

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, 2016. 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 71-74 in this report.

The City adopted an annual appropriated budget for its General Fund for the Year ended June 30, 2016. 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 273,925	\$ 292,043	\$ 736,950	\$ 809,052	\$ 1,010,875	\$ 1,101,095
Capital assets, net	1,377,609	1,379,913	1,778,027	1,666,927	3,155,636	3,046,840
Total assets	1,651,534	1,671,956	2,514,977	2,475,979	4,166,511	4,147,935
Deferred Outflows of Resources	131,318	66,351	98,835	62,584	230,153	128,935
Current liabilities	76,188	66,211	162,967	153,836	239,155	220,047
Long-term liabilities	772,609	767,003	1,416,469	1,432,349	2,189,078	2,199,352
Total liabilities	848,797	833,214	1,579,436	1,586,185	2,428,233	2,419,399
Deferred Inflows of Resources	92,935	79,414	58,836	41,083	151,771	120,497
Net position:						
Net investment in capital assets	1,123,910	1,126,220	654,870	626,166	1,778,780	1,752,386
Restricted	106,488	105,847	85,526	75,660	192,014	181,507
Unrestricted	(389,278)	(406,388)	235,144	209,469	(154,134)	(196,919)
Total net position	\$ 841,120	\$ 825,679	\$ 975,540	\$ 911,295	\$ 1,816,660	\$ 1,736,974

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,816,660 at June 30, 2016, an increase of \$79,686 from June 30, 2015.

By far the largest portion of the City's net position of 98% 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, \$235,144 is held by the business-type activities and \$(389,278) net deficit is held by the governmental activities.

Unrestricted net position in the amount of \$(154,134), a decrease of 22% 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 \$15,441 to \$841,120 for the year ended June 30, 2016, accounting for 19% 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, 2016 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	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charge for services	\$ 46,354	\$ 55,043	\$ 493,094	\$ 491,622	\$ 539,448	\$ 546,665
Operating Grants and Contributions	16,321	12,869	2,322	3,869	18,643	16,738
Capital Grants and Contributions	31,216	43,904	18,868	8,027	50,084	51,931
General Revenues:						
Sales taxes	60,976	59,437	-	-	60,976	59,437
Property taxes	55,545	54,864	-	-	55,545	54,864
Other taxes and fees	39,651	38,899	-	-	39,651	38,899
Investment income	729	3,233	6,888	5,319	7,617	8,552
Other	12,185	15,548	22,666	7,652	34,851	23,200
Total Revenues	<u>262,977</u>	<u>283,797</u>	<u>543,838</u>	<u>516,489</u>	<u>806,815</u>	<u>800,286</u>
Expenses:						
General government	24,483	26,587	-	-	24,483	26,587
Public safety	161,284	154,123	-	-	161,284	154,123
Highways and streets	38,836	36,563	-	-	38,836	36,563
Culture and recreation	47,762	45,594	-	-	47,762	45,594
Interest on long-term debt	16,387	17,025	-	-	16,387	17,025
Electric	-	-	307,925	309,874	307,925	309,874
Water	-	-	57,769	62,792	57,769	62,792
Sewer	-	-	39,978	35,593	39,978	35,593
Airport	-	-	1,799	1,809	1,799	1,809
Refuse	-	-	21,652	20,007	21,652	20,007
Transportation	-	-	4,113	4,385	4,113	4,385
Public parking	-	-	5,141	5,604	5,141	5,604
Total expenses	<u>288,752</u>	<u>279,892</u>	<u>438,377</u>	<u>440,064</u>	<u>727,129</u>	<u>719,956</u>
Increase (decrease) in net position	(25,775)	3,905	105,461	76,425	79,686	80,330
Transfers, net	41,216	42,681	(41,216)	(42,681)	-	-
Total changes in net position	<u>15,441</u>	<u>46,586</u>	<u>64,245</u>	<u>33,744</u>	<u>79,686</u>	<u>80,330</u>
Net position - beginning, as previously reported	<u>825,679</u>	<u>1,200,922</u>	<u>-</u>	<u>1,045,049</u>	<u>825,679</u>	<u>2,245,971</u>
Prior period adjustment	-	(421,829)	-	(167,498)	-	(589,327)
Net position - beginning, as restated	<u>825,679</u>	<u>779,093</u>	<u>911,295</u>	<u>877,551</u>	<u>1,736,974</u>	<u>1,656,644</u>
Net position - ending	<u>\$ 841,120</u>	<u>\$ 825,679</u>	<u>\$ 975,540</u>	<u>\$ 911,295</u>	<u>\$ 2,642,339</u>	<u>\$ 1,736,974</u>

