agency Incremental Valuation:	6,955,334,879
Adjusted Assessed Valuation:	$ 18,502,513,181

	Total Debt	% Applicable	City's Share of Debt[1]
Overlapping debt repaid with property taxes[2]			
Metropolitan Water District	$ 749,050	1.045%	$ 782,757
Riverside County Flood Control and Water Conservation District Zone No. 4	18,729,995	2.127	$ 398,387
Riverside City Community College District	262,164,714	28.966	75,938,631
Alvord Unified School District	217,965,523	71.518	155,884,583
Riverside Unified School District	129,220,000	86.409	111,657,710
Corona-Norco Unified School District	330,200,000	0.001	3,302
Jurupa Unified School District	131,766,667	0.003	3,953
Moreno Valley Unified School District	123,193,517	10.118	12,464,720
Alvord Unified School District Community District No.2006-1	7,777,248	82.333	6,403,242
Riverside Unified School District Community Facilities Districts	72,745,000	89.479-100.	72,626,108
City of Riverside Community Facilities Districts	14,255,000	100.	14,255,000
City of Riverside 1915 Act Bonds	23,215,000	100.	23,215,000
Total overlapping debt repaid with property taxes			$ 473,633,393

(continued)

Other overlapping debt[2]

Riverside County General Fund Obligations	$ 864,838,109	10.790%	$ 93,316,032
Riverside County Pension Obligations	286,535,000	10.790	30,917,127
Riverside County Board of Education Certificates of Participation	-	10.799	-
Alvord Unified School District Certificates of Participation	-	71.046	-
Corona-Norco Unified School District Certificates of Participation	25,600,000	0.001	256
Jurupa Unified School District Certificates of Participation	42,966,667	0.003	1,289
Moreno Valley Unified School District Certificates of Participation	10,784,997	10.118	1,091,226
Riverside Unified School District General Fund Obligations	18,788,785	86.409	16,235,201
Total other overlapping debt			141,561,131
Less: Riverside County supported obligations			599,374
			140,961,757
Overlapping tax Increment debt			228,427,799
Total overlapping debt			843,022,949
City direct debt			356,993,000
Combined total direct and overlapping debt			$ 1,200,015,949

(1) Debt balances are as of March 1, 2017 (most recent available) for other agency debt, and June 30, 2017 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 2016-17 Assessed Valuation:
Total debt repaid with property taxes…………………………….... 1.86%
City direct debt ($356,993,000)………..…………..………..…. 1.40%
Combined total direct and overlapping debt……………………..... 4.71%

Ratios to Dissolved Redevelopment Incremental Valuation ($6,955,334,879):
Total overlapping tax Increment debt…………………………….. 3.28%

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)

	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Assessed valuation	$17,950,082	$18,243,019	$ 16,840,575	$ 16,396,996	$ 16,342,830	$ 16,415,712	$ 16,851,786	$ 17,867,012	$ 18,502,513	$ 19,209,528
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	4,487,521	4,560,755	4,210,144	4,099,249	4,085,708	4,103,928	4,212,947	4,466,753	4,625,628	4,802,382
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	673,128	684,113	631,522	614,887	612,856	615,589	631,942	670,013	693,844	720,357
Total net debt applicable to limit:	18,774	18,171	17,533	16,845	16,107	15,314	14,460	13,546	12,567	11,513
Legal debt margin	654,354	665,942	613,989	598,042	596,749	600,275	617,482	656,467	681,277	708,844
Total net debt applicable to the limit as a percentage of debt limit	2.8%	2.7%	2.8%	2.7%	2.6%	2.5%	2.3%	2.0%	1.8%	1.6%

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 a 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 7 and Notes to Financial Statements.