Governmental activities. Total net position for governmental activities increased by \$15,441 or 2% from prior year. Governmental activities net position in the prior fiscal year decreased by \$375,243. Key elements of this year's activity in relation to the prior year are as follows:

Revenues:

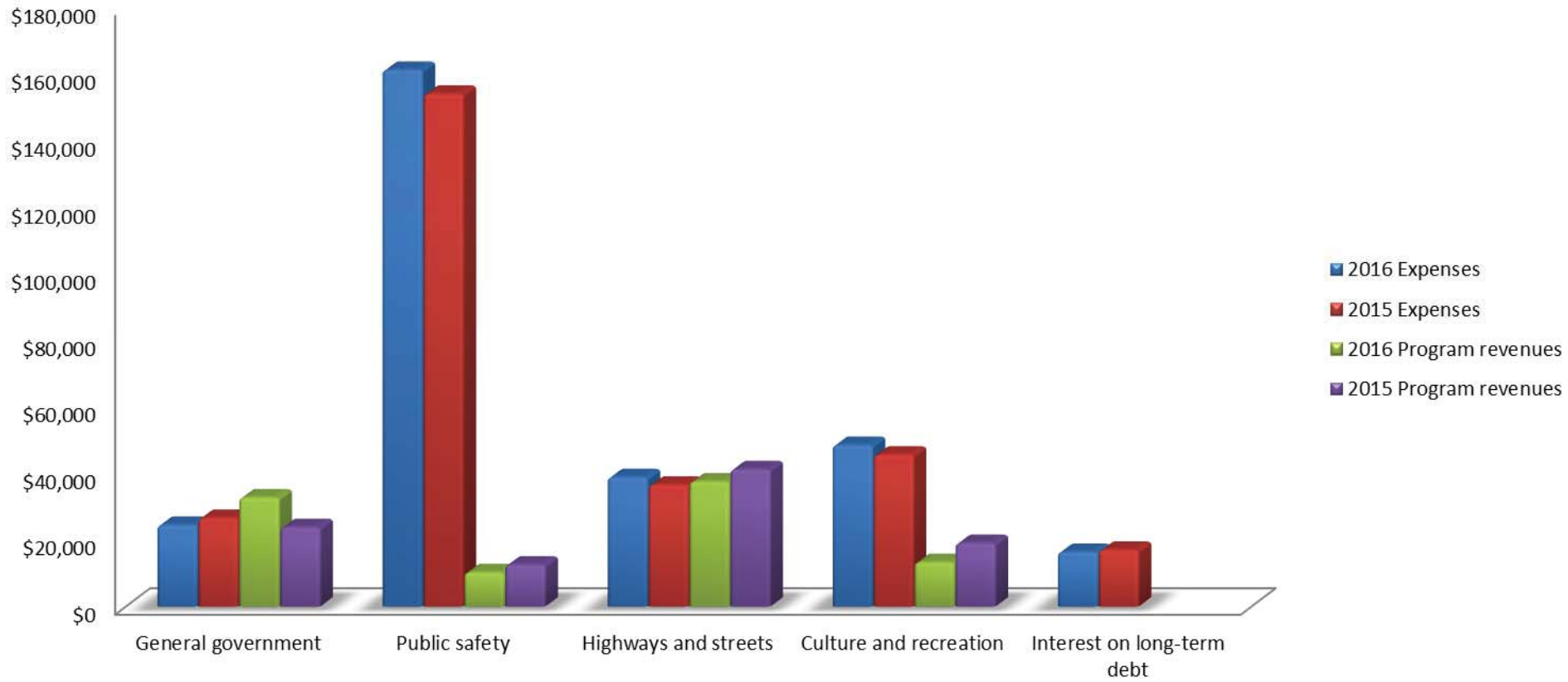
- While variances between years exist for the various revenue categories, the total net decrease was approximately \$21 million or 7%, which is largely attributable to a decrease capital grants and contributions. Capital grants and contributions decreased by approximately \$12.7 million or 29%. The largest component of the decrease relates to capital outlay projects. Specifically, the City completed or was near completion on several major grade separation projects in the prior fiscal year. Also, as the City and much of the nation continue to spend at cautious levels sales, property and other taxes remained relatively flat with minimal increases in each category. The decrease in investment income is primarily the result of one time interest received in the prior year. The City received state mandated claims that had been pending for several years which included an interest component. The decrease in other revenues primarily relates to the prior year receipt of one time revenue in the amount of \$2.9 million related to state mandated claims.