Table 19
City of Riverside
Pledged-Revenue Coverage
Business Type Activity Debt
Last Ten Fiscal Years

(in thousands)

Electric Revenue Bonds

Fiscal Year	Pledged Revenue[1]	Less: Operating Expenses[1]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2008	314,733	219,680	95,053	19,460	16,790	2.62
2009	320,447	202,904	117,543	20,572	24,941	2.58
2010	320,560	199,040	121,520	21,574	22,572	2.75
2011	319,177	212,878	106,299	23,029	25,087	2.21
2012	340,098	221,876	118,222	25,174	27,630	2.24
2013	348,187	226,997	121,190	18,486	25,941	2.73
2014	347,541	241,136	106,405	21,632	27,575	2.16
2015	348,244	247,984	100,260	15,485	26,532	2.39
2016	371,029	244,571	126,458	16,460	25,780	2.99
2017	368,956	251,750	117,206	14,032	25,553	2.96

Water Revenue Bonds

Fiscal Year	Pledged Revenue[1]	Less: Operating Expenses[1]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2008	67,312	33,827	33,485	4,355	4,275	3.88
2009	60,886	35,639	25,247	4,473	6,728	2.25
2010	61,985	35,953	26,032	4,533	8,008	2.08
2011	84,328	35,220	49,108	4,799	9,263	3.49
2012	73,557	35,309	38,248	4,708	8,872	2.82
2013	72,700	35,940	36,760	5,395	8,700	2.61
2014	71,317	37,698	33,619	4,574	8,536	2.56
2015	66,010	35,785	30,225	5,258	8,342	2.22
2016	60,047	33,802	26,245	5,533	8,063	1.93
2017	65,689	37,871	27,818	5,486	8,124	2.04

Sewer Revenue Bonds

Fiscal Year	Pledged Revenue[1]	Less: Operating Expenses[1]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
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

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.

The City of Riverside does not have any pledged revenue related to Govermental 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]
2007	291,814	6,514,489	22,324	6.1
2008	296,038	6,665,142	22,514	8.6
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

Sources:

[1] California State Department of Finance.

[2] Demographic Estimates for 2005-2009 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 Cenus Bureau, most recent American Community Survey.

[3] State of California Empolyment Development Department.

Table 21
City of Riverside
Principal Employers
Current Year and Nine Years Ago

	2017			2008		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
County of Riverside	11,865	1	8.1%			
University of California	8,686	2	6.0%	7,127	1	4.6%
Riverside Unified School District	4,000	3	2.7%	4,200	2	2.7%
Kaiser	3,484	4	2.4%	3,900	3	2.5%
City of Riverside	2,429	5	1.7%	2,749	4	1.8%
California Baptist University	2,285	6	1.6%			
Riverside Community Hospital	2,200	7	1.5%	1,600	8	1.0%
Alvord Unified School District	1,800	8	1.2%	2,000	5	1.3%
UTC Aerospace Systems	1,200	9	0.8%			
Parkview Community Hospital	897	10	0.6%	915	9	0.6%
Riverside Community College District				2,000	6	1.3%
Fleetwood Enterprises				1,963	7	1.3%
Riverside Medical Clinic				750	10	0.5%
Total	38,846		26.6%	27,204		17.5%

Source: City of Riverside, Finance Department

Table 22
City of Riverside
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014 [2]	2015	2016	2017
Function										
General government	436.35	439.10	433.40	431.40	440.40	413.90	356.25	361.25	394.24	417.55
Public safety (sworn and non-sworn personnel)										
Police [1]	637.33	591.93	589.93	589.93	599.93	596.75	551.75	553.75	554.75	512.00
Fire	254.21	254.21	255.46	255.46	255.46	255.46	255.00	255.00	251.00	239.00
Highways and streets	318.35	369.65	349.50	348.11	357.11	362.11	333.48	308.00	308.00	272.00
Sanitation	64.29	58.60	59.00	56.00	56.00	57.00	59.00	57.00	59.00	59.00
Culture and recreation	339.52	340.71	328.07	328.07	341.22	351.48	269.98	274.45	286.75	276.23
Airport	7.00	7.00	7.00	9.50	9.50	9.50	6.00	6.00	6.00	7.00
Water	167.00	167.00	177.65	180.15	181.15	181.15	182.15	181.15	181.15	174.15
Electric	404.60	408.10	419.45	448.50	452.50	459.50	462.50	464.50	466.50	471.75
Total	2,628.65	2,636.30	2,619.46	2,647.12	2,693.27	2,686.85	2,476.11	2,461.10	2,507.39	2,428.68