Expenses:

- While variances between years exist for the various expense functions, the total net increase was approximately \$8.9 million or 3%. This is primarily related to an increase of approximately \$5.2 million in public safety costs associated with approved labor contracts with three Police Department bargaining units. Increases in other expense categories were minimal and in line with anticipated results.

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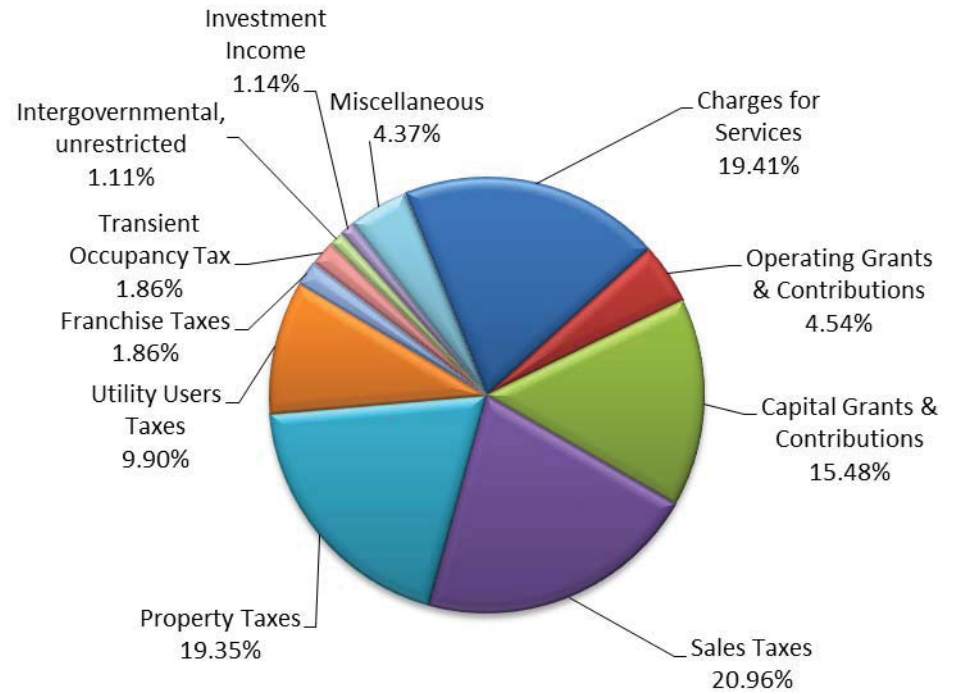
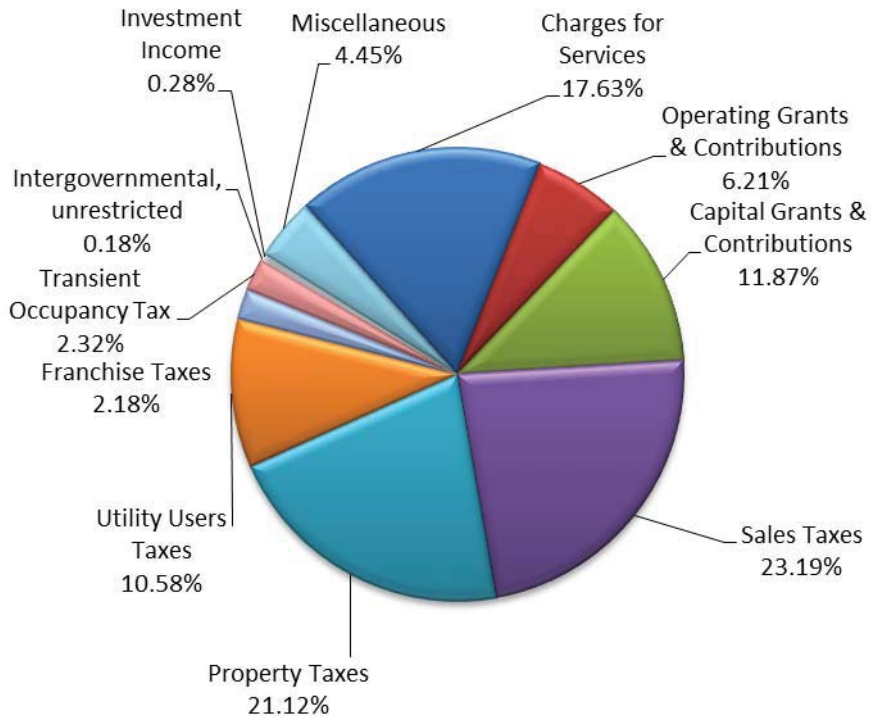
Program Revenues and Expenses – Governmental Activities – Fiscal Year Comparison 2016 vs. 2015



Revenues by Source – Governmental Activities – Fiscal Year Comparison 2016 vs. 2015

2016

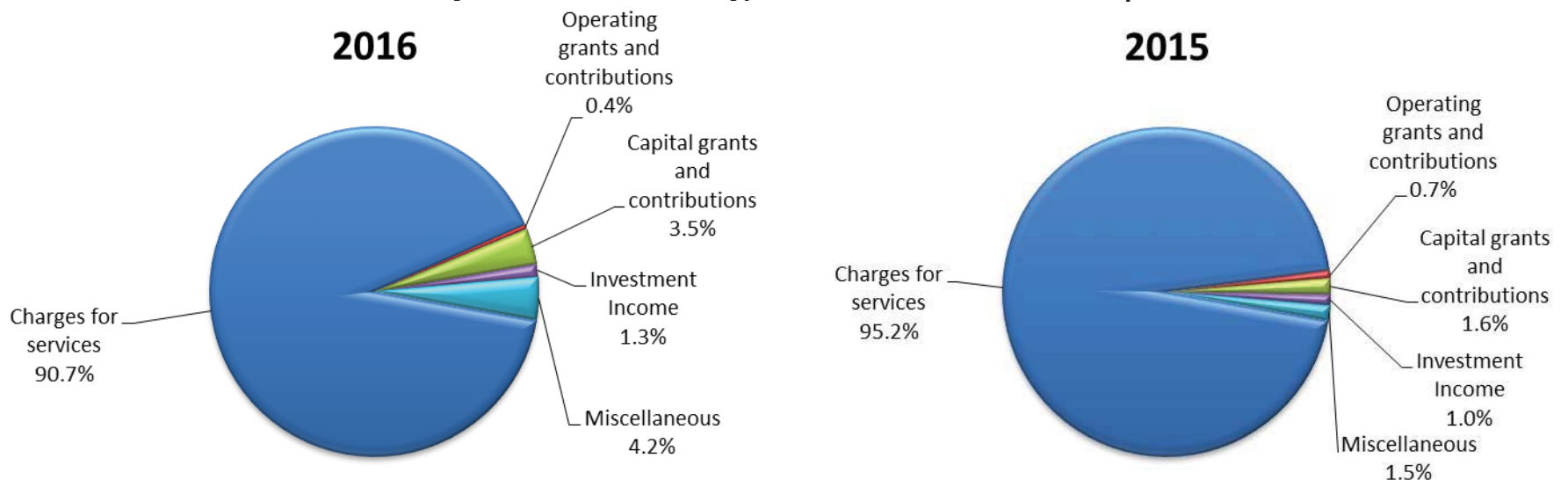
2015



Business-type activities. The net position of business-type activities increased by \$64,245 accounting for a 7% increase in total net position. The net position of business-type activities increased by \$133,754 in the prior year. Key elements of this year's activity in relation to the prior year are as follows:

- Charges for services remained relatively flat along service lines while Capital Grants and Contributions increased \$10,841 or 135%. The primary catalyst for the increase was the assignment of an easement and right-of-way for the construction of an Electric Energy Distribution and Telecommunication facility. Additionally, other general revenue increased \$15,014 or 196% which is primarily attributable to settlement recovery related to San Onofre Nuclear Generating Station (SONGS) in the amount of \$9,500; a \$1,700 settlement recovery related to a fire damage at a substation, and liquidated damages of \$2,300 for various project delays and a power purchase agreement that failed to move forward.