[1] In fiscal year 2009 the Crossing Guards program (46.40 FTEs) was moved from the Police Department to the Public Works Department (highways and streets).
[2] 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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Arrests	9,367	10,150	8,690	8,118	7,736	8,362	9,321	10,310	9,242	8,358
Fire										
Number of calls answered	27,429	26,397	26,484	27,322	27,637	29,988	30,668	32,943	35,905	36,150
Inspections	10,812	7,638	7,234	6,505	10,074	10,151	12,476	8,770	6,636	6,482
Public works:										
Street resurfacing (miles)	26.27	18.90	20.00	21.25	18.43	16.50	35.38	38.75	39.01	27.09
Parks and recreation										
Number of recreation classes	22,146	21,884	27,762	37,303	43,318	41,364	45,707	43,007	53,907	53,308
Number of facility rentals	35,076	36,822	34,565	42,638	43,288	43,358	46,432	44,363	47,772	48,097
Water										
Number of accounts	63,494	64,062	64,231	64,349	64,367	64,591	64,829	65,102	65,094	65,428
Annual consumption (ccf)	30,583,266	29,721,236	26,687,271	25,902,439	27,062,142	28,186,178	28,887,304	26,007,490	22,529,463	25,340,729
Electric										
Number of accounts	106,015	106,385	106,335	106,855	107,321	107,525	108,358	108,388	108,776	109,274
Annual consumption (kwh)	2,526	2,282	2,089	2,016	2,103	2,193	2,152	2,167	2,170	2,197
Sewer:										
New connections	16,412	18,765	16,971	17,746	18,166	17,607	17,274	17,553	17,669	17,654
Average daily sewage treatment (millions of gallons)	32.10	33.00	33.29	30.06	29.84	29.57	28.49	27.15	26.35	27.19

[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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function										
Public Safety										
Police										
Stations	3	3	3	3	3	3	3	3	3	3
Substations	4	5	4	4	4	4	4	4	4	5
Helicopters	4	4	4	4	4	4	3	3	3	3
Fire										
Stations	14	14	14	14	14	14	14	14	14	14
Active apparatus	30	30	30	26	27	28	28	31	33	32
Reserve apparatus	6	7	7	9	9	11	11	8	9	9
Training facilities	1	1	1	1	1	1	1	1	1	1
Highways and streets										
Streets (miles)	864.68	866.89	867.96	868.39	868.70	868.89	871.19	872.16	872.22	872.01
Streetlights	29,312	29,675	29,757	29,868	29,933	29,949	29,968	29,986	30,427	30,467
Signalized intersections	363	365	362	362	365	365	367	386	381	382
Culture and recreation										
Parks acreage	2,773.00	2,773.00	2,773.00	2,811.00	2,811.00	2,891.00	2,911.80	2,926.80	2,983.00	2,983.00
Community centers	11	11	11	11	11	11	11	11	11	11
Playgrounds	38	41	41	41	41	43	44	44	46	46
Swimming pools	7	7	7	7	7	7	7	7	7	7
Softball & baseball diamonds	44	44	44	49	51	54	54	54	54	54
Library branches	6	7	7	8	8	8	8	8	8	8
Museum exhibit-fixed	8	6	5	8	5	3	3	4	5	5
Museum exhibit-special	5	2	2	2	1	4	4	5	6	6
Water										
Fire hydrants	7,381	7,523	7,593	7,632	7,682	7,726	7,754	7,758	7,908	7,952
Sewer										
Sanitary sewers (miles)	794	794	820	823	829	829	829	820	829	827
Electric										
Miles of overhead distribution system	523.5	522.0	519.0	517.0	515.0	513.0	513.0	513.0	513.0	513.0
Miles of underground system	741.6	769.0	782.0	791.0	804.0	810.0	814.0	815.0	817.0	826.0

Source: City of Riverside, various departments

CITY OF
RIVERSIDE

CITY OF
RIVERSIDE

City of Arts & Innovation

3900 Main Street
Riverside, CA 92522

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APPENDIX F

SUPPLEMENTAL INFORMATION—THE CITY OF RIVERSIDE

The following information relating to the City of Riverside and the County of Riverside, California is supplied solely for purposes of information. Neither the City nor the County is obligated in any manner to pay principal of or interest on the Bonds or to cure any delinquency or default on the Bonds. The Bonds are payable solely from the sources described in the Official Statement.