- Overall expenses remained relatively flat decreasing by \$1,687 primarily as the result of decreased expenses in the Electric and Water Fund of \$1,949 and \$5,022, respectively, due to lower energy prices and decreases in facility rehabilitation and water conversation programs coupled with reduced maintenance and operating expenses due to drought conservation efforts. These decrease were offset by increases in the Sewer fund of \$4,385 and the Refuse fund of \$1,646 due to increased support services and waste hauling services, respectively.

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	
	2016	2015	2016	2015	2016	2015	2016	2015
Total assets	\$ 106,710	\$ 112,678	\$ 29,387	\$ 51,122	\$ 124,654	\$ 125,524	\$ 260,751	\$ 289,324
Total liabilities	\$ 33,042	\$ 29,345	\$ 5,132	\$ 14,304	\$ 12,702	\$ 14,112	\$ 50,876	\$ 57,761
Deferred inflows of resources								
Unavailable revenue	8,090	3,682	5,582	18,205	37,535	38,001	51,207	59,888
Fund balances								
Nonspendable	23,094	23,642	-	-	1,619	1,625 *	24,713	25,267
Restricted	3,067	2,985	18,673	18,613	72,798	71,786 *	94,538	93,384
Assigned	9,922	13,965	-	-	-	-	9,922	13,965
Unassigned	29,495	39,059	-	-	-	- *	29,495	39,059
Total fund balance	65,578	79,651	18,673	18,613	74,417	73,411	158,668	171,675
Total liabilities, deferred inflows and fund balances	\$ 106,710	\$ 112,678	\$ 29,387	\$ 51,122	\$ 124,654	\$ 125,524	\$ 260,751	\$ 289,324

* Certain reclassifications have been made to prior year balances to conform with the current year's presentation