General Description and Background

Incorporated on October 11, 1883, the City of Riverside (the "**City**") is a charter city that functions under a Council/Manager form of government. A seven-member City Council, including the Mayor, is elected at large. The City Manager is appointed by the City Council.

The County of Riverside (the "**County**"), which encompasses 7,303 square miles, was organized in 1893 from territory in San Bernardino and San Diego Counties. Located in the southeastern portion of California, the County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the South by San Diego and Imperial Counties and on the west by Orange and Los Angeles Counties. There are 28 incorporated cities in the County.

Population

The following table sets forth the City, the County and the State of California population estimates as of January 1 for the calendar years 2014 to 2018.

CITY OF RIVERSIDE, COUNTY OF RIVERSIDE AND STATE OF CALIFORNIA
Population

	Calendar Year				
Area	***2014***	***2015***	***2016***	***2017***	***2018***
City of Riverside	315,129	317,890	320,226	323,190	325,860
County of Riverside	2,291,262	2,317,895	2,346,717	2,382,640	2,415,955
State of California	38,568,628	38,912,464	39,179,627	39,500,973	39,809,693

Source: State of California, Department of Finance *E-4 Population Estimates for Cities, Counties and State, 2011-2018, with 2010 Benchmark*, Sacramento, California, May 2018.

Commerce

The table below shows the number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions within the City for the calendar years 2012 to 2016, the latest date for which such information is available.

CITY OF RIVERSIDE
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in thousands)

	Retail Stores		***Total All Outlets***	
	Number of Permits	***Taxable Transactions***	***Number of Permits***	***Taxable Transactions***
2012	6,196	$3,348,220	8,484	$4,238,975
2013	5,436	3,580,926	7,673	4,612,948
2014	5,782	3,893,497	8,051	5,072,694
2015	6,471	4,028,227	9,466	5,371,363
2016	6,592	4,091,743	9,735	5,507,804

Source: California State Board of Equalization, *Taxable Sales in California (Sales & Use Tax)*.

Employment and Industry

The City is included in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the "**MSA**"), which includes all of the County and San Bernardino County. In addition to varied manufacturing employment, the MSA has large and growing commercial and service sector employment, as reflected in the table below.

The following table represents the Annual Average Labor Force and Industry Employment for the MSA for the calendar years 2013 to 2017:

RIVERSIDE-SAN BERNARDINO-ONTARIO MSA
Industry Employment and Labor Form – Annual Average

	2013	*2014*	*2015*	*2016*	*2017*
Civilian Labor Force	1,893,100	1,921,000	1,956,900	1,984,900	2,022,100
Civilian Employment	1,706,800	1,765,300	1,828,200	1,866,600	1,918,600
Civilian Unemployment	186,300	155,700	128,600	118,300	103,600
Civilian Unemployment Rate	9.8%	8.1%	6.6%	6.0%	5.1%
Total Farm	14,500	14,400	14,800	14,600	14,400
Total Nonfarm	1,233,300	1,289,300	1,353,100	1,401,900	1,451,600
Total Private	1,008,100	1,060,500	1,119,900	1,159,600	1,201,600
Goods Producing	158,600	170,200	183,000	191,500	196,600
Mining & Logging	1,200	1,300	1,300	900	900
Construction	70,000	77,600	85,700	92,000	97,000
Manufacturing	87,300	91,300	96,100	98,600	98,700
Service Providing	1,074,700	1,119,100	1,170,100	1,210,500	1,255,000
Trade, Transportation & Utilities	299,700	314,900	333,200	348,100	366,000
Wholesale Trade	56,400	58,900	61,600	62,800	63,700
Retail Trade	164,800	169,400	174,300	178,000	182,100
Transportation, Warehousing & Utilities	78,500	86,600	97,400	107,300	120,200
Information	11,500	11,300	11,400	11,500	11,300
Financial Activities	41,800	42,900	43,900	44,600	44,500
Professional & Business Services	131,900	138,700	147,400	145,000	147,200
Educational & Health Services	187,600	194,800	205,100	214,300	224,800
Leisure & Hospitality	135,900	144,800	151,700	160,200	165,700
Other Services	41,100	43,000	44,000	44,600	45,600
Government	225,200	228,800	233,300	242,300	250,000
Total, All Industries	1,247,800	1,303,700	1,367,900	1,416,600	1,466,000

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding. The "Total, All Industries" data is not directly comparable to the employment data found in this Appendix C.