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$158,668 a decrease of \$13,007 compared to the prior year. Additionally, 16% of the fund balance \$24,713 is *nonspendable*, which comprises the portion of fund balance that cannot be spent due to form. \$94,538 or 60% 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. \$9,922 or 6% 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 \$260,751 at June 30, 2016, a decrease of \$28,573 compared to the prior year. Liabilities and deferred inflows of resources amounted to \$102,083, a decrease of \$15,566. The Capital Outlay Fund was the

primary contributor to the decrease in overall liabilities and deferred inflows. The Riverside Avenue grade separation project, a \$30,000 project, was substantially completed in March of 2016. This project incurred a significant amount of expense at the end of the prior fiscal year which resulted in a corresponding increase in unavailable revenue that due to the timing of cash receipts was recorded, for accounting purposes, as a deferred inflow of resources. As a result of the timing of project cash receipts, cash flow was depleted in the fund resulting in a corresponding increase in due to other funds. As the project was substantially complete at June 30, 2016, a majority of the revenues have been received for this project.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, total fund balance equaled \$65,578 in comparison to \$79,651. The portion of fund balance classified as unassigned was \$29,495 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 \$203,050, \$36,569, and \$5,093 respectively. The unrestricted net position for the Electric, Water and Sewer Funds in the prior year was \$171,120, \$41,524, and \$8,272, respectively. The increase in unrestricted net position of the Electric Fund was the result of increased operating activities and several one-time non-operating revenues. The decrease in unrestricted net position for the Water and Sewer Funds is primarily a result of operating activities as described below.

Electric Fund operating results experienced an increase in charges for services of \$6,909 or 2.0%, 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 86.1% of total revenues. Retail sales, net of reserve/recovery were \$304,486 and \$299,607 for years ended June 30, 2016 and 2015, respectively. The increase in sales was primarily due to increased customer consumption. Operating expenses decreased \$2,254 or 0.70%, which primarily relates to an increase in transmission charges due to increase in high voltage utility specific rate. The increase in non-operating revenues for the Electric fund is primarily the result of one-time revenues related to insurance settlement recoveries and liquidated damages received of \$11,133 and \$2,328, respectively. \$9,457 of the insurance settlement recoveries related to SONGS outages caused by replacement steam generators with the remaining \$1,676 insurance settlement related to fire damages sustained on substation equipment. Liquidated damages received in the amount of \$2,328 related to renewable power purchase agreement for not meeting certain project milestones.

The Water Fund reported lower operating results, with retail sales lower than the previous year's results by \$6,788. Retail sales (residential, commercial, industrial, and other sales) represent 87.9%% of total revenues. Retail sales, net of reserve/recovery were \$50,195 and \$56,983 for the years ended June 30, 2016 and 2015, respectively. The decrease in retail sales was primarily due to a decrease in retail consumption as a result of continued consumer conservation efforts due to the State of California drought conditions.

Net position of the Sewer Fund increased by \$14,570 and \$17,342 for the years ended June 30, 2016 and 2015, respectively. Although overall net position increased, the increase was at a slower rate than prior years. Operating revenues increased by \$2,328 or 4.6% primarily as a result of an annual rate increase; however, operating expenses increased by \$4,894 compared to prior year offsetting the increase in operating revenue.

General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Total Revenues	<u>211,306</u>	<u>224,967</u>	<u>214,073</u>	<u>(\$10,894)</u>
Expenditures:				
General Government	10,244	14,423	15,578	(1,155)
Public Safety	153,826	170,431	163,837	6,594
Highways & Streets	20,356	20,015	17,416	2,599
Culture & Recreation	37,740	41,462	39,413	2,049
Capital Outlay	218	15,727	8,139	7,588
Debt Service	<u>18,148</u>	<u>49,268</u>	<u>48,978</u>	<u>290</u>
Total Expenditures	<u>240,532</u>	<u>311,326</u>	<u>293,361</u>	<u>17,965</u>
Deficiency of Revenue Under Expenditures	(29,226)	(86,359)	(79,288)	7,071
Other Financing Sources	<u>30,227</u>	<u>67,988</u>	<u>65,215</u>	<u>(2,773)</u>
Net Change in Fund Balances	1,001	(18,371)	(14,073)	4,298
Beginning Fund Balance	<u>79,651</u>	<u>79,651</u>	<u>79,651</u>	<u>-</u>
Ending Fund Balance	<u><u>80,652</u></u>	<u><u>\$61,280</u></u>	<u><u>\$65,578</u></u>	<u><u>\$4,298</u></u>

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 \$18 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, 2016 amounted to \$3,155,636 (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 \$108,796 (a decrease of \$2,304 for governmental activities and an increase of \$111,100 for business-type activities).