Source: State of California, Employment Development Department, *Riverside San Bernardino Ontario MSA Industry Employment & Labor Force – by Annual Average, March 2017 Benchmark*.

The following table summarizes the labor force, employment and unemployment figures for the calendar years 2013 to 2017 for the City, the County, the State and the nation as a whole.

CITY OF RIVERSIDE, COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA AND UNITED STATES
Average Annual Civilian Labor Force, Employment and Unemployment

Year and Area	*Labor Force*	*Employment*[(1)]	*Unemployment*[(2)]	*Unemployment Rate (%)*[(3)]
2013				
City of Riverside	142,000	128,500	13,400	9.5%
Riverside County	996,400	897,700	98,700	9.9
California	18,625,000	16,958,400	1,666,600	8.9
United States[(4)]	155,389,000	143,929,000	11,460,000	7.4
2014				
City of Riverside	144,500	133,100	11,300	7.8%
Riverside County	1,013,500	930,400	83,100	8.2
California	18,758,400	17,351,300	1,407,100	7.5
United States[(4)]	155,922,000	146,305,000	9,617,000	6.2
2015				
City of Riverside	147,800	138,400	9,400	6.4%
Riverside County	1,035,700	966,300	69,400	6.7
California	18,896,500	17,724,800	1,171,700	6.2
United States[(4)]	157,130,000	148,834,000	8,296,000	5.3
2016				
City of Riverside	150,100	141,400	8,700	5.8%
Riverside County	1,052,600	988,200	64,500	6.1
California	19,093,700	18,048,800	1,044,800	5.5
United States[(4)]	159,187,000	151,436,000	7,751,000	4.9
2017				
City of Riverside	152,000	144,200	7,700	5.1%
Riverside County	1,072,500	1,016,200	56,300	5.2
California	19,312,000	18,393,100	918,900	4.8
United States[(4)]	160,320,000	153,337,000	6,982,000	4.4

(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
(4) Not strictly comparable with data for prior years.
Source: California Employment Development Department, March 2017 Benchmark and U.S. Department of Labor, Bureau of Labor Statistics.

Major Employers

The following table lists the largest employers within the City as of June 30, 2017.

CITY OF RIVERSIDE
Largest Employers

Name	Employees	Type of business or entity
County of Riverside	11,865	Public Administration
University of California Riverside	8,686	Services: Educational
Riverside Unified School District	4,000	Services: Educational
Kaiser Permanente Riverside Medical Center	3,484	Services: Health
City of Riverside	2,429	Public Administration
California Baptist University	2,285	Services: Educational
Riverside Community Hospital	2,200	Services: Health
Alvord Unified School District	1,800	Services: Educational
UTC Aerospace Systems	1,200	Aerospace Manufacturer
Parkview Community Hospital	897	Services: Health

Source: City of Riverside, *Comprehensive Annual Financial Report, Year Ended June 30, 2017.*

Construction Activity

The following is a summary of the valuation of building permits issued in the City for the calendar years 2013 to 2017, the latest date for which such information is available.

CITY OF RIVERSIDE
Building Permit Valuations

	2013	*2014*	*2015*	*2016*	*2017*
Valuation ($000):					
Residential	$30,646	$80,367	$89,166	$80,222	$120,079
Non-residential	115,561	70,046	124,254	148,266	162,197
Total*	$146,207	$150,413	$213,420	$228,488	$282,276
Residential Units:					
Single family	70	230	222	219	172
Multiple family	51	85	224	254	535
Total	121	315	446	473	707

* Note: Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

Personal Income

The following tables summarize personal income for the County for the calendar years 2008 to 2016, the latest date for which such information is available.

COUNTY OF RIVERSIDE
Personal Income (Dollars in Thousands)

Year	*Personal Income*	*Annual Percent Change*
2008	$67,367,683	1.5%
2009	65,359,484	(3.0)
2010	66,904,690	2.4
2011	71,213,948	6.4
2012	73,158,724	2.7
2013	75,223,346	2.8
2014	79,066,137	5.1
2015	84,429,454	6.7
2016	87,827,068	4.0

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

The following table summarizes per capita personal income for the County, California and the United States for the calendar years 2007 to 2016, the latest date for which such information is available. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

COUNTY OF RIVERSIDE, STATE OF CALIFORNIA AND THE UNITED STATES
Per Capita Personal Income

Year	*County of Riverside*	*State of California*	*United States*
2007	$31,972	$43,692	$39,821
2008	31,932	44,162	41,082
2009	30,446	42,224	39,376
2010	30,380	43,323	40,278
2011	31,847	45,854	42,463
2012	32,301	48,359	44,283
2013	32,828	48,555	44,489
2014	34,044	51,317	46,486
2015	35,883	54,664	48,429
2016	36,782	56,308	49,204

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 61 elementary and middle schools and high schools. There are also about 48 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 Institute, a federally-run school for Indians.

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. 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, County voters approved Measure A, a one-half cent sales tax increase. Measure A was to expire in 2009, but in 2002, County voters approved extending Measure A until 2039. Measure A is expected to generate $4.6 billion between 2009 and 2039. In 1990, voters of the adjacent San Bernardino County approved a similar program, and that sales tax was similarly increased by a vote of the electorate in November 2003.

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APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon the issuance of the Bonds, the Agency proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

$74,435,000
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
2018 TAX ALLOCATION REFUNDING BONDS, SERIES A

$40,380,000
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
2018 TAX ALLOCATION REFUNDING BONDS, TAXABLE SERIES B

This CONTINUING DISCLOSURE CERTIFICATE (this "**Disclosure Certificate**") is executed and delivered by the Successor Agency to the Redevelopment Agency of the City of Riverside (the "**Successor Agency**") in connection with the execution and delivery of the Successor Agency's $74,435,000 2018 Tax Allocation Refunding Bonds, Series A (the "**2018A Bonds**") and $40,380,000 2018 Tax Allocation Refunding Bonds, Taxable Series B (the "**2018B Bonds**" and, together with the 2018A Bonds, the "**Bonds**").

The 2018A Bonds are being executed and delivered pursuant to an Indenture of Trust, dated as of October 1, 2014 (the "**Original Indenture**"), by and between the Successor Agency and U.S. Bank National Association, as trustee (the "**Trustee**"), as supplemented by a Second Supplement to Indenture of Trust, dated as of September 1, 2018 (the "**Second Supplement**"), by and between the Successor Agency and the Trustee.

The 2018B Bonds are being executed and delivered pursuant to the Original Indenture, as supplemented by a Third Supplement to Indenture of Trust, dated as of September 1, 2018 (the "**Third Supplement**"), by and between the Successor Agency and the Trustee. The Original Indenture, as supplemented by the Second Supplement and the Third Supplement, is referred to herein as the "**Indenture**."

The Successor Agency covenants and agrees as follows:

Section 1. <u>Purpose of the Disclosure Certificate</u>. This Disclosure Certificate is being executed and delivered by the Successor Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 2. <u>Definitions</u>. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term that is used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the Successor Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means each March 31 after the end of the Successor Agency's fiscal year.

"*Dissemination Agent*" means the Successor Agency, or any successor Dissemination Agent designated in writing by the Successor Agency and which has filed with the Successor Agency a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, 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.

"*Official Statement*" means the final official statement executed by the Successor Agency in connection with the issuance of the Bonds.

"*Participating Underwriter*" means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"<u>Rule</u>" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. <u>Provision of Annual Reports</u>.