Major capital improvements during the current fiscal year included: new infrastructure, consisting primarily of street improvements of \$34 million; \$25 million in Water Utility upgrades primarily related to system expansion and improvements, and continued pipeline replacement programs; \$82 million in Electric Utility capital improvements primarily related to the acquisition of the Mission Square Building and 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 \$391,512 at June 30, 2016 an increase of \$48,691 or 14.2%. Some of the major projects in process are various Sewer system improvements including continuing phase 1 of the Sewer plant expansion project which is near completion, the Santa Ana Trunk replacement project, and 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 \$47,149 for governmental activities and \$54,925 for business-type activities.

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

(Amount presented in Thousands)

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$342,792	\$339,755	\$63,839	\$51,187	\$406,631	\$390,942
Construction in progress	41,535	34,120	349,977	308,701	391,512	342,821
Buildings	119,786	123,798	187,285	149,436	307,071	273,234
Improvements other than Buildings	205,750	209,870	1,101,988	1,088,239	1,307,738	1,298,109
Intangibles	25,075	22,430	40,710	35,262	65,785	57,692
Machinery and equipment	175	198	34,228	34,102	34,403	34,300
Infrastructure	642,496	649,742	-	-	642,496	649,742
Total	\$1,377,609	\$1,379,913	\$1,778,027	\$1,666,927	\$3,155,636	\$3,046,840

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 \$2,189,078 which includes bonded debt of \$1,543,245.

City of Riverside's Long-Term Debt

(Amounts presented in Thousands)

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$12,567	\$13,546	\$ -	\$ -	\$12,567	\$13,546
Pension Obligation Bonds	101,000	108,725	-	-	101,000	108,725
Certificates of Participation	181,429	187,212	-	-	181,429	187,212
Lease Revenue Bonds	39,398	40,891	-	-	39,398	40,891
Revenue Bonds	-	-	1,208,851	1,239,634	1,208,851	1,239,634
Loans Payable	43,482	45,574	-	-	43,482	45,574
Notes Payable	-	-	37,793	37,225	37,793	37,225
Capital Leases	12,006	14,966	4,694	1,720	16,700	16,686
Landfill Capping	-	-	5,686	5,922	5,686	5,922
Arbitrage Liability	-	-	-	15	-	15
Water Acquisition Rights	-	-	938	941	938	941
Compensated Absences	22,444	22,015	8,120	8,444	30,564	30,459
Claims liability	43,269	38,795	-	-	43,269	38,795
Judgment	-	3,334	-	-	-	3,334
OPEB Obligation	17,877	16,361	14,295	13,072	32,172	29,433
Total	\$473,472	\$491,419	\$1,280,377	\$1,306,973	\$1,753,849	\$1,798,392

The City's total debt decreased by \$44,543 or 2.54% during the current fiscal year. The net decrease is primarily related to principal obligation payments on bonded debt offset by increases in the City's pension liability and related long term obligations.

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 \$693,844 at June 30, 2016, which applies only to general obligation debt. At June 30, 2016, the City had \$12,567 of general obligation debt, resulting in available legal debt capacity of \$681,277.

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 6.6% as compared to 6.5% for the prior year.
- The required employer contribution rates as a percentage of payroll for the City's retirement program will be changing effective July 1, 2016 as follows:
 - Miscellaneous Plan –21.012% to 22.978%.
 - Safety Plan – 31.549% to 34.836%.

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. The General Fund Budget for fiscal year 2017 of approximately \$277 million was adopted. It represents an increase from the prior year of approximately 8.2%, largely related to increased personnel costs associated with new labor agreements, increases related to the Riverside Convention Center and Municipal Auditorium and ambitious new projects such as Chow Alley.

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.