(a) The Successor Agency shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2019 with the report for the 2017-18 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate; provided, however, that delivery of the Official Statement for the Bonds may constitute the annual report for 2017-18 fiscal year. Not later than 15 Business Days prior to the Annual Report Date, the Successor Agency shall provide the Annual Report to the Dissemination Agent (if other than the Successor Agency). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Successor Agency) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Successor Agency to determine if the Successor Agency 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 Successor Agency 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 Successor Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Successor Agency 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 Successor Agency hereunder.

(b) If the Successor Agency does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Successor Agency shall in a timely manner provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, 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 Successor Agency, file a report with the Successor Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. <u>Content of Annual Reports</u>. The Annual Report shall contain or incorporate by reference the following:

(a) The Successor Agency'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 Successor Agency's audited financial statements are not available by the Annual Report Date, the Successor Agency shall provide notice to the MSRB of such fact in a timely manner, 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 Successor Agency for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

(i) Principal amount of Bonds outstanding.

(ii) Description of issuance by the Successor Agency of any debt payable from or secured by a pledge of Tax Revenues in the Project Areas (as defined in the Official Statement) in the most recently completed fiscal year (including details as to date, amount, term, rating, insurance).

(iii) The assessed value of property in each Project Area for the most recently completed fiscal year in the form of Table 1 in the Official Statement.

(iv) The ten largest local secured property taxpayers in the Project Areas in substantially the form of Table 3 to the Official Statement.

(v) The coverage ratio provided by Tax Revenues in each Project Area with respect to debt service on the Bonds and any Parity Bonds for the most recently completed fiscal year only, in substantially the form of Table 7 in the Official Statement, without any requirement to update any projected Tax Revenues set forth in Table 7.

(vi) In the event that during the most recently completed fiscal year the County of Riverside eliminates its policy pursuant to which the County Auditor-Controller distributes 100% of tax increment revenues allocated to each redevelopment successor agency in the County without regard to delinquencies in the payment of property taxes, notice thereof.

(c) In addition to any of the information that is expressly required to be provided under this Disclosure Certificate, the Successor Agency 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 Successor Agency 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 Successor Agency shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the Successor Agency or other obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving the Successor Agency or an obligated person, or the sale of all or substantially all of the assets of the Successor Agency or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Successor Agency obtains knowledge of the occurrence of a Listed Event, the Successor Agency shall, or shall cause the Dissemination Agent (if not the Successor Agency) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The Successor Agency acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The Successor Agency shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the Successor Agency obtains knowledge of the occurrence of any of these Listed Events, the Successor Agency will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the Successor Agency will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Successor Agency in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Successor Agency, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Successor Agency.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Successor Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Successor Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The Successor Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Successor Agency. Any Dissemination Agent may resign by providing 30 days' written notice to the Successor Agency.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Successor Agency 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 Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either: (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders; or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Successor Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Successor Agency 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 Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Successor Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Successor Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the Successor Agency fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Successor Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Successor Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Successor Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they 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 Dissemination Agent shall have no duty or obligation to review any information provided to it by the Successor Agency hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Successor Agency, the Bond holders or any other party. The obligations of the Successor Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the Successor Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Successor Agency, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: September 27, 2018

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE

By: ______________________________________

Name: ____________________________________

Title: _____________________________________

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Successor Agency to the Redevelopment Agency of the City of Riverside
Name of Issue:	Successor Agency to the Redevelopment Agency of the City Of Riverside 2018 Tax Allocation Refunding Bonds, Series A; and Successor Agency to the Redevelopment Agency of the City Of Riverside 2018 Tax Allocation Refunding Bonds, Taxable Series B
Date of Issuance:	September 27, 2018

NOTICE IS HEREBY GIVEN that the Successor Agency has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture of Trust, dated as of October 1, 2014, by and between the Successor Agency and U.S. Bank National Association, as trustee, as supplemented by a Second Supplement to Indenture of Trust and a Third Supplement to Indenture of Trust, each dated as of September 1, 2018. The Successor Agency anticipates that the Annual Report will be filed by ________________.

Dated: ______________________

DISSEMINATION AGENT:

____

By: ______________________________
Its: ______________________________

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SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE • 2018 TAX ALLOCATION REFUNDING BONDS, SERIES A AND TAXABLE SERIES B

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